

28/03/2023

Market Review:

Crude oil market— **Technically bullish** on the intraday, with a potential near term upside target of USD 80.00. Fears of a financial crisis ease.

Bunker market — Euro cracks stronger amid French refinery turmoil. HSFO spreads widen vs flat LSFO spreads on the week.

Prices movement (front month)	20-Mar	27-mar	Weekly Change % (settlement prices)
Brent Crude	73.79	78.12	5.86
WTI Crude	67.82	72.81	7.36
VLSFO (Singapore)	524.92	536.45	2.20

Crude Oil Market :

After rallying more than \$3 on Monday, oil prices dropped again on Tuesday morning. WTI crude was down 1 cent, or 0.01%, to \$72.80/bbl, and Brent Crude futures fell a whopping 19 cents to \$77.93/bbl. Despite this apparent bearish market, prices are likely to rebound imminently as China demand grows and a halt to exports from Kurdistan compounds worries about oil supplies. This halting of exports follows an arbitration decision on Saturday whereby Iraq won a longstanding case against Turkey. Baghdad had accused Turkey of violating a joint agreement by allowing the Kurdistan Regional Government (KRG) to export oil through a pipeline to the Turkish port of Ceyhan. The combined exports of KRG crude and federal crude amounted to 450,000 barrels per day (bpd). Oil prices also rose following increased geopolitical tensions in Europe after Russian president Vladimir Putin announced he would station nuclear weapons in Belarus.

The most active options contracts for Brent oil as of Monday's close were for expiry in May and June of 2023, split between calls and puts in size, indicating that traders are hedging their positions against uncertainty in the near future in anticipation of potential price swings. Swap dealers posted their second-biggest increase in long positions in ICE Brent futures and options on record last week – a sign of consumer hedging growing.

Brent Crude May23 Futures Daily Chart

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

Crude Oil Market (cont)

China’s crude oil imports for 2023 will match a record high from 2020, averaging 10.8 million bpd. This is a 6.2% rise from last year to 540 million tons. Refinery processing is expected to gain 7.8% to 733 million tons. Two new refineries are expected to commence commercial operations soon – PetroChina’s Guangdong Petrochemical and Jiangsu Shenghong Petrochemical. These refineries will have a combined capacity of 520,000 bpd, but Chinese refineries and Beijing authorities will use stockpiling to settle prices.

State-owned Saudi Aramco is further boosting investment in China’s petrochemicals industry by acquiring a 10% interest in China's Rongsheng Petrochemical Co. Ltd. This purchase is valued at \$3.6 billion. According to ABC News, this purchase will see Aramco supplying 480,000 bpd to Rongsheng affiliate Zhejiang Petroleum and Chemical Co. Ltd., owner of China's largest refinery. Aramco also announced plans to construct a new refinery and petrochemical complex in northeastern China and said it would supply it with 210,000bpd.

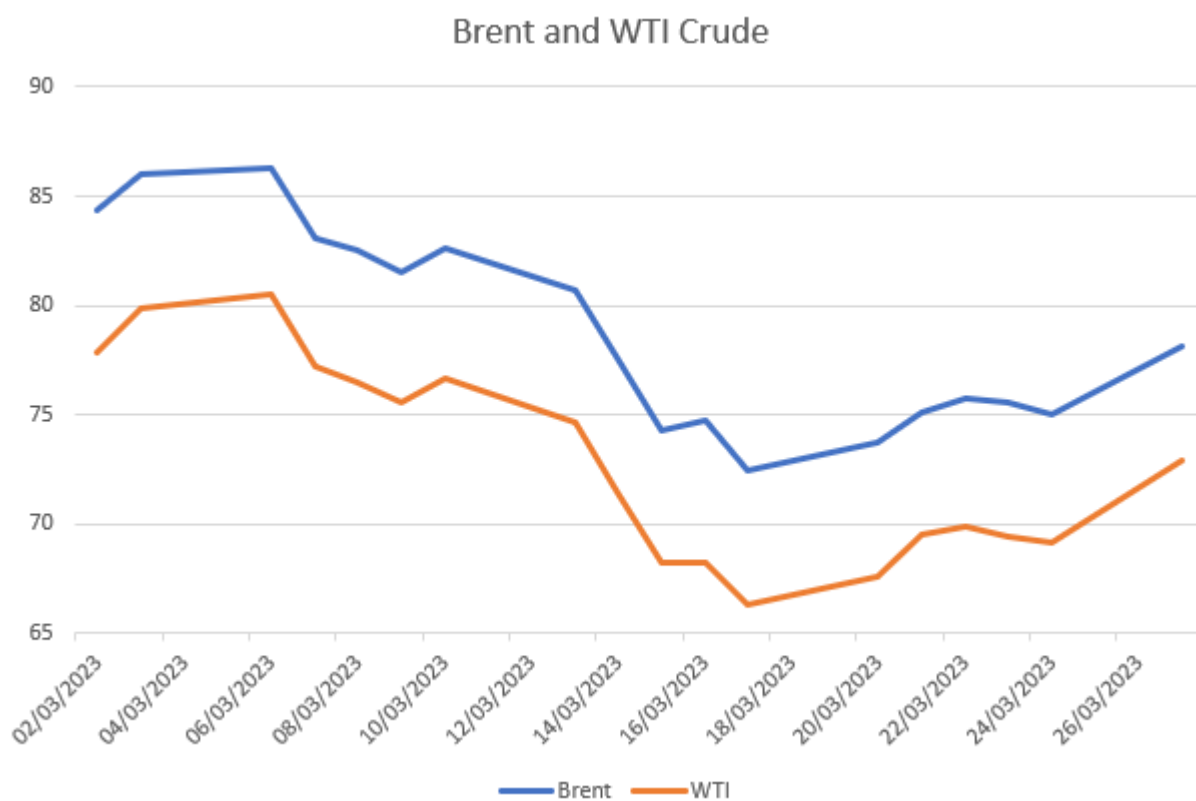


Chart data: Morningstar, BBC News

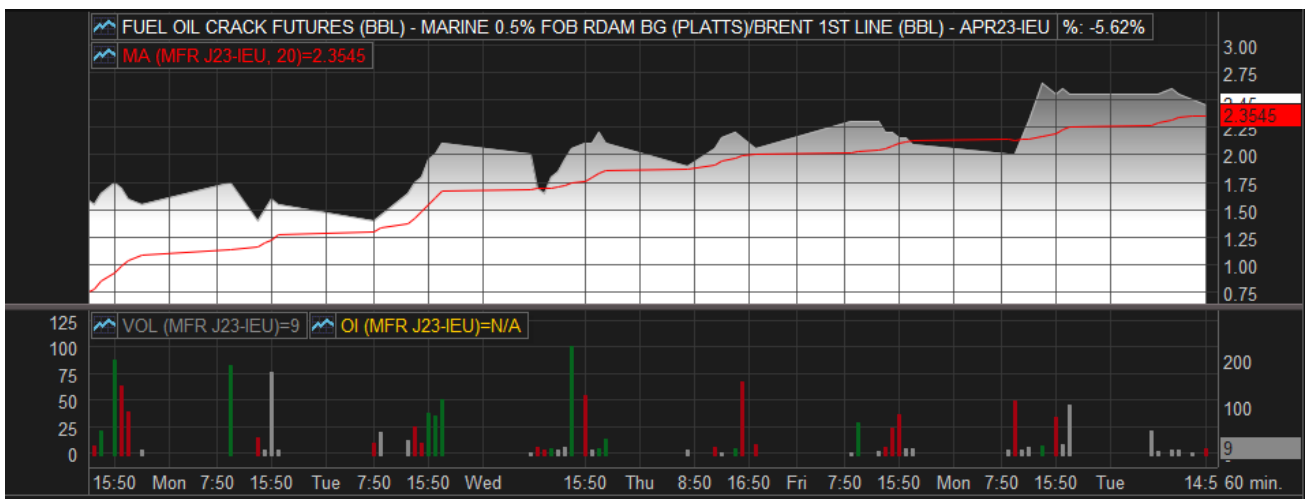
Source: FIS, Reuters, Oil Price, Bloomberg, BBC News, Morningstar

Bunker Market:

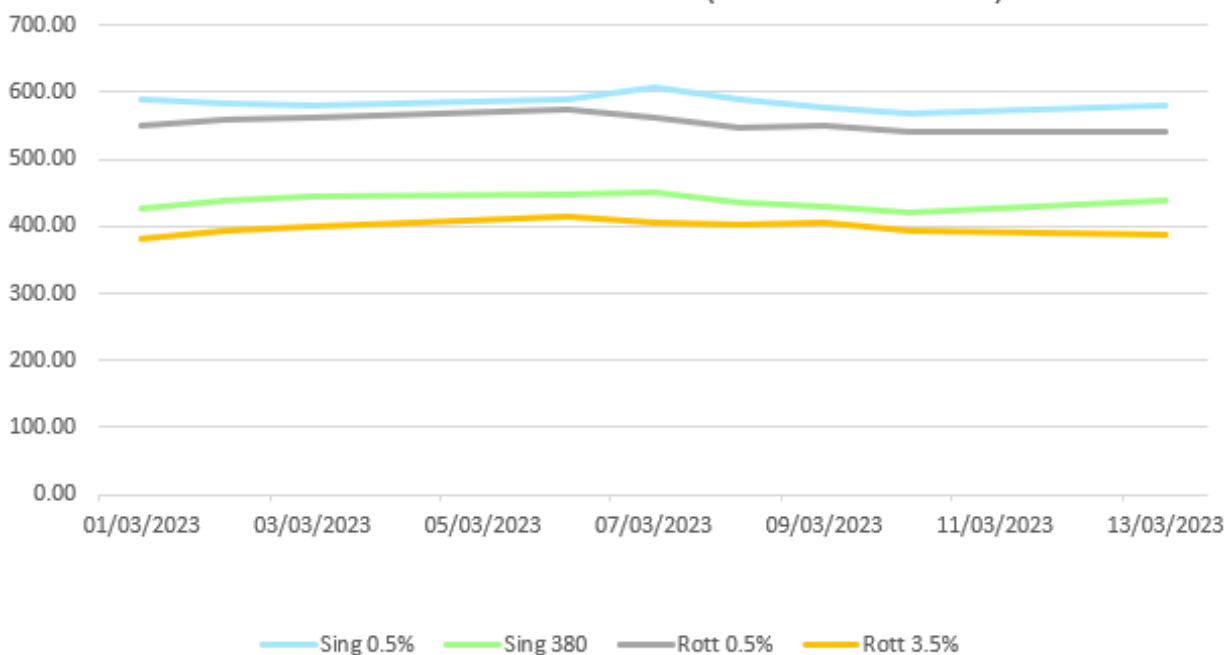
The paper bunker market found some stability compared to last week as banking crisis fears seemed to have subsided. Singapore VLSFO prices have strengthened, but a weaker crack limits gains. Front-month Sing 0.5% crack traded last in the market at \$8.30/bbl, down 25 cents on the day and around 70 cents weaker from last Tuesday. Sing 0.5% marine fuel plat price Platts settlement printed at \$536.45/mt yesterday, vs a \$515.12/mt settlement last Monday.

The Rotterdam VLSFO crack has become stronger over the week, trading last in the market at \$2.55/bbl, flat on the day but up by almost a dollar on the week. HSFO Euro crack has also edged up since last Monday by 60 cents. Strength in the Euro cracks might be down to heavy striking across French ports and refineries, which is hitting European supply. Higher crack and higher Brent on the week saw Rotterdam 0.5% barges marine fuel flat price settle yesterday at \$509.75/mt - \$25.50 higher than Monday prior.

Rotterdam 0.5% crack Apr23



Fuel Oil Prices HSFO and VSLFO (Platts Settlements)



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

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

Bunker Market (cont)

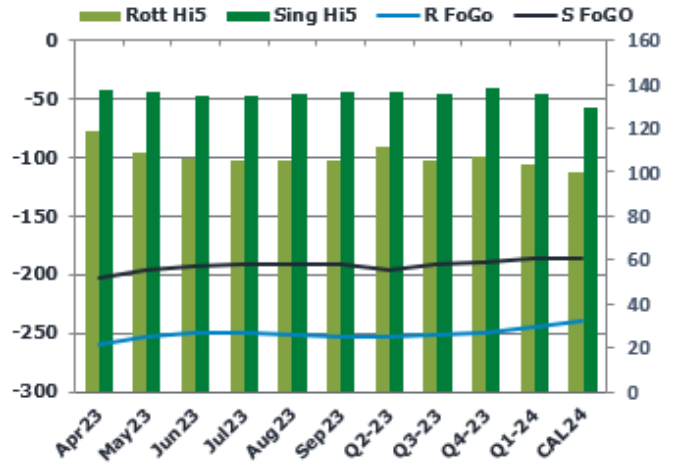
Hi5 and EW Spreads

The Sing Hi5 differential has tightened gradually over the course of the week by around 15 dollars from last week's high point of \$151/mt on Wednesday. A falling Sing 0.5% crack has driven this amid good supply from high refinery output in the region. China has been snapping up cheap Russian crude and refining it into products for wider margins.

High sulphur fuel oil spreads have prevailed recently, especially in the Sing 380cst front months, which have increased by \$3 in the Apr23/May23 since last Monday, trading as high as \$8.00/mt this morning. The following contracts are all stronger by a dollar or more on the week, making position rolling via spreads more appealing due to the premium.

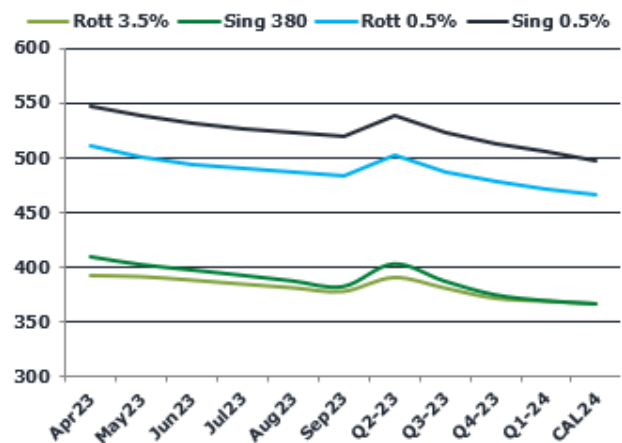
HSFO EW is weaker by over \$4.00 on the day at \$16.00/mt – the weakest level we've seen in over a fortnight on a stronger Rotterdam 3.5% barges crack.

Rotterdam and Singapore Hi5 and FOGO



Source: FIS

Rotterdam and Singapore FO Futures



Source: FIS

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Apr-23	119	138
May-23	109	137
Jun-23	106	135
Jul-23	105	135
Aug-23	105	136
Sep-23	106	137
Q2-23	111	136
Q3-23	106	136
Q4-23	107	139
Q1-24	103	136
CAL24	100	130

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Apr-23	16.25	35.25
May-23	10.25	38.00
Jun-23	8.75	37.50
Jul-23	7.75	37.25
Aug-23	6.25	36.75
Sep-23	4.75	36.00
Q2-23	11.75	37.00
Q3-23	6.25	36.50
Q4-23	3.75	35.25
Q1-24	1.00	33.75
CAL24	3.00	31.50

Table Sources: FIS

Tanker Market 20/03/23 - 27/03/2023

Product tankers continued to gain this week, with the BCTI Index climbing from 1067 to 1202. For MRs on the UK continent, rates initially softened, reaching lows of ws256.11; it recovered slightly, however, to close the week out at ws263.33, a total decline of 8.06 points. In the paper market, trading was pretty subdued, and April FFA traded around the ws230 level for the start of the week; it gained momentum as the week went on and traded a fair amount higher at ws268 and ws270 yesterday. In America MRs continued to have a rocky ride, with TC14 starting at the ws145.83 level; it peaked at ws150 before sharply dropping to close the week out at ws113.33. In the TC14, FFA market conditions were more stable, with April holding around the ws170 mark. Finally, TC17 MEG/East Africa MRs recovered somewhat, moving from ws243.57 to ws260.71.

In the Middle East Gulf, LR1s on the 55kt MEG/Japan run (TC5) edged lower across the week from ws187.86 to ws182.86. Despite the index losing 5 points, the TC5 Paper market firmed with April FFA seeing a flurry of activity on Thursday and Friday as it traded numerous levels on its way up from ws195 to ws206; it traded ws204 last yesterday. European Handymax freight rates firmed significantly throughout the week due to a combination of poor weather and French port strikes resulting in the index closing out in the ws450 region, a considerable gain of nearly 121 points. TC6 Paper followed the index higher, with April FFA seeing decent activity trading a total of 575kt over the week and gaining 58 points to trade at ws290 last. Q3(23) also saw some interest and moved higher from ws192.5 to ws197 yesterday.

The Baltic Dirty Tanker Index started strong, reaching a high of 1648, up from 1611 at the start of the week; however, it gave up gains to close at 1587. In the VLCC market, rates softened for all routes. TD3C spots time above the ws100 level was short-lived, falling 11.36 points to close the week out at ws89.09. At the front of the curve on the TD3C Paper market, April and May followed the spot lower, shifting from ws86.5 to ws78 and from ws75 to ws68, respectively. A key level for April FFA was found at ws78, with just over 1.1 million tons trading there across the week outright. In the Atlantic markets, the 270,000mt US Gulf/China route fell by \$716,666 to close the week at just over \$11.7 million.

On the Suezmax market, the TD20 Nigeria/Rotterdam voyage also weakened, with rates slipping from ws152.73 down to ws140.45. On TD20 paper, April FFA came lower from the ws137.5 level at the start of the week but held its ground around the ws131 mark, with 375kt trading at ws130 on Tuesday, 320kt trading at ws132 on Thursday and 225kt trading at ws131 yesterday. Lastly, on the longer-haul Aframax, US Gulf/Rotterdam voyage rates dropped over 18 points to close at ws252.5. In the paper market, most of the curve was flat, with only the front end suffering. April FFA lost 14 points of value over the week to trade at ws211 last.

On the Suezmax market voyage, the fundamentals could not support the sentiment, and rates tumbled nearly 27 points for the TD20 Nigeria/Rotterdam to ws114.32. On TD20 Paper, April FFA held firm across the week; however, trading in the ws112-ws120 range, 290kt was seen printing at ws118, and 280kt was seen at ws115 over the week. Q2(23) also saw good volume trade on Wednesday, with 220kt printing at ws106. Lastly, on the longer-haul Aframax, US Gulf/Rotterdam voyage rates slipped by 43.21 points to ws230.

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