27 Feb 2024

Overnight & Singapore Window

Flat Price

After ending on a high note on Feb 26, the May Brent futures contract kept its upward momentum with prices hovering around the $81.50/bbl mark. Despite the contract initially softening to a low of $81.43/bbl at 9:15 GMT, it recovered higher to trade at $81.67/bbl at 10:00 GMT (time of writing). Apr WTI saw similar price action and was at $77.73/bbl at 10:00 GMT. Russia announced it would suspend gasoline exports starting in March. This halt will last for six months on the back of demand peaking for oil products at this time of the year. The ban is also due to many refineries extending their maintenance season. Exxon and Chevron are in talks about a transfer of the Hess Corp Guyanese project stake from Chevron to Exxon. Chevron had agreed to acquire Hess for $53bn in October 2023, the latter having over 30% stake in the Guyanese Stabroek Block, which was one of the main reasons for the acquisition by Chevron. However, Exxon claims to be entitled to the Stabroek Block value created as it already has a 45% stake in the project. This potential transfer of stake could render Chevron's acquisition of Hess pointless. API data will be released at 21:30 GMT today, with expectations of a 1.8mbbls crude build. The May/Jun and May/Nov Brent spreads currently stand at $0.60/bbl and $3.39/bbl, respectively.

Crude

A stronger morning in Dated Brent, although moving around on thin liquidity. There was better buying interest seen in the prompt than previously with Mar DFL paid up 12c to $1.00/bbl and bid on, whilst Mar/Apr Dtd recovered back to trade at $1.11/bbl. 4-8/3 2w roll was paid at $0.60/bbl, the 1w roll at $0.35/bbl, and 11-15/3 v Cal Apr saw strong buying, paid at $1.10/bbl and bid over as Apr failed to see the same strength with less aggressive buying interest in April rolls. Little else to report from a quiet morning.

Fuel

In HSFO, Chinese were sellers of May 380 FP in the early morning in good volumes, with May 380 cracks trading around -$11.50/bbl 380 E/W gapped down in the window due to MOC hedging flows, with Mar trading down to -$20.00/mt. We saw aggressive 380 FP selling at the end of the window by trade houses which put pressure on 380 cracks, with Mar trading down from -$13.75/bbl to -$13.95/bbl. Barge cracks trading between -$10.80/bbl and -$10.65/bbl. The front 380 spreads were a touch softer, with Mar/Apr trading down to -$5.25/mt and Apr/May trading at -$2.25/mt. Mar/Apr barges traded at $4.00/mt.

A strong morning in VLSFO, the front Sing cracks rallied due to outright buying interests, with Mar Sing cracks buying from $14.25/bbl up to $14.70/bbl and Apr buying up to $13.80/bbl at the end of the window. Sing spreads were supported down the curve, with Mar/Apr trading from $8.50/mt to $9.00/mt and Apr/May buying up to $10.25/mt. Euro cracks went up in line with Sing as Mar 0.5 E/W trading at $49.25/mt, implying Mar Euro cracks at $6.90/bbl. Euro spreads were better bid, with Mar/Apr trading at $8.00/mt and Apr/May implying at $7.75/mt. Mar/Apr Sing was a touch softer post window, trading at $8.75/mt. We saw deferred Sing cracks selling and Hi5 selling interests, with May Sing cracks trading at $12.85/bbl in good size.

Distillates

ICE Gasoil spreads are overall weaker this morning, with the Mar/Jun down from $59.25/mt in the early morning to $55.50/mt post window. The deferred spreads are also weaker, with the Jun/Jul down from $8.00/mt to $7.50/mt. ICE gasoil cracks came off through the morning, with the Mar crack down from $29.8/bbl to $29.00/bbl and the Q2 down to $25.7/bbl from $26.10/bbl. HOGOs were stronger this morning, with the Mar HOGO up to 5.80c/gal and the Q2 HOGO at 5.80c/gal. NWE Jet diffs are indicated unchanged this morning, with the Mar diff around $50.25/mt and Q3 around $61.00/mt.

This morning in Distillates, we saw the prompt Sing gasoil spreads come in weaker. The Mar/Apr spread opened seeing offers around $0.92/bbl. We then saw it come off throughout the morning, seeing $0.82/bbl get hit before further weakening into and post window to $0.78/bbl. Further down the curve, the May/June spread softened from $1.35/bbl to $1.30/bbl, ending the morning indicated around $1.28/bbl. In the even more deferred parts of the curve, there was some buying interest in the Jun/Dec spreads, trading at $4.65/bbl, while also seeing selling interest in the Nov/Dec spread, which traded at $0.82/bbl. Mar E/W arbs felt better offered this morning, trading at -$42.00/mt in the early morning, weakening down to -$44.00/mt, finding support at these levels, rebounding post window to -$43.50/mt. Further down the curve, there was selling interest in the May E/W, Q2, and Q3 arbs, with May trading at -$22.50/mt. Prompt Regrades were slightly stronger this afternoon, with the Mar diff trading up from -$2.40/bbl to -$2.30/bbl, ending the morning at -$2.35/bbl. The Mar/Apr regrade roll traded at -$0.15/bbl, indicated higher from the previous close. Prompt kero spreads were rangebound this morning, with the Mar/Apr trading at $0.63/bbl.

Gasoline

This morning in Gasoline, we saw flat price trade at the end of the morning window equivalent to $14.90/bbl on a crack basis in Mar 92. The E/W was offered this morning, with Apr at -$7.50/bbl, seeing selling from Chinese and phys players. Spreads in 92 saw sell-side interest as well, with trade houses offering Mar/Apr at $0.95/bbl and a refiner offering May/Jun at $1.70/bbl. We saw some interest to buy deferred cracks at $6.85/bbl in Q4. Interest to sell gasnaphs, with 92/MOPJ offered at $21.60/bbl in both Mar and Apr. RBBRs remained rangebound at the $25.30/bbl handles, however arbs traded down to 19c/gal. Spreads in EBOB were better bid, with Mar/Apr trading up to -$29/mt and Apr/May up from $10.25/mt to $10.75/mt. Deferred spreads saw some interest from phys players with Nov/Dec offered at $15/mt. We had interest to buy deferred EBOB cracks, with Q3 especially bid at $17.40/bbl.

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Naphtha

This morning in Naphtha we saw flat price valued at $677.5/mt in Mar MOPJ, on a -$5.70/bbl crack equivalent as the East saw recovery with flat price and spread buying seen by physical players. MOPJ spreads saw buying by trade with Mar/Apr getting lifted at $9.25/mt and Apr/May up to $9.25/mt. E/W boxes continued to see action with major on the sell-side in size of Mar/Apr at -$2.50/mt before seeing smalls trade up to -$1.75/mt, pushing the front E/W to trade $15.75/mt. European cracks were up a touch from the close, trading at -$7.35/bbl in Mar with Q2 seeing bids at -$8.65/bbl. Major was seen buyside of NWE spreads lifting Mar/Apr at $11.75/mt and Apr/May up to $9.75/mt.

NGLs

A more active morning on NGLs today; FEI structure stayed firm in the prompt with $8.5/mt trading in the Mar/Apr and Apr/May spread consistently trading at $8.50/mt too pre-window. Further out Jun/Jul softened to $0.50/mt with Eastern funds happy to buy at that level. CP was comparatively weaker; spreads opened at $48/mt in Mar/Apr but softened to $45/mt over the morning while $46/mt traded in the Apr/Jul spread. FEI/MOPJ was active but rangebound for the most part, Apr traded at -$80/mt and Mar at -$79/mt; Jun CP/MOPJ also traded at -$117/mt. Arbs were quiet in the morning but activity picked up post window as May traded at -$169/mt and Mar traded at -$151/mt.

Global Macro

Japan's CPI came in above expectations at 2.2% YoY (1.9% expected), and the market is now expecting the BOJ to finally move away from negative rates either on 19th March or on 26th April.

U.S. home sales come in lower-than-expected 661k (vs 684k expected) and median price falls 2.6% YoY.

FED Hikes Are Hurting Consumer Mood More Than Economists Think – Bloomberg

German consumer confidence comes in as expected but French continues to slip to 89 (vs 92 expected). And UK insolvencies spike highlights the weakening economy.

Secondary data today: U.S. durable goods orders at 1.30pm, and House price index at 2pm