FIS

Weekly Oil Report

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28/11/2023

Prices movement (front month)	20-Nov	27-Nov	Change % (settlement prices)
Brent Crude	82.32	79.98	-2.84%
VLSFO (Singapore)	660.03	594.16	-9.98%

Crude Oil Market :

Crude markets have traded softer since last Tuesday, with a major shift on Wednesday 22nd November, as the market weighs in on possible OPEC+ output changes vs a muted global demand outlook. Overall, downward pressures seem to be outweighing any upside risk, with Iran also announcing that they will raise production earlier last week, on top of US crude inventory builds.

On Wednesday, the oil markets were hit with some extreme turbulence, rocked by news of the OPEC+ meeting that was supposed to happen on Sunday 26th November, being pushed back to this Thursday. General consensus before the meeting was that Saudi and Russian ministers might agree to extend their voluntary production cuts deeper into 2024 in a bid to support oil prices, so news of the meeting being delayed brewed uncertainty about such an outcome. Front month Brent crude futures plummeted to lows of $78.41/bbl, having been hovering around the $81.50/bbl level for most of the day. Late evening trading saw the benchmark retake almost the entirety of the day's losses to settle , in the end, at $81.96/bbl.

Into the latter part of last week, downward pressures continued to influence oil prices, as the market considered Wednesday's EIA data release that showed a US crude inventory build of 8.7 million barrels. Gasoline reserves also saw an increase, which is usually a good indicator of weak consumer demand in the USA. From the world's largest economy to its second largest, more weak data out of China showing softer-than-expected industrial profits pointed to demand continuing to struggle there and as a result the data weighed on equities and commodity prices.

In today's trading, prices saw yet another sharp decline of a dollar in the minutes after news dropped from Reuters that a further delay in the OPEC meeting that was rescheduled for Thursday is possible. The headline said OPEC+ talks on oil policy are difficult. Jan24 Brent future intraday low here is $79.80/bbl.

Jan24 Brent crude futures from 21/11/23

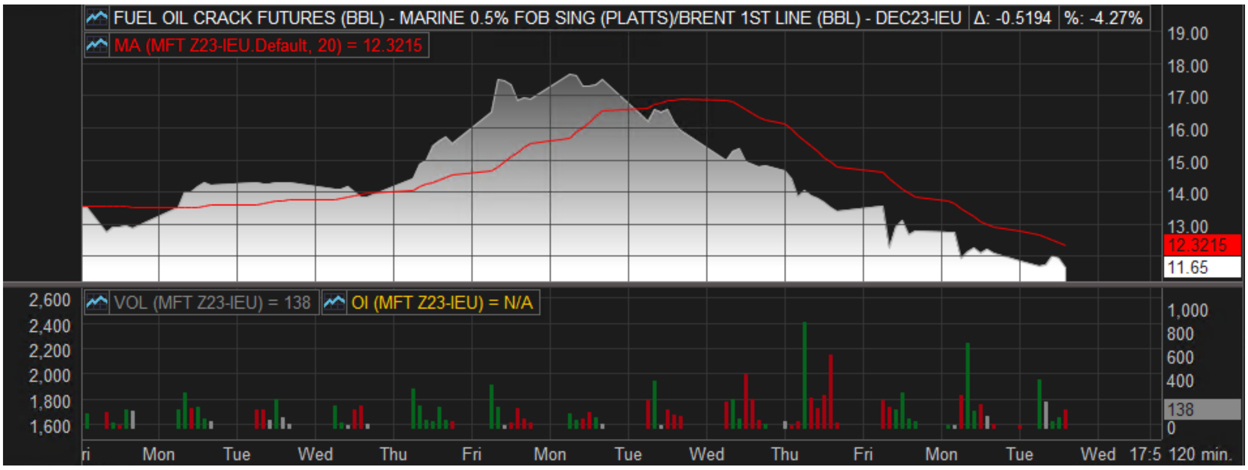
Source: *FIS, Reuters, Oil Price, Bloomberg, BBC News, Morningstar*

Bunker Market:

The focus of the fuel market over the last couple of weeks has certainly been the VLSFO complex, particularly in the Singapore hub which has endured some extreme volatility. The front month Sing 0.5% crack had rallied to recent highs last Monday, printing $17.65/bbl at the peak. The remainder of last week and into this week ensued with continuous and aggressive falls for the same contract, which at the time of writing, is trading at $11.75/bbl. In yesterday's trading, it was gapping as much as 50 cents in the window and came off as much as $2.70 in a single session to touch an intraday low of $10.00/bbl, before almost instantly bouncing back by about $1.50. Initially, the weakening in the front crack was deemed to be off the back off announcements that Kuwait's Al Zour refinery was to be back fully operational in the coming weeks after some repair and maintenance issues. This facility is a large producer of 0.5% sulphur marine fuel, hence why there was tight supply of the grade, strengthening the front cracks and spreads in the first place. However, one might argue that the output of a single refinery is not robust enough to warrant such volatile moves in the Sing 0.5% marine fuel. There are certainly some stop losses that were hit on the way down in yesterday's trading, snowballing the drop.

The Dec23/Jan24 Sing 0.5% spread has shed even more aggressively than the crack. At the beginning of last week, the spread was trading above the $30/mt mark, granting a huge premium to those who needed to roll front month positions into Jan24. After a week of heavy losses each day, the same contract is trading here at $10.75—a dollar weaker on the day and twenty dollars off from last week's highs.

Dec23 Sing 0.5% crack from 10th November to Date



Dec23/Jan24 Sing 0.5% spread from 10th November to Date

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

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

Tanker Weekly Report 20thNov23 – 27thNov23

The Baltic Dirty Tanker Index fell again this week dropping from 1310 to 1222. In the VLCC market rates for TD3C fell from ws73.38 to ws65.91 but have recovered slightly since to close the week out at ws66.96 thanks to a tightening tonnage list. The pending Opec+ meeting scheduled for this Thursday will now be a focus of the coming week, where a continuation of its supply cuts could further harm rates. TD3C paper saw Q1(24) follow the spot trading as low as $12.8/mt on Wednesday before recovering over the weekend to print back up at $13.25/mt last on Monday. Dec FFA saw some good volume towards the end of the week with 375kt trading at ws66 on Thursday and 440kt trading higher at ws70 the following day.

On the Suezmax market rates for the TD20 Nigeria/Rotterdam voyage closed the week out little changed at ws98.41 despite briefly edging above ws100 earlier in the week. TD20 paper was also fairly muted with Dec FFA trading around the ws107-108 mark and Q1(24) trading at $17/mt.

For the Stateside Aframax market, rates on the trans-Atlantic USGC/UKC route fell early in the week from ws197.81 to ws180.31 as owners wanted coverage over the Thanksgiving break. Rates remained little changed since then due to the holiday closing the week out at ws181.25. USGC/UKC paper saw flurries of activity on Dec FFA before the break, trading in the ws180-193 range – unable to settle on a level. When trading resumed on Monday Dec has traded in the upper bounds of that range with a last done at ws190 that evening.

The BCTI Index gave up most of its gains from the previous week slipping from 862 to 822. MRs on the UK continent suffered a 4 point drop mid-week touching ws176.5 but have recovered since and jumped up to ws188.75 at the time of writing. On TC2 paper Dec FFA firmed from ws225 to ws245 week-on-week and Q1(24) added 75 cents trading at $33.75/mt last. The cal24 saw a noteworthy 120kt trade at $28/mt across the week. In America MR rates for TC14 have raced upwards despite the Thanksgiving holiday, jumping from ws223.21 to ws264.29. TC14 paper saw Dec FFA climb, albeit at a slower rate than the spot, jumping from ws187 to ws210 and trading actively over the week. There is still a large disparity between the spot and Dec however suggesting there may be some more movement to come as the year end approaches. Finally MR's in the MEG lost momentum seeing TC17 fall from ws221.43 to ws187.14.

In the Middle East Gulf LR1s on the 55kt MEG/Japan run (TC5) fell this week, unlike their bigger sisters, losing 8.12 points to close at ws124.38. TC5 paper saw a lot of activity at the front of the curve with over a million tonnes trading outright on the Dec FFA with even more trading as part of spreads. The Dec FFA fell sharply from ws165 to ws145 week-on-week. Q1(24) was also active and traded down from $43/mt to $42.3/mt. Lastly Mediterranean Handymax's couldn't maintain their recent surge which resulted in the TC6 index dropping from ws328.33 down to ws263.89. TC6 paper similarly has seen Dec FFA lose 30 points of value to trade at ws305 last.

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Chart Source: Bloomberg