

Flat Price

The July Brent Futures flat price has generally been well supported this morning, rising to a high of \$84.50/bbl at 08:00 BST. Following this, it briefly softened to \$84/bbl by 09:45 BST, before it swiftly rebounded to \$84.30/bbl handles, where it currently resides as of 11:10 BST (time of writing). Israeli tanks have encircled the entire eastern half of the city of Rafah, with residents describing almost constant explosions and gunfire east and northeast of the city today. Malaysia's Home Minister has announced the country will only recognize sanctions imposed by the United Nations and not by individual countries, following claims by a top US official that Iran has relied on Malaysian service providers to sell US-sanctioned oil in the region. In further geopolitical news, a Ukrainian peace summit set to take place from June 15-16 in Lucerne, which the Swiss agreed to host at Volodymyr Zelenskiy's behest in January, represents potentially the most ambitious bid in recent memory by Switzerland to mediate a major conflict and shift away from its famed and historic neutrality, displaying how Swiss economic and security interest increasingly align with Western Europe over Russia. Argentina's state oil firm YPF nearly doubled its y-o-y Q1 profit to \$657 million on the back of higher production (+7% in crude and +21% in shale oil) and recovering prices, with revenues also seeing an uptick to \$4.31 billion (+2%), just above expectations. The front and 6-month spreads are \$0.54/bbl and \$3.44/bbl respectively.

Crude

A volatile morning for Dated, gapping around on thin liquidity. We initially saw a barrage of selling, with Jun DFL sold down 11c to \$0.32/bbl, and structure offered lower with little buy-side interest. With buying then stepping in at these lower levels, we saw Balmo/Jun DFL print -\$0.64/bbl, whilst Balmo was lifted at -\$0.28/bbl and bid over, with Jun recovering back to -\$0.41/bbl also. 13-17/5 2w saw strong selling initially, sold at -\$0.30/bbl, although with a major stepping in on the buy-side, it was lifted at -\$0.22/bbl in good size. Refiner buying out of Bal-week also emerged, bidding 10-16/5 Cal Jul up to \$0.29/bbl before getting sold, with other offers in the prompt quickly retreating. Jun/Jul DFL came under pressure initially trading down to -\$0.17/bbl, with Jun rolls similarly offered aggressively, although as structure went better bid, we saw 3-10/6 v Cal Jun lifted at \$0.04/bbl, and Jun/Jul recovering a touch back to -\$0.14/bbl.

Fuel

In HSFO, on 380 spreads this morning, we saw buying interest. Jun/Jul 380 opened the morning at \$8.50/mt, before trading up to \$8.75/mt before the window. The front spread turned offered into the window and traded down to \$8.25/mt. The 380 crack was well bid in the OTC market this morning. We saw scaled back buying, the Jun 380 crack opened the morning at -\$5.65/bbl, before selling down to -\$5.85/bbl. It was a quieter morning on barges. Barge spreads were fairly illiquid, Jun/Jul barges traded at \$1/mt and Jul/Aug at \$5.25/mt.

The barge crack opened the morning a touch stronger, buying up to -\$8.70/bbl from -\$8.80/bbl, however post window it gave it all back, selling down to -\$8.85/bbl. We saw a fair amount of activity on the 380 E/W. The Jun 380 E/W had early morning strength, trading up to \$20/mt from \$19/mt. However, it gave it all back plus some, selling back down to \$18.85/mt.

In VLSFO, it was a busy morning to end the week on Sing 0.5. There was an overnight rally on both the Sing spreads and cracks. Sing spreads opened the morning better bid down the curve. Jun/Jul Sing opened the morning at \$8.50/mt in decent size. Sing spreads did turn slightly better offered during the window, selling back down to \$8.25/mt. It was a similar trend on Sing cracks. The Jun Sing crack opened at \$11.90/bbl, which was up from \$11.55/bbl overnight. Liquidity somewhat dried up until the beginning of the window, where it was better offered trading down to \$11.75/bbl. There was also Hi5 trading in the morning, in both June and Q3. June traded around \$111.25/mt and Q3 at \$114/mt. Euro spreads also saw an overnight rally, however from there it was a fairly rangebound morning for the spreads. Jun/Jul Euro bought up to \$5/mt after the overnight rally, where it then traded for the rest of the morning. The Jun 0.5 E/W was bid this morning, trading at \$46.50/mt.

Distillates

The front ICE Gasoil spreads came off a touch this morning, with the Jun/Jul spread traded down to -\$2.75/mt from -\$2.00/mt. The May/Jul spread came off to -\$4.25/mt from -\$3.25/mt at the open. Similarly, ICE Gasoil cracks came off with the Jun crack trading down to \$18.80/bbl from \$19.40/bbl. Further down the curve, interest was seen in the Sep crack around \$21.35/bbl. European Jet diffs were a touch lower this morning, with the Jun diff trading down to \$60.25/mt from \$61/mt. The Jun/Jul diff box traded at \$0.25/mt, indicating the Jul diff at \$60/mt. The HOGOs were unchanged from yesterdays close, with the Jun swap around 5.20c/gal and the Q4 swap around 8.40c/gal.

Sing Gasoil spreads remained rangebound this morning. The Jun/Jul spread traded around -\$0.21/bbl while the Bal/Jun spread was a touch higher trading up to -\$0.16/bbl. The Jun/Dec spread continued lower with it trading down to \$0.65/bbl. Interest on the sell-side was seen in the Aug S10/Brt crack at \$16.80/bbl from a bank and trade house. The prompt E/W saw strong buy-side interest post window, with it been lifted up to -\$27.50/mt from -\$28.00/mt. Further down the curve, Jul E/W traded around -\$27.75/mt and the Q3 E/W was higher at -\$28.25/mt from -\$28.75/mt. Regrades traded rangebound, with the Jun regrade trading in a range between -\$1.50/bbl to -\$1.45/bbl. In the deferred, interest was seen in Q3 at -\$0.98/bbl. In Kero, Jun/Jul traded around -\$0.45/bbl and Jul/Aug around -\$0.40/bbl.

Gasoline

A quiet 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. 92 spreads saw buying of Jun/Jul up to \$0.65/bbl, but selling further down the curve in Jul/Sep at \$2.65/bbl. We saw fund buying of Jul cracks up to \$8.80/bbl. E/W in Q3 was well offered at -\$9/bbl this morning, however we saw more buy-side interest on the front E/W at -\$10.70/bbl. RBBRs were rangebound at the \$22.20/bbl handles. EBOB spreads were rangebound this morning, with Jun/Jul stuck offered at \$12.50/mt, and the Jun/Jul/Aug fly bid at -\$0.75/mt. Cracks in EBOB were offered this morning between \$19.55/bbl and \$19.60/bbl from refiners. Smalls interest to buy Q3 gasnaphs this morning from phys players at \$198.50/mt.

Naphtha

This morning in Naphtha we saw flat price valued at \$660/mt in Jun24 MOPJ, on a -\$9.40/bbl crack equivalent with cracks and spreads seeing better selling with the E/W differential continuing to narrow. Front spreads coming off 50c from yesterdays close with Jun/Jul MOPJ seeing offers down to \$7.50/mt with the front E/W box seeing levels trade at flat. Deferred spreads seeing refiner buying at lower levels with Q3/Q4 trading at \$13/mt and Q4/Q1 trading at \$13.50/mt. E/W continued to weaken this morning with more offers on MOPJ spreads leading Jun to open weaker at \$14.75/mt and drop to \$14.50/mt by end window.

Major on the buy-side of Jun MOPJ cracks at -\$9.3/bbl this morning which was sold into with Europe cracks going better offered, seeing selling at -\$11/bbl but seeing better buying into the window with crude weakening leaving it at -\$10.85/bbl post-window. Deferred cracks trading at lower levels with the Q3 seeing selling at -\$11.10/bbl and Q4 at -\$10.90/bbl.

NGLs

Arbs were bid this morning on NGLs as importers looked to look in the lower levels. FEI spreads weakened over the morning; Balmo/May/Jun was offered down to \$11/mt having been well bid at the start of the week. Dec/Dec FEI was offered down to \$64/mt and at the front of the curve the prompt spread weakened to a low of \$3.50/mt. The E/W diff went better offered as a result with Q3 trading at \$90/mt. At the lower levels, however, the FEI spreads seemed to find a bottom with good buying interest from trade houses. FEI/CP remained rangebound between \$47/mt and \$48/mt in the prompt but further out Q3 FEI/CP was bid up to \$54/mt. LST/FEI was bid up to -\$216/mt from -\$219/mt in Q3 over the morning but arbs softened a touch and went better offered as FEI spreads found their level post window. In the window, the physical remained bid for H1 June at \$14.50/mt premiums which helped support the spreads in the paper.

Global Macro

- UK GDP comes in above expectations +0.7% YoY (expected +0.3%), industrial production also beats +0.2% MoM (-0.5%).
- Bk of England unchanged yesterday voted 7-2, two wanted to cut rates.
- Brazil central bank cuts 25bp.
- Weekly jobless claims finally rises, jumping to its highest level in 8 months. More signs of a weakening jobs market in the U.S., and the further deterioration of the economic surprise index suggests the dollar and 10-year yields should both head lower.
- Despite talk of a Yen currency crisis it's just an interest rate trade.
- Data today Michigan consumer sentiment at 3pm BST (designed to be representative of all American households).