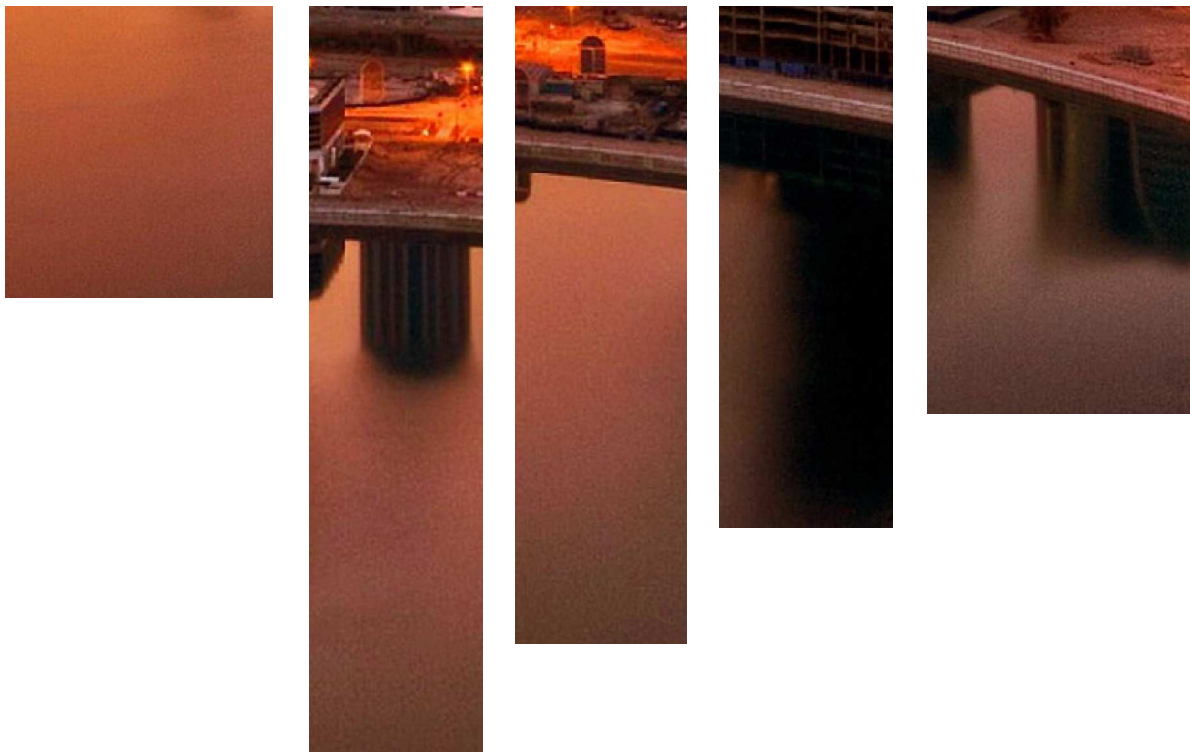


Onyx Capital Advisory

Dubai Market Report

12th March 2024





Key Points

- The continuation of OPEC cuts into Q2 saw a lot of length in Brent/Dubai stopping out and levels corrected lower as strength returned to the east. Levels are starting to look like they may have reached a floor now and it seems like it would take renewed bearish interest to shift Brent/Dubai lower.
- On a technical basis, levels in Brent/Dubai remain neutral despite the recent sharp move lower.
- We are seeing buy-side interest concentrated at the front of the curve for now with April sitting 55:45 on a long:short basis with interest up 30% over the past two weeks.
- Looking at the open interest in the May contract over the first six days of the month compared to previous months, we can see that interest in overall lagging the previous 5 months with market attention likely now turning to demand side cues.

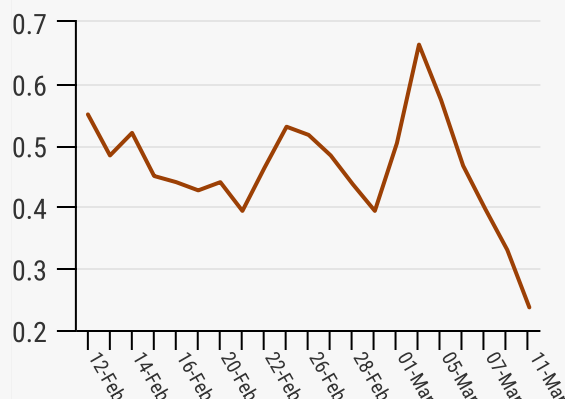
Oils Well That Ends Well

Following our previous report, OPEC subsequently announced on March 3rd that they would be extending their cuts from the first quarter of 2024 into Q2 2024. This development, despite wide speculations that the cuts would be maintained, was evidently not fully priced in and we have seen good support for Dubai structure over the past two weeks. Given the recent Red Sea unrest which disrupted cargos so no Dubai could clear, we saw Dated rally sharply and we saw Brent/Dubai well supported with people getting very long, seeing one tradehouse buying 1k a month of Q2 Brent/Dubai at 57c/bbl which has since come off to current levels around 13c/bbl.

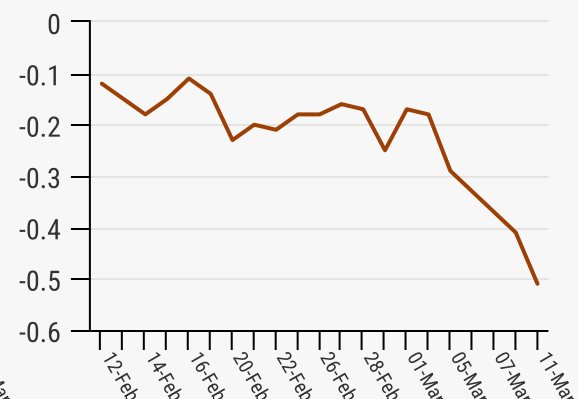
The continued cuts saw people flipping from squeezing Dated into squeezing to Dubai in Q2 and we saw Brent/Dubai boxes collapse with Q2/Q3 notably falling sharply to negative handles, currently hovering around -43c/bbl. Another key flow we noted was the aggressive move lower in Apr/Jun Brent/Dubai which moved from +10-20c to negative 50c/bbls. People had a lot of size on and as people stopped out, we saw the Apr Brent/Dubai contract falling from around +70s to -15c/bbl with a lot of stopping out seen around the 20c/bbl level. It feels as though we have found a local bottom around here now, and we would need to see renewed selling pressure for prices to shift lower in a meaningful way rather than just stop outs and it is hard to see where this renewed bearish appetite in Brent/Dubai would come from.

We expect levels are likely to remain quite rangebound at current levels. It is hard to see people coming in and selling April at negatives and we expect any selling would likely be hedging flows for anything you can move into China. Currently, we are seeing some tradehouse buying around the 70c/bbl handles in Q4'24. If OPEC push cuts further into Q3, we may see levels roll down further.

Q2 Brent/Dubai (\$/bbl)



Apr/Jun Brent/Dubai (\$/bbl)

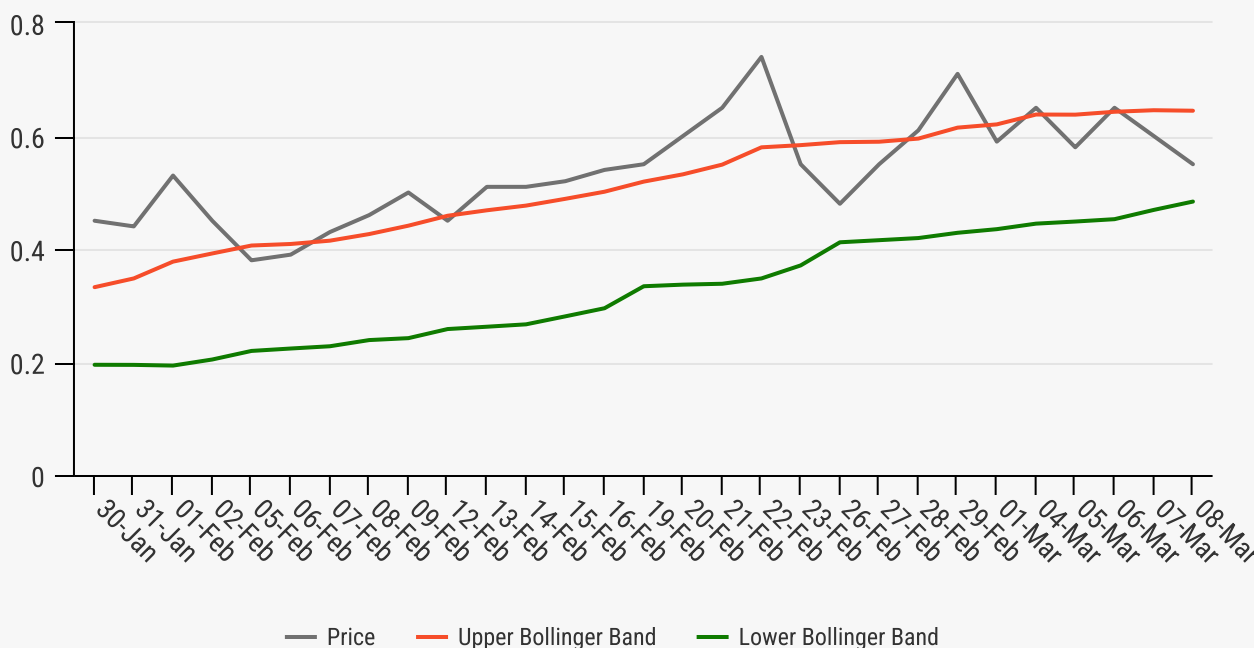




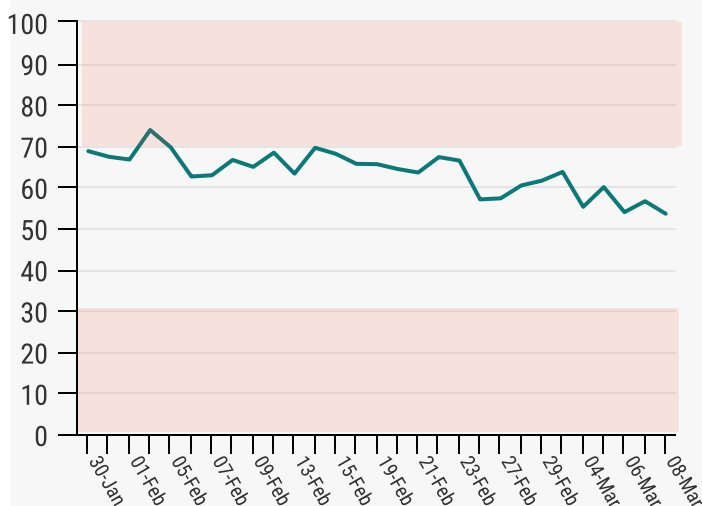
Long Bal-Mar/April Dubai spread

Despite half the month having already priced off, we think this still looks like a good buy at current levels. Fundamentally, levels should find good support and on a technical basis, we are seeing levels firmly in neutral territory.

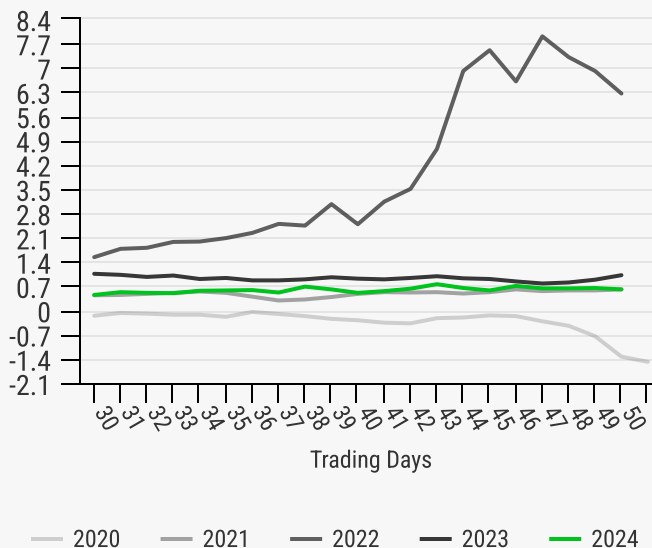
Bal-Mar/Apr Dubai (\$/bbl)



RSI Marker



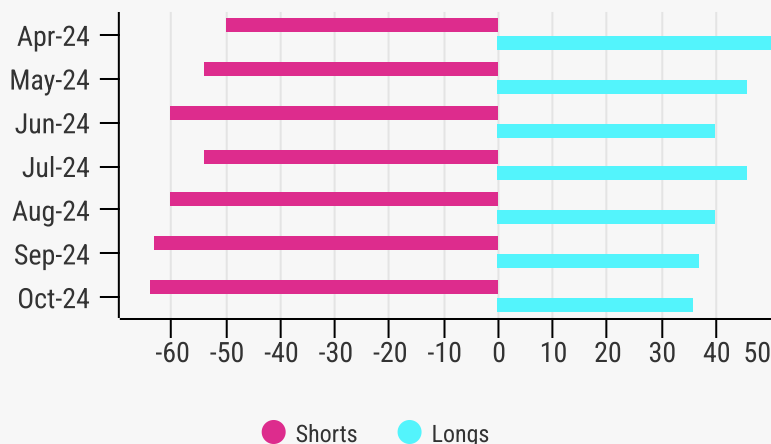
Historical Mar/Apr Dubai (\$/bbl)



Market Positioning - Brent/Dubai



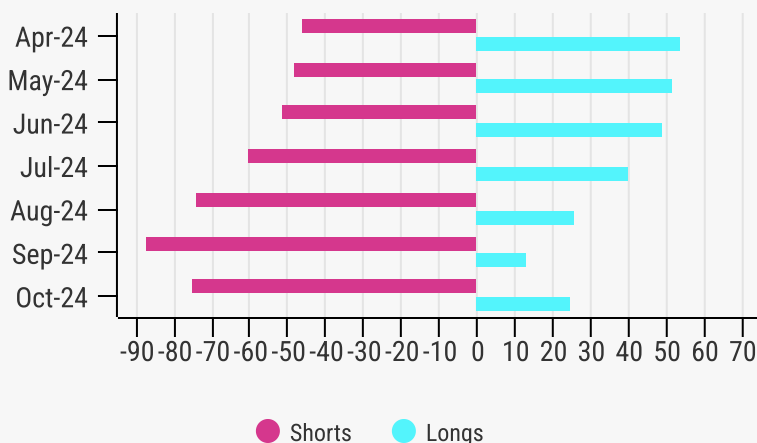
Overall Market Trading Split



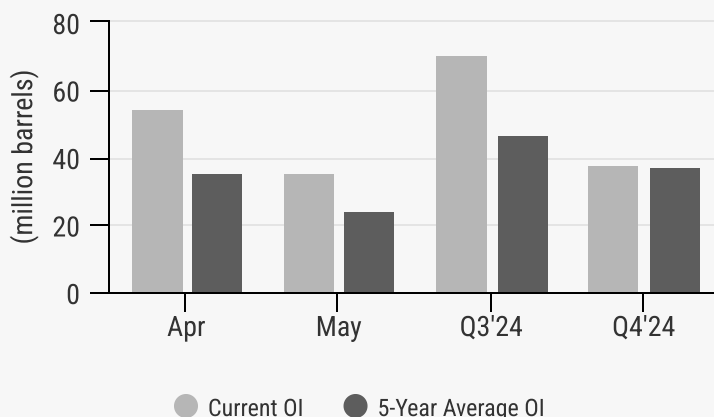
Brent/Dubai Positioning

Overall, the market is fairly balanced in the front with April seeing a 50:50 long:short split. From May onward, there is a slight sell-side skew, notably Jun, Aug and Sep.

7-Day Market trading Split



In terms of the 7-day trading split, new length appears to be entering at the front of the curve with tradehouse, refiners and producers all seen on the buy-side while we saw funds coming in on the sell-side. In Q3 tenors we are notably seeing a sell-side skew in the 7 trading days to March 8th though the net selling in that period came from tradehouses. Q3'24 as a whole saw refiners, producers and tradehouses all on the sell-side.



Looking at the open interest across the curve, we can see a lot of new interest coming into Q3'24 with levels sitting 50% above the five-year OI average having climbed 9% over the past 2 weeks. In the front April contract, we saw new interest climb 30% from the previous report to now sit 62% above the five-year OI average with the recent interest coming in skewed toward the buy-side.

View and Forecasts



OUTRIGHT

Contract	Apr Brent/Dubai
View	Bullish
Conclusion	Levels are looking low now and once the stop out flow subsides, we expect a correction higher from the current local bottom.
2-Week Forecast	\$0.00-0.05/bbl

Contract	May Brent/Dubai
View	Bullish
Conclusion	Similar view to April.
2-Week Forecast	\$0.45-0.50/bbl

Contract	Apr/May Brent/Dubai Box
View	Small Bull
Conclusion	Looks overextended now and should correct higher.
Current Price	-\$0.30/bbl
2-Week Forecast	-\$0.20-0.10/bbl

Contract	May/Jun Brent/Dubai Box
View	Small Bull
Conclusion	Same as above.
Current Price	-\$0.20/bbl
2-Week Forecast	-\$0.15-(0.10)/bbl

SPREAD

Most Recent Flows and Desk Observations



	Flow	Brent/Dubai	Flow	Brent/Dubai Box	Net Impact
Apr24	-3	The past week has been completely offered with no bids, and has been hard to find real buying interest on the way down with the only buying seen from a Saudi major who has been scale back buying.	-3	Has sold all the way down to -30c/bbl handles.	Bearish
May24	-3	Same as April with a lot of stop outs triggered at 30c/bbl. A major selling 38c/bbl on Monday in size.	-3	May/Jun has come off to lows around -20c/bbl handles.	Bearish
Q3'24	-2	Real selling interest came in on Monday in Q3 and Q4 with how the spreads and boxes were trading implied value at 75c with people happy to sell lower and market makers lifting.	-2	Boxes from July to Dec tentatively offered. Levels have moved lower from last week. People happy to remain buyside.	Bearish
Q4'24	-2	Real selling interest came in on Monday in Q3 and Q4 with how the spreads and boxes were trading implied value at 75c with people happy to sell lower and market makers lifting.			Bearish
Cal25	0	Mixed interest, some bank interest seen on both sides. Can be fairly sporadic nothing meaningful.			Neutral

COT - Brent/Dubai



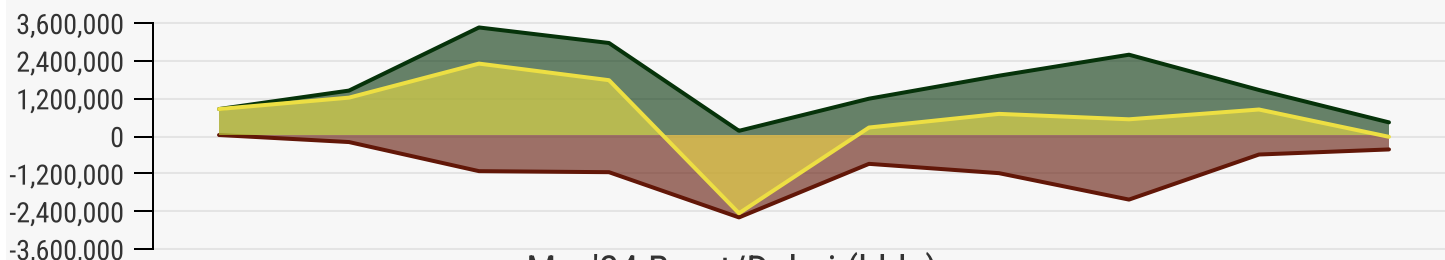
	Exchange OI (mbbl) (% weekly Change)	7-Day Onyx Market Share	Hedging OI (mbbl)	Spec OI (mbbl)	Long:Short	OI- Average
Apr24	54 (12%)	26.4%	39.6	14.6	50:50	61%
May24	35 (4%)	25.8%	27.7	8.1	45:55	46%
Q3'24	70 (4%)	26.2%	36.1	7.3	40:60	50%
Q4'24	38 (14%)	22.1%	35.2	2.9	40:60	2%

Brent/Dubai and Dubai Swaps - Onyx Contracts

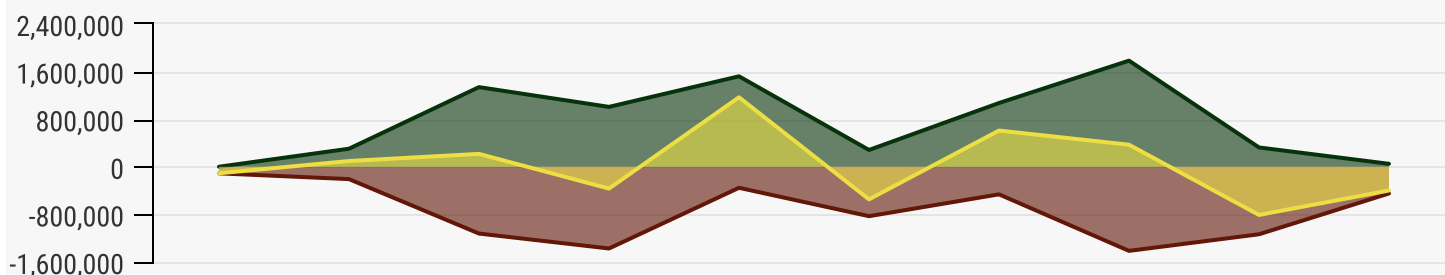


Looking at the market positioning over the past two weeks, we can see how from the beginning of March, the flows in the Apr contract have been predominantly on the buy-side while interest in the May contract at the same time was more mixed, oscillating between both buy and sell-side flows. In terms of flat price, we can see opposing flows in the April and May contracts with tradehouses seen buying over one million bbls of the spread between the 1st and 11th of March and refiners seen buying to the tune of 213kbbbls which subsequently saw the spread rallying to the 80c/bbl handles.

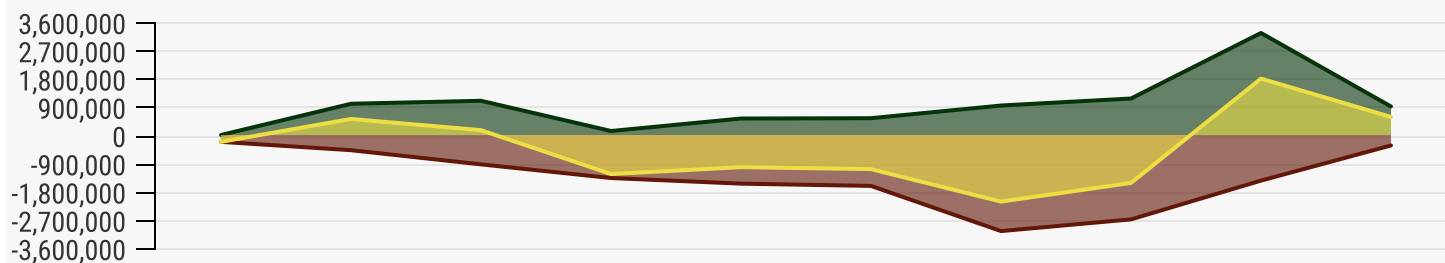
Apr'24 Brent/Dubai (bbls)



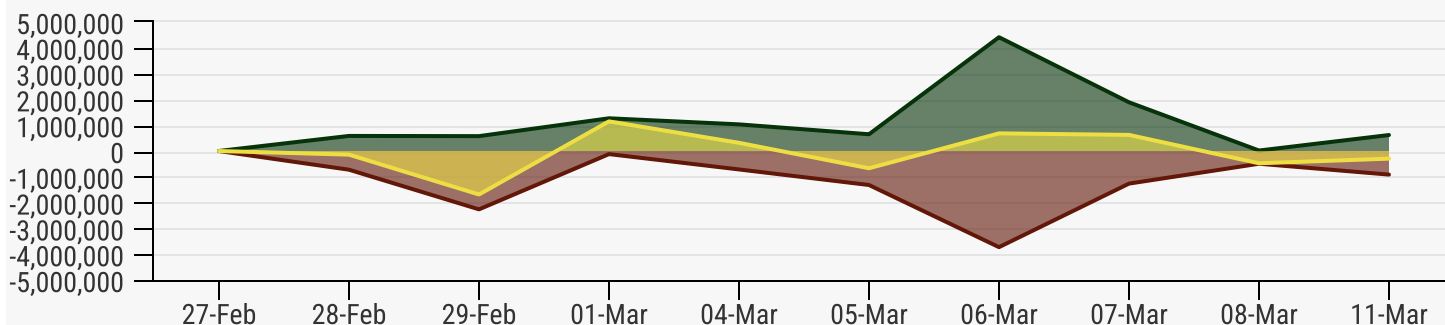
May'24 Brent/Dubai (bbls)



Apr'24 Dubai (bbls)



May'24 Dubai (bbls)



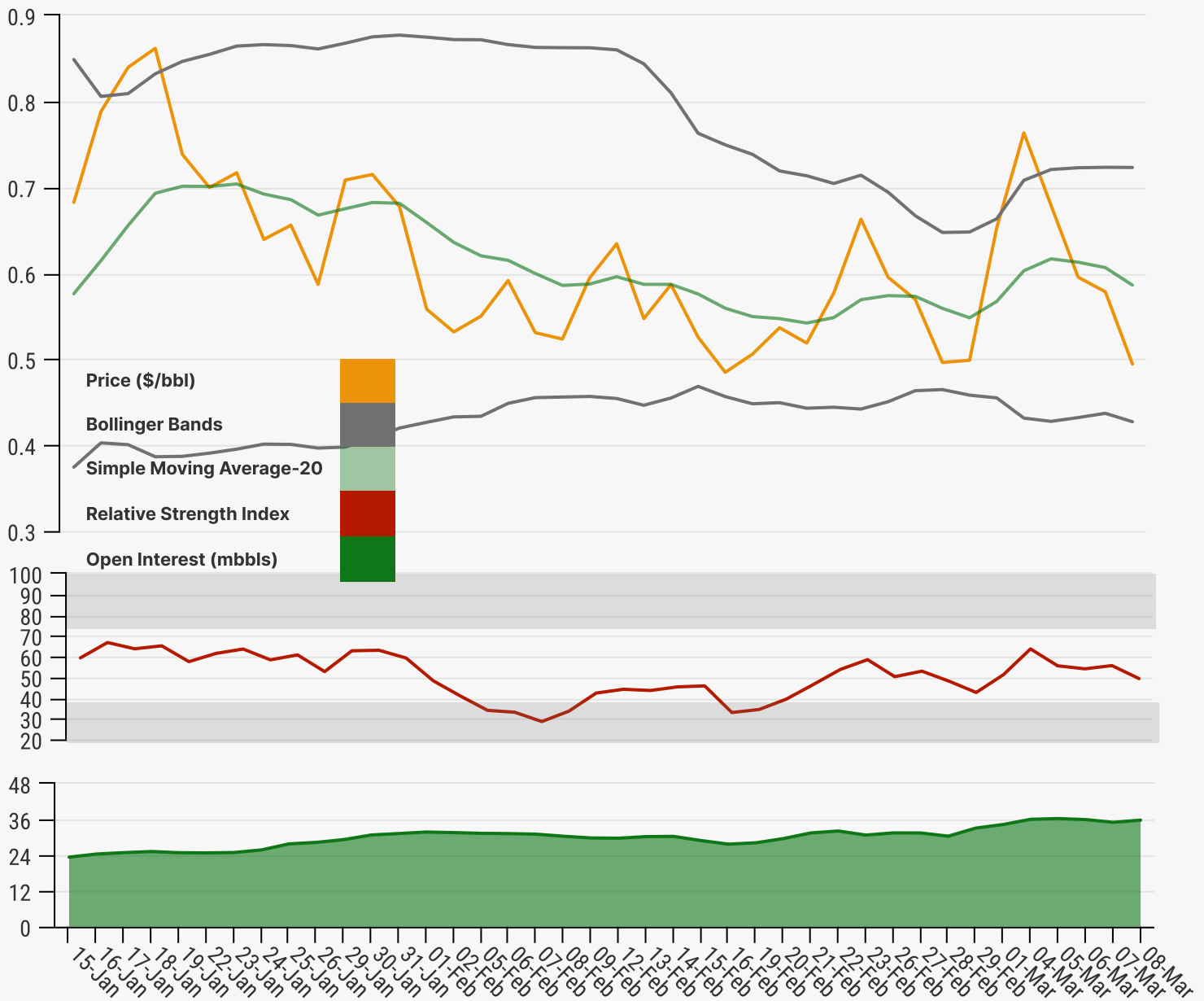
● Short ● Long ● Net

Brent/Dubai - Technical Analysis



- **Bollinger bands** have widened indicating increased volatility in the May Brent/Dubai contract. We saw prices coming off sharply into this week, down from highs around 70c/bbl at the beginning of the month to below 20c/bbl levels, breaking below the moving average highlighting the recent bearishness in the market as players stopped out.
- The **RSI** has started to trend lower, breaking below the 50 levels indicating a continued move lower, though remaining in neutral territory.
- **Open interest** for the May contract seems to have stagnated somewhat between 35-36k bbls and it seems like the market is waiting for further demand cues. OPEC released its oil demand report on the 12th, raising its estimates for demand for its crude in 2024, with the EIA to follow with its own report on the 14th which may inject some life into the market if estimates change.

May'24 Brent/Dubai (\$/bbl)

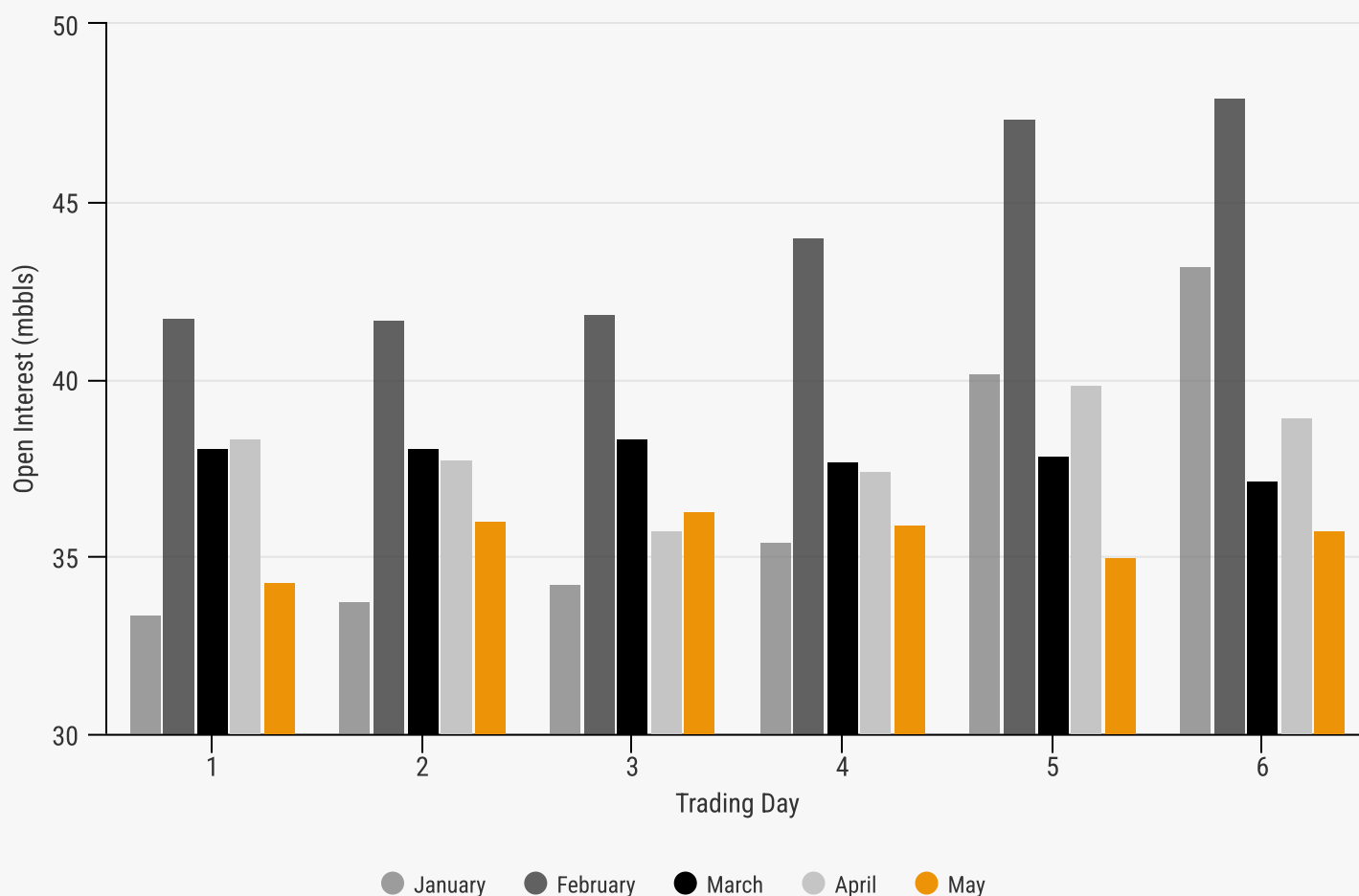


Brent/Dubai - Open Interest



- **Open interest** in the M2 May contract for the first 6 trading days of the month has lagged the previous three months with interest in the January contract also picking up more rapidly in the same timeframe despite beginning the month lower.
- Now that OPEC have alluded to improved global economic sentiment, we might see interest starting to pick up in Brent/Dubai. It seems market participants were happy to take a bit more of a backseat recently, stopping out of positions, and likely taking a more risk-off approach on the back of planned and unplanned outages coupled with geopolitical developments.

M2 Brent/Dubai Open Interest in respective months

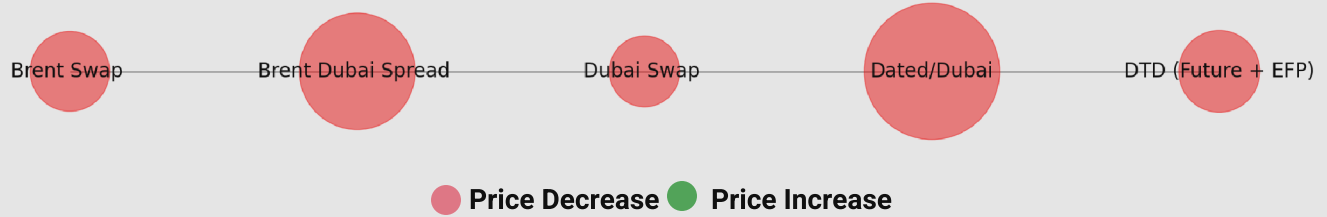


*For reference, January was the M1 in the 1st-6th trading days of December.

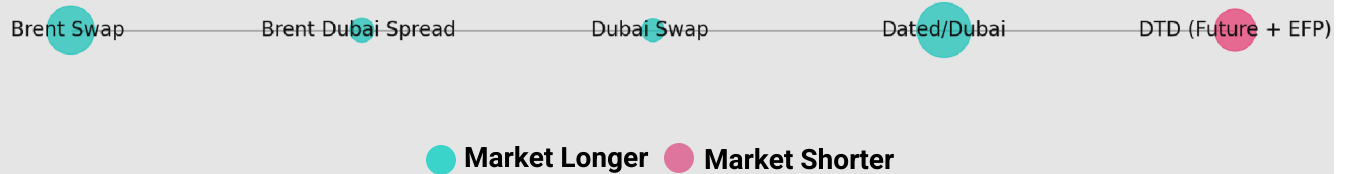
Network Analysis



Price Difference



Net Market Positioning



Volume Traded



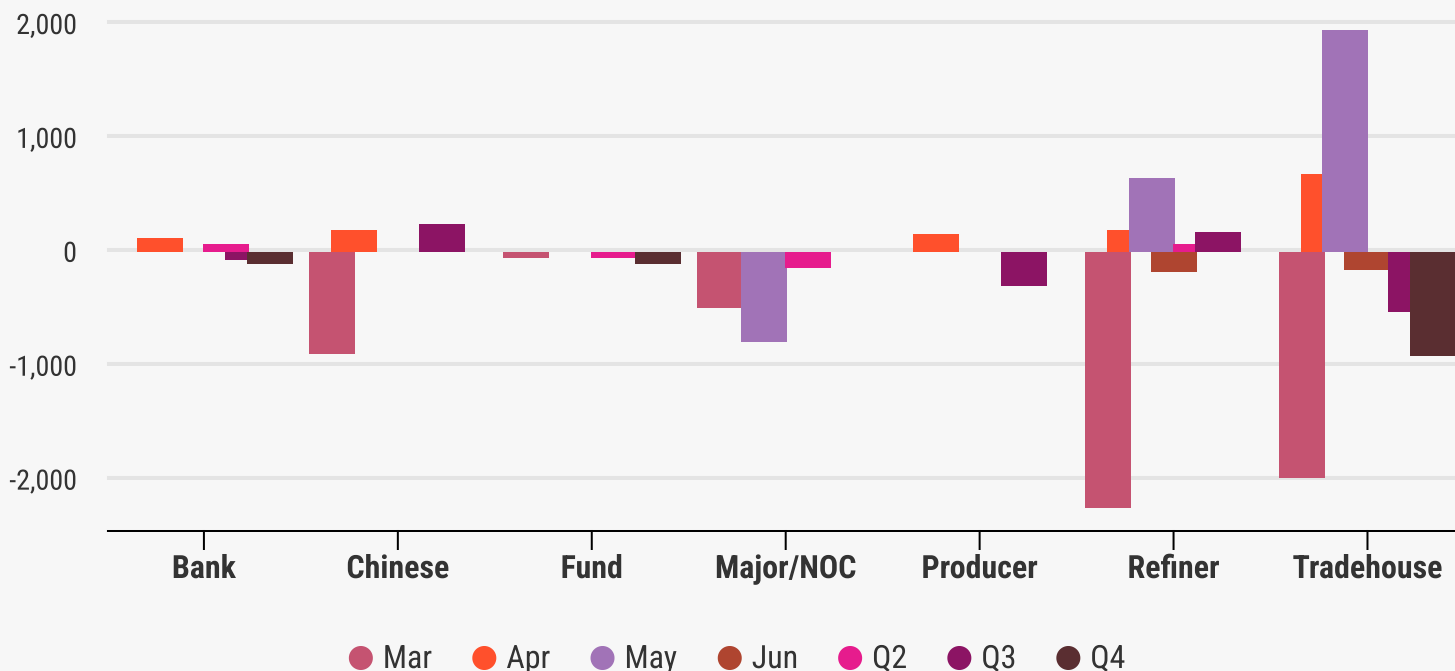
Above is the network analysis for the May swaps contract for the five trading days to the 8th of March. We can see across the complex, price action has been overall week though notably in that time, we saw Brent/Dubai coming off more sharply indicating the strength more concentrated in the eastern market despite the length in the Brent swap increasing more aggressively than the length in the Dubai swap. Notably, volume trades in the May Dubai swap fell below the mean highlighting how the market may have been unwilling to take much risk last week as stop outs slowed it with participants likely waiting for further supply/demand cues.

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

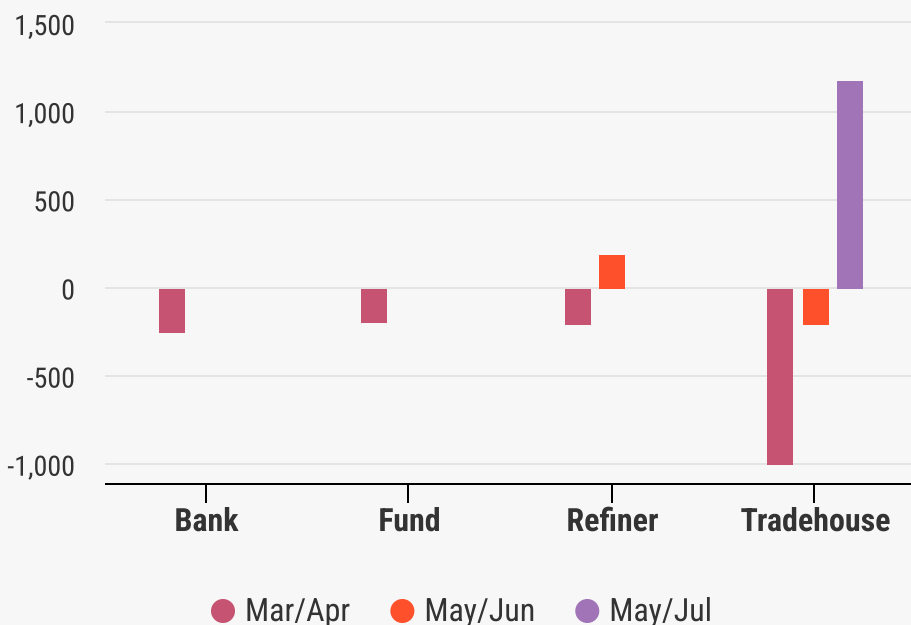
Counterparty Type - Brent/Dubai



Brent/Dubai counterparty type net position (kbbbls)



Brent/Dubai boxes counterparty type net position (kbbbls)

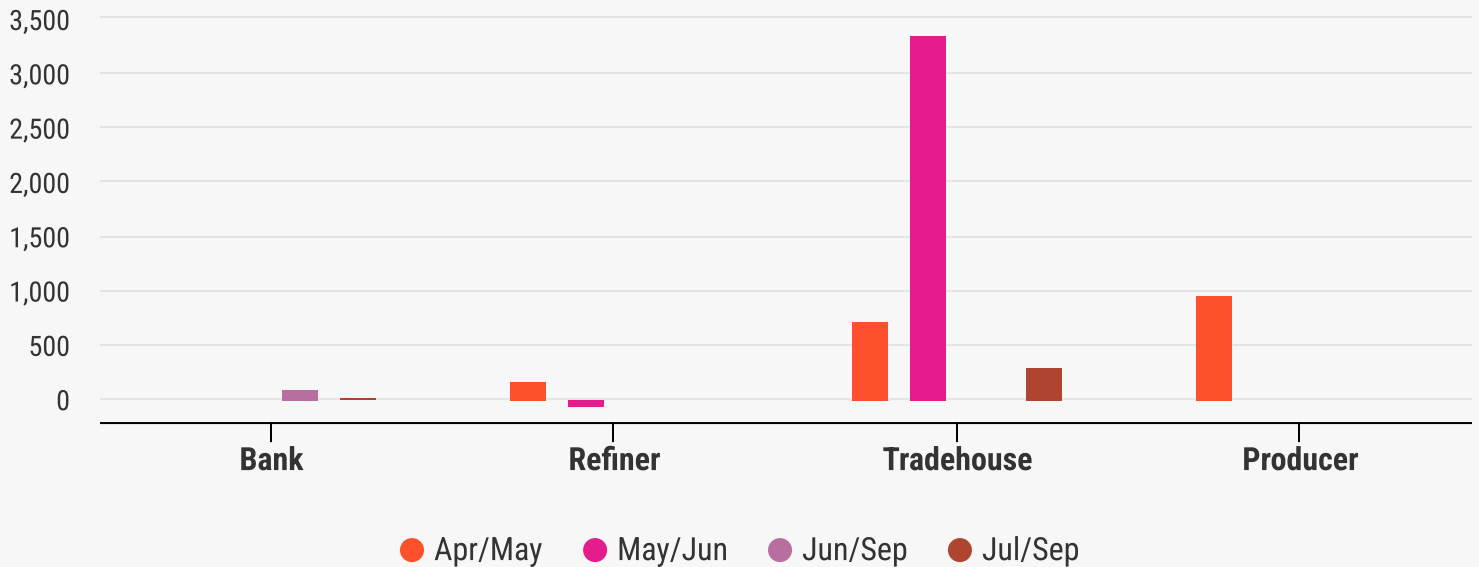


- Tradehouses were very much the most active players on both the buy and sell-side with the bulk of the buying seen in April and May though net selling in the Bal-Mar contract. Notably majors/NOCs were net sellers of the May contract while refiners and tradehouses provided the buy-side liquidity.
- In the more deferred, we can see banks, Chinese and tradehouses were all on the sell-side of the Q4'24 contract over the past two weeks.
- Looking at boxes, we saw all counterparties getting short in the Mar/Apr box with opposing flows seen between refiners and tradehouses in the May/Jun box.

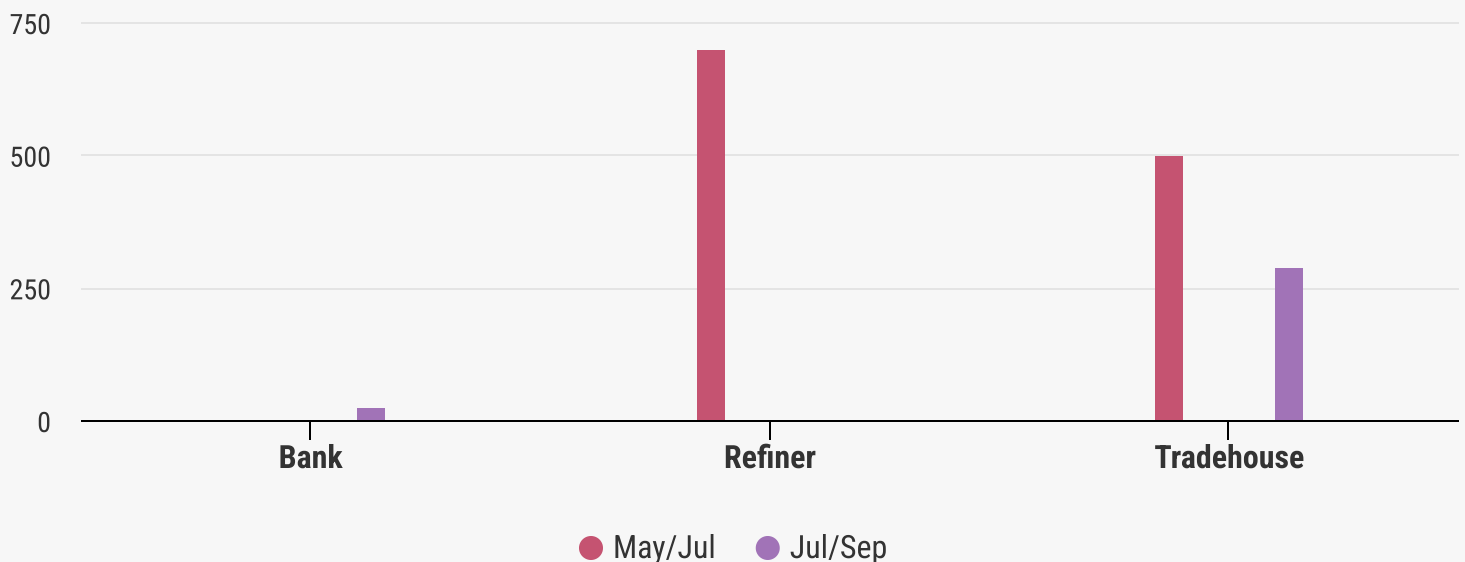
Counterparty Type - Dubai Spreads



Dubai spreads counterparty type net position (kbbls)



Longer Dubai spreads counterparty type net position (kbbls)



- Similar to Brent/Dubai, tradehouses were the key players on the buy-side of Dubai spreads with good volume seen in the May/Jun spread in particular. The only sell-side flows came from refiners sell side of the May/Jun spread.
- In longer spreads, tradehouses were once again the most active participants though refiners were seen buying May/Jul in good volume.

Arbitrage Barrels

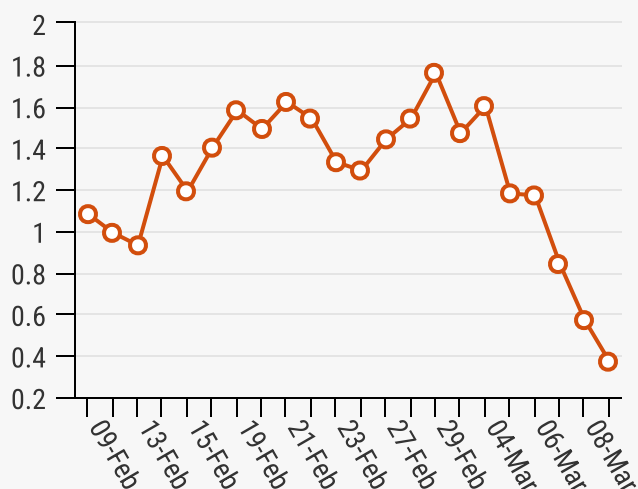


Dated to Dubai

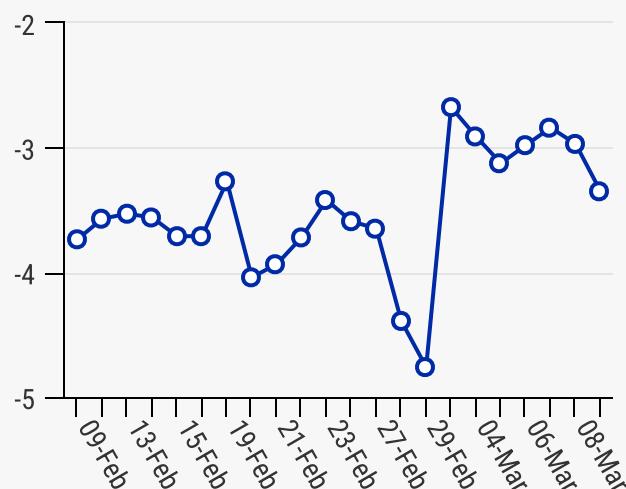
Tenor	Differential Value (\$/bbl)	Adjusted Differential for Voyage Time*	vs 1-year Average	vs 5-year Average
M1	0.37	1.70	-0.36	-1.29
M2	0.78	1.87	-0.26	-1.12
Q2-24	1.04	-3.71	-0.99	-1.19
Q3-24	0.97	1.92	-1.06	-1.26

Mars to Dubai

Tenor	Differential Value (\$/bbl)	Adjusted Differential for Voyage Time*	vs 1-year Average	vs 5-year Average
M2	-3.35	-2.04	0.36	-1.46
M3	-2.63	-2.04	0.85	-0.92
Q2-24	-2.85	-7.45	0.67	-0.40
Q3-24	-2.85	-1.25	0.59	-0.48



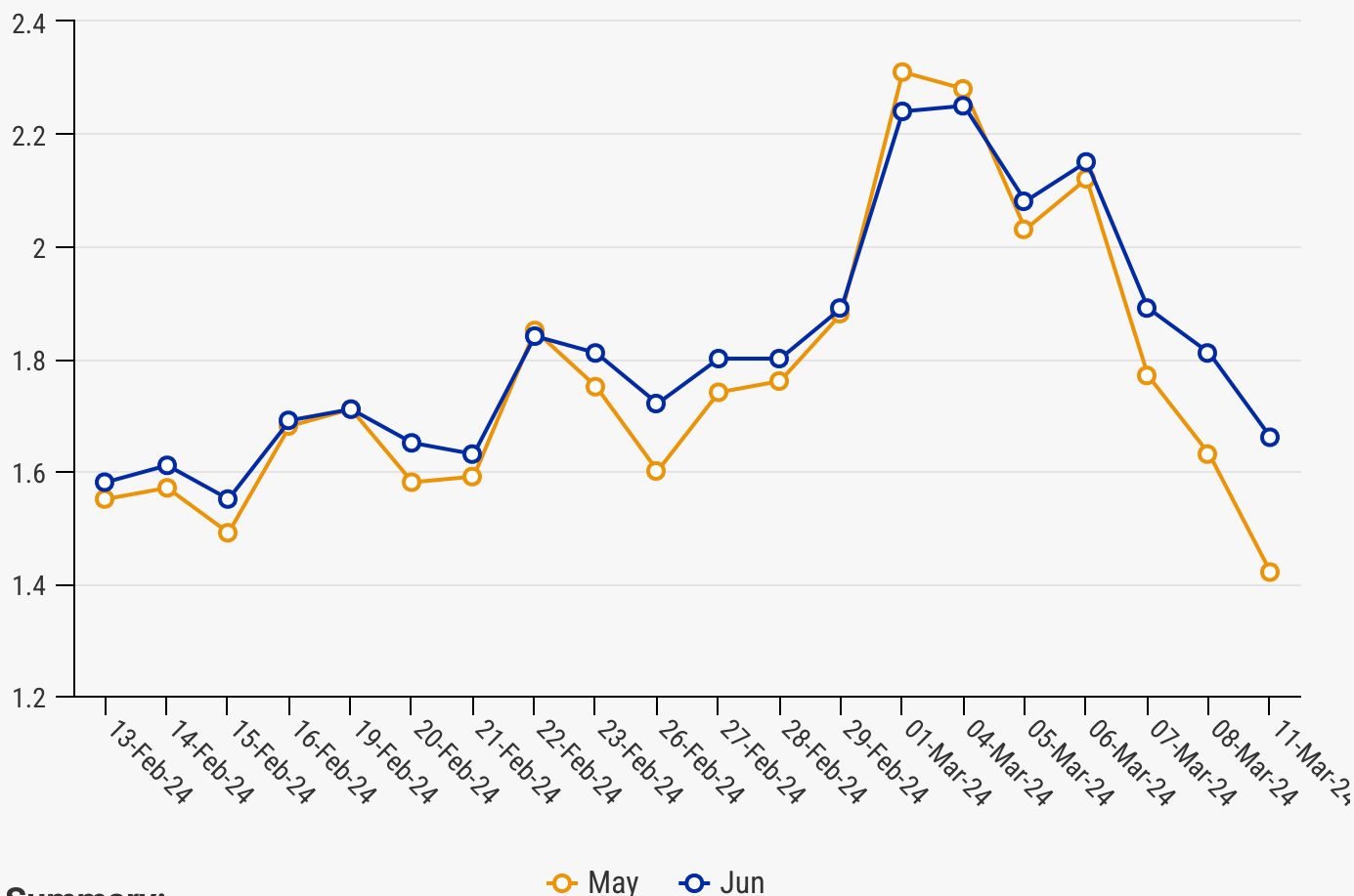
—○— M1 Dated to Dubai (\$/bbl)



—○— M2 Mars to Dubai (\$/bbl)



May and Jun Brent/Dubai EFS (\$/bbl)



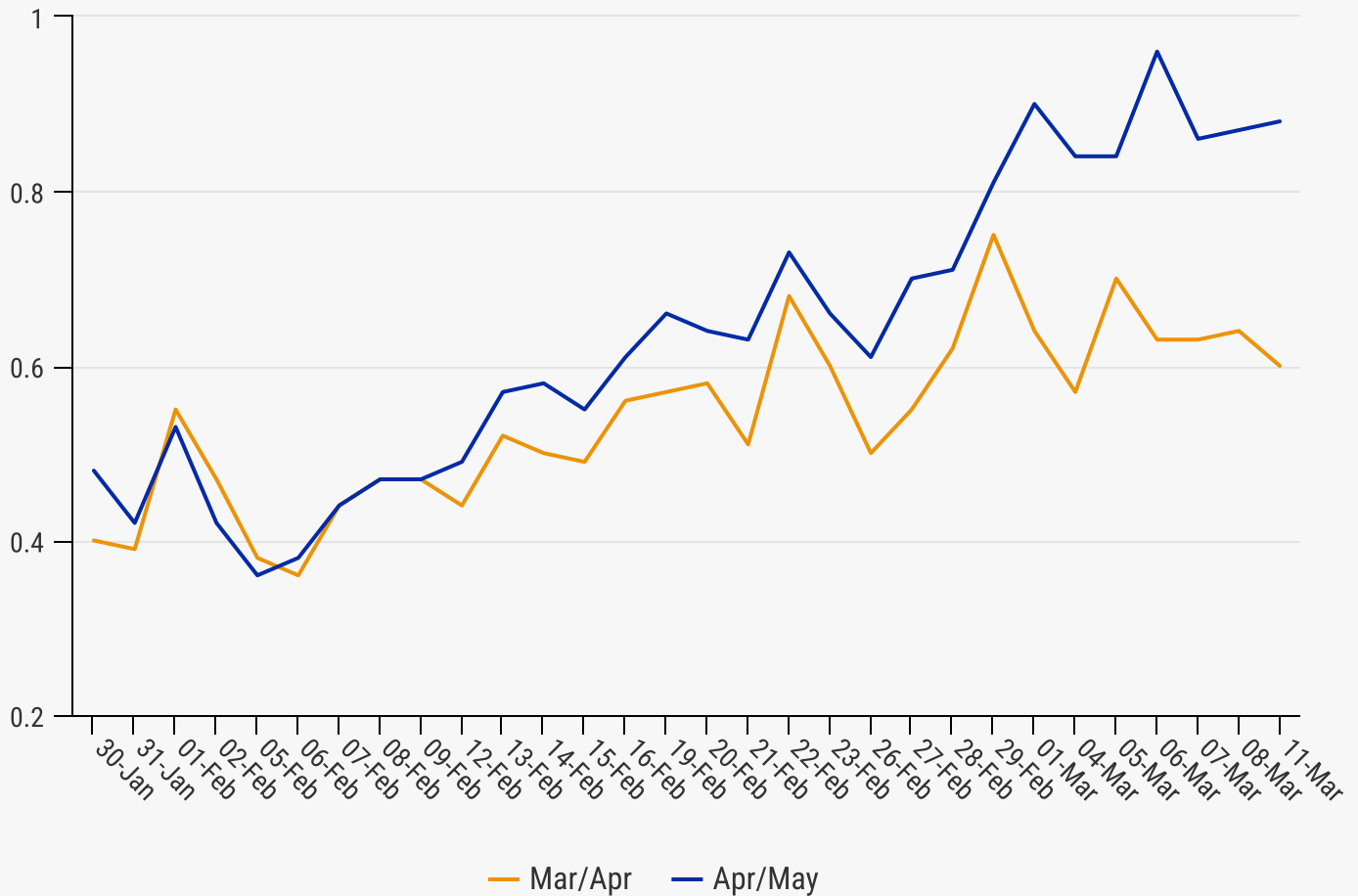
Summary:

- The Brent/Dubai EFS has narrowed coming off to \$1.40/bbl and \$1.60/bbl handles in May and June respectively.
- Levels in both tenors had broken through the \$2/bbl levels at the beginning of the month indicating the relative strength in Brent relative to Dubai though clearly this trend started to cool significantly following the continuation of OPEC cuts into Q2'24.
- The narrowing spread between the sweet and sour crudes has likely now opened the arbitrage for US grades to Asia.

Pricing Spread



Mar/Apr and Apr/May Dubai Spread (\$/bbl)

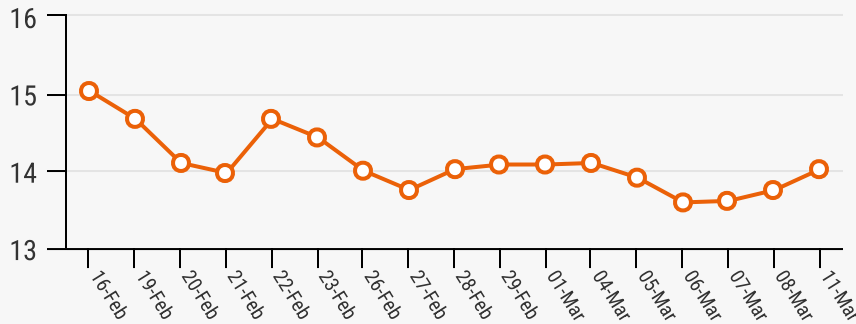


- Spreads have found renewed buyside momentum since the announcement of the continued OPEC cuts, particularly in the now prompt Apr/May spread which is currently sitting firm in the 80c/bbl handles.
- Over the past week in particular, we have seen a range of players on the buyside of the Balmo-spread including majors, tradehouses and refiners with tradehouses and refiners also seen buyside of the Apr/May spread.

Freight Rates

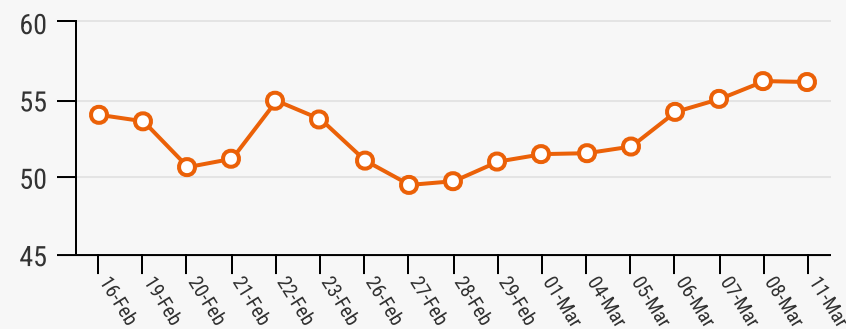


M2 TD3C - Dirty Freight Route from Middle East Gulf to China



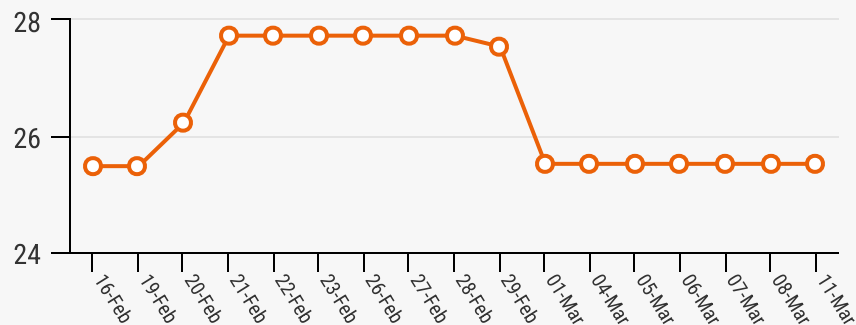
Tenor	Level (\$/mt)	2 Week change (%)
M1	14.38	-1%
M2	14.02	0%
Q3-24	12.66	0%
Q4-24	15.27	1%

M2 TC5 - Clean Freight Route from Arabian Gulf to Japan



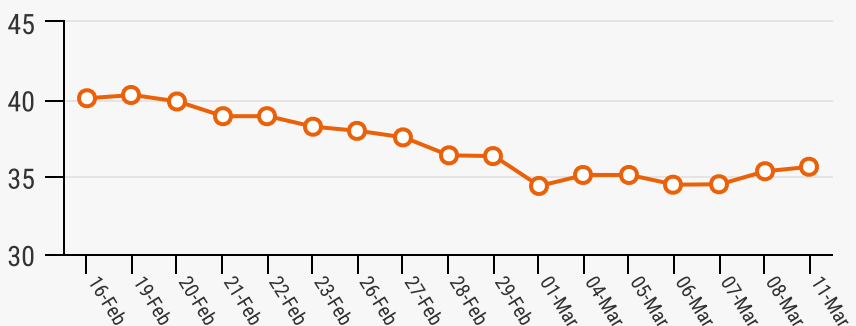
Tenor	Level (\$/mt)	2 Week change (%)
M1	57.81	17%
M2	56.12	10%
Q3-24	47.29	3%
Q4-24	47.90	2%

M2 TD8 - Dirty Freight Route from Kuwait to Singapore



Tenor	Level (\$/mt)	2 Week change (%)
M1	27.54	-6%
M2	25.52	-8%
Q3-24	22.41	0%
Q4-24	24.13	0%

M2 TD25 - Dirty Freight Route from US Gulf to ARA

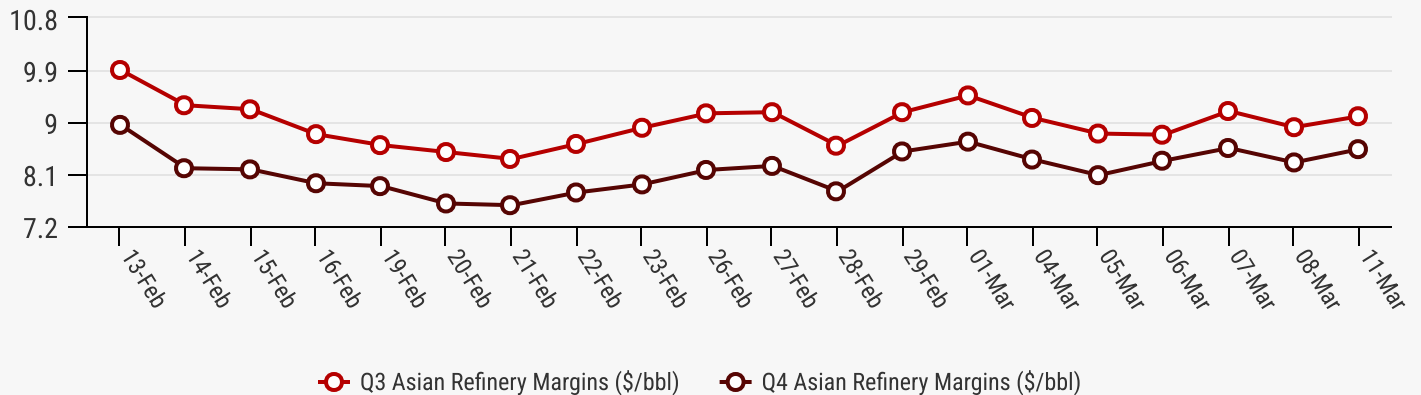
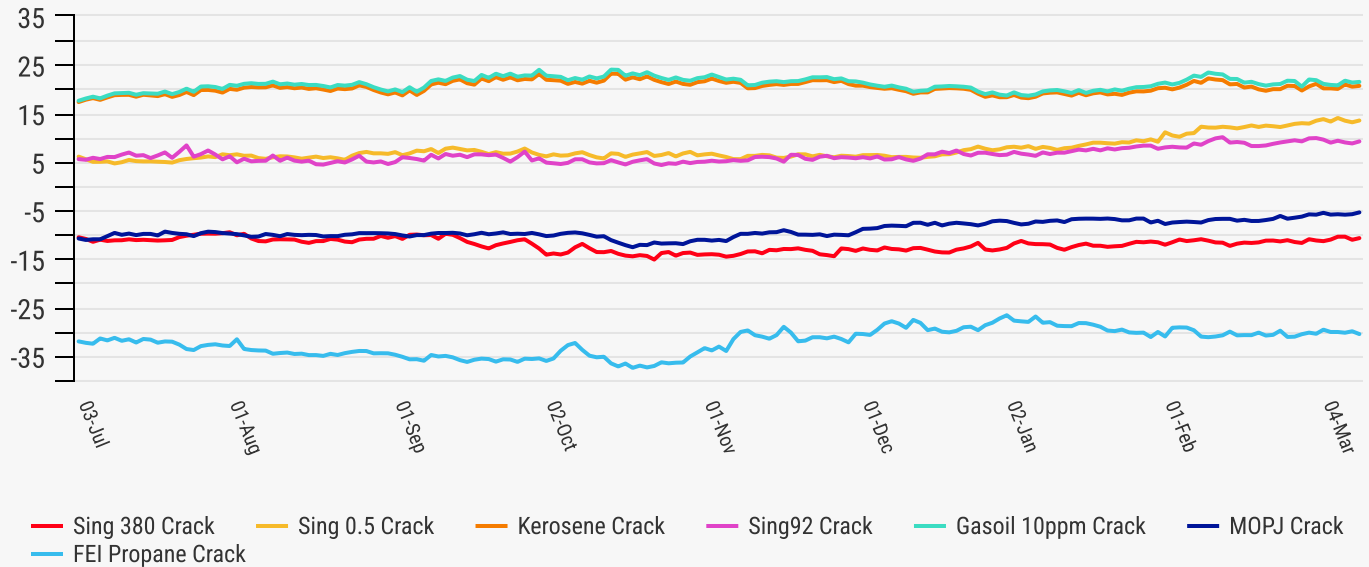


Tenor	Level (\$/mt)	2 Week change (%)
M1	38.17	-1%
M2	35.64	-6%
Q3-24	32.90	1%
Q4-24	37.43	2%

Asian Oil Products



2H24 Eastern Oil Products Crack (\$/bbl)

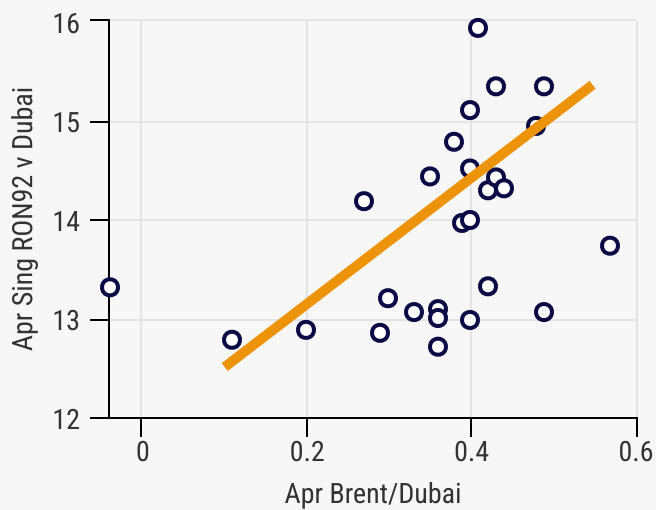
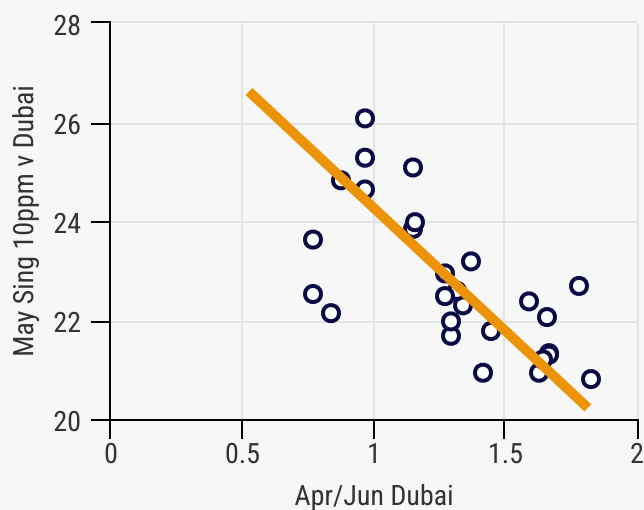
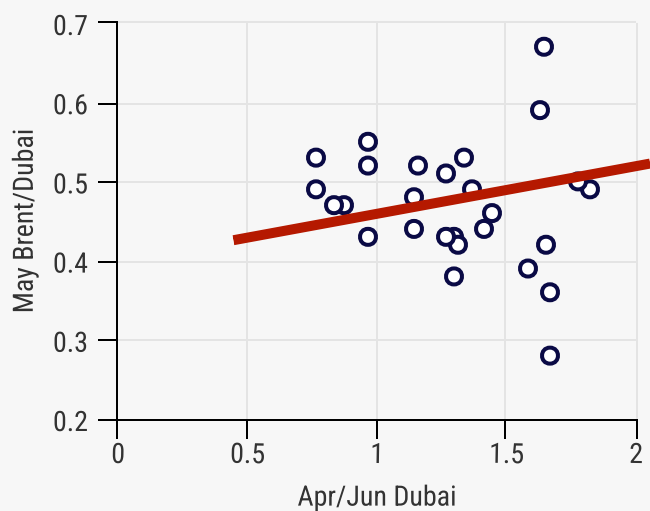
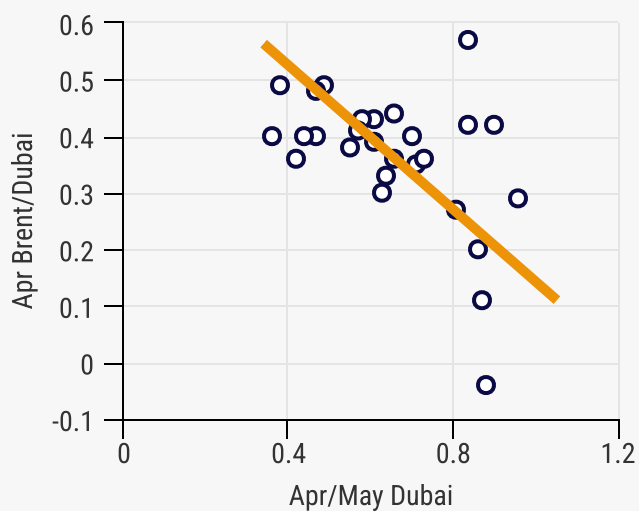


- **Asian refinery margins** have been rather rangebound over the past week in both Q3 and Q4, failing to find any clear upward traction as products across the curve failed to provide much meaningful support.
- **Asian gasoil cracks** in 2H failed to break above the \$22/bbl level, generally trending between \$20-21/bbl handles. Even in the front, last week's levels were looking fairly soft with all cargos pointing east.
- The **gasoline 92 crack** did see some support above the \$9/bbl level in 2H, though overall between the 1st and 8th of March, we saw levels in Q3 coming off by 46c/bbl and Q4 down by 38c/bbl.
- **Sing 380 fuel oil cracks** in 2H have failed to find much traction, holding firm in the \$13/bbl handles with interest instead largely concentrated at the front of the curve as market makers, trade houses and refiners were all seen bidding the complex.
- **Naphtha cracks** also remained largely rangebound in 2H, holding in the -\$5/mt handles while both cracks and spread structure in the front remained firm on expectations of renewed eastern demand.
- **Propane cracks** were more choppy in comparison to other products, fluctuating between -\$30.50(-29.95)/bbl. There was more muted interest in FEI last week with a lot of market participants away at an LPG conference in Tokyo,

Correlations Analysis of Dubai-Related Contracts

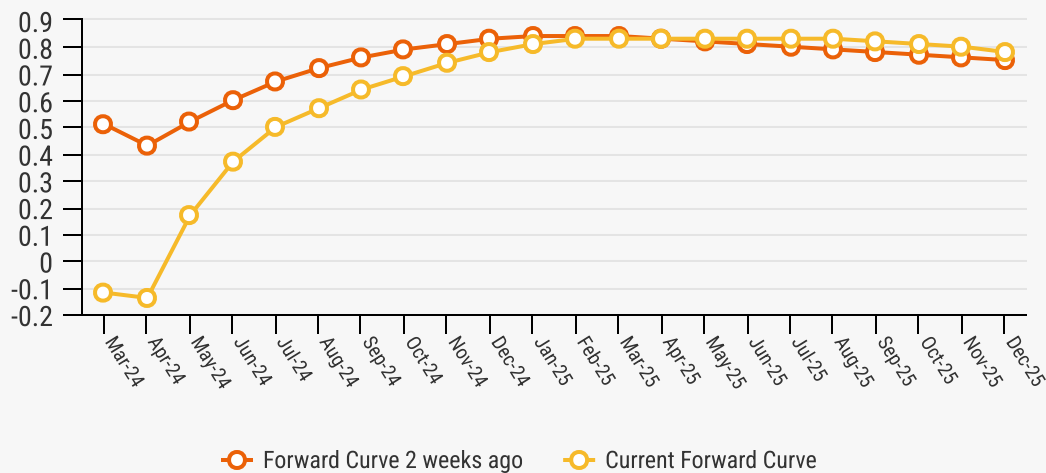


	Mar/Apr Dubai	Mar/May Dubai	Mar Brent/Dubai	Apr Brent/Dubai	Mar 10ppm/Dub	Apr 10ppm/Dub	Mar RON92/Dub	Apr RON92/Dub
Mar/Apr Dubai	100%							
Mar/May Dubai	100%	100%						
Mar Brent/Dubai	-48%	-46%	100%					
Apr Brent/Dubai	-16%	-15%	80%	100%				
Mar Sing 10ppm v Dubai	-77%	-77%	49%	17%	100%			
Apr Sing 10ppm v Dubai	-67%	-68%	45%	18%	99%	100%		
Mar Sing RON92 v Dubai	-26%	-25%	43%	27%	64%	68%	100%	
Apr Sing RON92 v Dubai	15%	16%	24%	26%	31%	41%	92%	100%

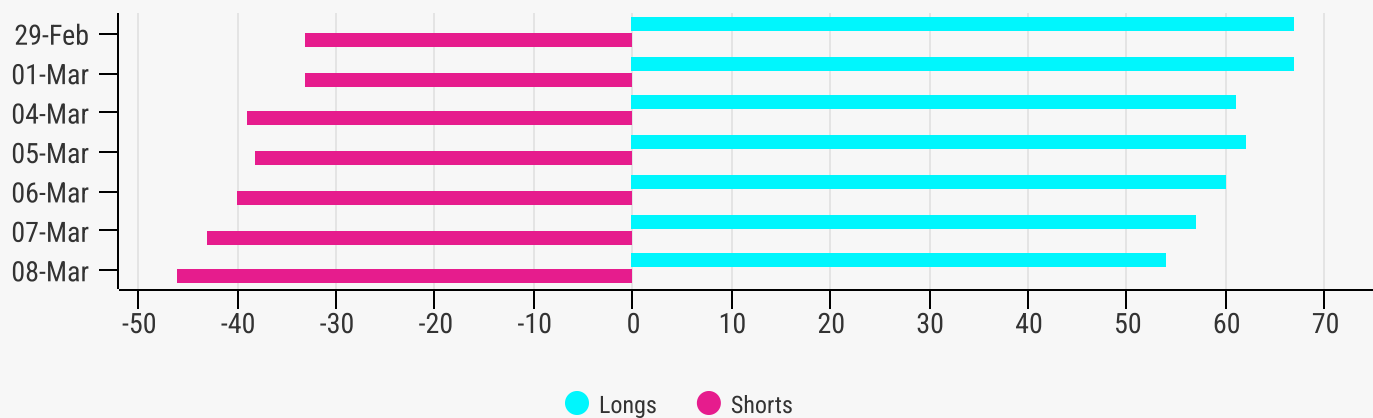




Brent/Dubai Forward Curve (\$/bbl)



7-Day Market Trading Split - Apr24 Brent/Dubai

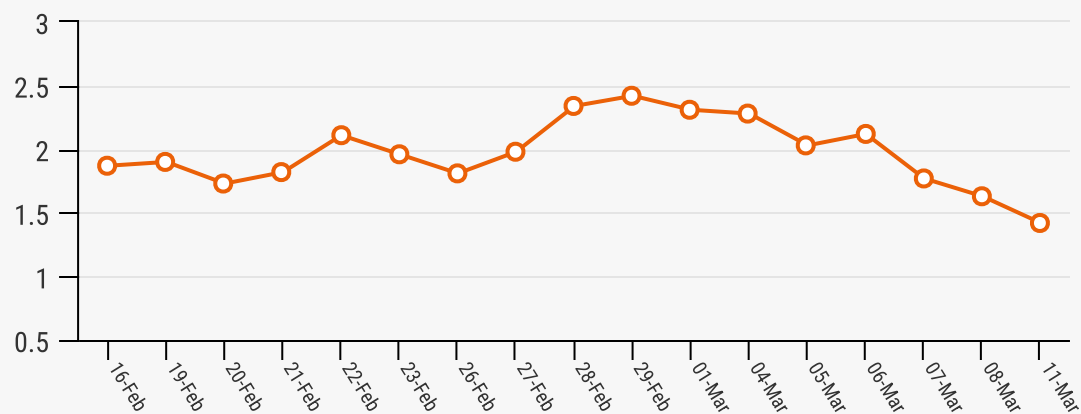


7-Day Market Trading Split - Q2 Brent/Dubai

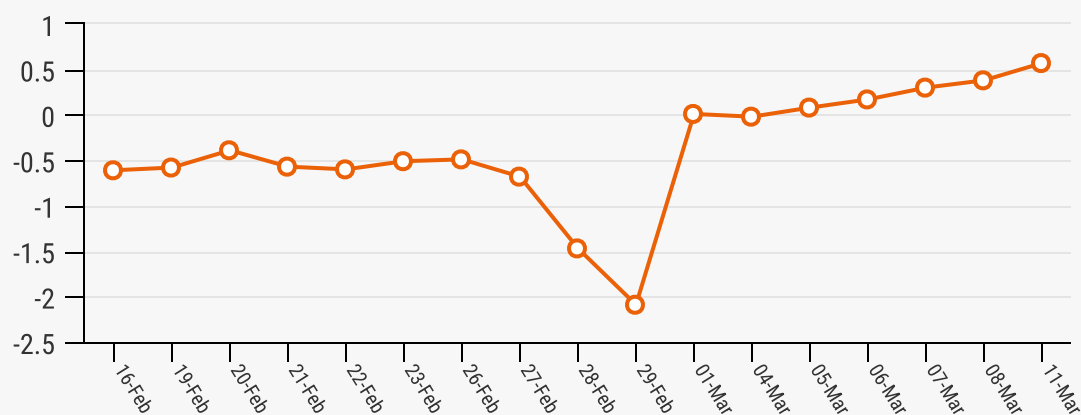




M2 Brent/Dubai EFS (\$/bbl)



M2 Murban/Brent Futures (\$/bbl)



M1 Distillate vs Dubai Cracks (\$/bbl)

