

Flat Price

The July Brent Futures flat price has had a weak morning, ticking down consistently since its high of \$82.80/bbl at 05:00 BST. Significantly, the morning saw the contract drop into \$81/bbl handles, and reach a low of \$81.80/bbl at 10:30 BST, from which it has since partially retraced upwards to \$82.35/bbl at 11:20 BST (time of writing). The US has paused the sending of a shipment of 2,000lb bombs to Israel amidst the Middle Eastern country's current battle in and around the southern Gazan city of Rafah. This occurs at the same time Israel has reopened the key Kerem Shalom border crossing for aid deliveries four days after it was closed due to Hamas rocket fire. BP has softened its tone on 2030 oil output cuts to reassure investors, who have been concerned recently about the company's pledges to reduce oil and gas output by around 25% between 2019 and 2030. Notably, BP is the only major oil company to have reduction targets. Fujairah oil product stocks have fallen by 2.5% to 20.3mbbls in the week to May 06 following a surge in exports, leaving middle distillate stocks at a six-week low but also light distillates at a three-week high. Norway's oil workers have agreed a wage deal that will raise their annual pay by 44,000 Norwegian crowns, averting a potential strike that could have matched a strike in 2020 which reduced the country's production by 330kbbls/d (8% of the country's overall production). The front and 6-month spreads are \$0.46/bbl and \$2.98/bbl, respectively.

Crude

Relatively slow morning for Dated, seeing DFL's trade in line with spreads, with Jun DFL sold down 4c to \$0.34/bbl before getting paid back up to \$0.36/bbl and bid over as spreads firmed. Balmo DFL continued to see a choppy price action, ranging between -\$0.18/bbl and -\$0.12/bbl. At the front of the curve, we saw prompt weeks continuing to show weakness following from yesterday's low print on the diff, with 13-17/5 1w trading -\$0.13/bbl and the 2w -\$0.21/bbl, although there was refiner buying interest out of Bal-week, seeing bids on 8-14/5 v Cal May and v Cal Jun. We saw prompt Jun rolls see a touch of buying, with 3-7/6 CFD trading \$0.34/bbl, whilst 10-14/6 3w saw buying at \$0.25/bbl.

Another strong day in Dubai with Jun BD trading down to -\$0.22/bbl. The aggressive spread buying continued today, this time we saw Tradehouse buying of Jun/Dec and Jul/Dec respectively with the Jun/Dec trading at 3.66/bbl before trading at \$3.74/bbl later on with the bounce in Brent spreads. This interest later on translated into box selling, with the Aug/Dec and Sep/Dec trading at -\$0.36/bbl and -\$0.25/bbl respectively. BD was quiet, there was selling interest in Q1 BD, trading at \$0.68/bbl and the Sep for Jul EFS traded at \$0.13/bbl with interest on the buy side.

Fuel

In HSFO, 380 spreads opened the day better offered. Selling down to \$6.75/mt fairly quickly early on from \$7/mt.

We saw the spreads turn better bid at the end of the window, with the front spread buying up to \$7.25/mt towards the end of the morning. It was a steady early morning for the Jun 380 crack, trading at -\$5.40/bbl up until the end of the window. Liquidity then dried up, the crack sold down to -\$5.60/bbl on sporadic trading. Barge spreads were a touch softer this morning, with Jun/Jul barges selling down to \$1.50/mt from \$1.75/mt. There was a fair amount of interest on the barge crack this morning, the Jun barge crack opened the morning at -\$8/bbl, trading rangebound for the earlier part of the morning. Post window it turned better offered, selling down to -\$8.15/bbl. The Chinese were selling 380 E/W, with the Jun opening the morning at \$15/mt before buying up to \$16.25/mt. The weakness of the barge spreads compared to the stability of the 380 spreads supported the front 380 E/W.

In VLSFO, it was a stronger start to the morning for Sing 0.5 spreads. We saw buying interest down the spread curve, with Jun/Jul Sing buying up to \$6.75/mt from \$6.50/mt and Jul/Aug trading up to \$5.75/mt from \$5.50/mt. The Sing crack opened the morning at \$11.25/bbl before selling down to \$11.15/bbl early on. From there, it was quite well supported, buying up to \$11.40/bbl after the window, before turning better offered selling back down to \$11.25/bbl. We also saw a refiner buying Jul Sing Hi5 which supported Sing 0.5 cracks. Further support was added through Jun Sing Hi5 buying.

Market makers started the morning offering Euro spreads down the curve in size, resulting in the spreads a touch softer. Jun/Jul Euro sold down to the \$4.25/mt from \$4.50/mt. It was a rangebound morning for the front Euro crack, trading between \$4.25/bbl and \$4.30/bbl on thin liquidity. We saw Q3 Sing 0.5 E/W selling in decent size, selling down to \$40.25/mt from \$40.50/mt.

Distillates

ICE gasoil spreads were largely rangebound but ticked up into the morning at the front of the curve. The May/Jun spread rallied from -\$4/mt to -\$3.50/mt while the Jun/Sep spread saw highs of -\$7.25/mt before retreating back to -\$7.50/mt where it opened. The ICE gasoil cracks were similarly rangebound, with the Jun crack at \$18.70/bbl and the Q4 crack at \$21.35/bbl post-window. The European jet diffs continued their bullish trend in the prompt, with the Jun jet diff strengthening to \$59.50/mt as the Q3 also ticked up to \$58.50/mt post-window after trading at \$58/mt earlier. There was interest further down the curve too, with Q4 and Q1'25 jet diffs trading at \$59.50/mt and \$62/mt respectively. HOGOs were largely rangebound this morning, with the Jun HOGO at 5.70c/gal and the Q4 HOGO swap at 8.50c/gal. Sing gasoil spreads saw the Bal/May/Jun weaken off MOC flow from -\$0.25/bbl to -\$0.27/bbl, with the Balmo E/W getting hit down from -\$26.25/mt to -\$27/mt. The Jun E/W also weakened from -\$26.50/mt to -\$27.25/mt, while the back end saw the Q3 weaken from last night's better buying at -\$27/mt to -\$27.50/mt.

Down the curve on the 10ppm spreads, the Jun/Jul was rangebound between -\$0.29/bbl and -\$0.27/bbl, while the Jul/Aug and Aug/Sep traded at -\$0.32/bbl and -\$0.21/bbl respectively. Regrade continued its strong performance from yesterday into this morning, with Jun regrade rallying to -\$1.32/bbl from -\$1.45/bbl, while the Q3 regrade was lifted up to -\$0.90/bbl, also stronger into the morning. The Jun/Jul Kero spread saw interest between -\$0.53/bbl and -\$0.52/bbl, with little deferred interest on the Kero spread curve.

Gasoline

A weak morning in gasoline, where we saw flat price trade at the end of the morning window equivalent to \$8.80/bbl on a crack basis in Jun 92. Another offered morning with MOC seeing phys selling in Jun and Jul. Spreads in 92 were offered, with Jun/Jul trading down to \$0.55/bbl (from \$0.72/bbl in the morning), and Aug/Oct trading down to \$2/bbl, with refiners and majors on the offerside of spreads. Strong fund selling of cracks in Jun this morning down from \$9.10/bbl to \$8.45/bbl, where we saw some resistance and a rebound up. Q4 cracks saw some stop out selling at \$6.25/bbl. E/W was well bid around the -\$10/bbl mark in Jun. RBBRs were down over \$0.60/bbl on the day, to \$21.50/bbl handles in Jul. Arbs trended higher, seeing bids post window around 8.25c/gal post window in Jun, having seen selling at 8.60c/gal earlier. EBOB spreads saw strong selling this morning, from trade houses.

Jun/Jul was sold down to \$11/mt Jun/Sep was sold down from \$41.75/mt to \$40.50/mt. Cracks in EBOB saw offer side interest from phys players down from \$18.75/bbl to \$18.45/bbl in Jun, and sticky buying of Q3 cracks between \$17.60/bbl and \$16.65/bbl. Offers on gasnaphs post window came in at \$201/mt.

Naphtha

This morning in naphtha we saw flat price valued at \$652/mt in Jun24 MOPJ, on a -\$8.57/bbl crack equivalent with strong flat price buying seen in the East as crude continued its downtrend. Little trading on MOPJ spreads with structure softening given strong buying in deferred MOPJ flat price (Dec, Q4'24 and Cal'25) by trade and petchem. MOC was well bid again, trading at \$5/mt in Jun and Jul tenors with the phys window primarily bid. E/W continuing to see strength off the back of this, Jun well supported at \$15.75/mt with Q4 trading at \$13.50/mt. In Europe, Jun cracks saw little price volatility trading consistently between -\$10.55/bbl and -\$10.50/bbl with physical players on the sell side. Deferred cracks seeing buying with trade paying Cal'25 at -\$10.75/bbl with Q4 buying at -\$10.70/bbl.

NGLs

A volatile morning on NGLs with arbs retracing from their freefall at the beginning of the week. FEI spreads were bid initially by DCE players with Jun/July trading up to \$5/mt.

Arbs, however, saw better buy-side interest from importers and shipowners with Baltic printing lower-June Baltic traded down to \$84/mt from \$88/mt yesterday. A H2 arb bid at -\$218.50/mt was a signal for arbs to firm across the curve and FEI structure weakened. Jun/Dec FEI fell from -\$9 to -\$10.50/mt over the morning. CP spreads were quieter with Jun/July rangebound at \$9/mt. Into the window, bids in the physical helped FEI stay supported with the Balmo spread bid up to \$16/mt, FEI/CP went better bid post window with Q3 trading up to \$53/mt.

Global Macro

- Emerging markets manufacturing sector is booming, Asia strong, Europe sick.
- Sweden cuts rates 25bp, first cut since 2016.
- Spain industrial production falls -11% in March month on month (seasonally adjusted -1.2%).
- German factory orders fall unexpectedly for 3rd month in a row.
- Limited significant data to be released today.