10 Apr 2024

European Window

ONYX ADVISORY

Flat Price

June Brent futures flat price witnessed a choppy afternoon, rallying back into the $90/bbl region at 14:10 BST but failing to maintain this level and falling to $88.95/bbl come 16:10 BST. Prices found some support at this point, rising to $89.60/bbl at 17:20 BST. This weakness in price action came alongside an EIA-announced build of over 5.8mbbls in US crude oil inventories against median estimates of an 800kbbls build. In addition, gasoline and distillate stocks also saw w-o-w builds of 715kbbls and 1.6mbbls, respectively, against anticipated draws. Russia's Orsk refinery has declared force majeure on fuel supplies from Apr 08 due to widespread floods, as per Forteinvest - a major shareholder in the plant. In macro news, US consumer prices increased more than expected in March amid rising gasoline and rental prices, leading financial markets to now anticipate a possible delay in interest rates to September. Finally, the front-month and six-month Brent spreads are currently at $0.90/bbl and $4.90/bbl, respectively.

Crude

Weak afternoon for Dated, with May DFL sold down to $1.16/bbl, as May/Jun DFL came under pressure into the window, trading down at $0.18/bbl. Jun found better support only sold down to $0.98/bbl, 5c lower than the morning. Balmo retraced back to $1.50/bbl after being paid to $1.69/bbl earlier in the day, whilst a fund and trade were buyers of the Bal-Apr/May DFL up from $0.30/bbl to $0.44/bbl. Although we continued to see some more deferred May roll buying, with 20-24/5 v Cal Jun bid by refiner at $0.82/bbl, prompter rolls were well offered, with Cal May 20-24/5 offered at $0.23/bbl. In the physical, we saw multiple Midland offers by majors, trades and refiners, although all cargoes were eventually lifted by GVA trade and a Chinese major, keeping the diff supported around 60c, helped by bids in Brent and Forties towards the front of the strip.

CFDs were offered, with 15-19s trading from $1.68/bbl pre window to $1.45/bbl by the end of the window, similarly 22-26s were sold down 18c to $1.25/bbl, both seeing trade, refiner and Chinese selling.

Fuel Oil

In HSFO, deferred barge cracks were better bid in the afternoon, with Q3 trading at -$11.10/bbl and Q1'25 buying at -$10.85/bbl by banks. It lent support on the front barge crack, with May trading up to -$13.75/bbl. Barge spreads were bid, with May/Jun trading between -$5.50/mt and -$5.25/mt and Jun/Sep trading at $8/mt. 180 E/W were well bid by trade houses in decent size, with May buying to $29/mt which support the front Visco biding up to $18.50/mt. Mixed interests on deferred 380 cracks by Chinese, with Sep trading at -$10.45/bbl. Barge cracks then sold down to -$13.90/bbl on screen in the window before recovering back to -$13.80/bbl post window. Thin volatility on 380 E/W in the afternoon, with May trading at $9.50/mt.

A quiet afternoon in VLSFO, Sing spreads offered down on screen, with May/Jun trading at $2.50/mt and Jul/Dec selling at $28/mt. The front Sing crack sold down to $9.85/bbl in May by Chinese. Euro cracks were offered at $4/bbl in large size by trade houses. Euro spreads traded at unchanged levels, with May/Jun and Jun/Jul trading at $6/mt and $5.75/mt respectively. May Euro crack sold down to $3.80/bbl due to MOC hedging flows, then quickly rebounded up to $4.05/bbl post window.

Distillates

This afternoon ICE gasoil spreads came off after EIA stats showed a build of +1,659k versus an expected draw of -1,382k. The May/Jun spread traded down to $3.75/mt from $4.50/mt, likewise the Jun/Jul spread traded down to $2.75/mt from $3.50/mt post stats.

A mixed afternoon was observed for ICE gasoil cracks. The May crack initially rallied up to $22.55/bbl post the CPI announcement on a weaker crude. However, it retraced back to $21.65/bbl on bearish stats. The Jun crack traded up to $22.70/bbl before coming off to $22.15/bbl post stats. A strong afternoon was seen in the European Jet Market, with the May diff rallying up to $48.75/mt from $46/mt this morning. The May/Jun traded at -$7/mt indicating the Jun diff at $55.75/mt. Down the curve interest was seen in Q3 at $61.50/mt and Q4 at $62/mt. The HOGOs were slightly lower today with the May swap at 4.40c/gal and the Q4 swap at 9.40c/gal.

A quiet afternoon was observed in Sing gasoil spreads, with the May/Jun spread been lifted up to $0.30/bbl before retracing back to $0.28/bbl while the Jun/Jul spread traded at $0.35/bbl. The prompt E/W remained rangebound throughout the day, with it trading between -$27.25/mt and -$26.75/mt while the Jun E/W came off a touch to -$26/mt from -$25.25/mt this morning. In the deferred tenors, interest was seen in Q3 at -$27/mt and Q4 at -$25.25/mt. The prompt Regrade was unchanged today, trading at -$1.65/bbl throughout the day while no activity was seen further down the curve.

Gasoline

This afternoon in gasoline, we saw cracks trade at the end of the afternoon window around $21.80/bbl in May EBOB. RBBRs were rangebound between $24.80/bbl and $25.20/bbl in Jun throughout the day, but ticked up to $25.60/bbl post-window. We saw strong 2025 E5 liquidity in EBOB today, with Dec/Jun seeing buying from phys players at -$25/mt and -$24.50/mt, and funds bidding Dec/Mar at $3/mt. Q2 2025 arbs also saw trade house selling at 14.70c/gal. In 2024 structure, we saw arb buying today in Jun at 9.50c/gal, May up to 10.20c/gal in the Euro window and in Q4 at 4c/gal.

To discuss any points mentioned in this report further please do not hesitate to contact us at:

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European Window

Nov/Dec EBOB saw strong phys buying at $15.50/mt and $15.25/mt , and we saw selling of Jun/Jul at $17.50/mt. Oct/Dec saw bids at $38.50/mt from refiners. Deferred cracks saw bid side interest from refiners in the afternoon at $18.70/bbl in Q3, with derivs and trade houses buying cracks end of the Euro window between $21.80/bbl and $21.85/bbl. Gasnaphs saw some selling in the euro window at $241.50/mt in May. We had some interest to buy 92/RBOB in May and Jun this afternoon from phys players.

Naphtha

This afternoon in naphtha we saw an offered window which saw major, refiners and market makers offering May cracks down from -$12/bbl to -$12.25/bbl end window. Post-window, these cracks retraced back to -$12.10/bbl. As yesterday, we saw the pricing spread seeing selling from majors, pushing the spread down to $4/mt. Naphtha spreads saw offers in May/Jun and Jun/Jul at $4.50/mt and $4.75/mt. In the deferred, we saw buying of Q4 cracks at $10.45/bbl, and we saw strong Cal25 crack buying this afternoon at -$10.30/bbl. Banks were on the bid side of May/Q3 crack rolls at -$0.86/bbl. E/W saw support, trading at $15.50/mt in Jun this afternoon. A thin afternoon in MOPJ, with little spread activity.

NGLs

Weak afternoon across the board on NGLs, with flat price weaker on a crude percentage basis both domestically and internationally. Physical bids were hit at the US open as 80.75c/gal was hit in ENT propane phys; this helped flat price go offered & spreads weaken in LST down to -1.375c/gal in the Q3/Q4 LST spread. Isobutane was the exception with some bids lifted in the physical initially, but the paper butane softened over the afternoon nevertheless with May NC4 trading at 96c/gal handles post window. Arbs softened initially but stayed supported on international weakness; there was good buying interest in the prompt with May LST/FEI getting supported at -$179/mt and Q4 at -$193/mt levels. The May/Jun FEI spread traded down to $3/mt and Sep/Dec traded at -$10.50/mt. Stats saw a 0.1m draw after an expectation of a small build; there was not a drastic reaction in the market but prompt LST saw some support with May/Jun firming to 0.50c/gal while internationals stayed weak with May FEI/CP trading down to $15/mt. The European window saw some offers in the physical yet the FEI weakness saw the E/W diff come off nevertheless as May/Jun Europe traded at -$0.50/mt.

Global Macro

Stronger than expected CPI with a big reaction in markets for two reasons. Firstly, the market is pricing less rate cuts by the Fed this year (just 48bp now) so less monetary stimulus. Secondly, the dollar has jumped making dollar priced commodities (all commodities bar palm oil) more expensive to non-US $ denominated currencies. 2-year bond yields jumped 16bp (3.4%). It will also be a tough day when equities open with Nasdaq futures down 1.4% currently.

U.S. Mar. CPI (MoM): 0.4%, [Est. 0.3%, Prev. 0.4%] U.S. Mar. CPI (YoY): 3.5%, [Est. 3.4%, Prev. 3.2%]

U.S. small business optimism drops to its lowest level since 2012.

Overnight Fitch affirms China A+ rating but lowers its outlook to negative.

China's MOF quickly responds:

- Disappointed, Fitch's decision has not reflected fiscal impacts.
- Long-term positive trend in the Chinese economy unchanged.
- MOF is working on resolving local government debt risks.
- Local hidden debt is reducing gradually.