FIS Weekly Oil Report

info@freightinvestor.com | freightinvestorservices.com | (+44) 207 090 1120

06/12/2022

Market Review:

Crude oil market — Short-term **bearish** with Brent ranging from $82 - $87/bbl, as the dollar stays strong and the uncertainty of price cap and sanctions on Russian oil takes effect.

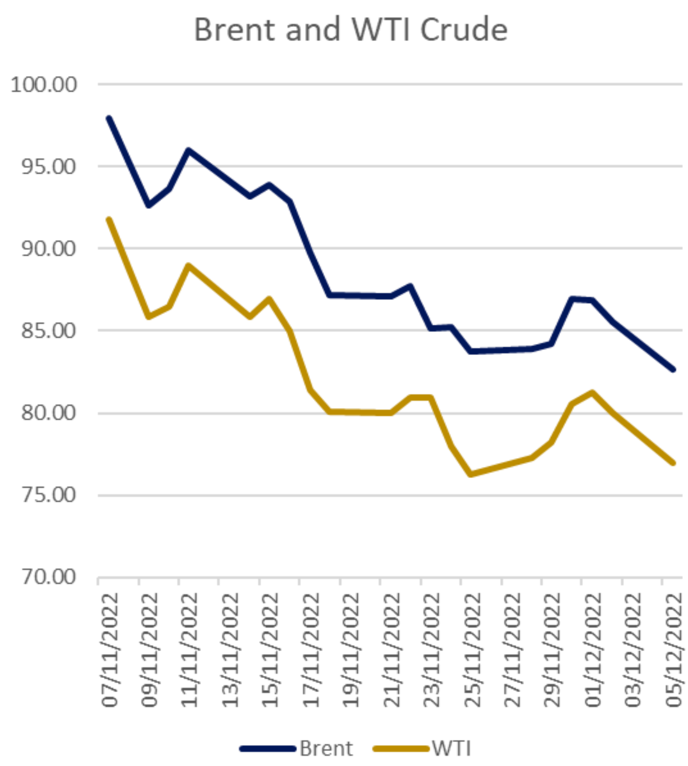
Bunker market — Short-term **bearish** Singapore VLSFO front month future ranges were $571 - $613/mt with decreasing crude levels.

Prices movement	28-Nov	5-Dec	Changes %	Sentiment	
Brent Crude	83.89	82.68	**1.44**	**Bearish**	↓
WTI Crude	77.24	76.93	**0.40**	**Bearish**	↓
VLSFO (Singapore)	600.25	573	**4.54**	**Bearish**	↓-

Crude Oil Market :

Crude Falls on strong US Data

Brent Crude declined by $1.21 or 1.44% to $82.68 17.00 GMT week-on-week (w-o-w) on Monday, 5th December. U.S. West Texas Intermediate crude (WTI) decreased by 31 cents, or 0.40%, to $76.93, Oil Price reported. However, since last month Brent has fallen by 12.65% and WTI by 12.95%, supporting the reported bearish sentiment in the market. Brent saw a high of $87 on the 30th of November in the past week, and yesterday, the 5th of December, marked a new low for the past seven days at $82 as we wait to see how the price cap and sanctions affect the supply of oil.



G7 and Australia imposed a Russian oil price cap at $60 a barrel, and we are waiting to see the impact. One set of the ban involves a ban on European seaborne imports of Russian oil. The other set allows European firms to insure and provide services to tankers carrying Russian crude only if they respect the price cap that's been set, the Economist reported. Zelensky was not impressed with the price cap and said it was soft. On the one hand, the West want to limit Putin's income from oil.

On the other hand, they know limiting it too much will hurt consumers in the west. Therefore, they came about to a price cap that's deemed "soft". It is expected that Russia may respond by reducing its oil production. They responded by saying they won't accept the price cap and won't sell oil to anyone who abides by it. This could mean less supply and a surge in prices which hasn't happened yet. We must wait to see how the largest consumers, such as China and India, respond.

Source: *FIS, ENGINE Online, OilPrice.com, Reuters, Oil Price, Financial Times, Bloomberg, Ship & Bunker, Refinitiv Datastream, The Economist*

Crude Oil Market (cont)

Will they continue buying discounted Russian supplies? Will this new price cap bring a different amount of Income for Russia, and will this, in turn, force Russia to respond? As of today, the data doesn't indicate any story or reaction.

OPEC+ decided to keep its policy unchanged after a meeting on Sunday, 4th December. This means they will continue to its 2 million barrels per day cut, 2% of the world's demand from last month through to 2023. Its key ministers will meet again in February.

As of this week, we have seen ease in COVID restrictions in major cities, including Guangzhou, Chongqing, and Zhengzhou. This could bring a boost in demand. Despite the anti-lockdown protests, China will continue its zero-COVID strategy. History may not be a forecast, but it is a lesson. It will not be a surprise if we continue back and forth on China's demand for the next six months unless there is a breakthrough in their strategy or covid cases.

While the world reacted to the aftermath of the Price cap and sanctions, the markets were hit with surprising news. The US services sector data was released and showed growth through November. This worries investors as the U.S. Federal Reserve has been trying to limit this with interest rate hikes. This surprising news will worry investors about more interest rate hikes. Services take up the majority of the US economy. It is a significant indication of how the economy is doing. Reuters reported that investors now see an 89% chance that the Fed will increase interest rates by 50 basis points. The Federal Open Market Committee are due to meet next week. A possibly stronger dollar makes dollar-denominated oil more expensive for buyers holding other currencies.

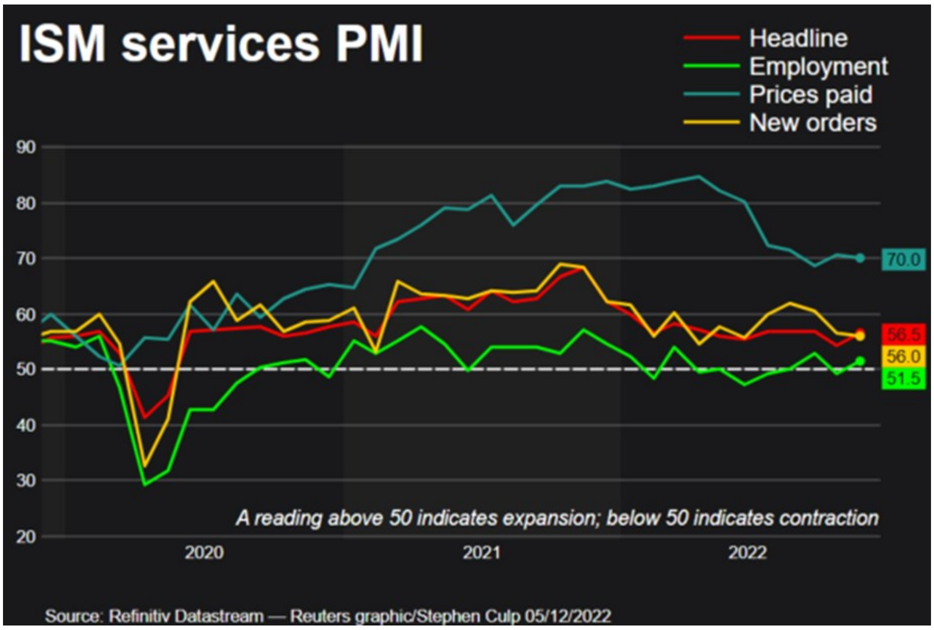


Chart data: *Refinitiv Datastream, Reuters*

Source: *FIS, ENGINE Online, OilPrice.com, Reuters, Oil Price, Financial Times, Bloomberg, Ship & Bunker, Refinitiv Datastream*

Technical view of the Crude Oil Market:

Feb 23 Futures – Technically bearish last week, having traded to a low of USD 80.61, we noted that we had a positive divergence in play, warning that we had the potential to see a momentum slowdown. The futures are moving higher with price trading above the trend resistance, meaning the futures are at an inflection point (we are above but are yet to close and hold above the trend resistance). The intraday technical is bullish (05/12), but the daily technical remains bearish; if we close above and hold above USD 87.60, it will warn that upside resistance levels could be tested. However, upside moves that fail at or below USD 91.37 will leave the futures vulnerable to further tests to the downside; above this level, the technical will have a neutral bias. In the near term, it does look like trend resistance could be broken (intraday price is already at USD 87.88), as the intraday RSI is above 50, whilst the stochastic is leaving the oversold territory. Momentum is warning that we could move higher, making USD 91.39 the key level to follow on the technical.

FIS Senior Analyst, Edward Hutton

Brent - Generic Rolling front Month

Chart data: *FIS*

Source: *FIS, ENGINE Online, OilPrice.com, Reuters, Oil Price, Financial Times, Bloomberg, Ship & Bunker,Refinitiv Datastream and Eikon*

Bunker Market:

Singapore's VLSFO front-month future slumped by $27.25 or 4.54% to $573/mt from Monday, 28th November, to Monday, 5th December, reported on the FIS Live app. It experienced highs of $613 on Tuesday 29th and lows of $571 on Wednesday 30th of November. Rotterdam's VLSFO front-month future fell by $6.75 or 1.30% to $513.5/mt. With highs of $543 on Monday, 5th Dec, and lows of $498 on Monday, 28th Nov. The front-month futures are lower than Singapore and Rotterdam spot prices by $27 - $92 in HSFO and VLSFO, increasing the range for the week. There is a small backwardation on the futures curve for VSLFO futures, with a bump pushed up on Q1-23 and Cal-23. There is a slight contango curve for HSFO futures with a small drop in Q1-23. VLSFO Fuel oil prices showed a bearish sentiment by falling with crude prices across the board. Sing 380 declined by $19.25 or 5.34%, and Rott HSFO had no change w-o-w.

The Financial Times reported that an oil tanker traffic jam has formed off the coast of Turkey after G7 and Australia launched a price cap targeting Russian oil. Vessels with Russian crude oil must have oil sold under the $60 a barrel limit before accessing western maritime insurance and being allowed through. This is a sign that the price cap coup disrupts global oil flows. It is not completely clear whether it's because vessels do not have the required access or the logistics of new processes and requirements. Sort of like the difference between going through an airport pre-pandemic and during the pandemic. This could lead to an increase in waiting times and increase vessel costs and prices.

S&P Global Commodity Insights reported that the dry bulk market is invested in traditional bunker fuels for the next few years after a survey was conducted last month. The study comprised over 100 respondents, including charterers, shipowners, ship operators, shipbrokers, and analysts. This was to see what the market felt about alternative fuels. Almost half expect the next few years to be powered by traditional fuel oil. The rest were split between LNG, ammonia, and methanol. Over a third of the market cautiously waits to see how the market behaves without making any sudden decisions on building new ships.

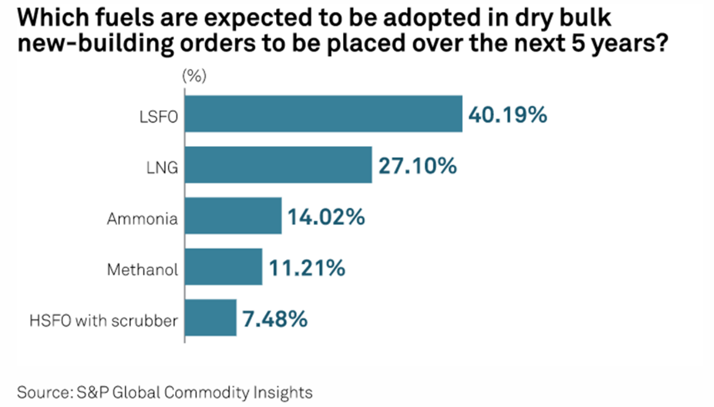
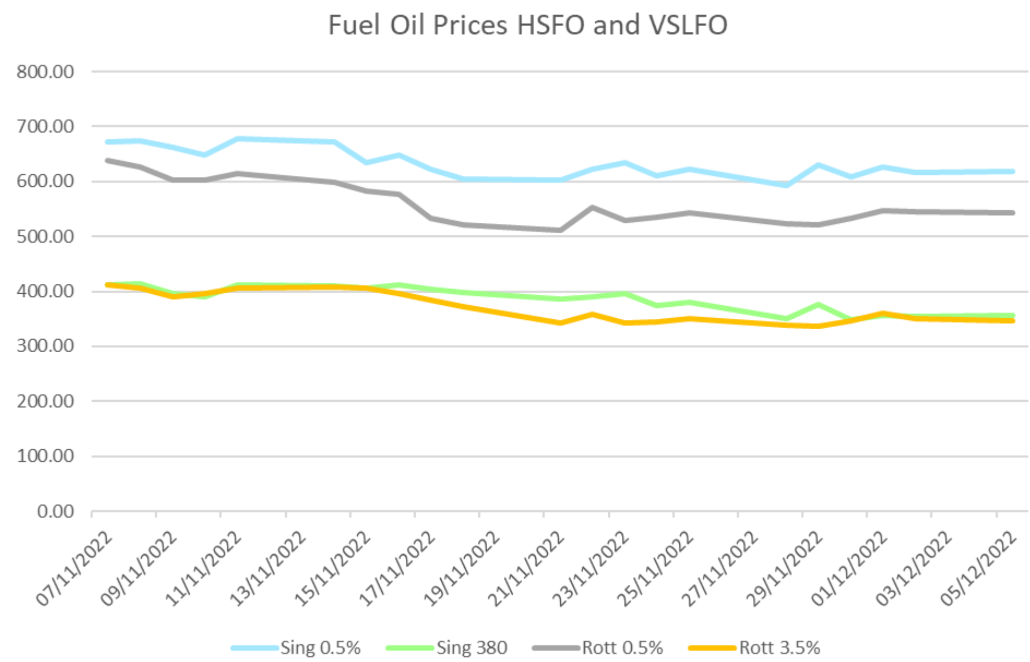


Chart data: *S&P Global Commodity Insights*



Text pricing data: *FIS and ENGINE Online,* ***Chart data:*** *FIS*

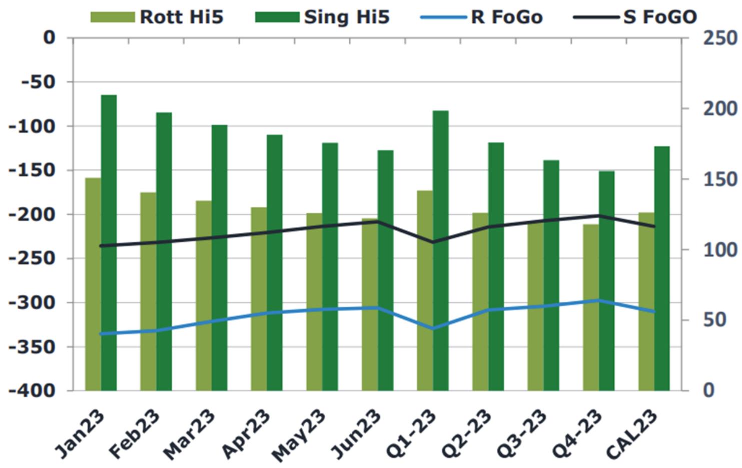
Source: *FIS, ENGINE Online, OilPrice.com, Reuters, Oil Price, Ship & Bunker, Bloomberg, Financial Times*

Bunker Market (cont)

Hi5 and EW Spreads

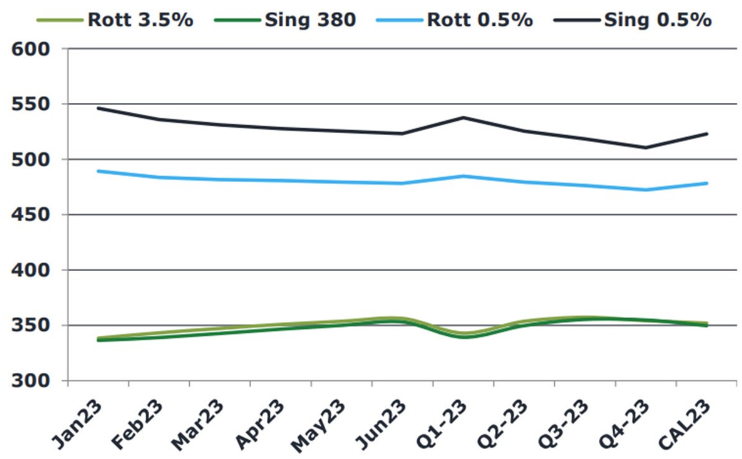
The hi5 markets have been as volatile as the house of Westminster of late, with Hi5s across the year pushing up to sky-high levels at around 200, which can be attributed to the very high VLSFO cracks. Weak HSFO cracks, however, there was a resurgence of late when the inverse occurred and saw the Hi5 levels collapse as the HSFO strengthened and VLSFO cracks tapered off over the course of the drop in Brent levels.

Rotterdam and Singapore Hi5 and FOGOs



Source: FIS

Rotterdam and Singapore FO Futures



Source: FIS

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Jan-23	151	210
Feb-23	141	197
Mar-23	135	188
Apr-23	130	181
May-23	126	176
Jun-23	122	170
Q1-23	142	198
Q2-23	126	176
Q3-23	119	163
Q4-23	118	156
CAL23	126	173

Table Sources: FIS

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Jan-23	-2.00	56.80
Feb-23	-4.25	52.30
Mar-23	-4.50	49.30
Apr-23	-4.25	47.05
May-23	-3.75	46.05
Jun-23	-3.25	45.05
Q1-23	-3.60	52.80
Q2-23	-3.75	46.05
Q3-23	-1.92	42.30
Q4-23	0.58	38.30
CAL23	-8.40	44.86

Tanker Market 28/11/22 - 02/12/2022

Much like the previous week, TC2 has continued to climb. The Atlantic front and backhaul have been active, with TC2 CPP rising over 25 points in the week to close at ws405.56. In the paper market, Dec FFA grew. Similarly, it traded at ws418 on Friday, 17 points higher than at the start of the week. The Middle East clean market has been relatively flat, with the TC5 spot hovering around the ws320.5 - 322.5 level. This was reflected in the paper market, with TC5 Dec trading mainly in the 332 - 334 range (except one print seen lower at ws325 mid-week) with the biggest volume seen Friday at 332. The back end of the curve moved lower, with Cal23 trading at $54.5/mt on Friday, down from the $56.25 level seen on Tuesday. In Europe, TC6 saw a significant jump on Monday from the previous week, moving from ws406.88 to ws431.88. It then saw marginal gains across the rest of the week, hitting a high of ws435 before settling at ws434.69 (a TCE earning per day round trip of $81,564). The TC6 Dec FFA came lower, dropping from ws455 high on Monday down to ws435 last done on Friday. In the US, Gulf TC14 declined into mid-week before rebounding and surging on Friday to close at ws320.83, up 57.5 points from Thursday's close (ws263.33). A similar move was witnessed in the paper market, with TC14 Dec printing a low on Tuesday at ws280 before bouncing back to print at ws321 last on Friday. Q1(23) also finished the week stronger, trading at $53.5/mt on Friday compared to the $48/mt level seen on Monday. TC17 FFA market did not see masses of activity, but on the short-term, Dec FFA jumped 15 points from earlier in the week to print at ws490 on Friday. TC17 rates had gained across the week, closing at ws468.93, up from ws412.14 on the previous Friday.

The VLCC market continued its downward spiral this week, with the volume of fixture activity much reduced from previous weeks. 270,000mt Middle East Gulf to China is now valued over 30 points lower than a week ago at ws77.68. In the paper market TD3C, Dec tumbled similarly, shifting from a ws95 value on Monday down to a low of ws80 on Friday. Q1(23) also fell from $15.5/mt on Monday to $14.65/mt last done on Thursday. At the back of the curve, Cal23 and Cal24 hit lows of $12.6/mt and $11.6/mt on Tuesday; Cal23 printed in a massive size at $12.7/mt, trading over 300kt per month. However, they recovered as the week progressed, with Cal23 trading at $13.3/mt and Cal24 trading at $12.7/mt on Friday. TD22 US Gulf/China has fallen by just over $2.7 million to $11,781,250. The Suezmax market also fell back down this week. For the 130,000mt TD20 voyage from Nigeria to Rotterdam, rates lost over 24 points to ws187.5. As such, Dec FFA also shifted lower, dropping from ws195 seen Tuesday to ws182 last done on Friday. The Stateside Aframax market saw significant rate corrections due to the four-day Thanksgiving holiday at the end of last week. For the longer-haul 70,000mt US Gulf/Rotterdam voyage, rates were reduced by 68.57 points to ws325. This was exemplified in the paper market, with Dec FFA slipping from ws338 to ws319 at the end of the week.

Sources: *FIS*

Technical view of the Tanker Market:

Tankers TD3

Jan 23 Futures – The Dec contract was in a corrective phase last week with a price on key support; if we moved lower, it would mean the longer-term wave cycle had entered neutral territory. The futures not only became neutral, but we also entered the bearish territory. Like the Dec, the Jan futures have moved lower, with price breaking all key support levels, indicating the Jan technical is also bearish; the long-term bullish Elliott wave cycle now looks to have failed. Price is below all key moving averages supported by the RSI below 50; upside moves that fail at or below USD 19.8310 will leave the technical vulnerable to further tests to the downside; above this level, the futures will have a neutral bias. Near-term support is now between USD 14.1410 and USD 13.110; if broken, we target the USD 11.5940 level. Technically bearish, the RSI is below 50, with its moving average sloping to the downside, suggesting resistance levels should hold if tested in the near term. (Resistance – USD 17.6782, USD 18.5920, USD 19.8310).

FIS Senior Analyst, Edward Hutton

Written by **Mopani Mkandawire**, **Archie Smith**, **and Jack Shilling**

Edited by **Mopani Mkandawire FIS Content Manager**

News@freightinvestor.com, +44 207 090 1120

Chart Source: Bloomberg