

# FIS Weekly Oil Report

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**28/02/2023**

## Market Review:

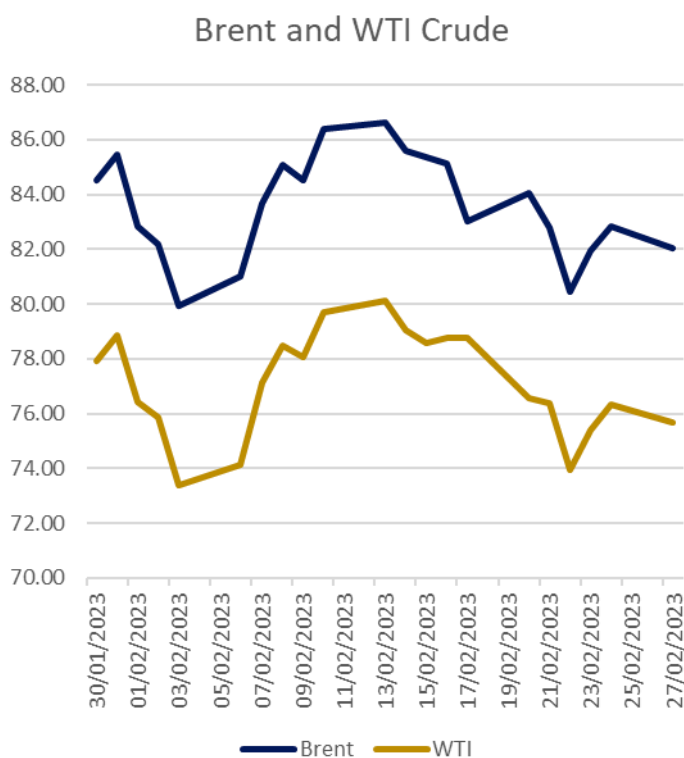
**Crude oil market** — Short-term **neutral bearish** with Brent ranging from \$80 - \$84/bbl, as hopes for a strong economic rebound in China offsets U.S. interest rate hikes.

**Bunker market** — Short-term **neutral bearish** Singapore VLSFO front month future ranges were \$549 - \$581/mt.

Prices movement	20-Feb	27-Feb	Changes %	Sentiment	
<b>Brent Crude</b>	84.07	82.04	<b>2.41</b>	<b>Neutral Bearish</b>	↘
<b>WTI Crude</b>	76.55	75.68	<b>1.14</b>	<b>Neutral Bearish</b>	↘
<b>VLSFO (Singapore)</b>	579	562.25	<b>2.89</b>	<b>Neutral Bearish</b>	↘

## Crude Oil Market :

Monday saw crude oil prices slip lower thanks to a strengthening U.S. dollar which reached its highest peak in seven weeks. Following fears of interest rate hikes by the U.S. Federal Reserve to curb inflation, U.S. West Texas Intermediate (WTI) crude fell 64 cents, settling at \$75.68/bbl. Brent crude saw an even larger drop of 71 cents – 0.9% - settling at \$82.45. This is due to the rising expense for foreign buyers to purchase dollar-denominated oil. Towards the end of the day, however, prices began to stabilize. On Tuesday afternoon, WTI crude had climbed to \$77.68/bbl while Brent crude saw a 1.90% increase to \$84.02/bbl.



Optimism surrounding China’s increased oil consumption thanks to relaxing its Covid restrictions saw oil prices in Asia rise this morning. This helped to offset fears about U.S. interest rate hikes. Vitol CEO Russell Hardy told Bloomberg Television on Monday they expect oil prices to rise to \$90-\$100/bbl in the second half of 2023 thanks to growing Chinese demand and central banks adopting less aggressive interest rates.

U.S. analysts and officials have stated the price cap on Russian crude oil is working. Despite Russian oil still flowing into the market, with its largest volumes exported to China and India, Russia’s revenue budget was \$24.7 billion (1.76 trillion rubles) in deficit in January due to discounted prices of its Ural blends. This is contrasted with a surplus in January 2022. Revenue from its oil and gas production plunged by 46.4%, the lowest level since August 2020.

Source: FIS, Reuters, Oil Price, Bloomberg, BBC News, Morningstar

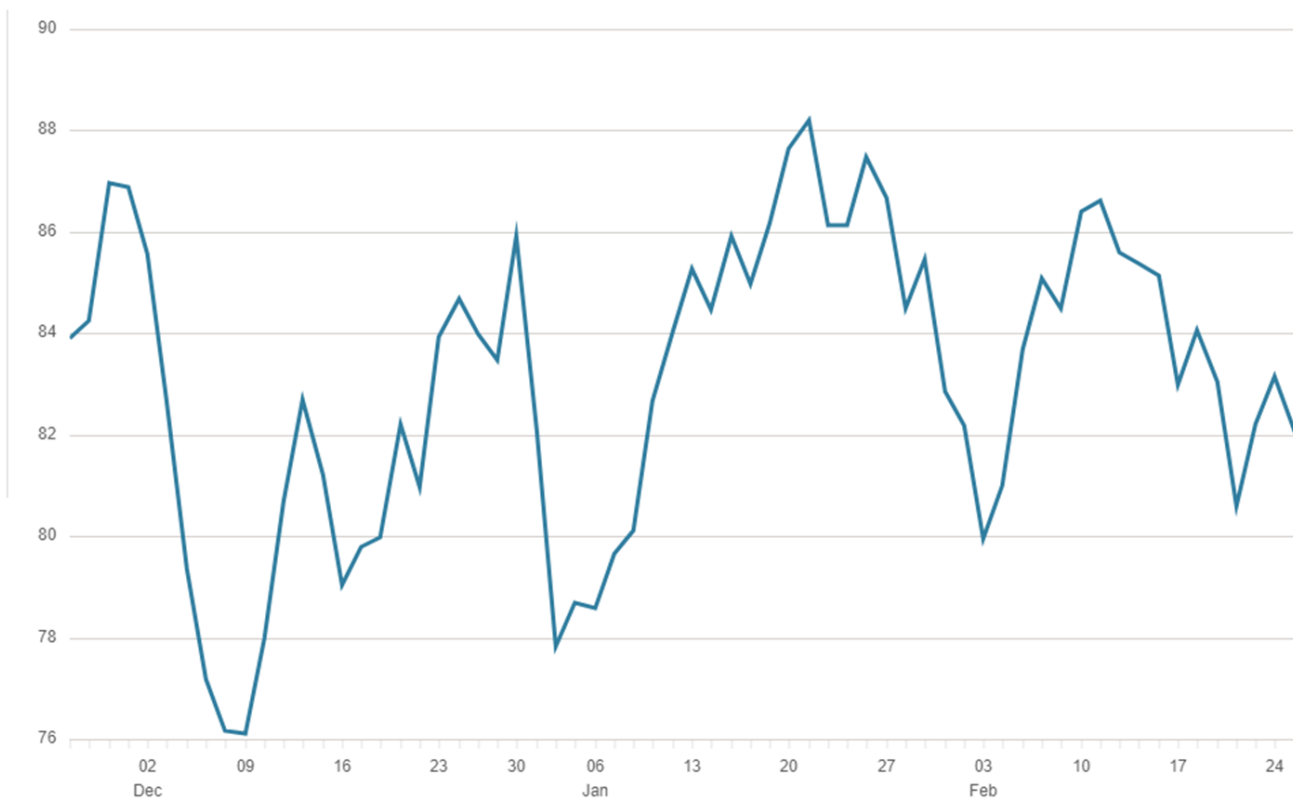
## Crude Oil Market (cont)

Russia has halted oil supply to Poland via its Druzhba pipeline after the Polish government delivered its first Leopard tanks to Ukraine. Although pipeline operator Transneft claiming oil supplies have been halted due to incomplete paperwork, PKN Orlen Chief Executive Daniel Obajtek said on Twitter they were prepared for this move from Russia: “Only 10 percent of crude oil has been coming from Russia and we will replace it with oil from other sources”, he wrote.

Slovakia, which has a nearly 100% dependency on the Russian Druzhba pipeline for its crude oil imports, has said it plans to cut its dependence to around 60% in 2023. Kazakhstan, which relies heavily on Russia for its energy exports, has started sending its oil to Germany via Poland through the pipeline.

International Energy Week kicked off on Monday in London. Transition is again at the heart of discussions, with BP CEO Bernard Looney insisting they “will still have oil and gas, but [we] will also be big in biofuels, big in wind generation, big in hydrogen.” Looney says BP will be investing \$8 billion into its energy transition, and nearly half of its capital expenditure will go towards transitional growth in the near future. Despite these projections, Looney warns that because energy is the “lifblood of society”, this transition needs to be orderly – though he says orderly is not another word for “slow”.

### ***Brent Crude Oil over 3 months***

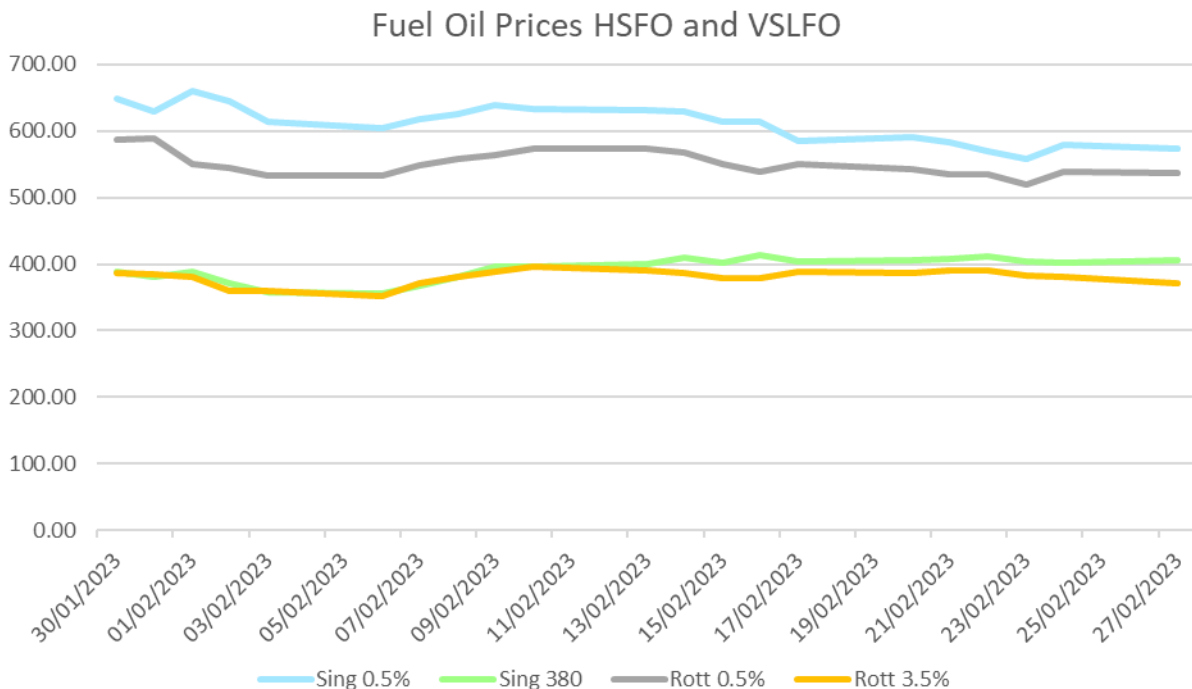
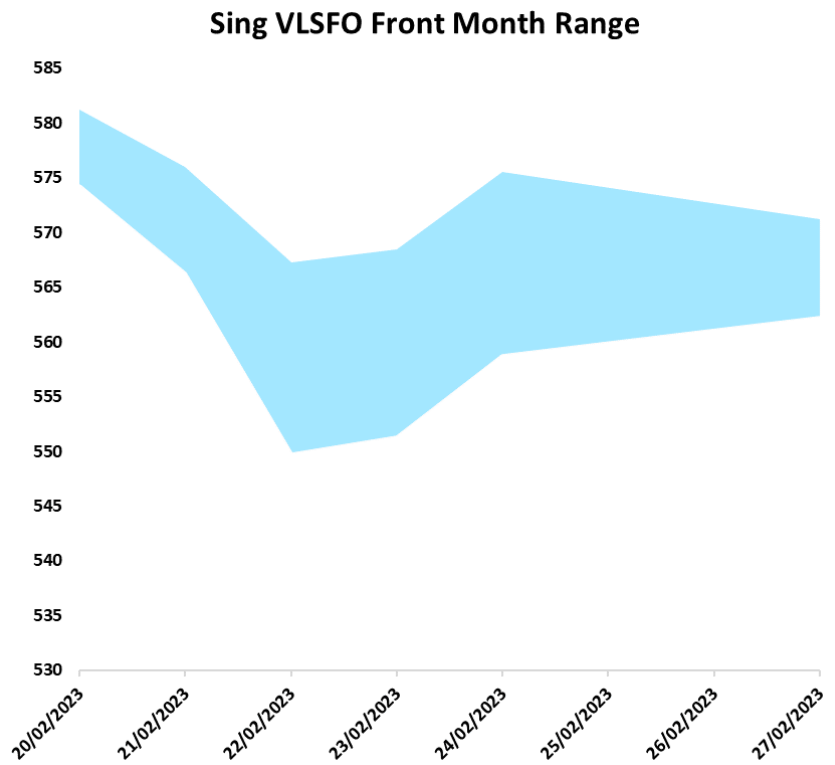


**Chart data:** Morningstar, BBC News

**Source:** FIS, Reuters, Oil Price, Bloomberg, BBC News, Morningstar

## Bunker Market:

Singapore's VLSFO front-month fell by \$16.75 or 2.89% to \$562.25/mt from Monday, 20th February, to Monday, 27th February, reported on the FIS Live app. It experienced highs of \$581.25 on Monday 20th, February, and lows of \$549.75 on Wednesday, 22nd February. Rotterdam's VLSFO front-month future decreased by \$11.50 or 2.15% to \$524.5/mt, with highs of \$539.25 on Monday, 20th February, and lows of \$509 on Wednesday, 22nd February. The front-month futures are lower than Singapore and Rotterdam spot prices by \$30 - \$39 in HSFO and VLSFO, further reducing the range narrower. Rott 3.5% front month price has the most extensive spread between spot and paper by around \$38.54. Sing 380 is the lowest at \$30.64. VSLFO futures curves are in backwardation with a bump up over Q2-23, and HSFO future curves are in a gentle backwardation with a bump for Q2-23. Fuel oil prices showed a neutral bearish sentiment, with crude prices.



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

**Source:** FIS, Reuters, Oil Price, Bloomberg, BBC News, Morningstar

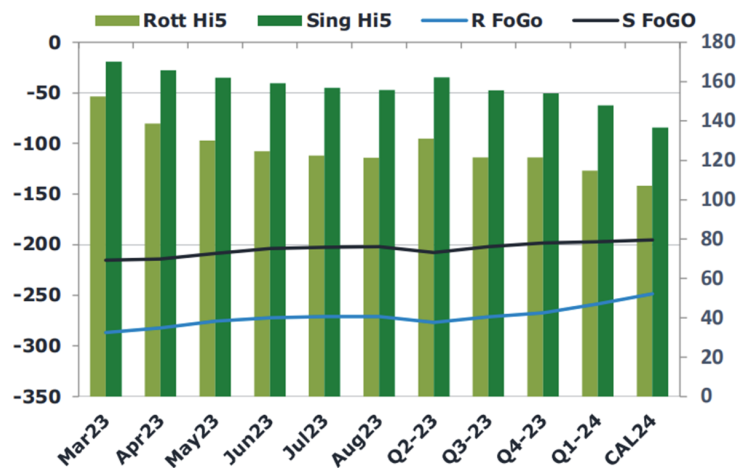
## Bunker Market (cont)

### Hi5 and EW Spreads

The Mar23 Sing Hi5 has been extremely turbulent over the previous week of trading, mainly down to the trends in the low and high sulphur cracks. Mar23 Hi5s are currently pegged around the \$152/mt and \$170/mt levels in the Euro and Sing, respectively. Comparatively, last Wednesday, both the Sing and Euro Hi5 contracts were \$20 tighter each, with the high sulphur cracks rallying and the low sulphur cracks fading – bad news for scrubber-fitted ship owners. However, the Hi5 markets have somewhat realigned since then, with a rebound in the low sulphur cracks at the end of last week, particularly in the Sing 0.5% crack from sub \$6 levels to today's highs of \$8.00/bbl. A potential reason for last week's prevailing high sulphur cracks could be that not as much Russian HSFO was heading to the Middle East/Asia in Feb23, instead ending up at unknown destinations for storage.

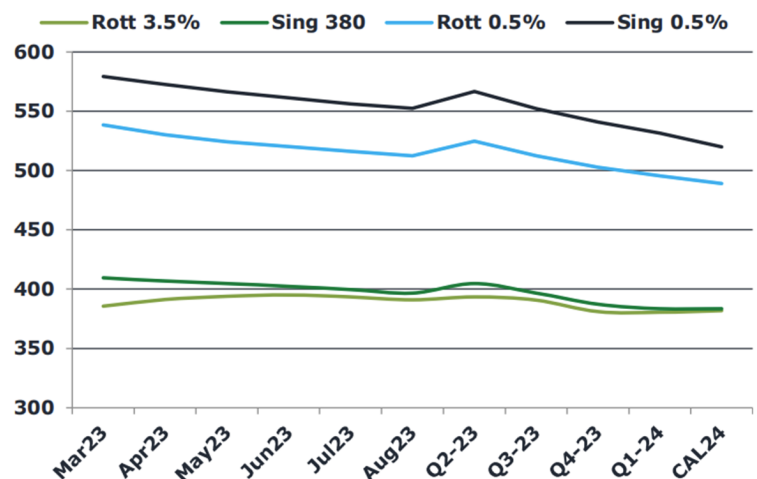
The high sulphur EW continues to widen today, with the front month contract trading as high as \$23.75/mt from yesterday's \$21.75/mt settlement, encouraging arbitrage from Europe to Asia not only in the front months but into the back end. On Friday's close last week, this differential was pegged at \$16.50/mt.

### Rotterdam and Singapore Hi5 and FOGOs



Source: FIS

### Rotterdam and Singapore FO Futures



Source: FIS

### Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Mar-23	152	170
Apr-23	139	166
May-23	130	162
Jun-23	125	159
Jul-23	122	157
Aug-23	121	156
Q2-23	131	162
Q3-23	122	156
Q4-23	122	154
Q1-24	115	148
CAL24	107	137

### HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Mar-23	23.75	41.25
Apr-23	15.75	42.75
May-23	10.75	42.50
Jun-23	7.25	41.50
Jul-23	6.25	40.50
Aug-23	5.75	40.00
Q2-23	11.25	42.25
Q3-23	6.00	40.00
Q4-23	6.25	38.50
Q1-24	3.00	36.00
CAL24	1.25	31.25

Table Sources: FIS

## Tanker Market 20/02/23 - 27/02/2023

Most product tankers fell sharply this week, with the BCTI Index dropping from 1059 to 888. For MRs on the UK continent, a surplus of tonnage outweighed demand, causing TC2 to fall a considerable 83.34 points to ws159.44. TC2 paper followed suit, with March shedding 58 points of value to trade at ws180 last yesterday. Q2(23) also fell from ws210 down to ws199 by the end of the week. In America, MRs were no different, with TC14 dropping throughout the week to see a low of ws125.83 on Thursday; it has recovered a touch since closing at ws145 yesterday. In the paper market, March FFA saw lows of ws132.5 on Wednesday but has outpaced the spot since to trade up at ws165 and ws170 yesterday, trading in 60kt and 75kt, respectively. Finally, TC17 MRs were also retested, with the spot slipping from ws365.71 down to ws287.14 seen yesterday.

In the Middle East Gulf, LR1s have been following their larger peers downwards, with the TC5 index losing 17.14 points across the week to close at ws201.43. Despite this drop, the LR1s will still return around \$40,000/day round trip TCE. On TC5 paper, March was active and fell over the week from ws225 down to ws189 last seen; 160kt was seen trading at ws195 across Wednesday and Thursday. Q2(23) also lost over 10 points of value across the week. Handymax vessels have also been feeling the pressure, just as the MRs and LRs have this week. TC6 has lost 33.75 points down to ws218.13. TC6 paper was active at the front, with March FFA trading 110kt at ws210 on Wednesday and Thursday and then 105kt trading lower at ws205 on Friday, notably lower than the ws240 levels we were seeing last Monday.

Unlike the product tankers, the Baltic Dirty Tanker Index gained this week from 1278 to 1363. The 270,000mt Middle East Gulf to China voyage saw a slight decline, from ws69.32 down to ws65.91, slightly higher than the ws64.73 low it saw on Thursday. TD3C paper was active once again, with Tuesday being a day to highlight; March FFA traded at ws70 in 425kt, ws68.5 in 100kt and ws68 in 160kt. April traded at ws65 in 200kt, and Q2(23) traded at ws55.5 in 120kt. The front months continued to decline through Wednesday, with March trading in good size at ws66 and ws64.5, trading at 340kt and 190kt, respectively. The route has since recovered, with March trading at ws70 last yesterday. In the Atlantic markets, the 270,000mt US Gulf/China route gained almost \$850,000 to close above the \$10 million mark.

On the Suezmax market, the TD20 Nigeria/Rotterdam voyage firmed with rates climbing almost 10 points to close at ws138.86. In the paper market, March FFA traded at ws135 yesterday, up from ws122 at the start of the week; it saw 150kt trade at ws130 on Friday. Q2(23) also traded in good volume on Friday as it moved higher, trading 120kt initially at ws101.5, then 40kt at ws102 and 30kt at ws102.5. Lastly, on the longer-haul Aframax, US Gulf/Rotterdam voyage rates increased by 43.57 points up to ws271.07. On USGC/AFRA paper March FFA gained around 20 points across the week to trade at ws227.5 last yesterday; April also saw an increase of close to 15 points by yesterday.

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