Onyx Brokerage: A Broker's Take

Short Feb 3.5% Barge Crack ($/bbl)

Broker's View on Feb 3.5% Barge Crack ($bbl)

Recently Crude has rallied due to the Wider U.S sanctioned imposed on Russia which are expected to affect Russian crude exports to top buyers in China and India. The slate of new sanctions affecting Russia has been initially bullish Crude and refined Products, however while 380 cracks remain strong, we have seen weakness in the Feb 3.5 Barge cracks, trading from – $7.20/bbl down to -$7.80/bbl.

Following on, we have also seen an increase in buying appetite on the Feb 380 E/W trading from $10/mt up to $20.50/mt, which has also applied pressure on the 3.5% barge structure. Alongside this using our Onyx COT data, we have seen that market participants, Trade houses especially, are currently short and getting shorter the last 5 trading days.

From a fundamental perspective, the 3.5% barge market has seen ample supply this week, driven by an increase in volumes arriving from the Mediterranean. Additionally, around 500,000mt is projected to arrive into NWE market by the first half of February. On the demand side, activity remains tepid, suggesting that the oversupply could put downward pressure on 3.5% barge prices in the coming weeks. With our bullish outlook on crude due to implementation of new U.S sanction on Russia coupled with increasing positive economics signs out of China, we anticipate a softening of 3.5% barge crack prices as the imbalance between rising supply and stagnant demand continues to exert downward pressure, potentially leading to further price decrease unless demand improves significantly, or supply tightens unexpectedly.

Suggested Trade:

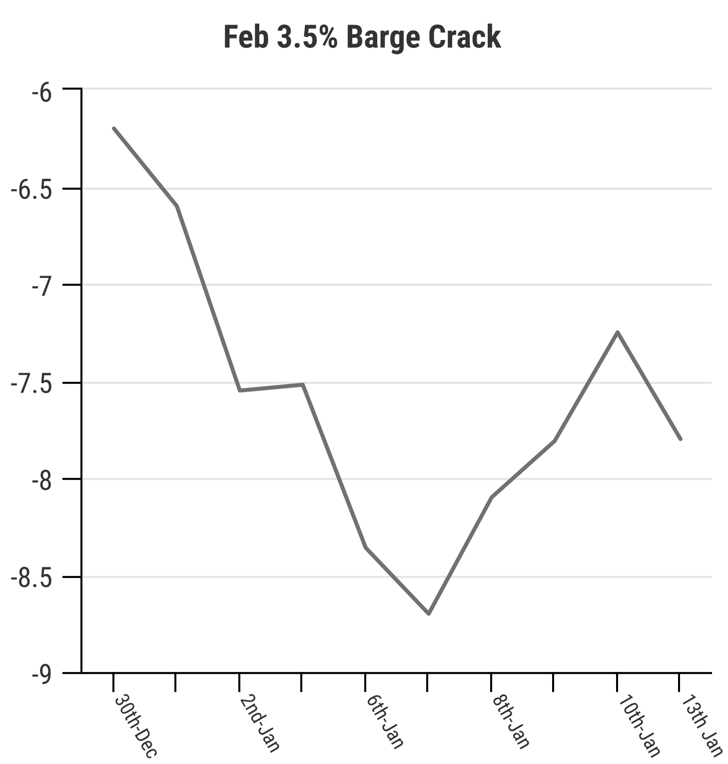
Short Feb 3.5% Barge Crack ($/bbl)

Entry	-$7.80/bbl
Target 1*	-$8.80/bbl
Take profit	-$9.90/bbl
Stop	-$6.80/bbl

***Once hit -$8.80/bbl then have a 50c/bbl trailing stop loss.**

Risk: $10,000

Size: 10Kb



Source: Onyx Capital Group