05 Apr 2024

Overnight & Singapore Window

ONYX ADVISORY

Flat Price

Prompt Brent crude futures flat price strengthened overnight from $89/bbl handles at 17:00 BST, surpassing $91/bbl but coming off to $90.78/bbl handles at 10:00 BST, heading for a second weekly gain. This is on the back of geopolitical tensions in Europe and the Middle East, ongoing supply tightness after Mexico and the UAE cut exports, and optimism about global demand growth. NATO officials stated that ongoing Ukrainians drone attacks on Russian refineries may have disrupted more than 15% of Russian fuel output capacity. South Korea and Malaysia are hopeful of a successful Free Trade Agreement, which could boost oil trades between the North and Southeast Asia, as well as lowering import and export costs. Iraq's oil exports held steady in March, averaging 3.423mbpd compared to 3.434mbpd in the previous month. Economists expect 200K jobs in the U.S. were added in the month of March, compared to 275K in the previous month, pointing to a cooling labour market. U.S. non-farm payroll for March will be announced at 13:30 BST later today. Meanwhile, the unemployment rate is expecting to remain steady at 3.9%, holding at two-year highs. The front and 6-month Brent futures spreads are at $0.98/bbl and $5.39/bbl respectively.

Crude

After a strong futures rally last night, dated opened firmer, with May trading $1.22/bbl, and Jun $1.09/bbl. With spreads weakening, May found lows of $1.13/bbl before recovering back to $1.20/bbl whilst the DFL roll remains rangebound between $0.15/bbl and $0.17/bbl. We saw size selling of the 29-3/5 2w at $0.65/bbl, although was bid over and lifted at $0.70/bbl by refiner, whilst 22-26/4 3w trades $0.95/bbl. Balmo saw some better buying today as the front of the curve regained strength. 8-12/4 1w was bid over at -$0.03/bbl with no following offer, whilst 8/4 v 15/4 trades $0.08/bbl, in turn seeing Balmo paid at $1.20/bbl.

Dubai weakened today as we saw May and Jun BD trade up to highs of $0.13/bbl and $0.17/bbl respectively. There was buying pressure in Brent/Dubai coming from margins, funds and trade houses. Boxes opened higher with the strength in brent spreads and continued to trade higher with May/Jun up trading up 10c to -$0.04/bbl. There was early selling interest in Q4 BD, trading as low as $0.33/bbl with the rally in boxes, however this was bought into into fairly quickly, with Q4 trading up to $0.47/bbl, unchanged on the day. The Jul for May EFS selling interest continued, trading at -$0.10/bbl, trading up to $0.04/bbl later on. The Refiner selling interest of Cal Apr Dubai FP persisted today, trading in a $90.25-90.50/bbl range.

Fuel

A slow start in HSFO, barge cracks were weakened due to less buying interests in the morning, with May gapping down to -$12.50/bbl. Barge spreads were a touch softer, with May/Jun implying down to -$3.50/mt and Jun/Sep trading at $13/mt. 380 crack were better bid post window, with May buying up to -$11.40/bbl which lent support on 380 E/W, with may trading up from $5/mt up to $6.50/mt. The front 380 spreads were well bid, with May/Jun trading at flat and Jul/Aug buying at $4.75/mt.

In VLSFO, Sing spreads were better bid down the curve, with May/Jun buying up to $3.75/mt and Jun/Sep buying at $20/mt in the early morning. We saw a real buyer of May Sing crack on screen in decent volume, trading from $10.65/bbl up to $10.95/bbl. Then Sing spreads came off after crack buying interests gone, with May/Jun trading down to $3.50/mt and Jun/Sep dropping down to $19.25/mt. Aug/Sep were well bid at $6.75/mt during the window. The front Sing cracks sold down gradually later, trading down to $10.50/bbl. Quiet morning for European structures, only May/Jun Euro trading at $6.75/mt. Jun 0.5 E/W were better bid at $41.25/mt level.

Distillates

ICE gasoil spreads traded rangebound this morning after rallying late yesterday. The May/Jun spread traded lower at $8.25/mt into the window but has since rallied back to the opening level of $8.75/mt. The Jun/Jul spread traded around $6/mt throughout the morning. ICE gasoil cracks opened higher this morning with the May crack trading up to $24/bbl before coming back off to $23.75/bbl. Interest was seen in the deferred cracks, with the Q3 at $24.80/bbl and the Q1'25 at $24.50/bbl. The European Jet diffs were lower this morning, with the May diff trading down to $53.25/mt from $55/mt yesterday. Interest was seen in Jet diff boxes with the May/Jun box trading at -$7/mt, indicating the June diff at $60.25/mt. Further down the curve, the Q3 diff traded at $62.75/mt. HOGOs were a touch stronger this morning, with the May swap at 4.30c/gal and the Q4 swap at 10.10c/gal.

A strong morning was observed for Sing gasoil spreads. The prompt spread saw strong buying interest, with it been lifted up to $0.50/bbl after the window from $0.35/bbl at the open. The Jun/Jul spread traded higher at $0.53/bbl. The Bal Apr/May spread had a mixed morning with it been lifted up to $0.15/bbl from $0.10/bbl before coming off back to $0.06/bbl. Sell side interest was seen in the May/Dec spread at $4.25/bbl. The E/W trended higher this morning due to the eastern strength. The May E/W traded up to -$29.50/mt before becoming better offered into the window, retracing back -$30.50/mt but It has since rallied post window and is currently indicated at -$29.25/mt. Likewise the Jun E/W traded higher to -$26/mt from -$27.50/mt earlier in the morning. Interest was seen in the deferred with the Cal25 E/W trading at -$26/mt. Prompt regrades remained rangebound this morning. The May regrade was lifted up to -$1.61/bbl at the end of the window but has come back of to -$1.65/bbl. Little activity was seen down the curve. The May/Jun kero spread was better bid this morning with it trading up to $0.20/bbl.

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Early Overnight & Singapore Window

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Gasoline

This morning in Gasoline, where we saw flat price trade at the end of the morning window equivalent to $11.30/bbl on a crack basis in May 92. We saw MOC go better bid this morning in May, from phys players. Cracks in 92 saw strong selling this morning in May from funds and trade down from $11.65/bbl to $11.25.bbl. E/W was more offered this morning, in May, trading down to -$10.80/bbl and Q3 offered from phys players at -$8.70/bbl. We had strong buying in Q3 cracks this afternoon from real players at $9.80/bbl May/Jul saw strong buying this morning between $2.85/bbl and $2.90/bbl from phys players, along with the Jul/Aug bid at $1.55/bbl and the Oct/Nov/Dec fly seeing bid at $0.20/bbl. We saw refiners buying 92/Dubai cracks post-window in May through to Aug, as well as buyside interest on the May and Jun 92/RBOB continue at -$15.15/bbl and -$14.80/bbl respectively. We saw less interest in East gasnaphs this morning. We saw arb selling this morning, at the 10.05c/gal level from funds. We saw May/Jun EBOB offered at $14.75/mt this morning and Jul/Aug bid up to $18.25/mt. Deferred cracks were offered, with Q4 cracks at $9.35/bbl.

We saw some interest to sell European gasnaphs this morning in Bal-Apr and May, from phys players, at $242/mt in both.

Naphtha

This morning in Naphtha we saw flat price valued at $704/mt in May MOPJ, on a -$10.6/bbl crack equivalent with MOC not seeing the selling flows shown previously, allowing the East to stay more supported. MOPJ spreads were well offered in the morning by physical players, May/Jun seeing selling at $5/mt but with flat price buying by trade end window, we saw these spreads implied higher. Front E/W softened during the window trading down to $12/mt but saw recovery into $13/mt handles post-window as MOPJ spreads found better buying. In Europe, we saw NWE cracks seeing support despite fund selling with the front crack opening at -$12.20/bbl and seeing buying up to -$11.95/bbl end window. NWE spreads remaining supported with May/Jun trading at $6/mt. Q3/Q4 crack roll saw shorts taking profits, seeing buying at -$0.95/bbl by trade.

NGLs

A quiet morning on NGLs with Chinese players still out; flat price was offered in the front of the FEI curve ahead of the window and FEI/CP softened as a result trading down to $19/mt in May and $31/mt in Jun. Deferred FEI/CP was bid, however, with Q4 trading at $43/mt and so spreads firmed a touch as Jun/Jul traded from $9/mt up to $10/mt. Into the window, prompt FEI was better bid and May/Jun FEI traded at $5.50/mt. The E/W diff firmed as a result of this FEI bid interest; the May/July E/W box traded in size at $7.50/mt with a major on the bid side.

Global Macro

The Israel/Iran news spooked the markets with S&P 500 down -1.23% and the Nasdaq -1.55%.

Hawkish FED comments also impacted equities:
FED's Kashkari: its possible FED wont cut this year if inflation stalls.
FED's Goolsbee: In march I Jotted down two rate cuts this year, but if inflation continues to move sideways, makes me wonder if we should cut rates at all this year.

Yet more strong reasons from this morning's data for the ECB to cut rates:
German Feb. Factory orders rise 0.2% M/M; EST. +0.7% - BBG
Germany Feb. Factory orders fall 10.6% Y/Y; EST. -10.1%
HCOB Germany Construction PMI m/m 38.3 vs 39.1 prior
French Industrial Production 0.2% vs 0.5% expected.
Eurozone Feb. Producer Prices Down 1% M/m; Est. -0.7% M/m – BBG

Yesterday's Challenger report show U.S. job layoffs creeping higher.

Key data today U.S. monthly payrolls at 1.30pm.
Expected +214k jobs created, against last month's gains of +275k.
Unemployment rate 3.8% expected, last 3.9%.
Average hourly earnings expected +4.1%, last 4.3%.