

Flat Price

The June Brent futures contract has seen a strong rally this morning, opening around \$88/bbl handles and rising quickly to settle around \$89/bbl at 10:30 BST. In the headlines, Ukraine has struck one of Russia's biggest refineries with a drone 1,300 km from the front lines in Ukraine and said it had inflicted significant damage on a military target, hitting the primary oil refining unit, CDU-7, at the Taneco refinery, according to Reuters. The region's head, Rustam Minnikhanov, confirmed that there had been drone strikes but claimed there was no serious damage or disruption to industrial output. In other news, Chevron has initiated its 2024 drilling initiative in Venezuela, commencing with the first of 17 wells slated for drilling. This effort aims to enhance production levels, as outlined in a statement by PDVSA, Venezuela's state oil company and co-owner of the joint venture. The new wells are expected to increase Chevron's total output with PDVSA in Venezuela by 35% to 250 kbpd by next year. The Jun/Jul and Jun/Dec spreads are at \$1.08/bbl and \$5.47/bbl respectively.

Crude

Strong morning in Dated, with DFL's trading higher on stronger Brent spreads alongside some strong roll buying. Apr DFL saw strong buying throughout the morning, paid up to \$0.90/bbl on screen, whilst May DFL trades \$1.10/bbl last, up 12c and 9c on the day respectively. Cal Apr v 29-3/5 was lifted up to \$0.26/bbl, before turning a touch better offered to trade \$0.25/bbl last. The 2-5 2w roll trades 9c higher than at close on Thursday to print -\$0.13/bbl, whilst there was size buying of backend Apr into May rolls with 25-30/4 v 2-8/5 trading \$0.30/bbl. Apr/May dated trades up at \$0.85/bbl last after printing \$0.74/bbl earlier in the morning.

Strong morning in Dubai with May BD trading down 20c to end the morning at -\$0.37/bbl. We saw early Q3 BD selling, trading down from \$0.22/bbl to \$0.12/bbl. Later we saw Q4 BD interest as well, trading down to \$0.35/bbl.

Dubai spreads saw buying interest, with \$0.91/bbl and \$0.83/bbl trading in the Aug/Sep and Sep/Oct respectively. The respective boxes as well saw selling interest, with -\$0.11/bbl trading in the Aug/Sep box and -\$0.10/bbl trading in the Sep/Oct.

Fuel

In HSFO, barge cracks were weakened, with May selling down from -\$11.35/bbl to -\$11.50/bbl before the window while May 380 crack trading around -\$11.05/bbl. The front 380 E/W were supported, with May buying up to \$3.00/mt. We saw scaled back Q3 E/W selling interests in the morning, trading from \$0.50/mt to \$1.00/mt. 380 spreads were strengthened, with May/Jun trading from flat to \$0.25/mt and Jun/Jul trading at \$3.50/mt. Viscos were offered, with Jun selling at \$15.50/mt. Barge spreads were a touch softer, with Apr/May and May/Jun trading at -\$5.00/mt and -\$1.25/mt respectively. May 380 E/W traded around \$2.50/mt post window.

In VLSFO, deferred Sing spreads were offered by trade houses, with Jun/Sep trading at \$22.00/mt and Jan/Mar trading at \$9.25/mt. We saw large size of deferred Sing cracks selling on stronger crude, with Aug selling at \$11.75/bbl and Q3 Sing cracks trading at \$11.70/bbl. The prompt Sing cracks came under pressure, with May trading down from \$12.15/bbl to \$12.00/bbl. The front Sing spreads were a touch firmer, with May/Jun trading at \$4.50/mt and Jun/Jul trading at \$7.00/mt. May Euro cracks were well bid at \$5.40/bbl on screen in the window, then sold down to \$5.25/bbl quickly due to weakened May Sing crack. Q3 Euro cracks sold at \$4.85/bbl on screen on strengthened crude. No Euro spreads traded in the morning, May/Jun Euro implying at \$6.50/mt.

Distillates

ICE Gasoil structure firmed this morning, with the Apr/May spread indicated at \$9.50/mt, up from its opening level of \$8.50/mt, and likewise, the May/June spread traded higher at \$6.50/mt from \$5.25/mt this morning.

ICE Gasoil cracks rallied, with the May crack trading at \$22.95/bbl, up a dollar from the open. In the deferred, interest was seen in Q4, trading up to \$24.40/bbl. There was little activity in the European Jet market, with the May jet diff trading at \$54.00/mt and the Apr diff at \$41/mt, indicating the Apr/May roll at -\$13.00/mt. The HOGOs continued its strength from yesterday, with the May swap at 4.6c/gal and the Q4 swap at 10c/gal.

This morning, the Apr/May Sing Gasoil spread traded lower, down to -\$0.20/bbl from an earlier level of -\$0.13/bbl. Meanwhile, the May/June spread had a volatile morning, initially dropping to lows of \$0.10/bbl from an opening of \$0.15/bbl, but rallying into the window and currently indicated at \$0.20/bbl. Further down the curve, the Aug/Sep spread traded up to \$0.37/bbl from \$0.35/bbl. With ICE Gasoil strengthening, the E/W structure weakened throughout the morning. The Apr E/W traded down to -\$37.50/mt from an initial level of -\$35.50/mt, while the May E/W came off to -\$33.50/mt post-window after being indicated at -\$28.50/mt at the end of the window. Interest was seen down the curve, with Q3 trading at -\$25.25/mt. Regrades came off this morning, with the May regrade trading down to -\$2.00/bbl after opening at -\$1.80/bbl, and the June regrade down to -\$1.50/bbl. In the deferred, Q3 traded down to -\$1.25/bbl from -\$1.15/bbl. The May/June Kero spread traded lower at -\$0.25/bbl.

Gasoline

This morning in Gasoline, we saw flat price trade at the end of the morning window equivalent to \$13.30/bbl on a crack basis in May 92. The phys window in Apr gasoline started strong yesterday, with SK and Vitol lifting phys and PTT buying 97ron, but we saw a turnaround today, especially from PTT, who along with Totsa sold phys in gasoline. MOC this morning was offered from trade houses and refiners in May. We saw 92 spreads trend down this morning offered from trade at \$1.85/bbl in May/Jun, but saw bids come in at \$1.75/bbl in May/Jun and \$1.80/bbl Jun/Jul from phys.

Eastern gasnaphs saw strong selling from phys this morning, with May 92/MOPJ offered between \$22.60/bbl and \$22.80/bbl. Trade houses were on the buy side of May E/W this morning between -\$8.90/bbl and -\$9/bbl, and the front May cracks saw strong buying from funds at the \$13.25/bbl mark. Chinese players were offering deferred 92 cracks this morning, with Q4 well offered at \$7.85/bbl. RBBRs ticked down to \$25/bbl in Jun over the morning from \$25.25/bbl, and post window we saw arbs in May better offered at 9.90c/gal from real players. May/Jun EBOB saw some softening this morning, as did the bal spread, trading down from \$7.75/mt to \$7.25/mt, where we saw majors on the buy side. May/Sep was bid at \$77.50/mt from ref. We saw buying interest from trade houses on the front EBOB cracks this morning, and some interest to sell Q3 cracks at \$18.35/bbl. As with the East, European gasnaphs saw sell side interest from phys players, in May at \$225/mt and Q3 at \$189.5/mt this morning.

Naphtha

A weak morning in Naphtha where we saw flat price valued at \$699.50/mt in May24 MOPJ, on a -\$8.75/bbl crack equivalent with Europe cracks falling below -\$10/bbl handles as physical players aggressed on the sell side of cracks, flat price and spreads. The phys window was well offered with no bid side interest, seeing MOC getting sold by refiner and trade at -5c.

Front MOPJ spreads softened with flat price selling, May/Jun trading a dollar lower down to \$7/mt post-window with the pricing spread down to \$9/mt. Major was on the sell side of Jun/Oct, trading down to \$22.50/mt. E/W saw little activity but firmed with Europe weakness and fund buying Jun E/W at \$14/mt. In Europe, we saw NWE cracks open lower at -\$9.85/bbl and continue their downwards trajectory as players joined the selling pushing the front crack down to -\$10.25/bbl post-window. Trade houses were good sellers of Q3 cracks, trading down to -\$9.75/bbl. NWE spreads lower on crack weakness with Apr/May NWE offered by major at \$13.25/mt and May/Jun down to \$8/mt.

NGLs

A strong morning on NGLs with internationals well bid especially FEI at the front of the curve. After the weaker than expected April CP settle at \$615/mt on Sunday, FEI has been better bid and FEI/CP continued to rally this morning as May FEI/CP traded up to \$23/mt and Q3 traded to \$52.50/mt (softening to \$52/mt post window). Prompt CP spreads remained supported, however, as May/Jun CP traded at \$21/mt and Jun/Aug traded at \$14/mt. The international strength was in FEI, especially Balmo April as the Balmo April/May spread traded up to \$12.5/mt: \$4/mt higher than yesterday's close.

Spreads strengthened at the front of the curve with May/Jun FEI trading up to \$7/mt and Jun/July trading at \$2/mt consistently. Arbs continued to soften over the morning as -\$181/mt traded in May LST/FEI and -\$108.5/mt traded further out in Q4 LST/NWE; there was, however, still bid-side interest at these lower levels. In the window, a shipper lifted a physical offer for 2H May FEI at April FEI level minus 7; this helped FEI remain supported and flat price was well bid at the front of the curve in the paper as a result.

Global Macro

Unexpectedly strong manufacturing data from U.S. and China over the long weekend, saw yields jump higher (U.S. 10yr +10bp yesterday), dollar higher and gold higher. Firstly Sunday saw better Chinese data with manufacturing activity expanding in March for the first time in 6 months. Manufacturing PMI 50.8 (expected 50.1), Services PMI 53.0 (expected 51.5). Economists noted the manufacturing output recovered to the fastest pace since last May.

Secondly, yesterday saw U.S. manufacturing PMI come in above 50 (growth) showing manufacturing expanding for the first time since September 2022. Came in at 50.3 vs expected 48.3.

Goldman Sachs highlighting U.S. stocks are up for 18 of the last 22 weeks, last seen in 1989!

UK shop price inflation this morning saw weakest March since 2006 (-0.4% MoM). Door clearly open to faster BOE cuts, expect GBP/USD to continue lower.

Key data this week:

Fridays U.S. payrolls, every month the market expects volatility only to be disappointed.

European CPI on Wednesday.

OIS curve reset yesterday after strong U.S. data. With U.S. now expecting only 67bp cuts this year from the Fed, ECB 92bp, BOE 72.