FIS Weekly Oil Report

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Market Review:

Crude oil market — Short-term **bearish** with Brent ranging from $76 - $82/bbl, as COVID restrictions eased in China.

Bunker market — Short-term **bearish** Singapore VLSFO front month future ranges were $509 - $604/mt with decreasing crude levels.

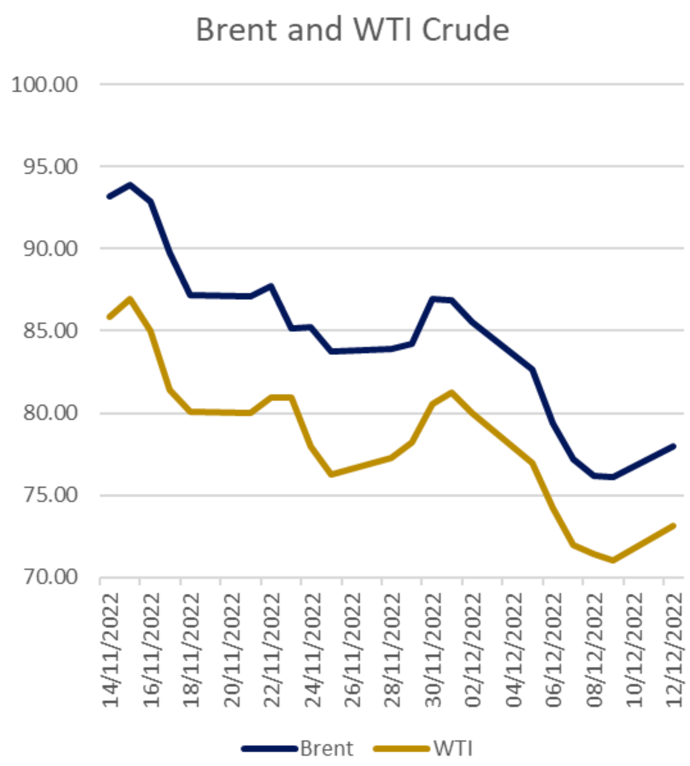
Prices movement	5-Dec	12-Dec	Changes %	Sentiment	
Brent Crude	82.68	77.99	**5.67**	**Bearish**	↓
WTI Crude	76.93	73.17	**4.89**	**Bearish**	↓
VLSFO (Singapore)	573	524.5	**8.46**	**Bearish**	↓-

Crude Oil Market :

Crude falls as Keystone Outage Continues

Brent Crude declined by $4.69 or 5.67% to $77.9 17.00 GMT week-on-week (w-o-w) on Monday, 12th December. U.S. West Texas Intermediate crude (WTI) decreased by $3.76, or 4.89%, to $73.17, Oil Price reported. Since the start of November, Brent has fallen by 17.60% and WTI by 17.20%, showing a bearish sentiment in the market. Brent saw a high of $82 on the 5h of December last week and a low of $76 on the 8th and 9th of December.

Despite the slight increase today, crude oil prices have continued to decline, which will not please OPEC+ or Russia. Last week started at the $82-$85 levels after OPEC+ members led by Saudi Arabia and Russia decided to maintain the controversial cut of two million barrels from the market in 2023 to prevent the price from falling, despite the risk of high inflation and global recession.



Despite highs of $88 on the day, it continued the decline onto Tuesday 7th, after the strong U.S. service data raised the prospects for moves by the Federal Reserve. A report from the Institute for Supply Management (ISM) showed that the U.S. service sector activity unexpectedly grew at an accelerated rate in November. The data also reinforced the belief among investors that the Fed would maintain aggressive interest rate hikes for longer, further supporting the dollar index in the session. And, of course, a stronger dollar makes oil denominated in the US currency more expensive for buyers of other currencies.

Source*FIS, ENGINE Online, OilPrice.com, Reuters, Oil Price, Financial Times, Bloomberg, Morningstar, BBC News*

Crude Oil Market (cont)

We started to see the effects of the price cap on Russian crude by the EU take effect midweek with a large traffic jam of oil tankers off Turkey as local authorities demanded insurers to prove that ships were legally insured. As this raised supply fears off the back of the ban on Russian oil, the US and UK announced a new partnership to work together to stabilise energy markets and reduce dependency on Russia.

Later in the week, data confirmed our expectations as Kpler, a commodity analytics firm, showed that Russian seaborne exports had fallen by 500,000 barrels per day. A 16% decline in average levels from November. Tanker Trackers, a sea vessel tracking site, reported a fall in Russian crude exports by nearly 50%. Data also added to what we already know Russia will be sending more of their exports to the East. Gazprom will raise natural gas flows to China via the Power of Siberia pipeline to add to the long list of examples of supply migration.

We finished off the week with possible indications that supply may be eased as we heard rumours of Moscow managing to find enough shipping insurance to meet its needs in the East, with reports of Chinese refineries keen on buying Russian ESPO crude. China and Saudi Arabia boosted their relationship as Xi Jinping visited and agreed to expand their oil trade partnership. This is expected as China is reported to export record fuel volumes this month to offset weak domestic consumption. What this would mean for Russian supply is still being determined. We do know Putin confirmed that he would be willing to cut oil production in response to the West's "stupid" price cap. He further stated that countries that abide by it would not be allowed to buy Russian oil.

As the massive traffic jam in Turkey began to clear at the start of this week in Europe, there was an outage on the largest oil pipeline from Canada to the US. It was reported that it could cut crude oil supplies to two oil refineries and affect inventories, with the Keystone pipeline ferrying about 600,000 barrels per day. Ironically at the same time, China eased COVID restrictions boosting the demand outlook. It most certainly feels like Déjà vu with China, as we have said this statement more than most phrases this year. Regardless supply and demand outlook will get more interesting as Libya invited global oil majors to resume activities in the country. According to oil minister Mohamed Oun, Reuters reported that Libya is currently producing around 1.2 million barrels per day. "We hope to return to 2010 levels, which was 1.6 million bpd, within two or three years," he added. The lift force majeure on oil and gas exploration announced last week would likely encourage oil companies to return.

Brent Crude Since Dec 2021

Chart data: *Morningstar, BBC News*

Source: *FIS, ENGINE Online, OilPrice.com, Reuters, Oil Price, Financial Times, Bloomberg, Morningstar, BBC News*

Technical view of the Crude Oil Market:

Feb 23 Futures – Technically bearish last week, the rejection of the trend resistance warned that the USD 80.61 low could be tested and broken, with a potential near-term downside target at USD 77.66. The futures continued to move lower, with price trading to a low of USD 75.11, before moving higher on an intraday positive divergence. Upside moves that fail at or below USD 84.52 will leave the futures vulnerable to further tests to the downside; above this level; the technical will have a neutral bias. The trend remains technically bearish, with Elliott wave analysis suggesting upside moves should be considered as countertrend as we have a potential downside target for this phase of the cycle around the USD 65.79 level; however, the intraday divergence is a warning that we are vulnerable to a move higher in the short-term.

FIS Senior Analyst, Edward Hutton

Brent Daily

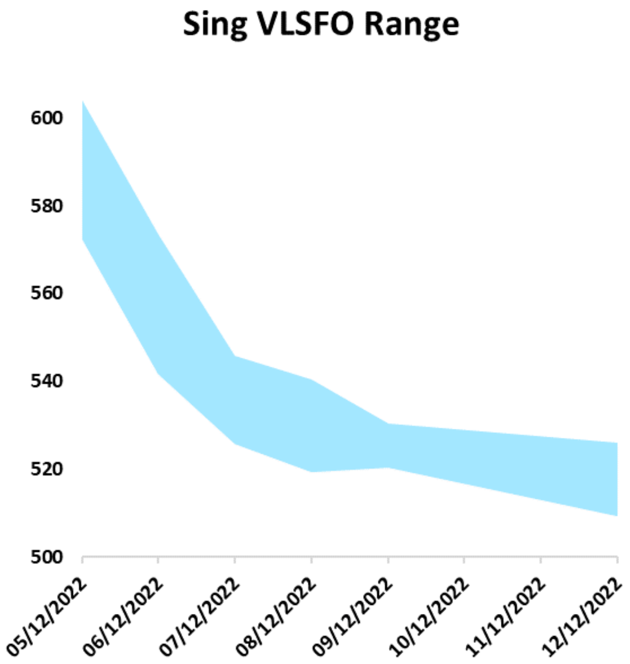
Chart data: *FIS*

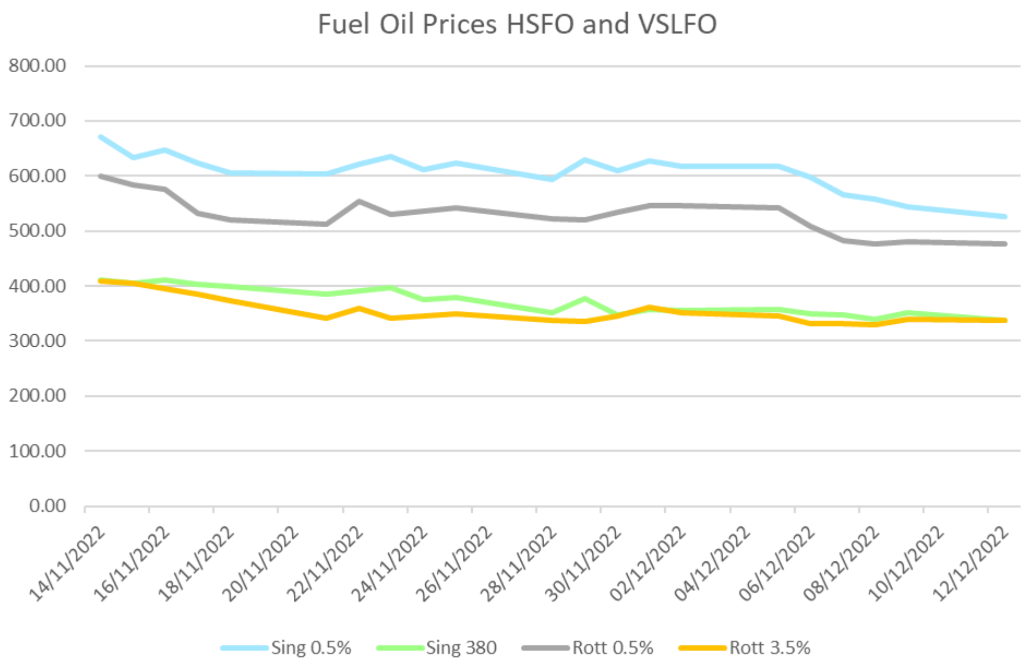
Source: *FIS, ENGINE Online, OilPrice.com, Reuters, Oil Price, Financial Times, Bloomberg, Ship & Bunker,Refinitiv Datastream and Eikon*

Bunker Market:

Singapore's VLSFO front-month future continued slump by $48.50 or 8.46% to $524.5/mt from Monday, 5th December, to Monday, 12th December, reported on the FIS Live app. It experienced highs of $604 on Monday 5th, and lows of $509.25 on Monday 12th of November. Rotterdam's VLSFO front-month future fell by $43.25 or 8.42% to $470.25/mt. With highs of $543 on Monday, 5th Dec, and lows of $452.55 on Monday, 12th Dec. The front-month futures are lower than Singapore and Rotterdam spot prices by $13 - $52 in HSFO and VLSFO, reducing the range for the week by around $20. VSLFO futures curves are relatively flat, with a bump pushed up on Q1-23 and Cal-23. HSFO future curves are also relatively flat, with a slight drop in Q1-23. VLSFO Fuel oil prices showed a bearish sentiment by falling with crude prices across the board but with a smaller decline. Interestingly Sing 380 barely moved w-o-w and increased slightly by $5.75 or 1.69%. Rott 3.5% reduced by $3.25 or 0.94%.

Ship and Bunker reported that Singapore's November Bunker sales jumped to a 21-month high. Up 3.6 % from the same month last year and 2.9% from October. VLSFO sales rose 6.4% to 2.8 million mt in November, and HSFO fell by 4.7% to 1.2 million mt; Ship & Bunker also mentioned in their product breakdown. This correlates with prices as we saw a reduction in Sing 0.5% and an increase in Sing 380 prices.





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

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

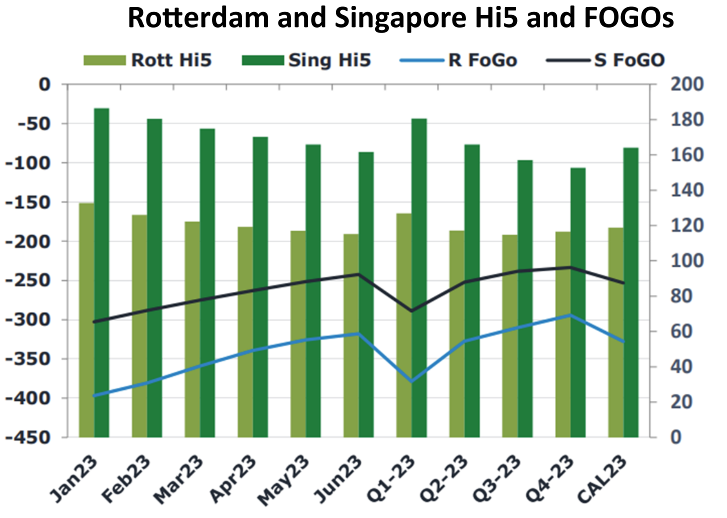
Bunker Market (cont)

Hi5 and EW Spreads

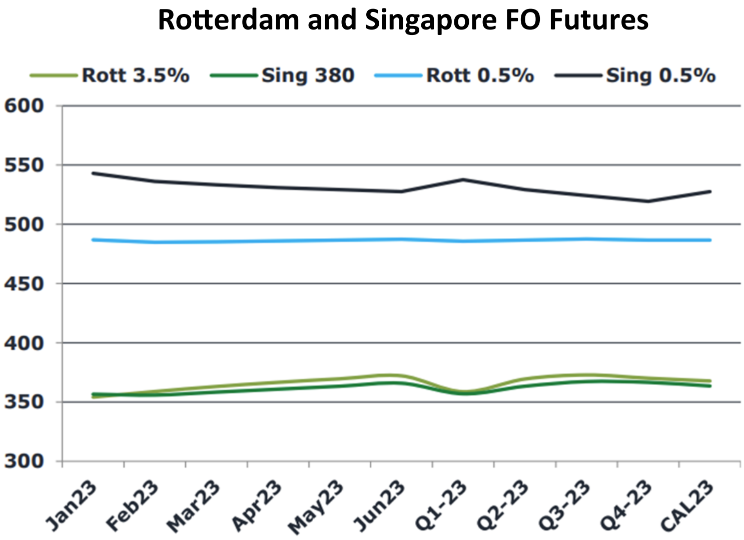
After consecutive weeks of falling oil prices, crude has begun to tick up from Friday, 9th December, as Chinese COVID regulations are starting to ease and fears of supply tightness creep into the market. Lower-than-expected CPI data released today has also pushed the price up.

High sulphur EW has broken back into positive territory since last week. The differential was pegged at –$2.00/mt last Tuesday but printed here at $2.75/mt for Jan 23. Although this shows a higher price for Sing 380cst over Rott 3.5%, the high freight rates coupled with the narrow spread makes it less attractive to send product East from Europe.

The Sing Hi5 has tightened dramatically over the week, incrementally dropping each day from its highest intraweek point last Tuesday at $210/mt Jan23 to around $178 at the UK close yesterday. The low sulphur grade dropped in price, while the high sulfur grade strengthened as more ships were fitted with scrubbers.



Source: FIS



Source: FIS

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Jan-23	133	186
Feb-23	126	180
Mar-23	122	175
Apr-23	119	170
May-23	117	166
Jun-23	115	162
Q1-23	127	181
Q2-23	117	166
Q3-23	115	157
Q4-23	117	153
CAL23	119	164

Table Sources: FIS

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Jan-23	2.50	56.20
Feb-23	-3.00	51.45
Mar-23	-4.75	47.95
Apr-23	-5.75	45.20
May-23	-6.25	42.70
Jun-23	-6.25	40.20
Q1-23	-1.75	51.85
Q2-23	-6.08	42.70
Q3-23	-5.58	36.70
Q4-23	-3.50	32.62
CAL23	-2.75	40.97

Tanker Market 05/12/22 - 09/12/2022

On the UK-Continent, TC2 has hovered around ws405 all week but dipped slightly on Friday to close at ws403.61. In the paper market, TC2 lost value across the curve, with BALMO slipping from ws419 on Monday down to ws385 on Thursday. Cal23 also dropped significantly, going from $36.9/mt to $33.25/mt, a loss of $3.65/mt. In the US Gulf, MR rates have eased off this week; TC14 lost 30.83 points down to ws290. The TC14 Cal23 FFA saw a sharp decline, trading at $38.25/mt last Thursday, down from $42.85/mt witnessed on Tuesday. LR1s have strengthened throughout the week, with TC5 jumping 26.07 points to ws348.57. TC5 Paper saw little activity in the front month; Q1 (23) moved lower, dropping a substantial amount on Friday to trade at $63.15/mt last, down from $68.15/mt seen Wednesday. Q2(23) followed suit and shifted lower to trade at $53.75/mt last Friday, down from the $59.35/mt level traded on Wednesday. On the Handymax, TC6 has been subject to little enquiry and tested down by charterers, with ws415 reported on subjects several times. Spot moved from ws434.69 down to ws416.56 by the end of the week. There was little activity on TC6 Paper, though Jan lost 75 cents midweek to trade at $28/mt last. The Middle East Gulf MRs saw improvements, with TC17 closing the week at ws476.83 and TC12 climbing to ws348.13, gains of 7.9 and 5.32 points, respectively.

The VLCC market moved downwards again for most of this week before rebounding somewhat on Friday. The 270,000mt TD3C Middle East Gulf to China closed the week at ws81.32 but saw a low of ws73.45 on Wednesday. This movement was replicated closely in the FFA market, with BALMO slipping from ws82, seen at the start of the week, down to a low of ws75 before bouncing back up to finish at ws84 on Friday. Jan FFA also lost 50 cents over the week to trade down at $14.5/mt before recovering to trade again at $15/mt on Friday. The Cal23 witnessed a low on Thursday, printing at $12.025/mt in small. The 270,000mt TD22 US Gulf/China fell heavily by over $2.4 million to $9,318,750 by Thursday but recovered slightly on Friday to close at $9,687,500. The Suezmax market had ups and down last week, but overall, the TD20 route lost just over 6.5 points to finish at ws180.91. This overall decline was followed in the paper market, with Q1(23) losing 60 cents to trade at $21.9/mt last. The Cal23 also dropped from $17.75/mt down to $17.2/mt last; it saw a low of $17/mt. For the longer-haul 70,000mt US Gulf/Rotterdam voyage, rates fell by 42.86 points to ws282.5, a comparatively small loss compared to most other stateside Aframax vessels. This move was experienced in the paper market, with TD25 BALMO dropping from ws317.5 on Monday to ws280 on Friday. Q1(23) was also a good example of shifting from $45/mt to $41.5/mt across the week. Finally, the Cal23 lost 85 cents to trade at $38.5/mt last Wednesday.

Sources: *FIS*

Technical view of the Tanker Market:

Tankers TD3

Jan 23 Futures – Little has changed since last week on this technical as the futures have moved sideways. Price is below all key moving averages with 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 unchanged 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 (which are also unchanged) should hold if tested in the near term. (Resistance – USD 17.6782, USD 18.5920, USD 19.8310).

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Chart Source: Bloomberg