Overnight & Singapore Window

ONYX ADVISORY

Flat Price

The Brent futures flat price for the prompt contract has witnessed a weaker morning. Price action initially strengthened to reach a peak of $84.13/bbl at 08:25 BST. However, since then prices have witnessed a downtick to back beneath the $84/bbl mark, reaching $83.61/bbl at 10:50 BST. ConocoPhillips have announced that new large projects coming online in H2 could increase its Permian Basin output in 2024, with 736kbbls/d of equivalent oil in Q1'24, up 6% y-o-y. Moreover, India's crude imports for February fell by 506kbbls/d, whilst India's total product demand rose by 265kbbls/d to an all-time high. Asia is seeking to benefit from rising output in Angola, as the nation's crude production rebounded from 4-month lows to pump just under 1.13mbbls/d in March. Finally, it has been reported that Pemex exported 20kbbls/d of crude and refined products to Cuba in H2'23. The front and 6-month Brent futures spreads are at $0.59/bbl and $3.29/bbl, respectively.

Crude

A choppy morning in Dated where Balmo saw aggressive selling initially, gapping down to $0.26/bbl, before rebounding a touch to last trade $0.33/bbl with buying of Cal-May/Jun Dtd coming in and offers in Balmo disappearing. We continued to see bids in 20-24/5 v Cal Jun hit in line with Balmo getting sold, bottoming out at $0.35/bbl, whilst the front roll trades $0.04/bbl although bid over now. Jun rolls saw good buying, supporting Jun/Jul, seeing 3-7/6 v Cal Jun lifted at $0.21/bbl, and 3-7/6 1w trading $0.14/bbl, and in turn Jun/Aug DFL lifted at $0.01/bbl.

Fuel

In HSFO, both 180 and 380 MOC ended the week well offered. Similarly, 380 spreads kicked off the morning well offered at $6.50/mt, selling down to $6.25/mt where there was real buying. The front spread then traded back up to $6.50/mt towards the end of the window, where it traded for the remainder of the morning. It was a weak start for 380 cracks, selling down to -$6.60/bbl just before the window from -$5.95/bbl due Sing Hi5 buying interest and spreads being well offered. However, it did get some back post window buying up to -$6.35/bbl. It was a strong start to the morning on barge spreads, with the front spread well bid, buying up to $2/mt from $1.75/mt. Similarly, the barge crack was well bid, buying up to -$8.40/bbl from -$8.65/bbl in decent volume. It was a volatile morning for the 380 E/W, with May 380 E/W selling down before the window, before being fairly well bid towards the end of the window. May 380 E/W was trading at $13.25/mt towards the end of the morning.

It was a quiet start to the morning on Sing spreads, although we saw some decent size going through on trades, the volume of trades were low. Jun/Jul Sing traded rangebound at $5.25/mt throughout the morning. Likewise, it was a similar scenario for the Sing crack up to the end of the window, Jun Sing crack traded down to $10.55/bbl at the end of the window. The crack did turn better bid post window, buying up to $10.70/bbl in decent size. We also saw Sing 0.5 MOC well offered in the window.

It was a quiet morning on Euro, with Jun/Jul Euro trading at $3.50/mt on thin liquidity. Euro cracks were a touch stronger, buying up to $3.85/bbl from $3.80/bbl on thin liquidity. The front 0.5 E/W traded at $43.50/mt.

Distillates

ICE gasoil spreads were rangebound this morning, with the May/Jun spread trading around -$4/mt. The Jun/Jul spread traded around -$3.25/mt and down the curve the Jul/Aug spread traded around -$2.25/mt. ICE gasoil cracks traded rangebound, with the Jun crack trading in a range of $17.75/bbl to $17.95/bbl. The Jul crack traded around $18.60/bbl while down the curve the Q3 crack traded at $19.50/bbl. The European jet diffs were a tick higher from yesterday's close, with the May diff trading at $52.25/mt. The Jun diff traded at $53.25/mt from $53/mt. In the deferred, interest was seen in the Cal'26 crack at $61.50/mt. The front HOGOs were higher this morning, with the Jun swap at 5.80c/gal while the Q4 swap was unchanged around 8.50c/gal.

A mixed morning was seen for Sing gasoil spreads, with Jun/Jul trading higher at -$0.30/bbl from -$0.35/bbl. The Balmo spread came off a touch trading down to -$0.27/bbl from -$0.24/bbl, while down the curve interest was seen in the Oct/Nov at $0.40/bbl and Nov/Dec at $0.43/bbl. The prompt E/W was better bid into the window, with it trading up -$27.25/mt from -$28/mt. The Balmo E/W traded up to -$26.50/mt from -$27/mt. In the deferred, the Q3 traded at -$27.25/mt.

Regrades initially traded lower before recovering after the window. The Jun regrade was hit down to -$1.70/bbl, but has since rallied back up to -$1.60/bbl. The Jul regrade traded around -$1.33/bbl and in the deferred tenors, the Q3 traded at -$1.01/bbl and Q4 at -$0.52/bbl. In kero, Jun/Jul saw interest around -$0.60/bbl and Jul/Aug around -$0.50/bbl.

Gasoline

This morning in gasoline, we saw flat price trade at the end of the morning window equivalent to $11.15/bbl on a crack basis in Jun 92. 92 spreads opened weaker this morning, with Jun/Sep sold down from $4.50/bbl to as low as $4.25/bbl. Jun/Jul traded down to $1.25/bbl with the front fly narrowing to -$0.15/bbl. Q3 E/W was offered down to -$9/bbl this morning with the front seeing better selling by refiners as it sold down from -$10.10/bbl to -$10.35/bbl post window. Little spread action in Europe but we saw Jun/Jul/Aug narrowing along with the East to -$0.25/mt. Fund selling Q3 EBOB crack in small volumes around $18.60/bbl and we saw arbs offered by market makers and trade around 8c/gal in Jun.

Naphtha

This morning in naphtha we saw flat price valued at $666.50/mt in Jun24 MOPJ, on a -$8.35/bbl crack equivalent with signs of weakness showing with cracks going better offered. Front MOPJ spreads weakened with Jun/Jul trading down from $10.25/mt to $9.75/mt with little liquidity on other spreads.

In Europe, Jun24 cracks opened initially weak falling from -$10.20/bbl down to -$10.35/bbl with trade on the sell side before seeing support in window with MOC well bid and flat price buying, leaving the crack at -$10.10/bbl end window. Deferred cracks seeing mixed interest with Q3 seeing buying at -$10.90/bbl and Q4 trading at -$10.45/bbl. Jun24 E/W trading in the $15/mt handles throughout the morning with Q4 seeing smalls trading at $12.50/mt.

NGLs

A well bid morning for FEI and LPG internationals; July/Aug FEI getting lifted at -$1.50/mt was a signal for spreads to go bid across the curve. Jun/July was bid up to $4/mt where it remained for the morning but spreads out of Q3 firmed with Aug/Sep firming to -$5/mt. Arbs were offered aggressively by importers, gapping down with few bids in sight as Jun LST/FEI traded down from -$204/mt to be offered -$210/mt last. Arbs fell down the curve with Q3 trading at -$207.50/mt. Into the window, activity died down and bits were hit at the close in FEI as structure softened and real buyers were found buyside of arbs post window. CP, although thinner in volume, for the most part kept in line with FEI as Jun/July CP firmed to $9/mt and Jun FEI/CP traded at $41/mt.

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Global Macro

- More bad news for the Fed & equity markets yesterday. Unit Labor Costs Q1 +4.7% YoY, Exp. 4.0%, Last 0.4%. Biggest annual increase since Q2 2022. Just 2 months ago the market was enjoying a rosy ‘inflation slowing, soft landing’ scenario, but now ‘stagflation’ concerns are growing. Weak payroll data on today would be a dire addition to the story.
- More BOJ intervention yesterday, USDJPY is now down -4.4% from the highs. With Yen shorts at 18 years highs at the start of the week expect more volatility. Again, weak employment data today and this would dump. Note since Wednesdays Fed meeting where Powell said he doesn’t expect the next rate move to be a hike, we have seen the dollar index turn lower, yields turn lower and the OIS market starting to price more cuts again.
- Apple revenues -4% YoY, international revenues -6% YoY, iPhone sales -10% but stock jumps 7.5% on a $110 Bn buyback.
- Relief for coffee and chocolate lovers. Cocoa falls 41.5% in 3 days, and coffee is 16% off its peak.
- All eyes on the payrolls at 1.30pm with the market expecting 240k new jobs created in April, the unemployment rate to stay at 3.8% and average hourly earnings to rise 0.3% MoM. Equity options now expect this to be the most volatile day of the year, S&P options pricing a 1.2% move.
- Also, secondary data today U.S. ISM service data (3pm), Eurozone March unemployment. French industrial production just came out down -0.3% (+0.3% expected).
- And finally, an easing in the U.S. jobs market points to outperformance of Treasuries over equities in the coming months.