FIS

Weekly Oil Report

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19/09/2023

Prices movement (front month)	11-Sep	18-Sep	Change % (settlement prices)
Brent Crude	90.64	94.48	**+4.24%**
WTI Crude	87.31	91.48	**+4.78%**
VLSFO (Singapore)	632.67	656.06	**+3.70%**

Crude Oil Market :

The direction of the crude market remains the same since OPEC+ giants Saudi Arabia and Russia announced that they would be deepening the existing production cuts into the end of the year. Nov23 Brent crude futures touched new highs today of $95.96/bbl, continuing a two week bullish run as the market fears supply shortfalls into Q4 and beyond. This international benchmark seems to be on course to test $100/bbl levels this month – with prices up by almost 30% since June.

Tensions between Saudi Arabia and developed economies have risen since the cuts, as the International Energy Agency warn that the purpose of the cuts were to “lock world oil markets into substantial deficit”. However, Saudi Arabia’s Energy Minister Prince Abdulaziz bin Salman stated that OPEC+ is “not targeting prices” with its recent cuts, but “targeting less volatility” and the group wants to be “proactive, pre-emptive and precautious.”

Prices are also being supported by a shift in focus this week to global demand and central bank rate decisions with US Fed and BOE both scheduled while more China trade data for August is due tomorrow. China have already cut back on some rate hikes and it is expected that the US are going to follow suit, or halt the hikes at the least.

Nov23 Brent Crude Futures from 011/09 To Date

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

Bunker Market:

The HSFO EW has been the focal point of the fuel market for the past week, trading as low as -$33/mt in the front month, yesterday. The differential has come under some extreme selling pressure this month, occasionally falling by up to 10 dollars in a single day. Having spoken to a proprietary trader in the market, apparently the expectation is for the front month contracts to keep moving lower. The intraday volatility of the prompt HSFO EW contracts is down to market participants buying into Q4 tightness caused by OPEC+ cuts. Sour crude continues to be very scarce in Europe and the market is expecting stronger cracks and a stronger Euro vs Sing complex, hence the selling of 380cst Sing vs lifting of 3.5% Rotterdam barges.

Another factor that is softening the price of Sing 380cst is that pockets of seasonal utility demand from regions in Southern Asia are expected to weaken further as monsoon season cools the weather, thus cutting demand for the fuel oil fired power generation sector.

A weaker Singapore HSFO complex has widened the Hi5 contract, which is currently valued around the $137/mt in the front month. This is up a dramatic 25 dollars on the week, and 6 dollars higher on the day.

Oct23 HSFO EW From 01/09 To Date

Oct23 Singapore 380cst Crack from 01/09 To Date

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

Source: *FIS, Reuters, Oil Price, Bloomberg, S&P Global*