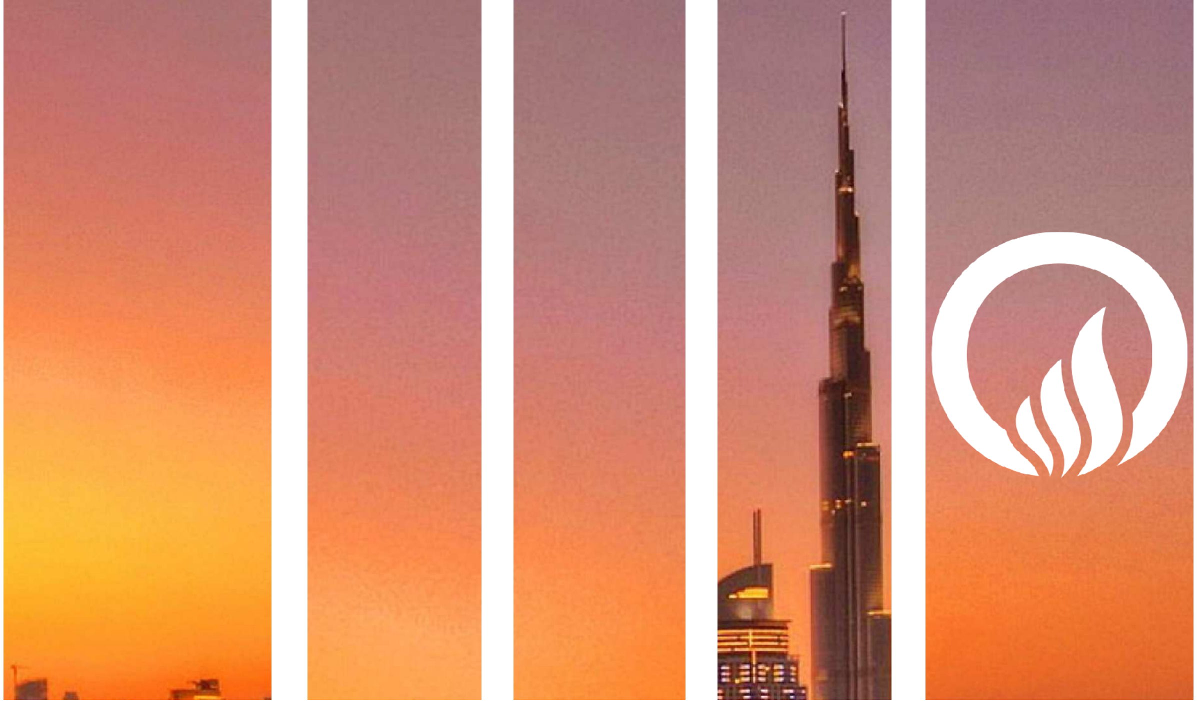
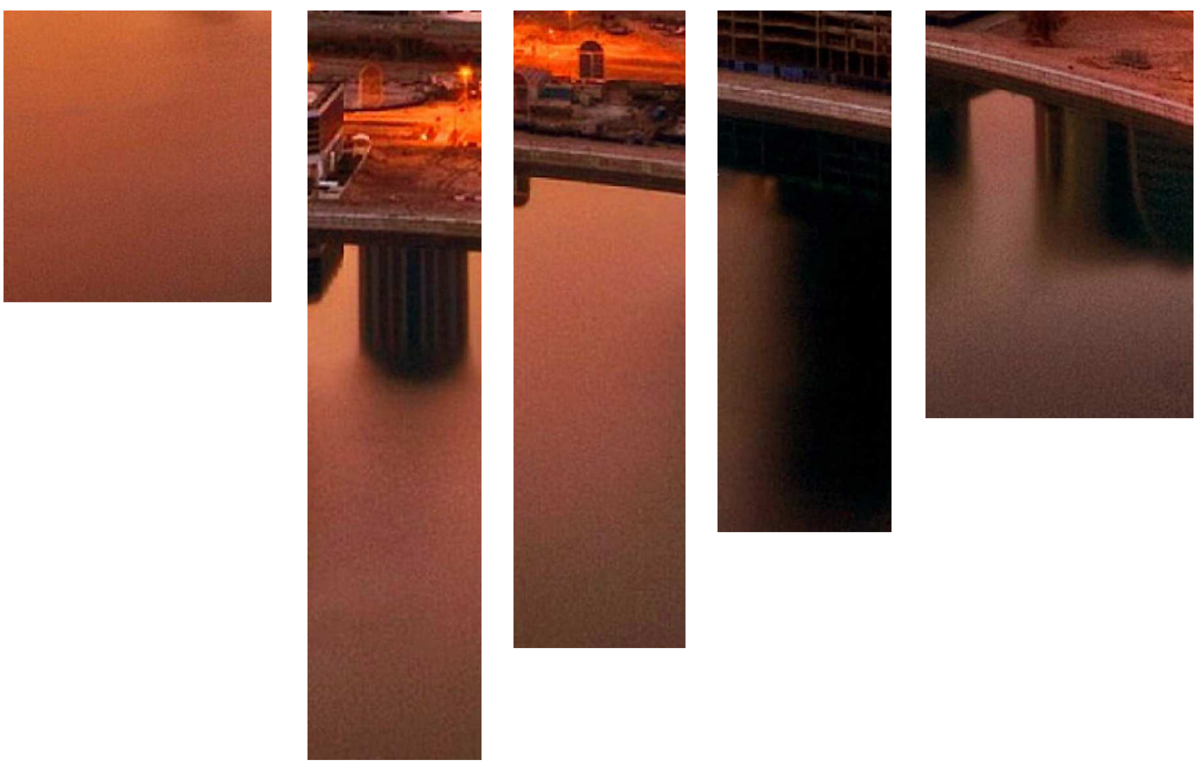


Onyx Capital Advisory

Dubai Market Report

2nd January 2024



Market Summary

Key Points

- **Bal-Jan Brent/Dubai saw a sharp decline from $0.75/bbl a fortnight ago to trade around $0.17/bbl on Jan 02. The Feb Brent/Dubai saw a similar collapse and came off by 63c over the past two weeks to $0.20/bbl on Jan 02.**
- **Market positioning in Brent/Dubai remains skewed towards the sell side with the front Feb, Mar and Apr tenors all sitting on a long:short ratio of 40:60. Further down the curve, Q4'24 Brent/Dubai is sitting on a ratio of 35:65 long:short.**
- **Open interest in Brent/Dubai remains well above the 5-year average for as far as Q3'24. Notably, OI in Q2'24 Brent/Dubai is currently 110% above its 5-year average.**
- **Asian refinery margins weakened in both Q2'24 and Q3'24 despite weakening crude as products saw more severe weakness. The largest driver of the decline in refinery margins was 10ppm gasoil. Propane cracks were the only products to contribute positively to the refinery margins, amid freight rising off the Red Sea attacks.**

All Quiet on the (Middle) Eastern Front

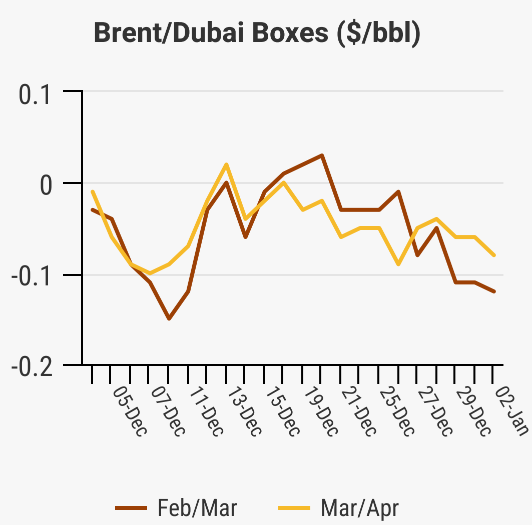
Feb Brent/Dubai rose to 97c/bbl on Dec 18, but by Christmas the now prompt month slipped down past 40c/bbl. The early window on Dec 22 saw the Brent/Dubai structure nearly collapse. The market was liquid and we saw a player consistently, aggressively sell the Jan/Feb box. The now Bal-Jan/Feb box fell to -27c/bbl. This prompted Brent/Dubai to collapse in conjunction as it traded down to flat in Jan and between 35-50c/bbl in Feb.

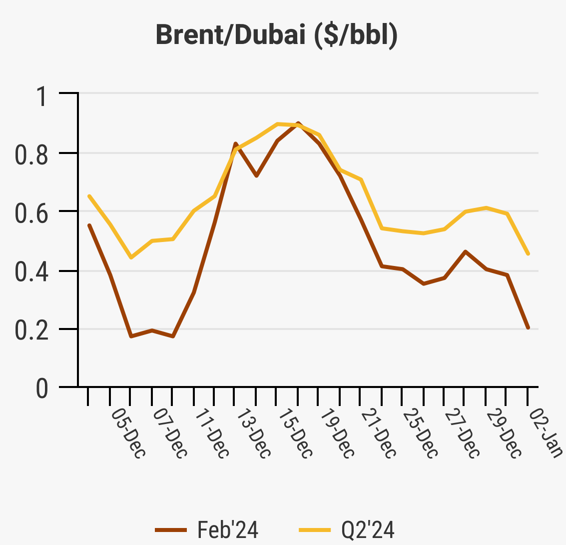
There has been a little rebound as January began, although it has been pretty quiet in terms of price action and flows. There has been some support in prices from refiners. These players are natural buyers of Brent/Dubai, and as they lock in prices they support the market. Coming into 2024, producers and refiners are holding fairly large-sized long positions in the Feb contract, with producers long in the Bal and the Q2 contract too.

Producers have held around 1mbbls of length since mid-Nov and are quite comfortably in the money. As prices continue to soften we may see these players start to close these positions inch by inch, to protect their gains made over the past 6 weeks. It will be interesting to see the strength of conviction in the reappearing geopolitical risk premium and its boost to Dubai grades. On Jan 1, Iran reacted to the sinking of Houthi boats by the US Navy by dispatching a warship to the Bab El-Mandab Strait. However, with the lack of significant reaction in freight rates compared to their movement in December, and as Chinese and Russian ships are not being targeted, the story may be already written. With this said, the Red Sea disruption does impact some shipping to China as the 2mbbls minimum VLCCs can not pass through the Red Sea.

We have seen lots of interest in selling Jan and Feb Dubai outright while concurrently buying the box. Looking further along the curve, however, we have seen banks looking to sell backend boxes, Q3/Q4 box offered and Q3/Cal'25 trading at 1c/bbl on Jan 02.

Looking forward, prices could continue to be pressed. Feb Brent/Dubai lost 35% in the Singapore window on Jan 02 and the physical picture seems quite pessimistic. Russian crude is proving difficult to obtain, physically speaking. In addition to this, Middle Eastern refinery capacity is increasing which is providing a more substantial competition for Eastern crude.

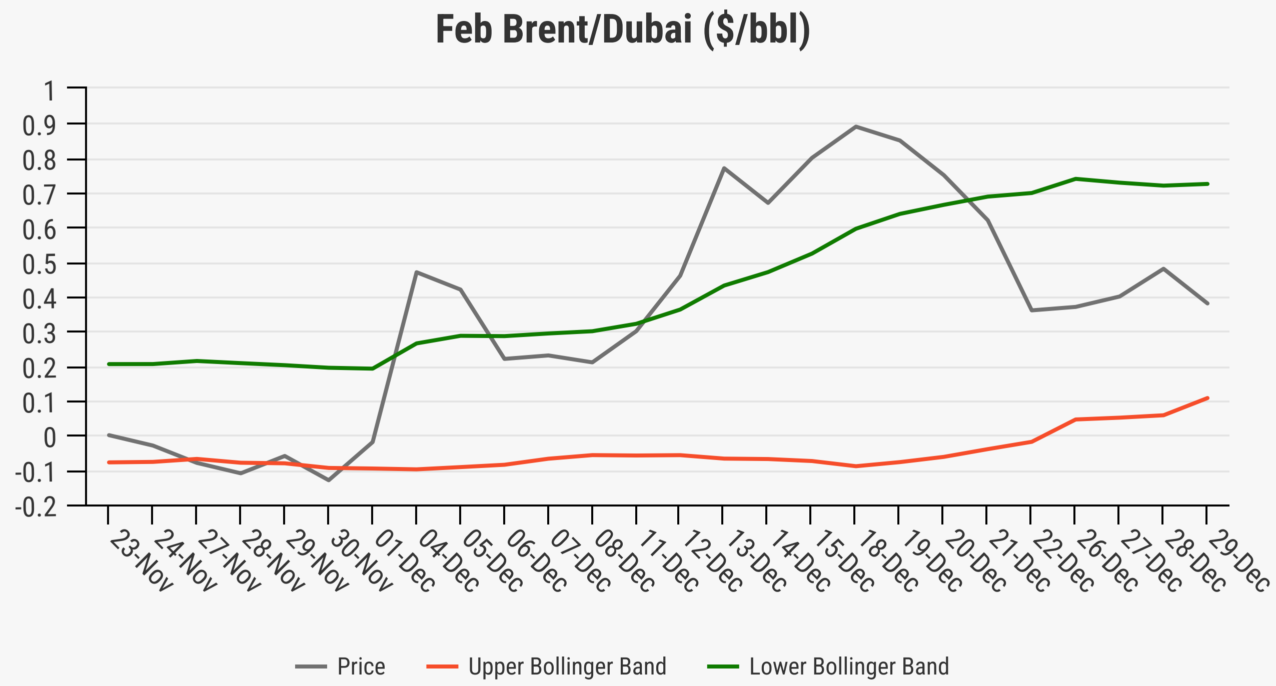


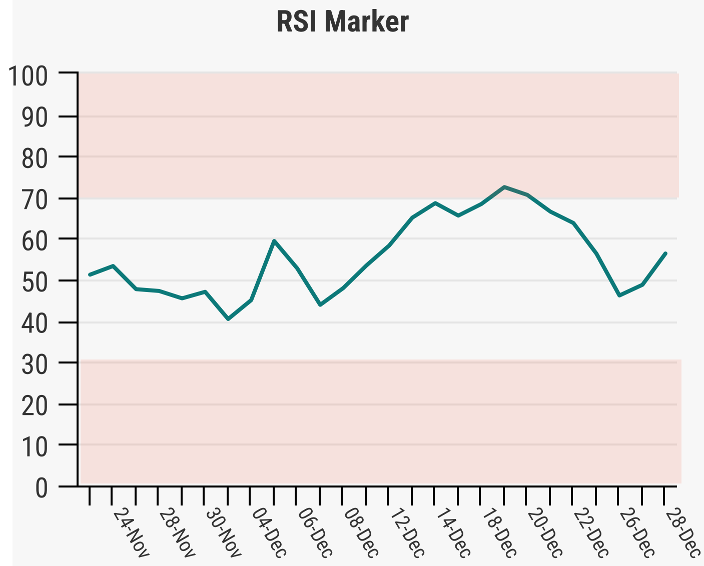


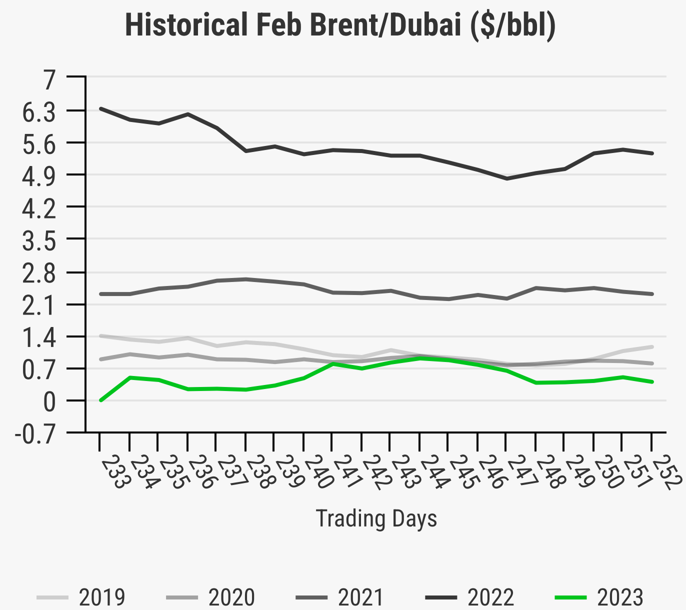
Trade Idea

Short Feb Brent/Dubai

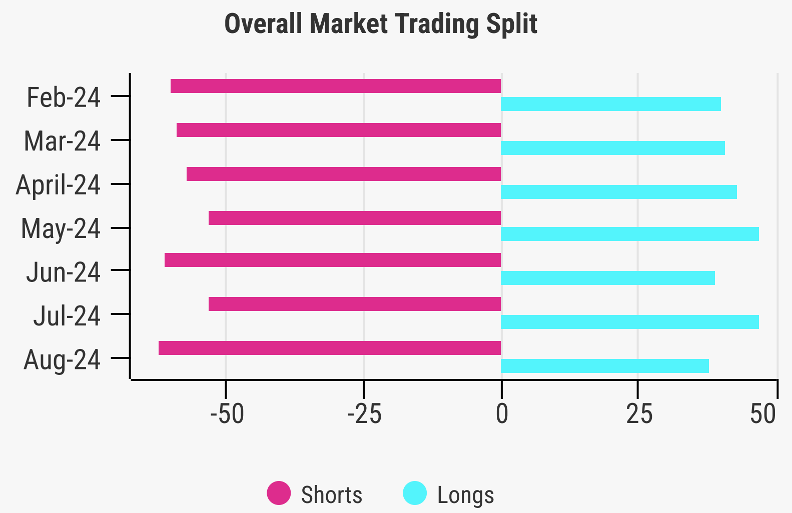
Recent price action for Feb Brent/Dubai has been full of peaks and troughs, initially reaching $1/bbl on Dec 19. Since then, with the exception of a 20c/bbl rebound across Dec 27 and 28, prices have tailed off, falling to 20c/bbl on Jan 02. A bearish tone has seemingly swept the Brent/Dubai structure, with players wary of the ongoing Red Sea disruptions, despite crude shipping being much less affected in comparison to the products. Nevertheless, some flows could be disrupted, in turn leaving less sour crude on the market, providing an incentive to be short. However, with levels currently around the 20c/bbl mark, it is hard to be massively bearish, thus we would be looking for prices to come off by 15-20c/bbl, targeting flat for the Feb tenor. In recent times flat has acted as a key level and barrier for price action, with participants very happy to start buying when prices threaten to go negative.





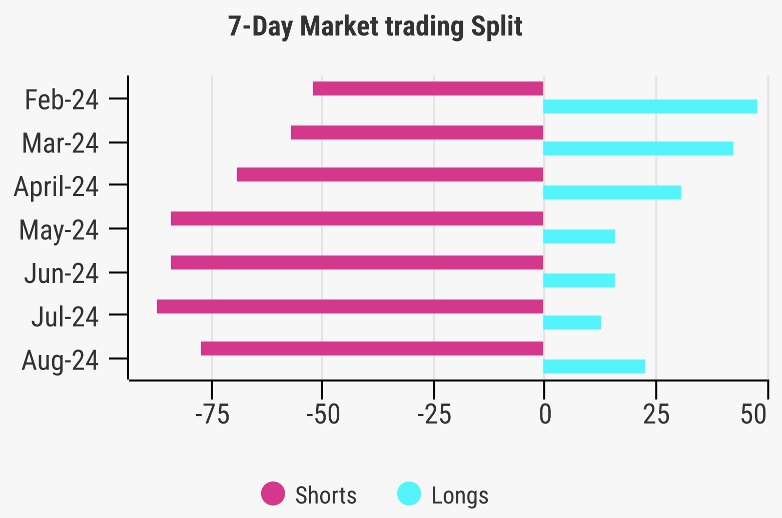


Market Positioning - Brent/Dubai

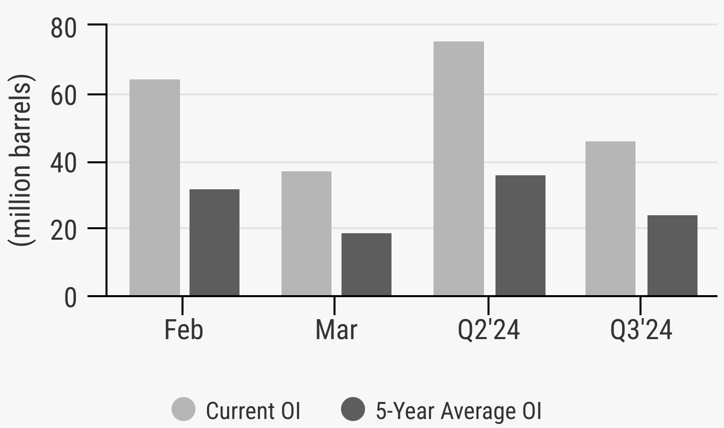


Brent/Dubai Positioning

Overall the market remains comprehensively skewed towards the sell side, with the front Feb, Mar and Apr tenors all posting a long:short ratio of 40:60. The May tenor is slightly longer at 45:55 long:short. However, the further down the curve you go, the shorter Brent/Dubai becomes, with Q4'24 short skewed to 35:65.



The 7-day market split reinforces this bearish interest, with nearly all tenors in 2024 moving shorter on a 7-day basis, with the exception of September which sits at 85:15 long:short. Similar to the overall positioning, the more deferred tenors see a shorter skew, with May, Jun and Jul reaching 15:85 on a long:short basis.



Open interest in the prompt contract continues to rise, increasing by almost 20% over the past fortnight, remaining greater than 2 times above the 5-year average. Mar Brent/Dubai also saw an increase in OI, surpassing its 5-year max value, for the same timeframe, on Dec 27, as it climbs towards 40mbbls. Despite, increases in the front tenors, further down the curve, open interest has stagnated slightly, with both Q2 and Q3 showing little improvement on levels seen a week prior.

View and Forecasts

OUTRIGHT

Contract	Feb24 Brent/Dubai
View	Bearish
Conclusion	Bearish currently, but buying interest may return if levels reach flat.
2-Week Forecast	-$0.10-0.10/bbl

Contract	Mar24 Brent/Dubai
View	Bearish
Conclusion	Similar to Feb, low levels may spur buying
2-Week Forecast	$0.10-0.30/bbl

SPREAD

Contract	Feb/Mar Brent/Dubai Box
View	Cautiously Bearish
Conclusion	Primarily due to flows skewed towards net selling.
Current Price	-$0.11/bbl
2-Week Forecast	-$0.20-(0.10)/bbl

Contract	Mar/Apr Brent/Dubai Box
View	Cautiously Bearish
Conclusion	Market is currently more bearish Q2'24 than Q1'24 allowing for smaller downside to the Mar/Apr box.
Current Price	-$0.09/bbl
2-Week Forecast	-$0.15-(0.10)/bbl

Most Recent Flows and Desk Observations

	Flow	Brent/Dubai	Flow	Brent/Dubai Box	Net Impact
Jan24	**-1**	While we saw a slight rebound from the sell off before Christmas, it got sold into during the early window on Dec 22.	**+1**	Buying interest from a range of players as a consequence of phys players selling Jan/Feb Dubai spreads and then looking to buy the box.	**Neutral**
Feb24	**-1**	Similar to Jan, saw a rebound followed by selling. Jan 02 saw trade houses, refiners and majors on the sell side.	**+1**	Buying flows seen in Feb/Mar box.	**Bearish**
Q2'24	**-3**	Remained consistently offered over the past fortnight. Banks and trade houses were very happy to sell.	**-1**	Flow has started to be offered today, mainly by banks.	**Bearish**
Q3'24	**-2**	Similar to Q2'24.	**-2**	Similar to Q2'24, Q3/Q4 box has been well offered.	**Bearish**
Cal25	**-2**	Banks have been seen offering.			**Bearish**

COT - Brent/Dubai

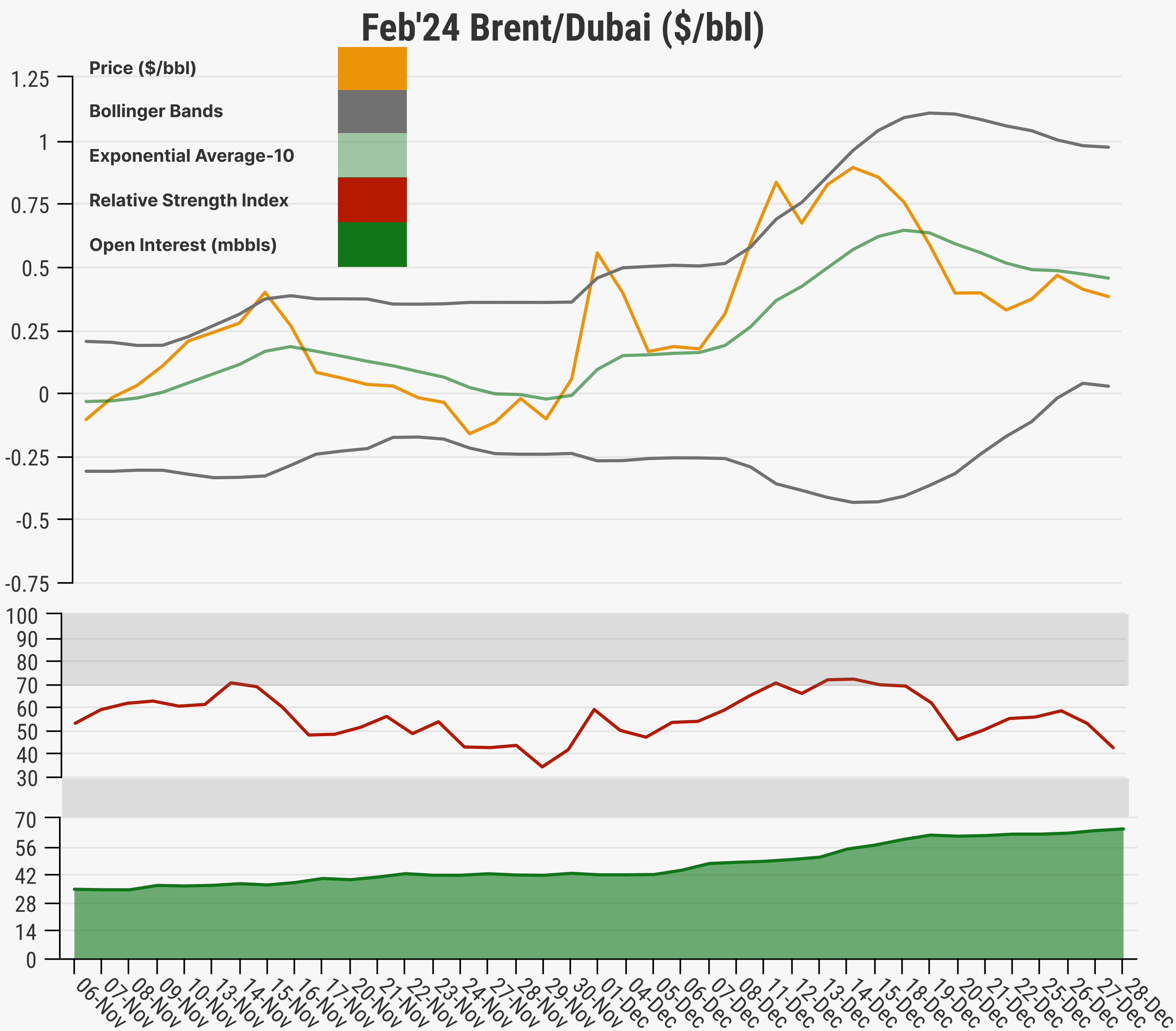
	Exchange OI (mbbl) (% weekly Change)	7-Day Onyx Market Share	Hedging OI (mbbl)	Spec OI (mbbl)	Long:Short	OI-Average
Feb24	60.19 (5%)	10%	43.44	16.75	40:**60**	66%
Mar24	64.65 (5%)	18.7%	42.58	22.07	40:**60**	102%
Q2’24	76.02 (1%)	14%	63.96	12.05	45:**55**	110%
Q3’24	46.35 (1%)	29.6%	40.17	6.18	40:**60**	90%

Brent/Dubai and Dubai Swaps - Onyx Contracts

Looking at the market positioning over the past two weeks, we can see both the Brent/Dubai and outright Dubai contracts saw a significant lull in volume traded over the period following Christmas. This was especially clear in the Mar Brent/Dubai which saw an average of only 23.5kbbls of buy-side interest in the 4 trading days since Christmas. Feb Brent/Dubai ended Dec with a net position of over 530kbbls long although Mar has a small bearish skew, at 157kbbls net short. The front Dubai contracts have failed to see any significant interest late December, although the net positioning in Feb rose to over 690kbbls as Mar saw 210kbbls of selling, suggesting spread buying or rolling positions.

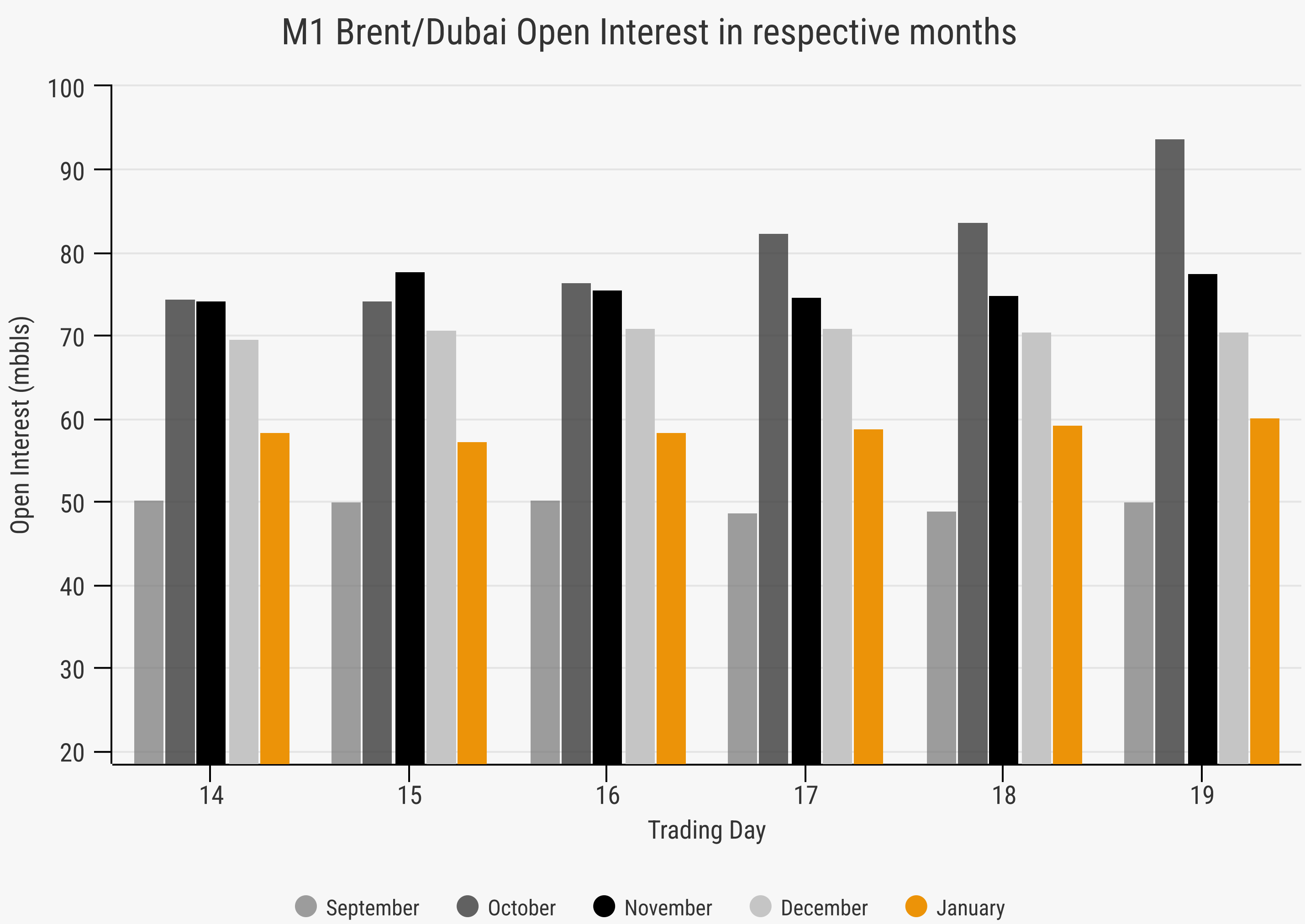
Brent/Dubai - Technical Analysis

- **Bollinger bands** have become narrower, pointing to reducing volatility in the market amid the lulls of the holiday season coupled with participants wary of the attacks on the Red Sea by the Houthis. Adding to this, price action has been on the downside due to a sell-side skew, with prices for the Feb Brent/Dubai sitting at 38c/bbl on Jan 01 after flirting with the 90c/bbl handles on Dec 18.
- The **RSI** for the Feb tenor has been trending downwards albeit remaining within neutral territory as of Dec 28.
- **Open interest** for the Feb'24 Brent/Dubai has seen a 20% increase over the past fortnight, and is now 60% in excess of the 5-year maximum for this time of the year. However, this interest is largely skewed short, with the COT dashboard sitting at 40:60 on a long:short basis for Feb Brent/Dubai.



Brent/Dubai - Open Interest

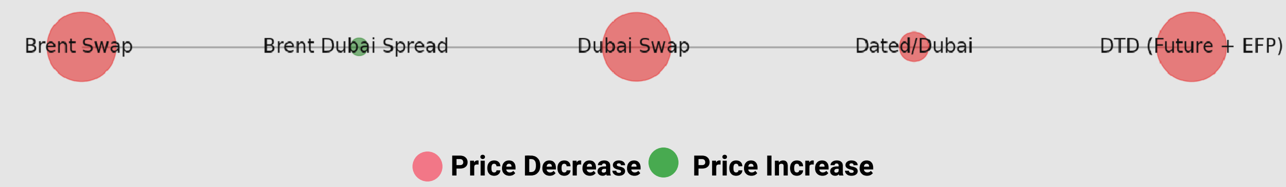
- Open interest in the Jan contract has remained lacklustre into the end of the year, as the geopolitical risk premium story becomes stale and players seemed to be awaiting the end of year and more significant signals. OI has failed to significantly pass the ceiling of 60mbbls in the 14th-19th trading days of December and although it has inched up to highs of 60.185mbbls it remains around 10mbbls lower than the month before.
- Despite December seemingly seeing less interest than previous months, it does remain over 80% higher than the 5-year average. As we enter January, the February contract is 66% higher than the 5-year average.



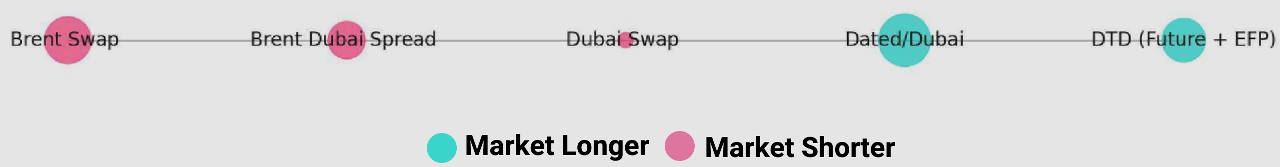
*For reference, August was the M1 in the 9-13th trading days of July.

M1 Network Analysis

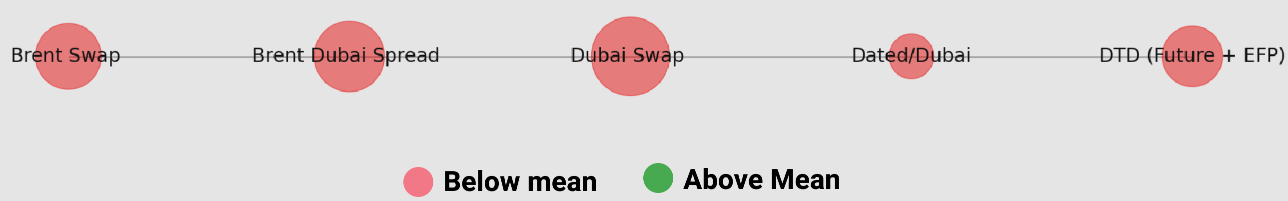
Price Difference



Net Market Positioning



Volume Traded

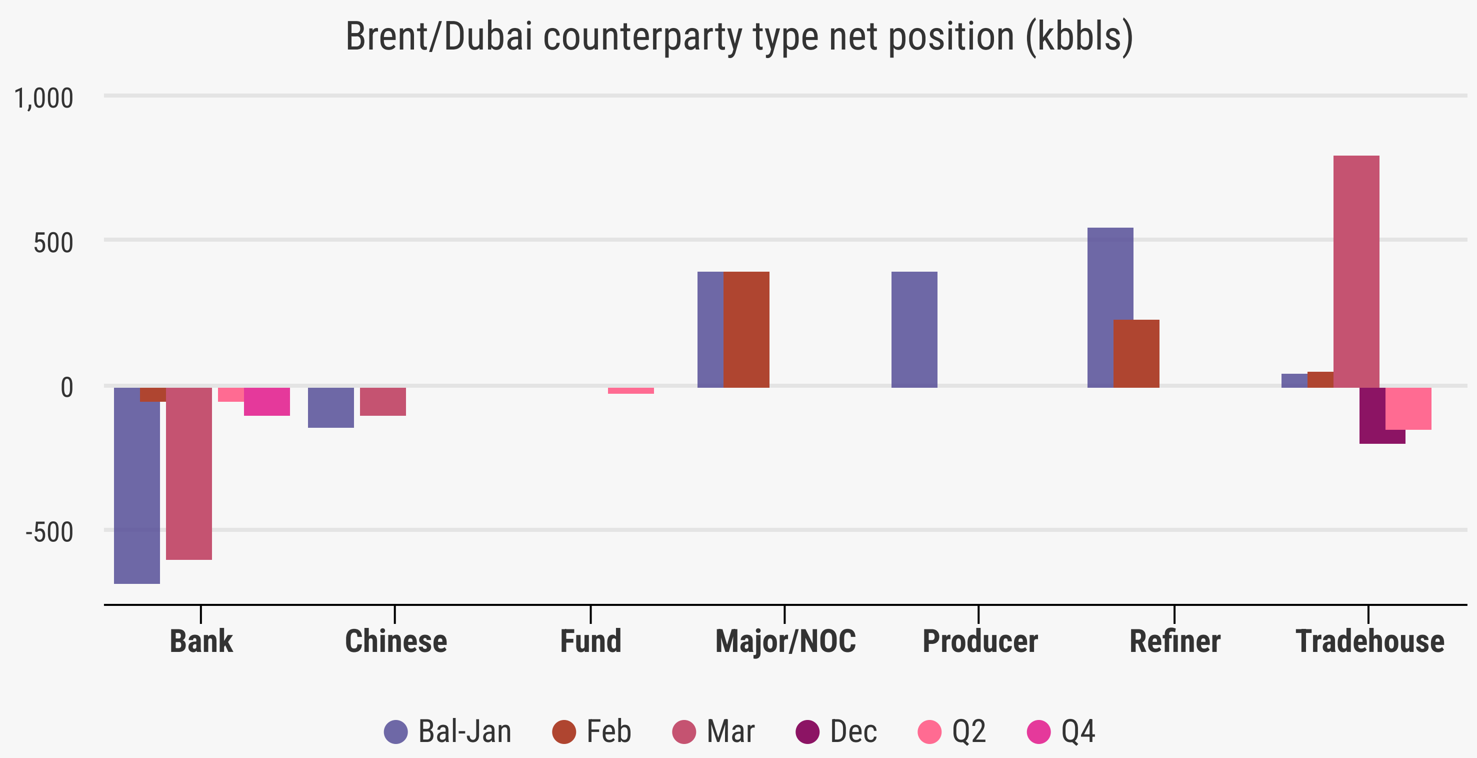


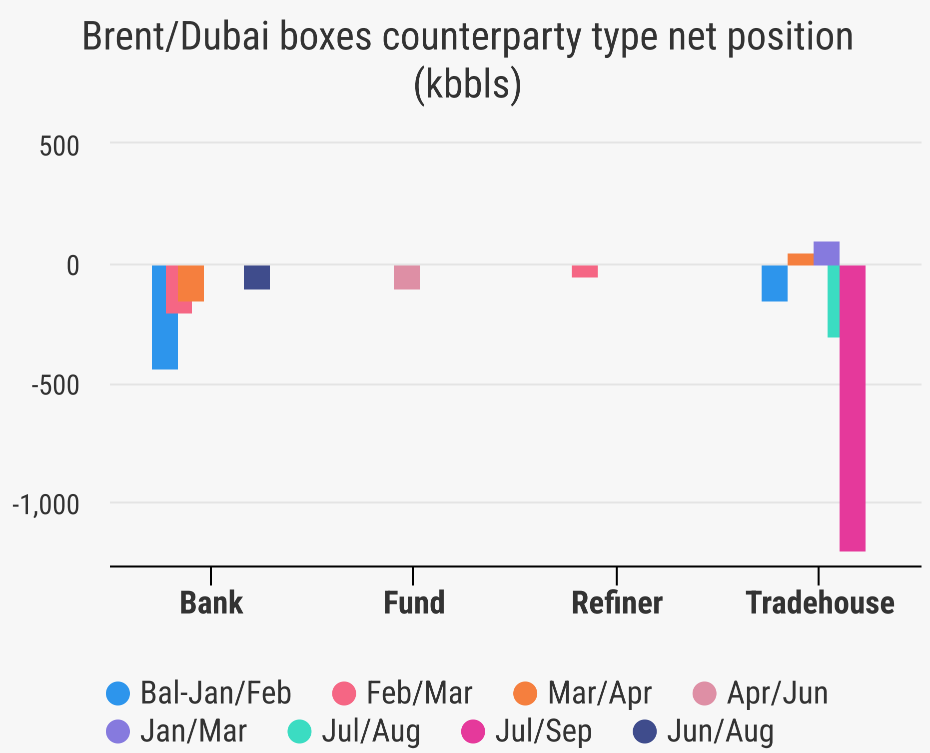
Volumes have been normalised for a 3-day sum window over the last 30 days

Above is the network analysis in the February contract for the **five-day trading period to the 29th of December**. Until recent further attacks, outright crude prices were on a downtrend as Red Sea shipping disruptions eased briefly with shipping firms returning to the route. Meanwhile, outright Brent/Dubai was relatively rangebound but saw a small week-on-week increase. Unsurprisingly, trading volumes saw a substantial decline across the products over the festive period. Looking at changes in the net market positioning, the market has been seen getting shorter in Brent/Dubai, Dubai swaps outright, but getting longer in Dated/Dubai.

Size of bubble proportional to increase or decrease.
Volume Size: log of absolute volume
Price Size: scaled by standard deviation

Counterparty Type - Brent/Dubai

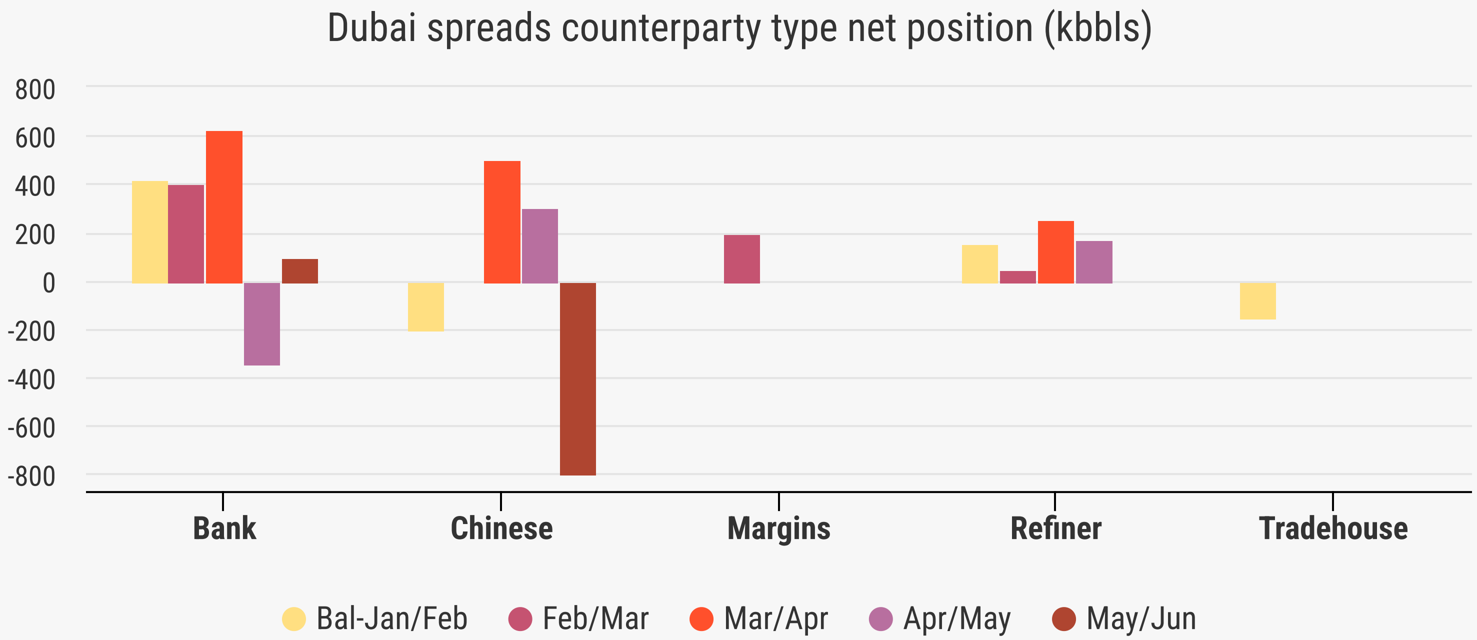


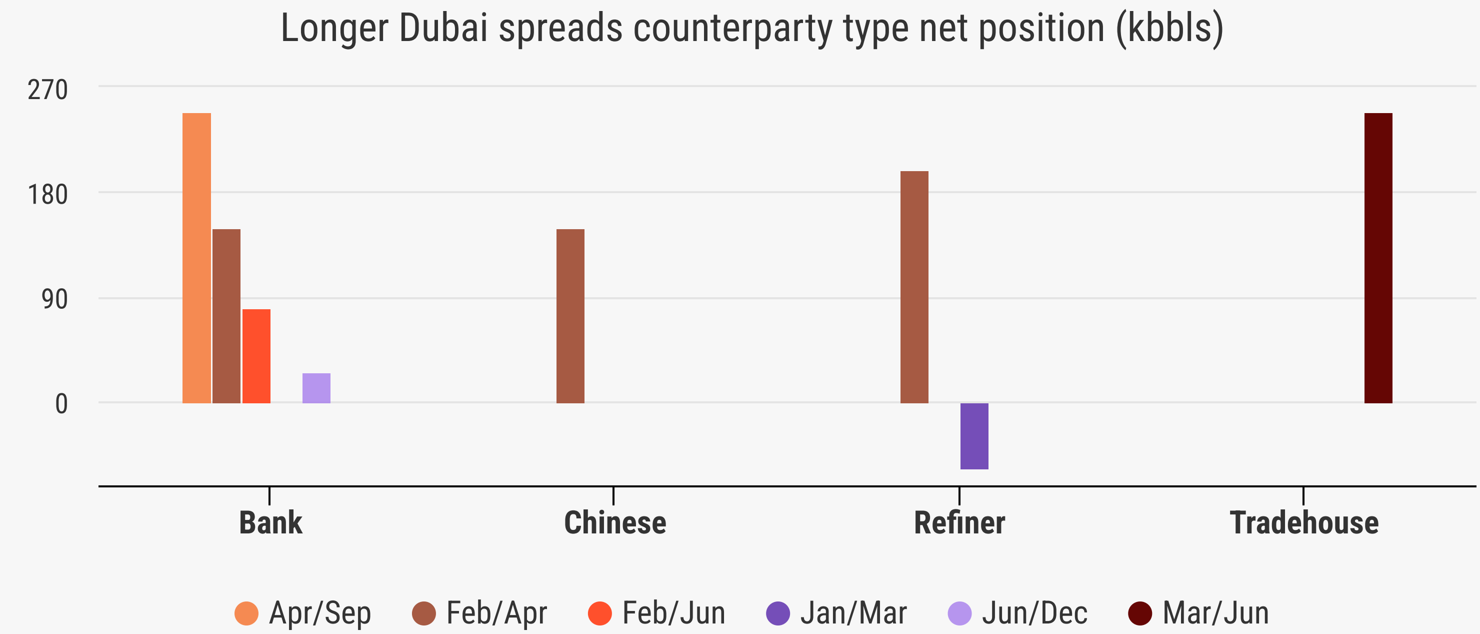


- **Over the past 2 weeks,** we have seen mixed interest in outright Brent/Dubai. Banks have been seen selling in good quantities, with over 500kbbls of both Bal-Jan and Mar sold to Onyx alongside smaller amounts of both monthly and quarterly tenors. Bal-Jan was bought by majors, producers and refiners and the prompt also saw buying interest. Trade houses bought over 790kbbls of Mar.

- Looking at the front Brent/Dubai boxes, we can see interest across counterparties is skewed toward the sell side with the exception of trade house buying in the Jan/Mar and Mar/Apr box. Although they sold 1.2mbbls of the Jul/Sep to Onyx.

Counterparty Type - Dubai Spreads





- Dubai spreads saw a fairly muted volumes trading over the past fortnight due to the year end and the holiday season. Feb/Mar and Mar/Apr both saw buying from banks, Chinese players and refiners.
- Banks were seen buying a range of spreads both in the prompt and more deferred. Trade houses were not particularly active in Dubai spreads in the past 2 weeks although they bought 250kbbls of Mar/Jun from Onyx.

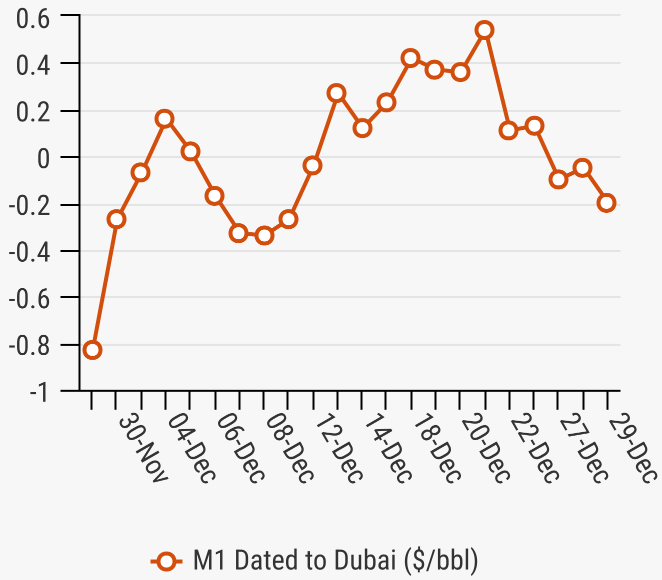
Arbitrage Barrels

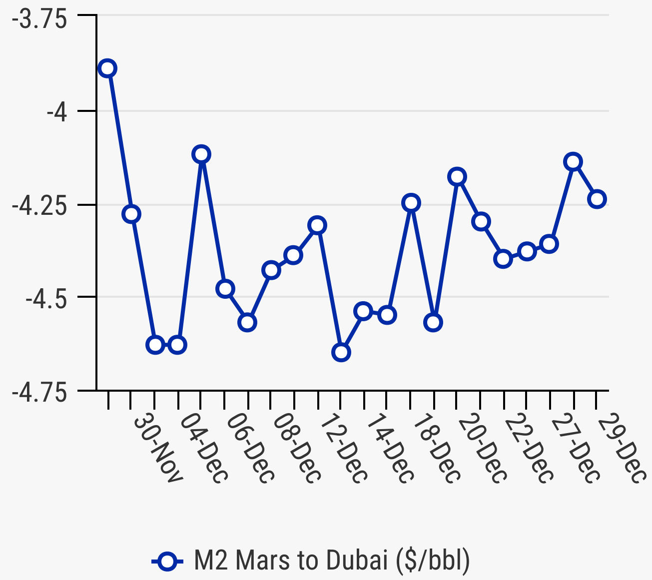
Dated to Dubai

Tenor	Differential Value ($/bbl)	Adjusted Differential for Voyage Time*	vs 1-year Average	vs 5-year Average
M1	-0.20	0.14	-0.93	-1.86
M2	0.01	0.20	-1.03	-1.88
Q2-24	0.84	-1.13	-1.19	-1.39
Q3-24	0.82	0.99	-1.21	-1.41

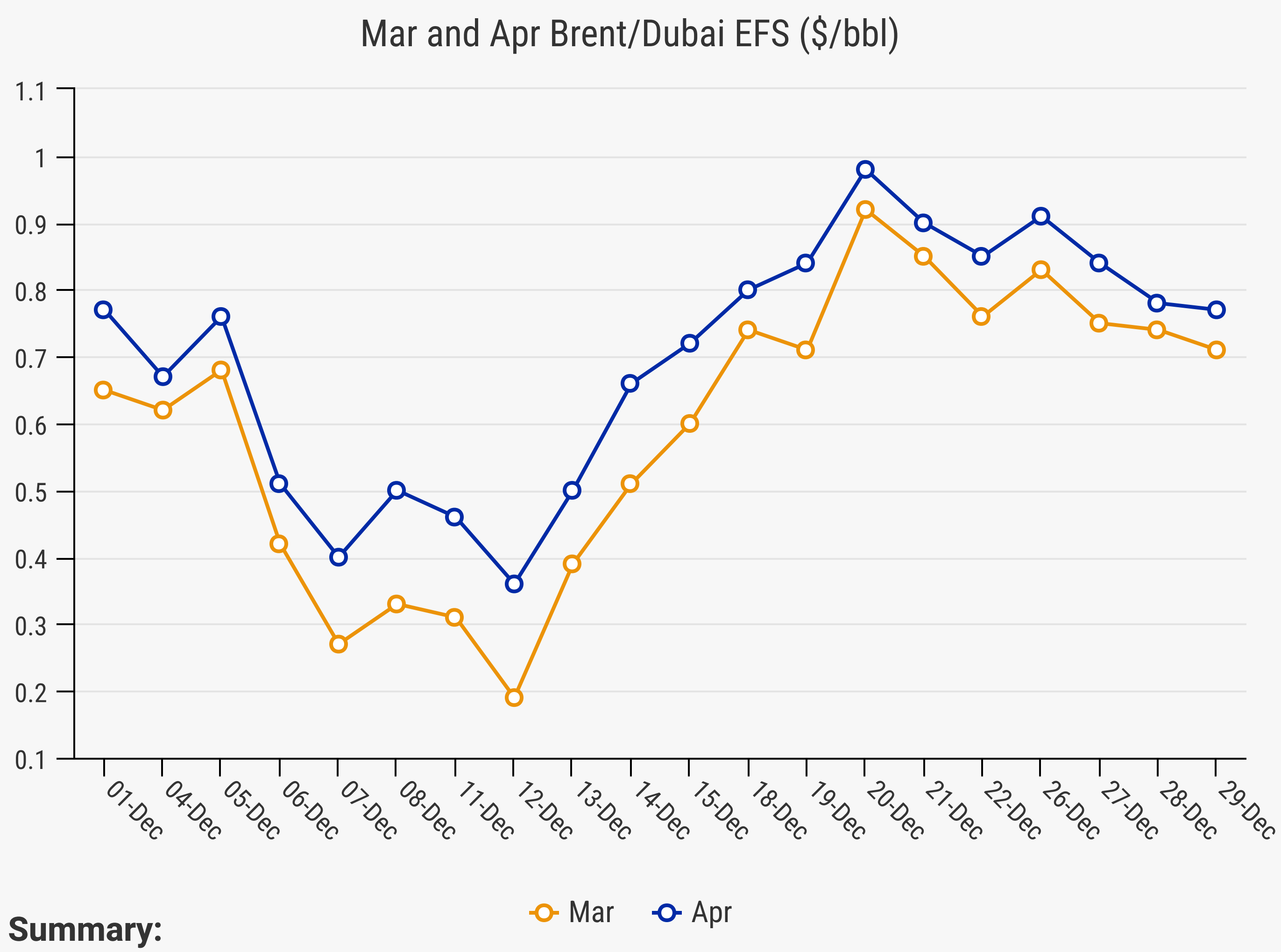
Mars to Dubai

Tenor	Differential Value ($/bbl)	Adjusted Differential for Voyage Time*	vs 1-year Average	vs 5-year Average
M2	-4.24	-4.05	-0.53	-2.35
M3	-4.36	-4.05	-0.88	-2.65
Q2-24	-3.72	-5.68	-0.20	-1.27
Q3-24	-3.83	-3.28	-0.39	-1.46





Brent/Dubai EFS



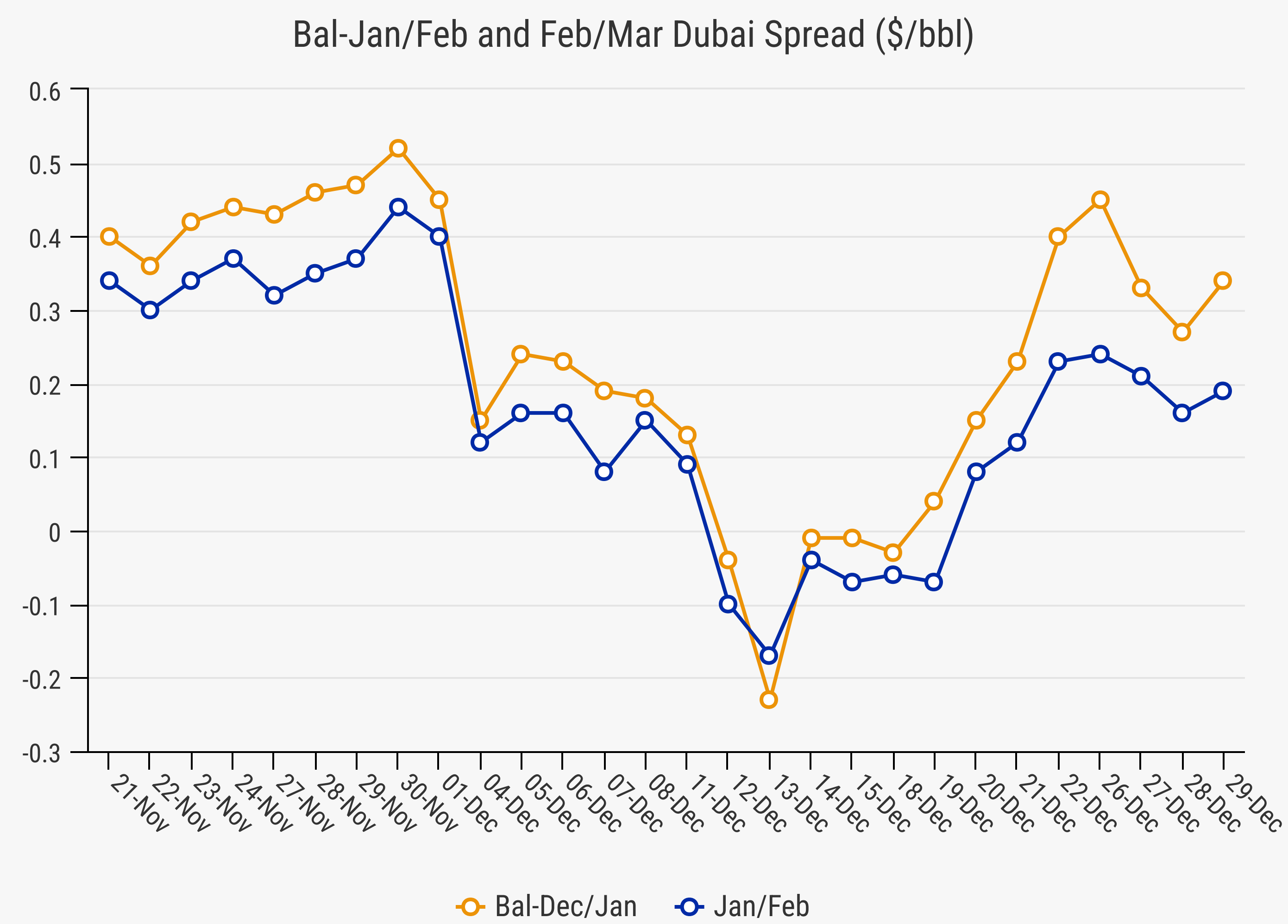
Summary:

- The Brent/Dubai EFS rallied into mid-Dec, with the Mar and Apr contract rising to 92c/bbl and 98c/bbl respectively on Dec 20.
- Prices have since softened with little interest for bidding up these contracts at these relatively high prices in the thin trading conditions. This leaves Mar and Apr EFS at 71c/bbl and 77c/bbl on Dec 29.

Notable Flows:

- Dec 18: Refiner buying interest in Apr for Feb cross-month, trading up to $0.96/bbl. Selling interest in Feb EFS, trading at $0.64/bbl.
- Dec 20: Buying interest was seen in the Feb and Mar EFS at the window, trading at $0.63/bbl and $0.73/bbl respectively.
- Dec 27: There was selling interest in Apr for Feb cross-month EFS, at $0.36/bbl

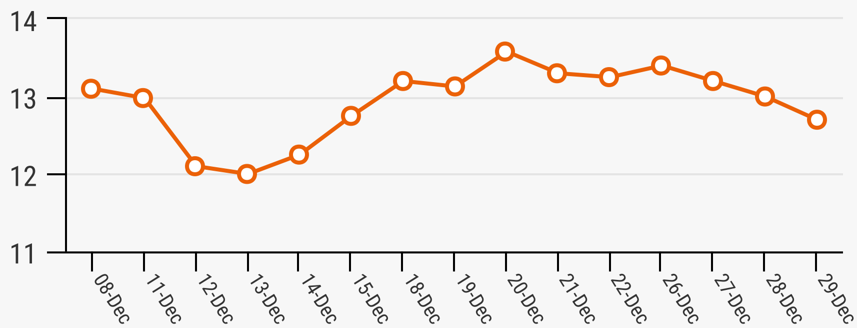
Pricing Spread



- The Bal-Jan/Feb Dubai spread saw strength for the majority of the fortnight as we moved towards Christmas festivities, rising to peak at 45c/bbl on Dec 26. However, this spurred strong selling interest, with prices falling almost 20c/bbl across the next two days to close at 27c/bbl on Dec 28.
- In a similar manner, Feb/Mar Dubai spread saw initial strength, notably rising 15c/bbl on Dec 20, retracing out of negative territory to close at 8c/bbl. However, after peaking at 24c/bbl on Dec 26, prices came off, but to a lesser degree than the Bal-Jan/Feb spread, falling 5c/bbl to 19c/bbl on Dec 29.
- Counterparties were unanimously on the buyside for Feb/Mar, with banks, margins and refiners buying 400kbbls, 200kbbls and 50kbbls, respectively. The Bal-Jan/Feb spread saw more mixed interest with banks and refiners again seen buying, but more bearish tones from Chinese players and trade houses, who offloaded 200kbbls and 150kbbls, respectively.

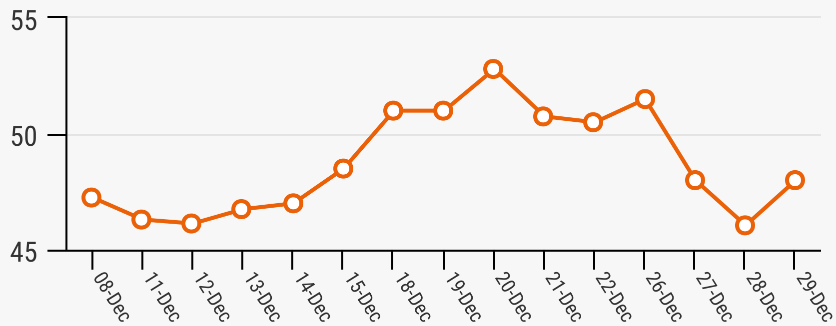
Freight Rates

M1 TD3C - Dirty Freight Route from Middle East Gulf to China



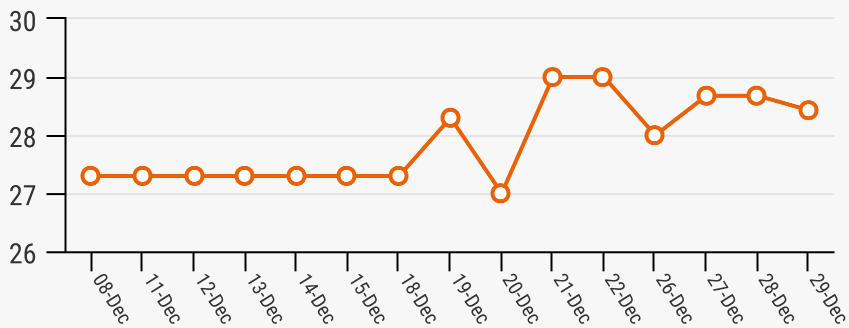
Tenor	Level ($/mt)	2 Week change (%)
M1	12.7	-4%
M2	12.63	-2%
Q2-24	12.50	-1%
Q3-24	12.23	0%

M1 TC5 - Clean Freight Route from Arabian Gulf to Japan



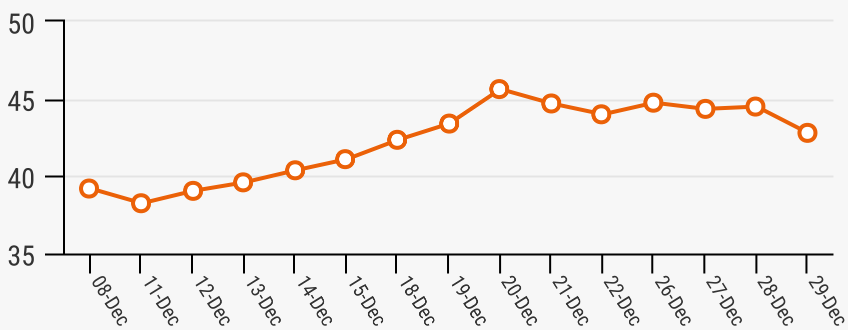
Tenor	Level ($/mt)	2 Week change (%)
M1	48.00	-6%
M2	46.58	-5%
Q2-24	44.50	-1%
Q3-24	40.25	1%

M1 TD8 - Dirty Freight Route from Kuwait to Singapore



Tenor	Level ($/mt)	2 Week change (%)
M1	28.43	4%
M2	26.75	4%
Q2-24	22.78	2%
Q3-24	22.05	1%

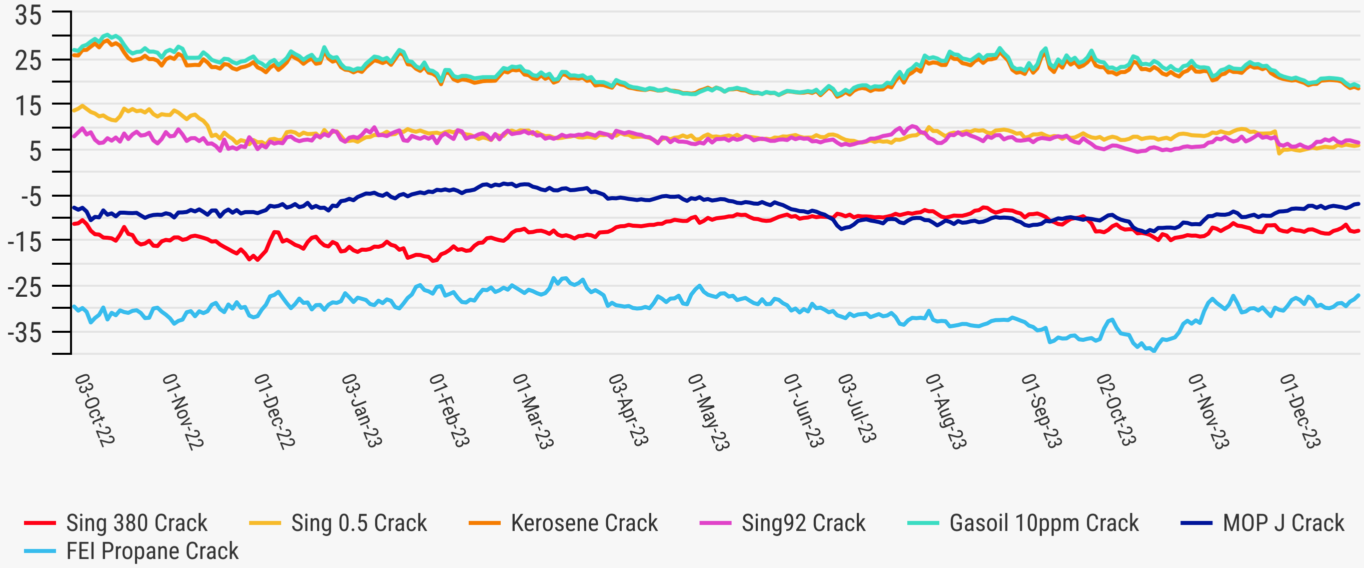
M1 TD25 - Dirty Freight Route from US Gulf to ARA

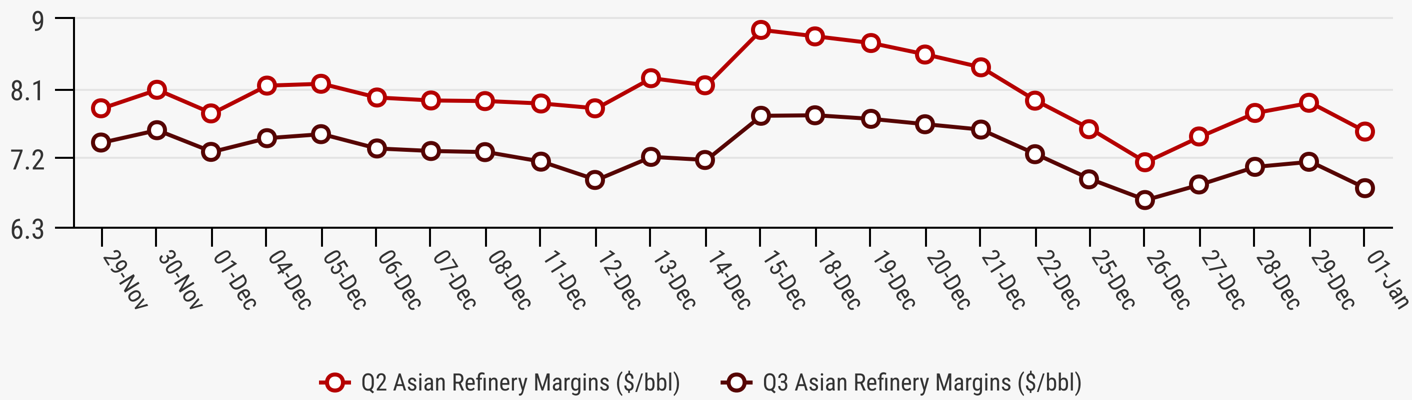


Tenor	Level ($/mt)	2 Week change (%)
M1	42.80	1%
M2	42.05	4%
Q2-24	34.66	3%
Q3-24	29.98	1%

Asian Oil Products

2H24 Eastern Oil Products Crack ($/bbl)

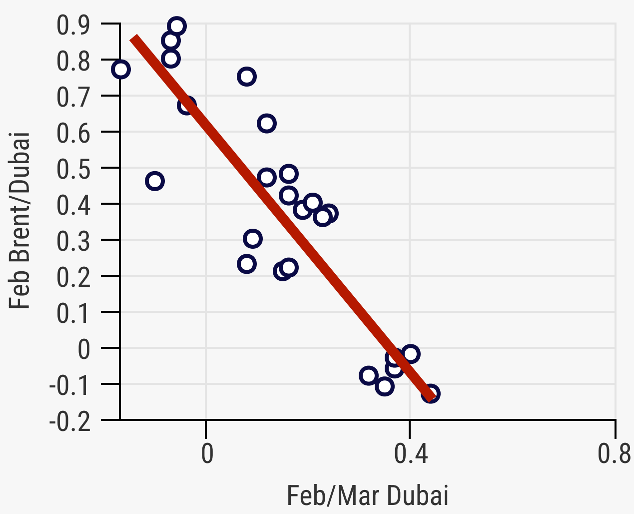


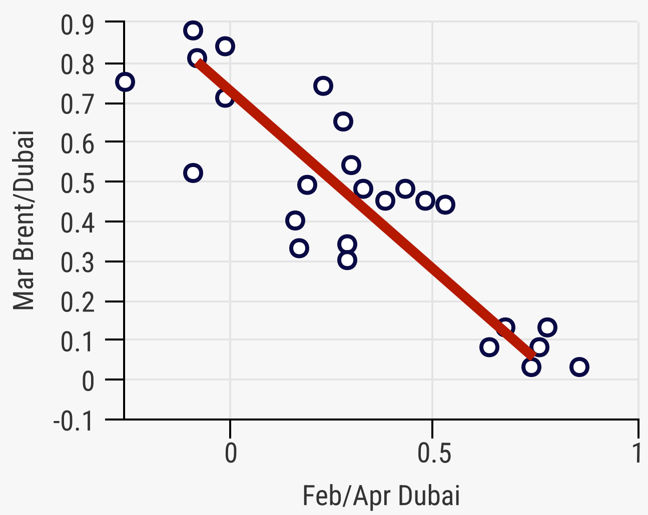


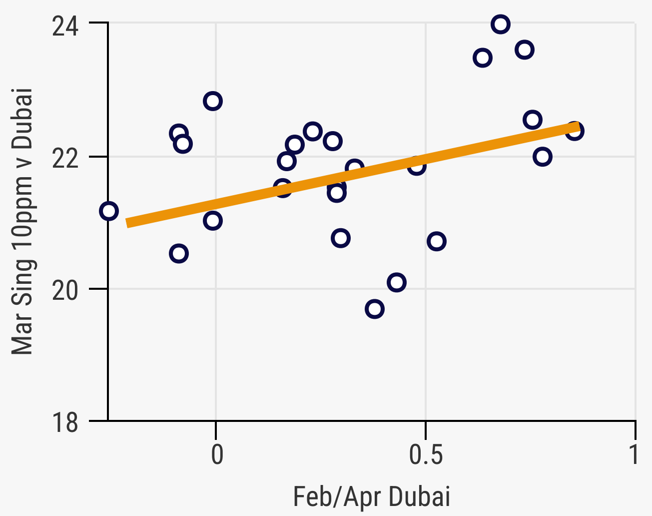
- **Asian refinery margins** have eased off into the new year, with the Q2'24 margin decreasing by 30c/bbl and the Q3'24 margin by a more significant 59c/bbl. The driver of the weakness in the margin has been the poor performance in the products, which exceeded the softening crude.
- Asian **Gasoil cracks** have been the primary driver of the weakness in refinery margins with the 2H'24 contract coming down to the $18/bbl handles on Dec 29 after flirting with the $20.60/bbl levels on Dec 19.
- The **Gasoline** complex also weakened this past fortnight perhaps over limited activity during the holiday season at the end of 2023. This weighed in on the refinery margins - with gasoline having a substantial impact on the Q2'24 and Q3'24 refinery margins. The 2H'24 Sing 92 crack accordingly weakened from $6.83/bbl on Dec 27 to $6.34/bbl on Dec 29.
- **Sing 380 fuel oil cracks** in 2H'24 have been largely rangebound between -$13/bbl and -$12/bbl, and were sitting at -$13.11/bbl on Dec 29. **VLSFO** cracks in the same tenor weakened to $5.59/bbl on Dec 28 from $5.80/bbl a week prior, but rose up to $5.72/bbl the following day.
- **Naphtha** cracks also registered a small weakness in the Q2'24 and Q3'24 refinery margins. Despite this, MOPJ cracks in 2H'24 rose to -$7.17/bbl on Dec 29 from -$7.74/bbl on Dec 21.
- **Propane cracks** strengthened over the past fortnight due to freight rising on the back of the Red Sea attacks disrupting supply. The 2H'24 crack rose from the -$30/bbl handles on Dec 18 to -$27.32/bbl on Dec 29. In-line with this, C3 FEI was the only product found contributing positively to Asian refinery margins.

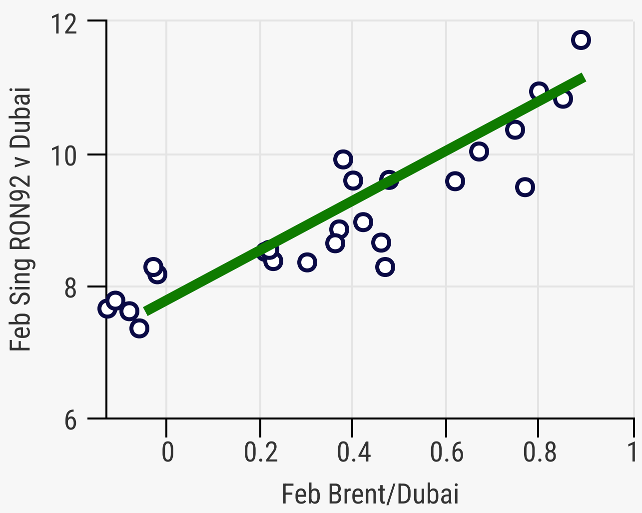
Correlations Analysis of Dubai-Related Contracts

	Feb/Mar Dubai	Feb/Apr Dubai	Feb Brent/Dubai	Mar Brent/Dubai	Feb 10ppm/Dub	Mar 10ppm/Dub	Feb RON92/Dub	Mar RON92/Dub
Feb/Mar Dubai	100%							
Feb/Apr Dubai	99%	100%						
Feb Brent/Dubai	-88%	-87%	100%					
Mar Brent/Dubai	-88%	-87%	100%	100%				
Feb Sing 10ppm v Dubai	19%	21%	-17%	-18%	100%			
Mar Sing 10ppm v Dubai	33%	34%	-32%	-33%	98%	100%		
Feb Sing RON92 v Dubai	-70%	-69%	90%	91%	-11%	-25%	100%	
Mar Sing RON92 v Dubai	-65%	-64%	87%	89%	-9%	-23%	100%	100%

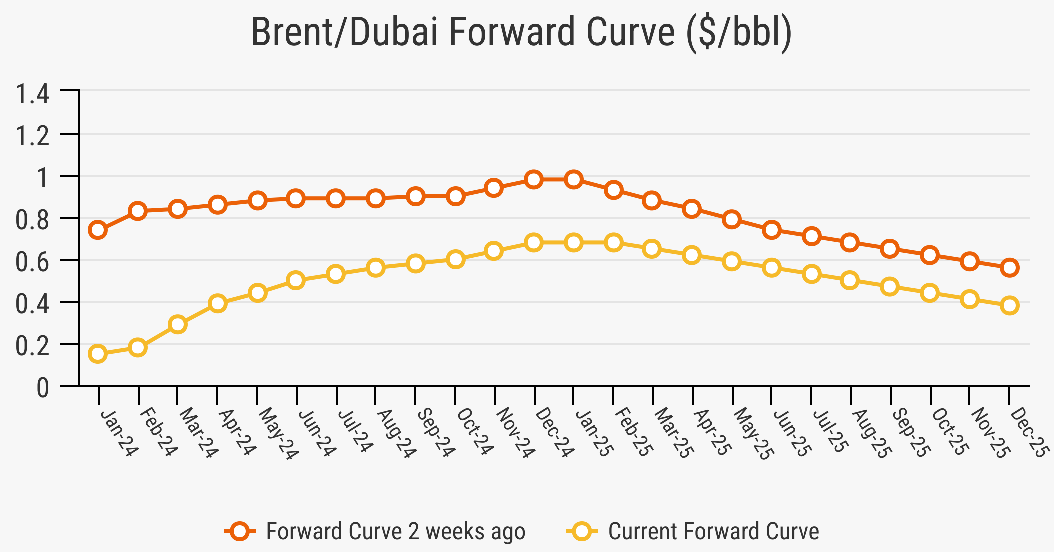




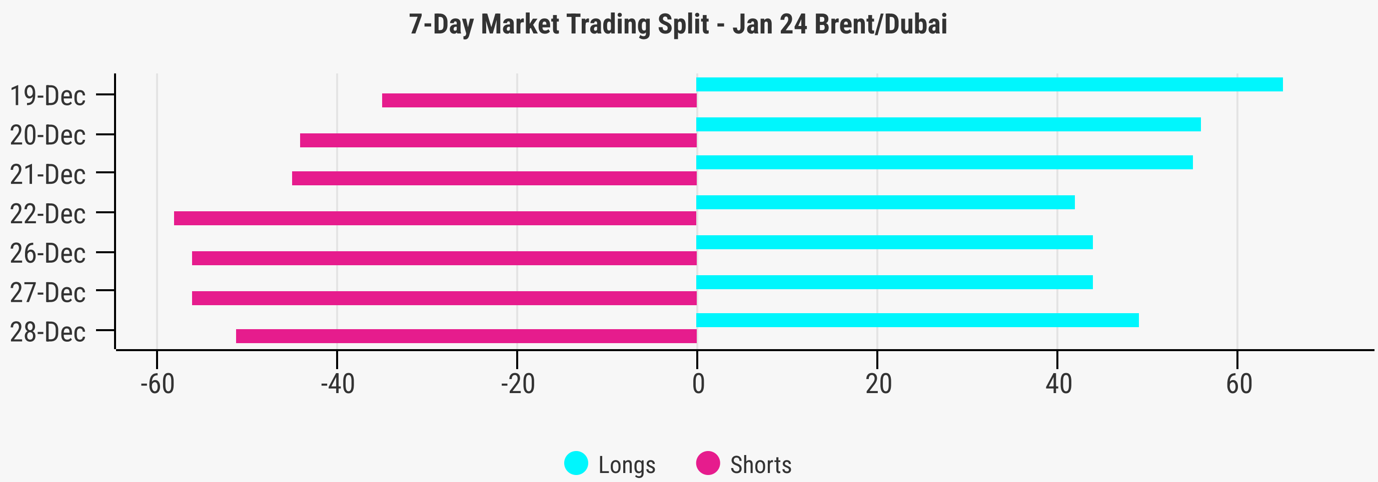




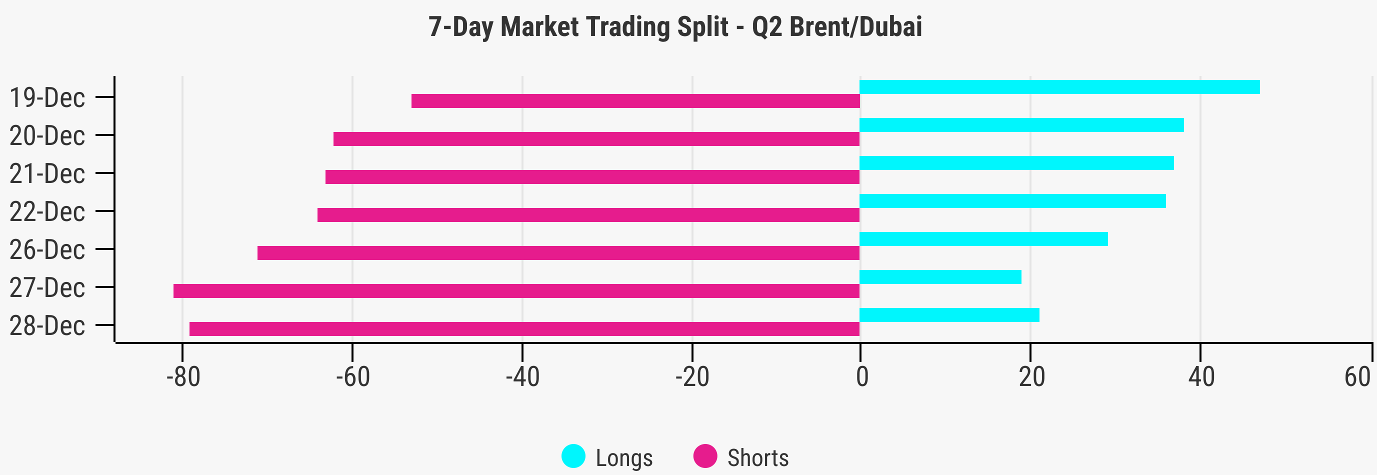
Appendix



Brent/Dubai Forward Curve ($/bbl)
1.4
1.2
1
0.8
0.6
0.4
0.2
0
Jan-24 Feb-24 Mar-24 Apr-24 May-24 Jun-24 Jul-24 Aug-24 Sep-24 Oct-24 Nov-24 Dec-24 Jan-25 Feb-25 Mar-25 Apr-25 May-25 Jun-25 Jul-25 Aug-25 Sep-25 Oct-25 Nov-25 Dec-25
Forward Curve 2 weeks ago
Current Forward Curve



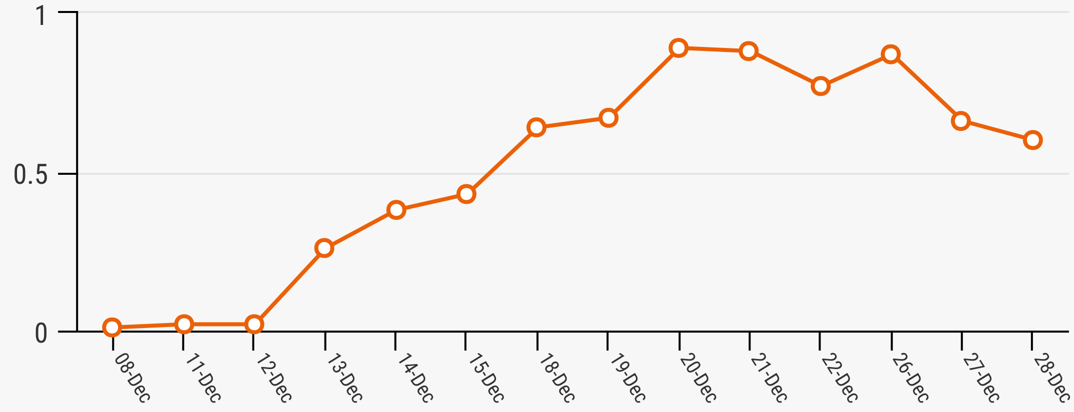
7-Day Market Trading Split - Jan 24 Brent/Dubai
19-Dec
20-Dec
21-Dec
22-Dec
26-Dec
27-Dec
28-Dec
-60 -40 -20 0 20 40 60
Longs
Shorts



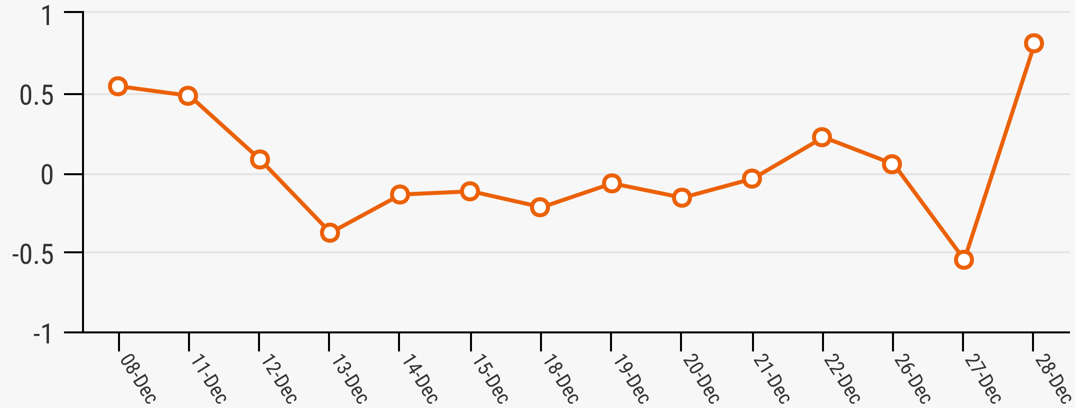
7-Day Market Trading Split - Q2 Brent/Dubai
19-Dec
20-Dec
21-Dec
22-Dec
26-Dec
27-Dec
28-Dec
-80 -60 -40 -20 0 20 40 60
Longs
Shorts

Appendix

M2 Brent/Dubai EFS ($/bbl)



M2 Murban/Brent Futures ($/bbl)



M1 Distillate vs Dubai Cracks ($/bbl)