29 May 2024

Overnight & Singapore Window

Flat Price

The Aug Brent futures flat price has had a reasonably quiet morning trading in a very tight range around $84.30/bbl. It has since seen a minor uptick to $84.65/bbl, where it is currently trading as of 11:00 BST (time of writing). Yesterday evening saw the merger of Hess with Chevron in a $53 billion deal but we are yet to see how this plays out with Hess' Partners CNOOC and Exxon in Guyana. They are still awaiting regulatory approval on this given the arbitrage opportunities with significant oil discoveries in Guyana. Given that Exxon and CNOOC have first refusal right of the sale of Hess' assets in Guyana, this dispute filed by the two players will likely prolong the deal's close into 2025. Regardless, the merger will diversify Chevron's operations through acquisitions of both the aforementioned Stabroek block in Guyana and more shale assets. Exxon has been making headlines of their own, with former Pioneer Natural Resources CEO Scott Sheffield coming under fire for collusion allegations with OPEC. The response from Sheffield this week denies the allegations and suggests this restricts executives from addressing shareholder demands and "advocating for their industries". While this is yet to be seen, further M&A activity in this sector will likely come under additional scrutiny from the FTC in response to this. Lastly, the Aug/Sep and Aug/Feb spreads are $0.44/bbl and $3.14/bbl, respectively.

Crude

Active morning in Dated, with strong buying seen in DFI's initially. Jun DFI was paid from -$0.29/bbl to -$0.07/bbl, whilst Jul was lifted to $0.42/bbl, lasting trading a touch lower at -$0.18/bbl and $0.40/bbl respectively. Jun/Jul was much better bid early on, with the DFL roll trading up to -$0.52/bbl, again softening a touch since trading around -$0.58/bbl on legs. 1-5/7 continued to be well bid, with the 1W paid at $0.12/bbl, and 1-5/7 v Cal Jul lifted at $0.22/bbl. With structure softening, we saw 25-1/7 v Cal Jul and 27-3/7 v cal Jul sold at $0.31/bbl and $0.26/bbl respectively, whilst 12-18/6 v Cal Jun was sold at -$0.02/bbl. Jul/Aug saw good buying early on also, finding highs of -$0.06/bbl mid-rally and continuing to trade -$0.09/bbl. We saw sellside interest of the prompt 29-4/6 DBL, sold at -$0.98/bbl and -$0.99/bbl amidst DFI's rallying, whilst structure further down the curve continued to see better buying with 15-19/7 v 12-9/8 lifted at $0.16/bbl.

Weak morning in Dubai, with aggressive Jun BD buying and Jun/Jul Dubai selling, we saw Jun BD trade up to -$0.05/bbl and the Jun/Jul box trade up to $0.00/bbl. Jun/Jul Dubai saw aggressive selling interest prewindow, with the spread trading down from $0.56/bbl to $0.45/bbl. In the Deferred BD, with the sharp rally in the front 2 boxes, the outrights were fairly unchanged and interest was quiet with $0.50/bbl in Q1 BD trading for smalls and selling interest in the Aug/Dec box, trading at -$0.40/bbl.

Jul Murban/Dubai saw a sharp sell off in the last minute of the window, trading down from $1.35/bbl to $0.80/bbl.

Fuel

IIn HSFO, we saw a fair bit of interest on deferred 380 cracks this morning from Chinese arbers. It was a quieter morning on the front crack with little price action, with the Jun 380 crack trading at -$4.20/bbl. It was a busier morning on 380 structure, with Jun/Jul 380 being well bid, beginning the day at $11.25/mt, before selling up to $11.75/mt in decent size. The barge crack was fairly rangebound prior to the window trading around -$8.05/bbl. It then turned better bid, buying up to -$7.80/bbl. It was a very strong start to the day for barge spreads. Jun/Jul barges opened the morning at -$0.75/mt, before steadily buying up to $0.50/mt. The 380 E/W was weaker this morning, with Jun 380 E.W starting the day at $24.25/mt, before selling down to $23/mt.

In VLSFO, it was a strong start to the morning on Sing 0.5. Sing cracks were bid to start off, the Jun Sing crack opened at $8.50/bbl, buying up to $8.65/bbl heading into the window. There was a sell-off in the window as a result of MOC hedging, which saw the front Sing crack trading down to $8.45/bbl, however a recovery was made post window, buying up to $8.75/bbl. Likewise, Sing structure was strong this morning. Jun/Jul Sing began the day at $4.50/mt, before steadily buying up to $5.25/mt throughout the morning.

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There was back-end Sing Hi5 buying this morning, with Q1'25 Sing Hi5 trading at $102/mt. There was very little activity on Euro cracks, with the Jun Euro crack trading at $2/bbl sporadically. There was some strength on thin liquidity on Euro structure, with Jun/Jul Euro buying up to $1.50/mt from $1/mt. There was interest on quarterly and front 0.5 E/W, with Jun 0.5 E/W trading around $42.50/mt.

Distillates

Sing gasoil spreads were softer this morning with Jun/Jul trading down from flat ($0/bbl) to -$0.04/bbl post window & Jul/Aug trading down from -$0.02/bbl to -$0.07/bbl. Sep Sing 10ppm cracks traded down from $16.87/bbl to $16.78/bbl. The prompt Kero spreads rallied this morning, with Jun/Jul trading up to $0.21/bbl with market makers buying, before selling off into the window close and trading back down to $0.07/bbl post window. Jul/Aug similarly traded up to -$0.15/bbl before retracing back to -$0.20/bbl. Prompt Regrade levels temporarily rallied on the kero strength, with Jun regrade trading up to -$1.11/bbl before coming off post window to -$1.25/bbl. However, regrade through the rest of the curve was less volatile as Jul regrade traded repeatedly at -$1.30/bbl. The E/W diff rallied in the front – trading at yesterday's highs in Jun with -$23.75/bbl going through multiple times and reaching highs of -$23.50/bbl this morning. Q3 E/W traded up to -$27/bbl.

Gasoline

This morning in Gasoline, we saw flat price trade at the end of the morning window equivalent to $5.40/bbl on a crack basis in Jun 92. 92 spreads continued to feel weak, with Jun/Jul offered down to -$0.30/bbl and Jul/Aug almost in contango range, seeing Major selling down to $0.05/bbl. We saw strong trade house and phys buyside in deferred crack rolls in 92 this morning, with Q3/Q4 bid at $0/bbl and Q4/Q1 bid at -$0.20/bbl. Continuing from yesterday, Dec/Jan 92 saw Majors on the sell side, sticky at $0.35/bbl. Buyside interest came on E/W in Jul post window at -$11/bbl. Arbs saw selling at 8.10c/gal in Jul. We saw some Jun/Sep selling in EBOB at $35/mt and selling of Jun/Jul down to $6.50/mt. Deferred EBOB cracks saw selling with Q4 at $8.05/bbl and Q3 at $16.40/bbl from phys players. Gasnaphs continued to see selling in Q1 today at $102/mt from refiners.

Naphtha

This morning in Naphtha we saw flat price valued at $684/mt in Jun24 MOPJ, on a -$7.50/bbl crack equivalent. Deferred MOPJ cracks saw selling today from phys players, with Sep cracks offered at -$8/bbl and Oct cracks at -$7.50/bbl. We saw some phys selling on Dec MOPJ FP this morning at $654/mt. E/W in the front was bid up from banks up to $21/mt in Jun, before seeing selling down to $18.50/t. Q1 E/W saw better buying up to $12.25/mt from trade houses.

Cracks in Europe saw better selling to -$9.95/bbl in Q3 today, and cracks in the front seeing better selling down to -$9.60/bbl from trade houses. Spread buying came in at $8.50/mt in Jun/Jul MOPJ and up to $6/mt in Jul/Aug MOPJ. In Europe, we had buying on Q3/Q4 as a crack roll at -$0.40/bbl.

NGLs

A weaker morning for international NGLs; FEI spreads weakened down the curve, early morning a $11/mt bid in the June/July FEI contract got hit which led to selling pressure in FEI; Jun/July came off to $10/mt and Dec/Dec softened down to $71/mt although Nov/Dec saw sticky buying from trade houses at $2/mt level. Arbs also softened as July LST/FEI was hit at -$226/mt while the Jun/July arb box was offered down to -$11/mt. CP softened and kept in line with FEI for the most part as July/Augy CP traded down to $3.50/mt while Jun/July stayed rangebound at $19/mt. The window helped keep FEI supported, however, with bids for 1H July still seen in the phys helping paper flat price get lifted end window at $627/mt handles in June FEI.

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ONYX ADVISORY

Global Macro

- U.S. yields grind higher again on stronger consumer confidence (102.0, expected 96.0), hawkish comments from Fed member Kashkari and slightly weaker 2yr and 5yr auctions. The US OIS prices 32 bp cuts this year.
- Dallas regional manufacturing index falls to -19.4 (expected -12.5).
- FED'S KASHKARI: COMMERCIAL REAL ESTATE A RISK, I EXPECT BIG LOSSES.
- Aussie CPI rises to 3.6% YoY (ex 3.4%), OIS prices zero rate moves this year.
- U.K. shop prices rise just 0.56% YoY. With OIS now pricing just 32bp cuts by the BOE this looks mispriced with unemployment now rising.
- With unemployment rising and retail sales falling so aggressively U.S., UK, Australian central banks will not raise rates again. As bond yield rise partly due to concerns about sustainability then the basis between bonds and OIS curves needs to widen. Receiving OIS curves at these levels is a great risk reward trade, especially Australia with no cuts priced this year.
- Japan May consumer confidence falls to 36.2 from 38.3. Meanwhile with inflation above expectations the 10yr yield is now trading 1.087%, a 10yr high. The BOJ on the other hand may be forced to hike again sooner than expected.
- With the VIX at 4-year lows last week, and MOVE index (short dated interest rate volatility) at 1-year lows to be bullish risk assets you are explicitly selling these volatility indicis at these levels. Risky!
- No key data today, just Feds Beige book (regional surveys), and German CPI at 9am.