26 Mar 2024

Overnight & Singapore Window

ONYX ADVISORY

Flat Price

The Brent futures flat price for the June contract has had a rangebound morning. Price action saw a small surge reaching $86.23/bbl at 09:15 GMT, before coming back down to just below the $86/bbl mark by the time of writing (10:00 GMT). Recent attacks on Russia's oil refineries by Ukraine have knocked about 900 kb/d of capacity offline, possibly for weeks and even in some cases permanently, according to Goldman Sachs analysts. Russia has also reportedly begun supplying oil directly to North Korea, in direct violation of UN sanctions, according to the Financial Times. Satellite imagery released from a UK think-tank showcases at least five North Korean tankers collecting oil products from Russia's Far East. These coincide with North Korea's munitions support to Russia, suggesting an "arms-for-oil bartering arrangement," according to Hugh Griffiths, a former US sanctions monitor. The front and 6-month Brent futures spreads are at $0.70/bbl and $4.28/bbl, respectively

Crude

Despite a slow start, Dated found better support this morning with a stronger outlook following yesterday's better bid window. May saw some good buying around $0.78/bbl, now lifted at $0.80/bbl, with Apr higher also at $0.46/bbl last. The DFL roll saw better buying, last trading -$0.33/bbl whilst May/Jun DFL also saw buyside interest and bid at -1c. Cal Apr v 15-19/4 was sold at -$0.08/bbl. The front of the curve remains firmly in contango.

Fuel

In HSFO, 380 spreads were better offered in the early morning, with Apr/May selling down to -$2/mt and May/Jun trading at $2/mt. We saw visco MOC buying in the window, with Apr and May visco trading at $17/mt and $16/mt respectively at the end of the window. 380 E/W traded at $4/mt on thin volume. Apr/May 380 E/W box were offered, trading at $2/mt.

Barge cracks were weakened, with Apr gapping down to -$11.30/bbl in the window. Apr/May barges traded at -$4/mt. Then May 380 cracks were better bid at -$9.45/bbl by banks which supported the front barge cracks trading up to -$11.15/bbl.

In VLSFO, 0.5 Sing cracks sold down before the window, with Apr Sing crack selling down from $12.45/bbl to $12.05/bbl. Sing spreads in the front came under pressure, with Apr/May selling down from $4/mt to $3/mt and May/Jun trading down to $6.25/mt. 0.5 Sing cracks started to rebound in the window, with Apr buying up to $12.40/bbl post window. Sing spreads were a touch firmer then, with Apr/May and May/Jun trading at $3.25/mt and $6.50/mt respectively. Euro spreads were bid, with Apr/May trading at $7.50/mt and May/Jun trading at $7.25/mt. The front Euro cracks traded at $6.30/bbl post window which implied $38/mt Apr 0.5 E/W box.

Distillates

ICE gasoil spreads weakened into the morning. The Apr/May spread traded down to $12.50/mt before recovering to $12.75/mt, while the May/Jun spread similarly weakened to $8.50/mt before rallying back to $8.75/mt post-window. The ICE gasoil cracks also came off into the morning, remaining rangebound post-window. The Apr crack is at $23.95/bbl and the Q4 crack is at $23.70/bbl into the mid-morning. European jet diffs saw a quiet start to the morning. The Apr diff opened better offered, indicated at $40/mt, while the May is indicated at $55/mt, with the Apr/May diff roll at -$15/mt. In the deferred tenors, the May/Q3 continued to see sell-side interest at -$7/mt. The HOGOs strengthened through the morning on weaker ICE gasoil, but remained rangebound into the mid-morning. The Apr swap is at 3.70c/gal and the Q4 swap is at 10.30c/gal, both stronger than the weak close last night.

Sing gasoil spreads sold off into the morning before finding some support at the prompt post-window. The Apr/May spread was hit down from $0.06/bbl to $0.02/bbl before strengthening back to $0.04/bbl, while the May/Jun spread saw lows of $0.28/bbl before rallying to $0.32/bbl post-window. There was deferred spread interest seen, with the Jun/Sep coming off to $1.25/bbl after getting hit at $1.30/bbl in the morning. The E/W in the prompt was hit down to -$42.25/mt before strengthening post-window to -$41.25/mt, with the May and Jun E/W seeing buying interest lending support as they are indicated at -$30.75/mt and -$26.75/mt post-window. The Apr regrade opened stronger and traded up from -$1.75/bbl to -$1.70/bbl but weakened towards the mid-morning period, getting hit down to -$1.80/bbl. In the deferred tenors, some Q4 regrade interest was seen as it traded up to -$0.62/bbl, while the Apr-Dec strip traded at -$1.08/bbl off the combo buying interest. The Apr/May regrade roll came off to -$0.15/bbl from -$0.10/bbl while the May/Jun spread was hit down to -$0.05/bbl, strengthening to $0/bbl post-window.

Gasoline

This morning in Gasoline, we saw flat price trade at the end of the morning window equivalent to $14.20/bbl on a crack basis in Apr 92. Unlike the last couple days, we saw MOC go more offered this morning. 92 structure softened this morning, with 92 Apr/May offered down from $1.40/bbl to $1.26/bbl, where bids came in from phys players. Jun/Sep was also offered down to $5.30/bbl levels where bids from trade houses came in. E/W trended down, with offers coming from real players at -$9.40/bbl and -$9.55/bbl in Apr. We saw majors on the sell side of 92 Apr cracks towards the window at $14.20/bbl, and refiners on the sell side of deferred cracks with Q4 going offered at $7.75/bbl. The Apr/May crack roll saw selling again today at $0.53/bbl.

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RBBRs came off this morning compared to where we closed yesterday, ticking down to $27.50/bbl in the window in May, rebounding slightly post. Arbs saw real players on the sell side, Apr arbs trading down from 11.30c/gal to 11.15c/gal. We saw some offers on summer EBOB spreads, with Jun/Jul at $19.50/mt and Jul/Aug at $19/mt. We had sellers in Apr gasnaphs this morning at the $214.50/mt level and buying interest on Q3 gasnaphs.

Naphtha

This morning in Naphtha we saw flat price valued at $709.50/mt in Apr MOPJ, on a -$6.25/bbl crack equivalent with cracks weakening as physical players aggressed on the sell side with financial players providing support. Front MOPJ spreads softened with trade selling, Apr/May trading at $11.50/mt and May/Jun offered down to $9.50/mt. Q2/Q3 spread saw petchem selling post-window at $24.25/mt. Front E/W weakened with MOPJ spreads offered, trading from $10.75/mt down to $10/mt and Q3 saw refiner selling at $13.50/mt. In Europe, we saw NWE cracks open 15c lower at -$7.40/bbl alongside Asian weakness with trade and major on the sell side of cracks, leaving the crack at -$7.50/bbl end window. Apr/May NWE trading 75c lower at $15.50/mt with May/Jun at $10/mt.

NGLs

A weak morning for NGLs internationally, as FEI flat price was offered and in line with this, FEI structure weakened especially at the front of the curve. FEI/CP opened offered as May FEI/CP traded at $4.50/mt while in the prompt April FEI/CP weakened down to -$20/mt. FEI structure softened as a result, April/May traded at $6/mt and weakened to $5.50/mt while May/Jun fell to $3.50/mt. FEI/MOPJ pronaps were at low levels and Q4 traded at -$45/mt; deferred buyside interest here weakened deferred FEI spreads and Jul/Dec traded at -$21/mt. CP flat price was well bid in the prompt; May CP traded at $591/mt handles, structure was firm off the back of this with May/Jun trading at $26/mt in good size. Arbs were quiet but bid as they absorbed the FEI weakness. The E/W diff traded at $83.50/mt in the prompt, a touch weaker than close yesterday.

Global Macro

A very quiet start to the week with OIS markets now actively looking for FED, ECB and BOE cuts in Q2.

U.S. PCE inflation data Friday but on a quiet day worth reiterating 2 points on equities.

When the Fed starts cutting rates that is typically when equities fall. Since 1970 when the Fed cut rates the S&P 500 typically bottoms on average 195 days After the first Fed cut.

Secondly current activity suggests the equity market should be far more defensive, rotating from cyclicals into defensives.