FIS

Weekly Oil Report

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Prices movement (Sep23 contract)	27-Jun	03-Jul	Change % (settlement prices)
Brent Crude	72.91	74.65	**+2.39%**
WTI Crude	68.22	69.79	**+2.30%**

Crude Oil Market :

There was a great deal of anticipation ahead of OPECs meeting in Vienna yesterday, as investors speculated on whether Saudi Arabia's 1m bpd cut to July's oil production would be extended into August. Following the decision to do just that, it is apparent that Saudi resolve to prop up oil prices remains steadfast. This move was further compounded by the Russian decision to reduce its own oil exports by 500k bpd in August. With a combined share of 1.5% of global supply, the markets were quick to respond with Brent crude futures immediately up 0.9% to $76.09. However, this occurs as the US inflation continues to outpace targets, stoking concerns that the feds hawkish stance will persist. Further to this, factory activity in China slowed in June as the Caixin/s&p 500 report depicted sluggish market conditions in the east. It is unclear whether supply restriction will overcome demand inefficiencies in the long run, but the recent OPEC meeting has provided evidence of a clear commitment from the group for that to be the case. Despite the efforts, oil prices settled 1% lower on Monday as Saudi and Russian output cut announcements were outweighed by worries of slowing global demand. The Sep23 Brent crude future settled at $74.65/bbl.

BP and Shell have once again begun investing in hydrocarbon exploration in what appears to be a part of wider renewed commitment to oil and gas within the major European powers. Offshore drilling vessels used to explore and produce oil and gas have risen 45% since October 2020 with wood Mackenzie analysts predicting activity to grow 20% by 2025. Higher oil prices since the Ukrainian war appear to be driving this transition, as profit takes precedence over pledges towards the green transition.

Recent market sentiment has been one of virtually unprecedented pessimism (with the only comparable bearish trend occurring during the pandemic). NYMEX and ICE WTI represented particularly strong pessimism, where the combined position had been cut to just 46 million barrels. This sentiment is correlated with fears of slowing consumption in north America Europe and China. Given the recent announcements of OPECs production cuts, the speculative investor may be primed to hold a long position in the hope of an explosive rally in the future.

Sep23 Brent Crude Futures from 27th June to Date

Source:

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

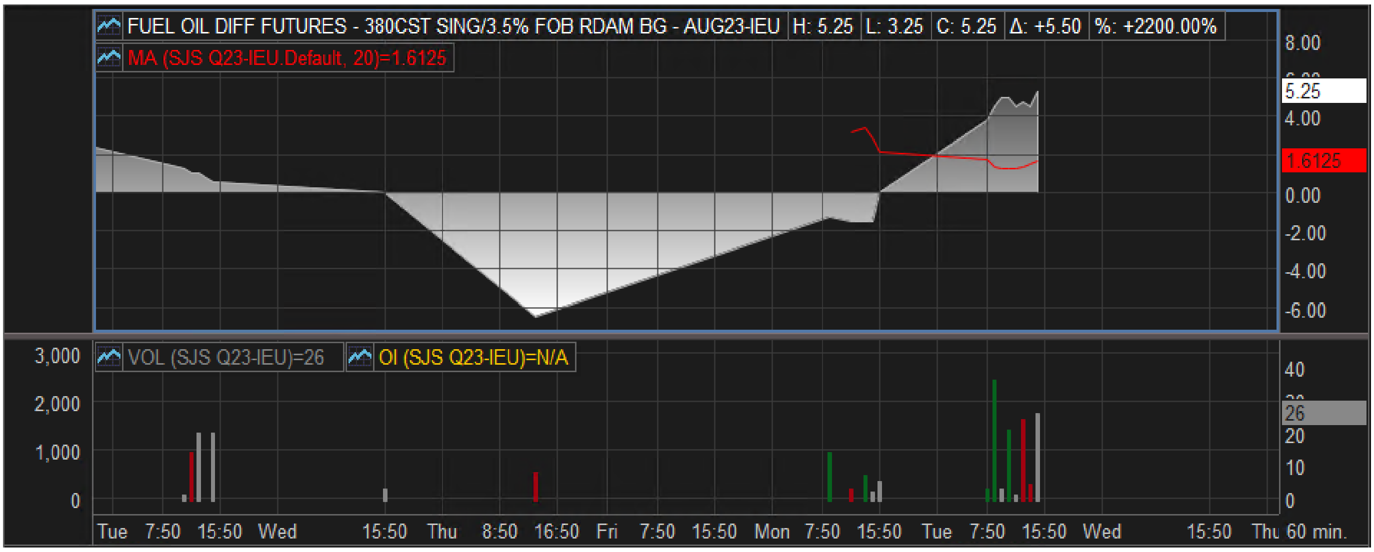
Bunker Market:

The HSFO EW has been extremely turbulent over the week. The Aug23 contract traded last in the market at $5.25/mt, having settled at -$0.25/mt – a rally of over 5 dollars just on the day, so far. For some perspective, this contract closed at around -$8.25/mt on 29/06/23. The sell off last week was spurred by high flows of cargoes arriving in Singapore, as well as lower feedstock demand from China as the Shandong province is now importing less fuel oil, after the government released more crude import quotas. The EW has found support today from aggressive buying of the Sing 380cst crack, which has rallied over 60 cents on the day to print last at -$7.00/bbl in the Aug23 contract.

The prevailing Sing 380cst crack segways me nicely into my next point regarding the Singapore Hi5 spread, which has tightened drastically since last week. On 29th June closing, the Aug23 Hi5 was valued around $122.00/mt – this is now trading around the $107.00 mark. The Aug23 VLSFO is off a dollar from this date, last trading $10.10/bbl, which also contributes to the weaker Hi5 spread.

VLSFO spreads are fairly flat since the turn of the month, though we have seen strength in the HSFO spreads today, particularly in the Sing 380cst. The front Aug23/Sep23 contract is up 75 cents at $9.50/mt, whilst the Sep23/Oct23 is stronger by two dollars on the day—printing last at $10.75/mt. At this point last week, this spread was trading around the $8.00/mt mark.

Aug23 Singapore 380cst crack from 27/06/23 to Date



***Text pricing data:** FIS* ***Chart data:** FIS*

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

Tanker Weekly Report 26Jun23 – 03Jul23

The Baltic Dirty Tanker Index fell this week, dropping from 1058 to 1003. It was a fairly quiet week in the VLCC market as owners and charterers took stock of last week's activity. Rates for TD3C continued to slide downwards at the start of the week hovering around the ws51 level but after reaching a bit of a floor they have recovered through Friday and over the weekend to close up at ws57.58 yesterday evening. In the paper market TD3C July saw a low at ws48 on Tuesday but recovered and printed in good volume on Friday trading at ws58 and ws57 in 340kt and 430kt respectively. Since Friday the July FFA has traded lower with a last done at ws55, this is largely due to the news that Saudia Arabia confirmed their extension of production cuts. An official source from the Ministry of Energy announced the extension of the voluntary cut of 1mbpd by one more month until the end of August. According to a statement published by state-run Saudi Press Agency, Saudi Arabia's crude oil production for July and August will be around 9mbpd. August FFA saw a similar pattern, gaining from ws46 to ws53.5 across the week but trading lower than the ws55 level seen on Friday.

Suezmaxes have also had a quiet week in general, with sentiment driving rates downwards. In West Africa, the lack of firm enquiry combined with available tonnage building up led to lower rates. On the TD20 Nigeria/Rotterdam rates have dropped a significant 25 points to close at ws94.77 yesterday. On the TD20 paper market there was reduced volume in comparison with recent weeks. Jul FFA didn't reflect the drop in spot holding its ground in the ws97-ws100 range but did eventually trade lower at ws95 yesterday. On the longer-haul Aframax US Gulf/ Rotterdam voyage the market continued on its downward trajectory for much of the week reaching a low of ws147.19 on Thursday, it managed to close a touch better however at ws149.38 yesterday. On USGC/AFRA paper July FFA has been active across the week consistently trading in the ws165-ws168 range with just a couple lower prints seen on Wednesday.

Product tankers gained marginally this week with the BCTI Index climbing from 611 to 635. For MRs on the UK continent there were finally signs of improvement as we approached the end of the week. An influx of enquiry sent the TC2 index from ws120 on Tuesday up to ws174 yesterday. On the TC2 Paper market Jul FFA was particularly active trading nearly 500kt across the week, it tracked the physical market seeing its lowest prints at ws144 on Tuesday before surging higher to trade ws164 last yesterday. In America MR's trended higher as well with the TC14 index reaching ws140 by Thursday with a "pre-independence day rush" being cited as the reason, the rates have softened since however closing at ws125 yesterday. On paper July FFA saw small gains over the week climbing from ws122 to ws126, it did see 100kt trade at ws124 on Thursday. Finally MEG MR's have been retested down this week, seeing the TC17 index slip from ws223.93 to ws173.21.

In the Middle East Gulf LR1s on the 55kt MEG/Japan run (TC5) have fallen from ws155 to ws141.88 as the region dealt with Eid holidays. On TC5 paper Jul and Aug FFA's both followed the index lower with both maturities losing 12 points to trade at ws143 and ws151 last respectively. Q4(23) also fell sharply trading at ws156 on Thursday down from ws165.5 seen on Tuesday. Lastly Mediterranean Handymax's plateaued around the ws145 level for much of the week but with an influx of cargoes we saw a spike Friday and yesterday to close at ws170 last. As a result TC6 July FFA traded at ws190 yesterday, 21 points higher than its previous level.

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Chart Source: Bloomberg

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