Overnight & Singapore Window

ONYX ADVISORY

Flat Price

The July Brent futures flat price softened over the morning, from around $81.40/bbl at 0730 BST to $80.70/bbl at 1115 BST (time of writing). OPEC+ postponed its output policy meeting to June 2, shifting from the original June 1 date in Vienna. The meeting, now to be held virtually, follows Russia's statement of exceeding production quotas in April due to technical issues. The Russian Energy Ministry stated that it adhered to OPEC+ quotas in Q1 2024 but cited technical issues for April's overproduction . Senate Democrats are investigating an alleged quid pro quo offer from Donald Trump to fossil fuel executives, where he reportedly promised to roll back environmental regulations in exchange for $1bn in campaign contributions. Algeria's state oil company signed a memorandum with ExxonMobil to develop gas fields in the Ahnet and Gourara basins, seen as a significant move for Algeria's energy goals, with negotiations for a production contract potentially taking up to three years. The front and 6-month spreads are $0.23/bbl and $2.36/bbl, respectively.

Crude

Very slow morning in Dated. We continued to see better selling of Jun, sold down to -$0.44/bbl, whilst Jul was a touch better offered than yesterday, sold to $0.24/bbl last. We saw Jun/Jul find some level of support earlier in the morning, with trade buying of Jun/Jul Dtd at -$0.28/bbl, although began to come under pressure with better selling of Jun rolls coming in, seeing Cal Jun v 24-28/6 sold at -$0.45/bbl and better offered, whilst 10-14/6 v cal Jun trades -$0.12/bbl last. Jul rolls also softened to see 1-5/7 v Cal Jul hit at $0.13/bbl. The front roll continues to trade -$0.30/bbl, whilst Jul/Aug weakened to print $0.29/bbl on the Dtd roll.

Retracement seen in Dubai today with Jun BD trading up to -$0.55/bbl, 15c off the lows. Quiet pre-window, however we saw trade house buying of Jun/Jul and Jul/Aug Dubai, trading at $0.66/bbl and $0.66/bbl. There was Refiner selling of Q1'25 BD, trading at $0.35/bbl and major Q3/Q4 box selling at -$0.40/bbl. After a weaker pricing in the window, we saw BD rally with buyers of BD coming out. There was also aggressive selling of Jun/Aug Dubai, trading at $1.26/bbl, pushing the Jun/Jul box up to highs of -$0.23/bbl, a sharp rally from lows of -$0.40/bbl in the week.

Fuel

In HSFO, there was muted interest on front 380 cracks this morning. Instead we saw most of the activity on the Aug 380 crack, which traded between -$6.85/bbl and -$6.80/bbl. Similarly, on 380 structure, interest was low on the front spread, instead we saw most of the trading happening on Jul/Aug 380. The interest however was mixed, which saw the spread trading at $7/mt throughout the morning. It was a fairly volatile morning on barge cracks. The Jun barge crack opened at -$9.10/bbl, before buying up to -$8.85/bbl post window. However most was given back, which saw the front barge crack end the morning at -$9/bbl.

Barge spreads were fairly stable this morning, with Jun/Jul barges trading at -$2/mt throughout. The 380 E/W also saw a fairly rangebound morning, trading between $27/mt and $27.25/mt.

In VLSFO, it was a busy start to the last day of the week on Sing 0.5. The Jun Sing crack opened the day at $9/bbl, before selling down in decent size to $8.50/bbl. It was a mixed morning on Sing structure. Initially, Jun/Jul Sing was fairly rangebound trading between $4.25/mt and $4.50/mt. However, later in the morning, post window we saw a sharp sell off, selling down to $4/mt. There was some back end Hi5 buying this morning, with interest on Oct and Q4, which traded around $105/mt and $105.75/mt respectively. It was quieter on Euro 0.5 this morning. Euro cracks were a touch weaker on thin liquidity, with Jun Euro crack selling down to $1.85/mt from $2/mt. There was a similar trend on Euro spreads, which were also a touch softer. Jun/Jul Euro sold down to $1/mt from $1.25/mt on sporadic trading. There was 0.5 E/W trading at $42.25/mt.

Distillates

ICE gasoil spreads continued sideways this morning. The Jun/Jul spread traded around -$2.25/mt and likewise, the Jul/Aug spread traded around -$2.25/mt. ICE gasoil cracks remained rangebound with the Jun crack trading around $18.20/bbl and the Jul crack around $19.20/bbl. . Down the curve, the Q3 crack traded at $19.70/bbl and Q4 around $20.50/bbl. European Jet diffs weaker, with the Jun diff trading lower at $63.25/mt.

The Jul diff traded down to $60.25/mt from $61.25/mt at the close yesterday and in the deferred, Q3 traded lower at $59.50/mt. The HOGOs came of this morning, the Jun swap was lower at 6.10c/gal and the Q4 swap at 9.30c/gal.

A strong morning was observed in Sing gasoil. The Jun/Jul spread traded up to -$0.13/bbl and the Jul/Aug spread was lifted up to -$0.17/bbl from -$0.20/bbl. The front E/W rallied up to -$26/mt from -$27.25/mt. Further down the curve, Jul E/W traded higher at -$27.50/mt and Q3 traded up to -$28.75/mt. Regrades opened a touch lower this morning. The Jun regrade opened lower at -$1.52/bbl and the Jul diff traded down to -$1.40/bbl from -$1.33/bbl. In the deferred tenors, Q3 traded at -$1.18/bbl and Q1'25 around -$0.45/bbl. In kero, Jul/Aug traded at -$0.30/bbl and Aug/Sep at -$0.28/bbl.

Gasoline

This morning in gasoline, we saw flat price trade at the end of the morning window equivalent to $7.95/bbl on a crack basis in Jun 92. A weaker start for 92 spreads, with Jun/Jul and Jul/Aug sold down to $0.25/bbl and $0.55/bbl respectively. E/W interest came from trade houses bidding the Jun/Jul box, at -$0.80/bbl, with Jun/Jul EBOB getting sold down to $9/mt. Cracks in 92 saw more sell side interest post window in Jul between $8.05/bbl and $8.15/bbl. Q3 EBOB cracks saw sell side interest at $17.15/bbl this morning.

Naphtha

This morning in naphtha we saw flat price valued at $659.50/mt in Jun MOPJ, on a -$6.75/bbl crack equivalent with front cracks seeing better buying again. Propane and petchem buying helped NWE cracks trade up to -$8.35/bbl in the window, with cracks trading up to -$8.05/bbl in Jun post window and -$8.80/bbl in Aug. Backend MOPJ saw Chinese buying continue from yesterday, with Jan MOPJ trading at $627/mt and Jul at $653/mt. Banks were on the sell side of E/W in Jun this morning between $13.25/mt and $14/mt. We saw MOPJ crack rolls better bid, with the Q2/Q3 bid at -$0.20/bbl from trade houses. Majors were on the sell side of Jun/Jul Nap NWE between $9.25/mt and $9.50/mt levels.

NGLs

Another supported morning for International propane on NGLs; a well-bid June contract in FEI saw the Jun/Jul contract rally up to $11/mt although it saw real sellers at this level. Spreads firmed down the curve as Dec/Dec FEI traded at $73/mt. Although the buying pressure relieved pre-window, FEI structure was supported by H1 Jul bids in the physical at premiums of +$11/mt. FEI/CP firmed as a result to $43/mt in Jun FEI/CP, nevertheless CP spreads continued to be well bid from DCE players and importers alike as Jul/Aug CP firmed to $5/mt. The arb softened slightly on the FEI strength as Jul LST/FEI traded at -$228/mt for size.

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Global Macro

- Better global news yesterday, worse UK news today!
- India PMI rises to 61.7 from 61.5. Of the majors this is by far the best growth data in the world.
- US preliminary PMI rises to 54.4 (ex 51.1), manufacturing 50.9 (ex 50), services 54.8 (ex 51.3). However, report showed a partial recovery in the employment component to 49.4, but the level remains at its lowest point since the pandemic-induced recession (other than April).
- U.S. new home sales fall -4.7% MoM.
- Euro-area business activity reached its highest level in a year, and German wages rose faster than expected. ECB fully priced to cut 25bp on 6th June but looks like one cut and then wait and see.
- Shocking UK retail sales after last week weak employment data, April retail sales -2.3% (expected -0.5%).
- Japan CPI above expectations +2.5% (ex 2.4%) and BOJ allows 10-year JGB to push above 1% as a clear attempt to support the Yen.
- Nvidia rises 9% and is now larger than the GDP of all countries outside the world's top 7, meanwhile the Dow has its worst day of the year and diverges from the S&P 500.
- Silver bounces off its key $30 break out level after the CME margin increase. Higher, higher.
- Credit spreads have only been as tight as they are today twice before – in 2000 and 2007. Bottom decile of all time. High-Yield priced for no defaults even though business bankruptcies have surged +35% in the past year to the highest level since 2020 Q3. Just saying.

Data today:

- U.S. durable goods orders
- Uni of Michigan Consumer sentiment
- Canadian retail sales.