



OVERNIGHT & SINGAPORE WINDOW

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06 JUN 2024



FLAT PRICE

The Aug Brent Futures flat price saw a fairly muted morning in terms of price action, with much of the morning seeing trading in a range between \$78.60/bbl and \$78.80/bbl. It briefly touched an intraday high of \$79.15/bbl at 09:00 BST but appears to have met some resistance and is hovering around the \$78.70/bbl mark at 11:00 BST (time of writing). Blazing weather forecasts across the Western US and particularly in California are set to initiate a high season for natural gas demand. Forecasts into the early 40s for parts of California later this week are set to initiate a spike in demand for gas-fired power generation for cooling units earlier than expected. In an interesting turn of central bank policy, we are anticipating the ECB at 13:15 BST today to announce a 25bp interest rate cut, which is now fully priced in. This has occurred following the Bank of Canada's decision yesterday to proceed with a 25bp rate cut, being the first of the G7 countries in this cycle to start cutting rates, with the Bank of England expected to follow suit later this month. The front and 6-month Brent spreads are \$0.31/bbl and \$2.14/bbl, respectively.

CRUDE

Another volatile session in Dated, beginning initially well bid with Jul DFL paid at \$0.05/bbl and few sellers. 1-5/7 v Cal Jul was lifted at \$0.06/bbl by a block major, although well offered over. Jul/Aug Dtd was bid up to \$0.16/bbl before seeing size selling entering, offered over then sold down to \$0.10/bbl. With spreads weakening, Jul saw selling down to -\$0.04/bbl, with 1-5/7 v Cal Jul was sold back down at \$0.01/bbl. Fund and trade were sellers of Jun rolls, hitting Bal Jun v 17-21/6 from -\$0.11/bbl to -\$0.13/bbl, whilst Bal Jun v 24-28/6 was sold at -\$0.30/bbl.

Another rangebound morning in Dubai with Jul B/D trading in a 7c range. We saw early producer buying interest in the Jul/Aug/Sep Dubai fly, trading in decent size at flat. Buyers of B/D started to creep out early doors as well, pushing Jul B/D up to -\$0.24/bbl before promptly trading back down to -\$0.30/bbl before producer buying of Jul B/D and buying of Aug Dtd Dubai appeared with the Dtd Dubai trading at \$0.11/bbl. In the Deferred, Dec/Jan and Dec/Dec Dubai traded at \$1.96/bbl and \$3.63/bbl with interest on the sell/side, and 2H'25 Brent/Dubai traded at \$0.65/bbl with bank selling.

FUEL

In HSFO, Jul/Aug 380 was better bid this morning relative to overnight levels, with Jul/Aug 380 opening at \$7.25/mt from \$6.75/mt last night. However, as the morning went on the spread turned better offered, which pushed it down to \$6.75/mt. Chinese arbiters were selling deferred 380 flat price this morning, which put pressure on the front 380 crack, with Jul 380 crack opening -\$5.70/bbl before trading down to -\$6.10/bbl. Barge cracks were initially stable this morning due to the 380 weakness, with Jul trading around -\$7.70/bbl. However, the crack weakened going into the window selling down to -\$8.10/bbl. There was some volatility as the crack strengthened back up to where it opened the morning, before giving it all back and ending the morning at -\$8.10/bbl. It was a fairly rangebound morning on barge spreads, with Jul/Aug trading around \$3.25/mt for the majority of the morning, briefly touching \$3.50/mt. 380 E/W was softer this morning. The Jul 380 E/W opened at \$15.25/mt, before the 380 crack weakness put pressure on the E/W, and it sold down to \$11.50/mt just after the window.

In VLSFO, it was an extremely weak morning to start the day on Sing cracks. The Jul Sing crack started the morning off at \$9.10/bbl, before selling down in decent size to \$8.40/bbl post-window. There was a slight recovery later in the morning, with the front Sing crack buying up to \$8.60/bbl. There was a similar weakness in Sing structure, with Jul/Aug selling down to \$4.25/mt from \$4.75/mt. There was decent size buying on the Q4 Sing Hi-5 this morning out of China, between \$105.50/mt and \$106/mt. There was more liquidity on Euro structure than we have seen in previous morning sessions. Jul/Aug Euro was weaker this morning, opening the morning at \$1.50/mt, before trading down to \$1/mt. It was a volatile morning on the Euro crack on thin liquidity. The Jul Euro crack opened at \$2.65/bbl, before selling down to \$2/bbl. However, there was a recovery later in the morning back up to \$2.20/bbl. It was a fairly rangebound morning on 0.5 E/W, with Jul trading around \$41/mt.



DISTILLATES

ICE gasoil spreads strengthened into the morning, with the Jun/Jul spread stronger at $-\$2.25/\text{mt}$ from $-\$2.50/\text{mt}$ and the Jun/Sep spread at $-\$8/\text{mt}$ post-window. The ICE gasoil cracks however trended downwards with weak flat price, recovering into the mid-morning from the window's lows. The Jul crack is at $\$17.50/\text{bbl}$ and the Q4 crack is at $\$19.40/\text{bbl}$. The jet diffs saw the strength in the front end continue, with the Jul diff getting lifted up to $\$57/\text{mt}$, with the Q3 trading at $\$56.50/\text{mt}$ and the Q4 diff trading at $\$57/\text{mt}$ into the morning. The Jul/Dec diff roll traded at $-\$0.25/\text{mt}$. HOGOs were largely stable into a quiet morning. The prompt is unchanged at $4.50\text{c}/\text{gal}$ while the back end is also at $8.50\text{c}/\text{gal}$, as the structure remained stable from last night's close.

Sing gasoil spreads saw the prompt rally before coming off into the start of the window. The Jun/Jul spread weakened to $-\$0.23/\text{bbl}$ from $-\$0.18/\text{bbl}$, while the Jul/Aug spread came off to $-\$0.18/\text{bbl}$ from highs of $-\$0.12/\text{bbl}$. The prompt E/W opened strong, trading up to $-\$20.50/\text{mt}$ in Jul before getting hit down to lows of $-\$21.50/\text{mt}$, currently at $-\$21/\text{mt}$ post-window, with the Aug E/W seeing selling at $-\$22.25/\text{mt}$. The back end saw quarterly interest down the curve, with Q3 trading up to $-\$22.50/\text{mt}$ and the Q1'25 indicated stronger at $-\$19.75/\text{mt}$ post-window. Regrade was lifted up in the prompt towards the end of the window, trading to highs of $-\$1.25/\text{bbl}$ from $-\$1.32/\text{bbl}$, with limited back-end interest seen this morning apart from some early interest in Q1 at $-\$0.35/\text{bbl}$ and the Oct regrade at $-\$0.81/\text{bbl}$.

GASOLINE

This morning in Gasoline, we saw flat price trade at the end of the morning window equivalent to $\$7.8/\text{bbl}$ on a crack basis in Jul 92. A weaker start for RBBRs, down to $\$19.60/\text{bbl}$ handles, from $\$20/\text{bbl}$ handles. 92 spreads were weaker today, Jul/Aug seeing selling down from $\$0.45/\text{bbl}$ to $\$0.30/\text{bbl}$, and Aug/Sep down from $\$0.75/\text{bbl}$ to $\$0.69/\text{bbl}$, with phys players on the sell side. E/W saw majors on the buy side at $-\$9/\text{bbl}$ in Jul, but more selling post window at $-\$9.20/\text{bbl}$ from trade houses. Arb selling came in between $7.60\text{c}/\text{gal}$ and $7.75\text{c}/\text{gal}$ levels this morning in Jul. EBOB cracks saw sell side interest in Q3 this morning down from $\$16.50/\text{bbl}$ to $\$16.25/\text{bbl}$, from refiners. A quieter morning for spreads, with Jul/Aug trading down to $\$6/\text{mt}$ (from $\$7.25/\text{mt}$), and Sep/Oct seeing refiner selling at $\$47.75/\text{mt}$. Little gasnaph activity this morning.

NAPHTHA

This morning in Naphtha we saw flat price valued at $\$637.75/\text{mt}$ in Jul24 MOPJ, on a $-\$5.70/\text{bbl}$ crack equivalent with cracks and spreads well offered in the morning with crude strength and physical selling. Europe cracks opening 35c lower at $-\$8.95/\text{bbl}$ with trade on the sell side of cracks and Q3 trading at $-\$8.90/\text{bbl}$. Jul cracks reaching lows of $-\$9.10/\text{bbl}$ end window before finding support with gasnaph offers. E/W opening offered, Jul trading at $\$19.50/\text{mt}$ with MOPJ spread offered, Jul/Aug at $\$4.75/\text{mt}$ and Aug/Sep at $\$3.25/\text{mt}$. Europe structure similarly showing weakness with Jul/Aug at $\$3.50/\text{mt}$ and Jul/Dec seeing $\$15.50/\text{mt}$ getting sold into with major on the buy side.

NGLS

A strong morning for international structure with FEI spreads well bid in Cal 24. July/Aug traded up to $\$4.5/\text{mt}$ while July/Sep traded up to $\$4/\text{mt}$. Augy/Oct traded up to $-\$7/\text{mt}$ with Asian trade houses buy side. Deferred spreads were also supported as Dec/Dec traded up to $\$67/\text{mt}$. Despite the structure strength flat price was not as well bid as recent mornings with less DCE buy side interest, the E/W diff was offered down to $\$100.5/\text{mt}$ by end window and arbs were bid with July trading up to $-\$236.5/\text{mt}$ in LST/FEI post window while Cal traded up at $-\$186.5/\text{mt}$ helping the 1/2 arb roll soften to $-\$21/\text{mt}$. The window saw bids at $+\$10/\text{mt}$ premium to 1H July although a trade house offering end window helped flat price soften to $\$600/\text{mt}$ handles in July, albeit with strong buy side interest at this level. CP spreads were quieter over the morning although initially, FEI outperformed as July FEI/CP traded up to $\$50/\text{mt}$, CP stayed stable as FEI softened with Q4 FEI/CP bid $\$44/\text{mt}$ post window.



GLOBAL MACRO

U.S. ISM services refuse to roll over and jump to 53.8 with business activity up to 61.2 which are the best since August last year. New orders rip higher, but prices paid are lower than expected, and employment remains in contraction. US ISM Services Index May: 53.8 (est 51.0; prev 49.4)

- Prices Paid: 58.1 (est 59.0; prev 59.2)
- Employment: 47.1 (est 47.2; prev 45.9)
- New Orders: 54.1 (est 53.2; prev 52.2)

What's more interesting than the data is the market reaction. Bond yields FELL on strong data. U.S. 2- and 10-yr yields sit on long-term support levels, below here it will move more aggressively, it is worth watching out for the payrolls. The FED will cut more aggressively than is currently priced, OIS has 48bp cuts by year-end, which was 31 bp a week ago! (Chart 2-year US bond yield)

ADP employment data (secondary and admittedly poor correlation to payrolls) comes in below expectations +152K (expected 175k), and manufacturing has the most losses at -20k. S&P 500 & Nasdaq make new all-time highs and Nvidia surges with huge 94k 1200 0DTE options trading (zero days to expiry). This is gambling not investing!

Bank of Canada cuts 25bp. BOC'S GOV. MACKLEM: IT IS REASONABLE TO EXPECT MORE RATE CUTS IF INFLATION CONTINUES TO EASE.

German Factory Orders (M/M) Apr: -0.2% (est 0.6%; prev -0.4%). Germany's total unemployed persons nearing the COVID-19 highs, even with weak demographics.

Default rates are on the rise in Europe and the ECB announcement today at 1.15 pm with a 25bp cut fully priced, the market will watch Lagarde's speech closely for guidance.