

Flat Price

Following the significant retracement downwards yesterday, the prompt Brent futures contract has seen a steady morning, opening around high \$83/bbl levels and gradually gaining to reach \$84.39/bbl, before retracing to trade around \$84.16/bbl at 10:00 BST. In the headlines today, Devon Energy Corp has revised its production guidance for 2024 upwards following expectation beating first-quarter earnings. The company's production surpassed projections, offsetting the impact of weak natural gas prices. With a focus on the Delaware basin in the Permian, the shale producer reported \$730 million in core earnings for Q1, translating to \$1.16 per diluted share, surpassing average analyst estimates of \$1.11 per share, as per LSEG data. In separate news, a group of significant institutional shareholders in Shell has urged other shareholders to back a resolution advocating for more robust climate action. According to the Financial Times, the authors of the resolution include Dutch activist investor group Follow This, Amundi, Axa Investment Managers, and 25 others; combined together, these 27 shareholders own a 2.5% stake in the supermajor. Shell has committed to reducing its Scope 1 and 2 emissions by 50% by 2030 from 2016 levels. However, earlier this year, it adjusted its Energy Transition Strategy, now targeting a 15-20% reduction in its net carbon intensity by 2030 compared to 2016, shifting from its previous goal of a 20% cut. The front and 6-month Brent futures are at \$0.67/bbl and \$3.69/bbl, respectively.

Crude

Stronger morning for Dated, with prompter May rolls seeing better buying to recover a touch from yesterday's weakness. Bal May v 20-24/5 was lifted at \$0.10/bbl, whilst 28-31/5 1w and 20-24/5 2w trading and \$0.19/bbl and \$0.37/bbl respectively with Major selling. With both these rolls into 3-7/6, we saw strong buying out of prompt June, with the 3-7/6 CFD trading \$0.85/bbl. Balmo DFL saw strength earlier in the morning, quickly correcting higher from yesterday back up to \$0.75/bbl, where it has remained rangebound, whilst Jun DFL has also remained rangebound between \$0.70/bbl and \$0.72/bbl, supported by a lack of Jun/Jul selling seen in previous days.

Strong morning in Dubai with Jun BD trading down to -\$0.05, 14c down from yesterday. There was trade house selling of deferred boxes, with the Oct/Nov, Nov/Dec and Dec/Jan boxes trading at -\$0.04/bbl, -\$0.03/bbl and -\$0.03/bbl respectively. The respective Dubai spreads were also bid, with \$0.60/bbl and \$0.50/bbl trading in the Oct/Nov and Dec/Jun Dubai respectively. Deferred BD was offered as well, with refiner and bank selling of Q4 at \$0.55/bbl and Q3 trading at \$0.36/bbl. Jun Dated/Dubai traded at \$0.68/bbl and there was buying interest in the Jul-Aug Dtd Dubai strip, trading at \$1.00/bbl.

Fuel

In HSFO, it was a busy day for the first trading day of the month for 380, even with the Chinese still on holiday. The Jun/Jul 380 traded up to \$7.75/mt at the end of the window from \$7/mt, before giving it all back post-window selling back down to \$7/mt.

Bal May/Jun 380 was well bid in the window trading up to \$9.75/mt. The 380 crack was a touch softer selling down to -\$5.80/bbl from -\$5.50/bbl on thin low liquidity. We also saw Q3 380 crack trading at -\$6.90/bbl. Barge spreads opened stronger this morning with Jun/Jul Barges buying up to \$2.75/mt from \$2.50/mt. The spreads then turned better offered, selling down to \$2.25/mt as the morning went on. It was a similar trend on the barge crack, with May crack opening the morning better bid buying up to -\$7.90/bbl from -\$8.20/bbl, before selling down to -\$8.50/bbl as the morning went on. We saw a fair amount of activity on the 380 E/W, with Jun 380 E/W opening the morning at \$13.50/mt, before buying up to \$17/mt. Q3 380 E/W bought up to \$10/mt supporting the front 380 E/W.

In VLSFO, the Sing spreads started the morning better offered with Jun/Jul Sing selling down to \$4.75/mt at the beginning of the window from \$5/mt. The spreads then turned bid and recovered back up to \$5/mt after the window. Sing cracks opened the morning a touch weaker with Jun Sing crack trading at \$10.35/bbl. The crack turned bid going into the window buying up to \$10.65/bbl. However, there was a big sell off post-window resulting in the crack trading down to \$10.40/bbl. We saw scale back selling out the Middle East on May Sing crack, resulting in the crack trading up to \$10.55/bbl from \$10.45/bbl. It was a quiet morning for Euro spreads with no activity close to the front of the curve. We also saw thin liquidity on Euro cracks.

The front crack was slightly volatile on thin liquidity, trading up to \$3.65/bbl in the window from \$3.50/bbl before selling back down to \$3.50/bbl.

Distillates

ICE gasoil spreads remained rangebound, with the May/Jun spread trading in a range of -\$3.25/mt to -\$3/mt. Jun/Jul traded around -\$2.50/mt and Jul/Aug around -\$1.50/mt. ICE Gasoil cracks traded rangebound this morning. The Jun crack traded around \$18.35/bbl and the Aug crack at \$20.25/bbl. In the deferred tenors, interest was seen in the Q3 crack at \$20.20/bbl and Q4 at \$21.30/bbl. European jet diffs were unchanged, with the May diff trading at \$51.25/mt. The May/Jun diff was indicated at -\$1/mt, indicating the Jun diff at \$52.25/mt. Down the curve, interest was seen in Q3 around \$54.25/mt. The HOGOs were a touch lower, with the Jun swap at 5.40c/gal and the Q4 swap at 8.30c/gal.

A weak morning was seen in Sing gasoil. The Balmo spread traded down to -\$0.17/bbl from -\$0.11/bbl. The Jun/Jul spread was hit down to -\$0.28/bbl at the end of the window from -\$0.17/bbl earlier, but it has since traded higher at -\$0.25/bbl. Further down the curve, the Jul/Aug spread traded around -\$0.20/bbl. The Balmo E/W was hit down to -\$27.75/mt from -\$27.00/mt and the Jun E/W traded down to -\$29.00/mt from -\$28.25/mt. Down the curve, the Jul E/W traded at -\$28.75/mt. Regrades were a touch lower, with the May regrade trading down to -\$1.85/bbl from -\$1.94/bbl. The Jun regrade traded around -\$1.63/bbl and in the deferred, Q3 traded at -\$1/mt and Q4 at -\$0.50/bbl.

In kero, interest was seen in Jan/Feb and Feb/Mar at \$0.25/bbl.

Gasoline

This morning in gasoline, we saw flat price trade at the end of the morning window equivalent to \$11.40/bbl on a crack basis in Jun 92. 92 spreads opened weaker this morning, with Jun/Sep sold down from \$4.65/bbl to \$4.50/bbl. Jun/Jul traded down to \$1.50/bbl where we saw phys buy-side interest. We saw strong buy-side interest in Q4 92 cracks this morning between \$7.10/bbl and \$7.30/bbl. Funds were offering Jun 92 cracks post window at \$11.15/bbl this morning. Q4 E/W was offered at -\$1.70/bbl this morning, as well as selling in Jun E/W between -\$9.75/bbl and -\$9.60/bbl. RBBRs ticked up to \$23.50/bbl, having opened around \$23.20/bbl in Jun. We saw buy-side spread interest in EBOB, with refiners on the buy-side of Jun/Dec at \$143/mt and Jun/Oct at \$108.50/mt. Jun/Aug traded up to \$32/mt. Aug/Sep saw sell side pressure, at \$22.25/mt. The May/Q3 roll was bid at \$2.75/bbl from refiners. Gasnaphs saw strong buying today, with Q3 bid at \$199/mt, as well as arbs more on the buy-side at 7.65c/gal in Jun.

Naphtha

This morning in naphtha we saw flat price valued at \$672.50/mt in Jun24 MOPJ, on a -\$8/bbl crack equivalent with cracks strongly bid out of the open but seeing signs of topping out as it weakened into the window. Jun/Jul MOPJ opening trading at \$11/mt but with MOPJ offered in window, traded down to \$10.50/mt with Jul/Aug at \$8/mt.

In Europe, Jun24 cracks traded up to -\$9.55/bbl, led by trade house and major buying but saw resistance at this level, with the crack getting offered down sub -\$10/bbl post-window. Deferred cracks were well offered with bank and trade selling Q3 at -\$10.20/bbl and Q4 at -\$10.10/bbl. E/W strengthened from the previous close with flat price buying this morning leading Jun24 to trade up to \$17/mt but weakened into the window falling down to \$16/mt.

NGLs

A strong early morning on NGLs for International LPG products which saw flat price well bid before a sell off in the window. Although there was limited DCE flow, naphtha strength kept FEI levels supported and arbs fell to -\$200/mt in the prompt LST/FEI contract. Spreads were bid up in FEI as structure firmed, much of the strength came out of July as July/August traded up from -\$3/mt to -\$1.50/mt but back end spreads firmed too with Dec/Dec trading up to \$67/mt. Into the window, however, arbs went better bid and FEI flat price sold off from \$588/mt handles to \$583/mt end window in the prompt June contract. CP remained more stable throughout the morning with consistent buy-side interest in the back end helping Q4 FEI/CP weaken to \$41/mt. Post window, Internationals went better bid again helping Jun arb weaken back to -\$200/mt last with Japanese importers sellside.

Global Macro

- More data that's a little concerning for the Fed. Nothing drastic but just gradually trending in the wrong direction. April ISM manufacturing report is back in contraction 49.2 (expected 50.0), new orders down to 49.1, employment remained in contraction 48.6, but prices paid up to 60.9. Murmurs of stagflation!
- Also, more weak secondary employment data yesterday. JOLTS Index (job openings) fell to the lowest since August 2020 including the biggest ever monthly drop in construction job openings.
- Also, the Quits rate (people quitting job) is falling rapidly, another sign of labour market weakness. With Powell's comment in last night's press conference "unexpected weakening in labour market could warrant cut" adding more significance to Fridays key employment data 1.30pm BST.
- At the Fed meeting the only change was a minor reduction in QT (less unwinding of QE) with QT taper in June from \$60B to \$25B in Treasuries

Powell's key comments:

"I think it's unlikely that the next policy rate move will be a hike,"

"I do think it's clear that policy is restrictive,"

"Unexpected weakening in labor market could warrant cut".

- And finally, an interesting correlation/break as U.S. data surprises to the downside.