



Market Summary

Here we go again!

Mercuria has been buying cash Brent aggressively and paying wide premiums over futures. Me and me mates wuz then thinking Mercuria would bid for dated Brent in a follow up. And we wuz not disappointed! After stacking up on paper for a few weeks, Mercuria came in for a physical WTI Midlands for mid-Aug delivery and were sold at a +\$2.15/bbl premium by Shell. Refineries selling North Sea crude to Tradehouses again. We're getting déjà vu, the Cheshire cats are back. Chevron bid for a WTI at +\$2/bbl but was unable to find a seller. And Equinor, yes, the ones that make the oily stuff, were looking for a Forties cargo at a premium of 90 cts, before withdrawing. Call us cynics, but isn't this the best time to bid - when something is kind of tight, under maintenance, even the production is constrained like last month, and the buzzard blend is reduced so the grade is qualitatively improved? We say, yes, bid for the stuff that ain't there!

The quality of Forties is improving for August compared to July. Sulfur has dropped and gravity has improved by 2 degrees. Added to that the volume has fallen by 25kbd. The fruit is ripe, who will be next to squeeze its juice?

Brent continued downward despite some kicking and shouting. The front month futures contract bottomed out at \$83.36/bbl at 13:00 BST before a reluctant retracement, to close the window at \$84.08/bbl, printing an 83c/bbl decline against the close of Europe yesterday. The disparity between cash Brent and futures was about 20 cts, easing a bit but still stings our eyes. An expert promised to look into it, 'let me check' he said, and we will report his findings.

In the US, the 321 crack, a proxy for refining margins, has slumped to just over \$22, down from above \$33 in April, as refineries struggle to shift their product. (Figure 1) Gasoline underperforming in driving season? Weakness in the retail gasoline markets was also apparent in today's retail sales release.

US June retail sales were flat but mogas station sales plummeted 3.0% m-o-m. This doesn't paint a strong picture of driving season. Google searches for 'gas station' remain 15% lower than the same time last year.

Summary

Physical and Futures		16-Jul-24	1-Day Change	7-Day Change
Brent Sep (fut)	(\$/bbl)	84.080	-0.830	-0.840
WTI Sep (fut)	(\$/bbl)	79.990	-0.880	-0.770
Dubai Sep (phys)	(\$/bbl)	83.810	-0.830	-1.280

Crude Swaps Aug

Brent	(\$/bbl)	83.100	-0.835	-1.055
DFL	(\$/bbl)	1.000	-0.030	+0.260
WTI	(\$/bbl)	79.630	-0.850	-0.820
Dubai	(\$/bbl)	82.870	-0.720	-1.310

Tenor		Sep-24	Oct-24	Nov-24
Crude Futures				
Brent (fut)	(\$/bbl)	84.080	83.140	82.360
WTI (fut)	(\$/bbl)	79.990	78.980	78.120



In detail

As at 16:30 BST, September WTI and Brent futures eased to \$79.99/bbl and \$84.08/bbl, respectively. Against the same time yesterday, the Brent front month futures contract fell by \$0.83/bbl, while the WTI contract eased by \$0.88/bbl over the same period. The M1/M2 spreads for Brent futures remained elevated, at \$0.94/bbl.

The International Monetary Fund updated their World Economic Outlook today, and remain concerned about inflation, but still expect the global economy to grow at 3.2% this year. This is good, we hope they are right. They expressed concerns over persistent price pressure, particularly from sticky services inflation, and labor market tightness, despite goods inflation looking subdued. They also highlighted that global supply chain frictions, geopolitical risks, and commodity prices, including oil, also pose upside inflation risks.

According to the report, global growth is expected to be in line with April's estimate, at 3.2% for 2024, and 3.5% for 2025. Despite headline figures remaining unchanged, diverging dynamics across geographies have led to some revision since April. The US and Japan have been subject to a downward revision, whilst China has seen a significant upward revision off the back of "resurgent domestic consumption" and a "temporary surge in exports" during the first quarter. The IMF also see growth to the upside in Europe, driven by boosted service sector recovery. We aren't so optimistic.

Weakness in the US was driven by "moderating consumption" and a deeper trade deficit. The downward revision to Japan's growth outlook was explained by temporary supply disruptions, linked to the shutdown of a major automobile plant in Q1.

Global financial conditions were also said to remain "accommodative", driven by elevated corporate valuations. Back-end sovereign yields have crept up with the markets pricing their anticipated path of monetary policy. The increase in longer dated yields is likely to reinforce fiscal discipline.

Elevated equity valuations have been a key feature of contemporary financial markets. Recently, small caps have tagged along with their older siblings. Falling rates come to the aid of SME's, which had been struggling since covid. As rates fall, access to credit improves disproportionately for smaller businesses. And the Russel 2000 has gained 9% since July 9, with no sign of stopping. (Figure 2) Small caps have even beaten the Nasdaq by the most since 2011. Recent de-risking away from tech has been a clear theme. Goldman Sachs prime brokerage noted that hedge funds have sold off tech positions in seven of the last eight weeks, reallocating funds towards energy.

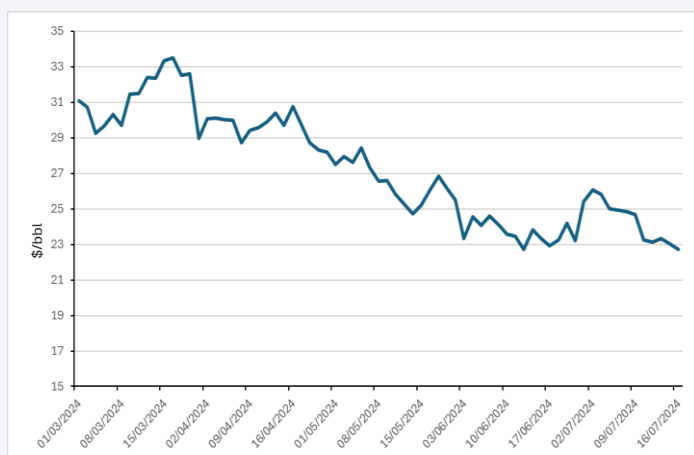


Figure 1: 321 WTI:RBOB:HO Crack, Bloomberg

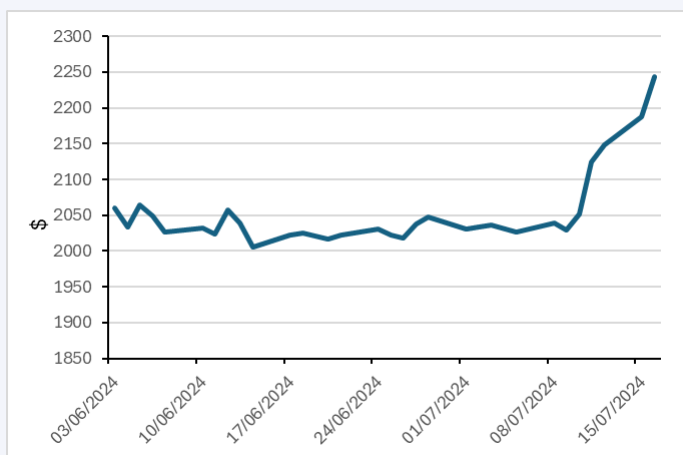
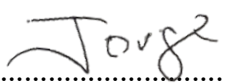



Figure 2: Russel 2000 small cap index, Bloomberg

Jorge Montepeque: 

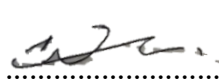
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Front Month Outrights					
August Swaps			16-Jul-24	1-Day Change	7-Day Change
Crude					
Brent	(\$/bbl)	83.100		-0.835	-1.055
WTI	(\$/bbl)	79.630		-0.850	-0.820
Dubai	(\$/bbl)	82.870		-0.720	-1.310
Distillates					
Gasoil 0.1 NWE	(\$/mt)	761.350		-12.275	-14.630
NWE Jet	(\$/mt)	813.850		-11.270	-16.130
Singapore 10ppm	(\$/bbl)	98.700		-1.550	-1.830
Sing Kero	(\$/bbl)	97.590		-1.670	-1.990
Gasoline					
RBOB	(c/gal)	244.190		-2.175	-5.595
EBOB	(\$/mt)	815.940		-11.970	-19.810
Singapore 92	(\$/bbl)	90.340		-0.840	-1.080
Singapore 95	(\$/bbl)	94.690		-0.850	-1.070
Naphtha					
US C5 ENT	(c/gal)	154.690		-2.080	-1.500
NWE Naphtha	(\$/mt)	671.510		-5.690	-2.040
MOPJ Naphtha	(\$/mt)	689.930		-4.270	-0.870
Fuel Oil					
3.5% barges	(\$/mt)	472.190		-8.120	-12.120
Singapore 380	(\$/mt)	493.120		-5.690	-8.010
Singapore 180	(\$/mt)	499.690		-5.620	-5.690
0.5% barges	(\$/mt)	548.640		-8.830	-10.350
Singapore 0.5%	(\$/mt)	590.870		-8.190	-10.980
NGLs					
US Propane LST	(c/gal)	79.513		-1.387	-3.217
NWE Propane	(\$/mt)	565.760		-3.230	+4.680
Saudi Propane CP	(\$/mt)	582.760		-2.230	+1.680
Asian Propane FEI	(\$/mt)	632.260		-4.230	-2.820
US Butane ENT	(c/gal)	97.010		-0.640	-1.980
Saudi Butane CP	(\$/mt)	567.760		-2.230	+1.680



Long Tenor Swaps

		Balmo	Aug-24	Sep-24	Oct-24	Nov-24	Q4-24	Q1-25
Crude								
Brent	(\$/bbl)	84.010	83.100	82.330	81.680	81.130	81.147	79.807
WTI	(\$/bbl)	80.430	79.630	78.720	77.900	77.210	77.233	75.570
Dubai	(\$/bbl)	83.770	82.870	82.110	81.420	80.810	80.827	79.380
Distillates								
Gasoil 0.1 NWE	(\$/mt)	760.500	761.350	762.520	760.570	755.830	756.490	748.790
NWE Jet	(\$/mt)	815.000	813.850	815.020	815.070	811.330	811.990	806.290
Singapore 10ppm	(\$/bbl)	98.500	98.700	98.850	98.720	98.320	98.330	97.627
Sing Kero	(\$/bbl)	97.390	97.590	97.860	97.910	97.700	97.703	97.173
Gasoline								
RBOB	(c/gal)	246.910	244.190	225.440	219.880	216.100	216.810	222.290
EBOB	(\$/mt)	818.940	815.940	803.440	759.940	739.690	741.773	725.940
Singapore 92	(\$/bbl)	90.990	90.340	89.210	88.140	87.240	87.340	86.237
Singapore 95	(\$/bbl)	95.490	94.690	93.460	92.340	91.240	91.373	89.840
Naphtha								
US C5 ENT	(c/gal)	153.940	154.690	155.310	155.690	155.810	155.770	155.060
NWE Naphtha	(\$/mt)	685.510	671.510	663.510	658.760	653.510	653.510	639.343
MOP-Japan Naphtha	(\$/mt)	696.930	689.930	681.930	676.180	670.430	670.513	654.013
Fuel Oil								
3.5% barges	(\$/mt)	477.440	472.190	465.440	455.440	448.440	449.440	441.357
Singapore 380	(\$/mt)	500.120	493.120	478.370	465.370	457.120	458.453	447.870
Singapore 180	(\$/mt)	505.940	499.690	486.440	475.440	468.190	469.440	460.940
0.5% barges	(\$/mt)	552.140	548.640	543.390	537.890	532.890	532.973	521.533
Singapore 0.5%	(\$/mt)	596.620	590.870	584.870	579.370	574.620	574.620	561.787
NGLs								
US Propane LST	(c/gal)	78.513	79.513	80.393	81.651	82.401	82.151	80.941
NWE Propane	(\$/mt)	569.760	565.760	561.260	560.260	559.260	559.593	540.760
Saudi Propane CP	(\$/mt)	582.760	582.760	585.260	593.760	602.260	601.093	593.260
Asian Propane FEI	(\$/mt)	636.760	632.260	633.760	638.260	642.260	640.260	617.760
US Butane ENT	(c/gal)	96.260	97.010	97.510	98.510	99.260	99.010	96.760
Saudi Butane CP	(\$/mt)	567.760	567.760	578.260	588.760	597.760	596.427	587.927



Front Month Spreads

Aug/Sep		16-Jul-24	1-Day Change	7-Day Change
Crude				
Brent	(\$/bbl)	0.770	-0.015	+0.115
WTI	(\$/bbl)	0.910	-0.020	+0.190
Dubai	(\$/bbl)	0.760	+0.020	+0.010
Distillates				
Gasoil 0.1 NWE	(\$/mt)	-1.170	-0.705	-0.160
NWE Jet	(\$/mt)	-1.170	+0.300	+0.840
Singapore 10ppm	(\$/bbl)	-0.150	-0.080	-0.050
Sing Kero	(\$/bbl)	-0.270	-0.040	-0.170
Gasoline				
RBOB	(c/gal)	18.750	+0.390	-0.730
EBOB	(\$/mt)	12.500	-1.250	-2.750
Singapore 92	(\$/bbl)	1.130	-0.070	+0.300
Singapore 95	(\$/bbl)	1.230	-0.070	+0.300
Naphtha				
US C5 ENT	(c/gal)	-0.620	-0.240	-0.240
NWE Naphtha	(\$/mt)	8.000	+0.500	+1.500
MOP-Japan Naphtha	(\$/mt)	8.000	+0.500	+1.500
Fuel Oil				
3.5% barges	(\$/mt)	6.750	-1.750	-3.000
Singapore 380	(\$/mt)	14.750	-0.250	-1.500
Singapore 180	(\$/mt)	13.250	-0.500	-0.500
0.5% barges	(\$/mt)	5.250	-0.250	+0.000
Singapore 0.5%	(\$/mt)	6.000	-0.500	-1.000
NGLs				
US Propane LST	(c/gal)	-0.880	+0.000	+0.000
NWE Propane	(\$/mt)	4.500	+0.500	+2.000
Saudi Propane CP	(\$/mt)	-2.500	+1.000	+4.000
Asian Propane FEI	(\$/mt)	-1.500	-0.500	+0.000
US Butane ENT	(c/gal)	-0.500	+0.000	+0.120
Saudi Butane CP	(\$/mt)	-10.500	+1.000	+3.000



Front Month Cracks and Diffs			
August	16-Jul-24	1-Day Change	7-Day Change
Crude			
Brent/Dubai (\$/bbl)	0.250	-0.100	+0.270
WTI/Brent (\$/bbl)	-3.480	-0.020	+0.220
Distillates			
Gasoil 0.1 NWE crack (\$/bbl)	19.070	-0.830	-0.930
NWE Jet crack (\$/bbl)	20.150	-0.620	-1.020
NWE Jet Diff (\$/mt)	52.500	+1.000	-1.500
Gasoil E/W (\$/bbl)	-26.000	+0.750	+1.000
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-1.110	-0.110	-0.160
Gasoline			
TA Arb (RBOB vs EBOB) (c/gal)	11.000	+1.300	+0.100
EBOB crack (\$/mt)	14.840	-0.620	-1.330
Singapore 92 crack (\$/bbl)	7.230	-0.020	-0.040
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	-7.620	+0.580	+1.280
European Gasnaph (EBOB vs Naphtha) (\$/mt)	144.500	-6.140	-17.360
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	62.690	-2.720	-7.770
Naphtha			
US C5 ENT vs WTI Crack	-14.680	-0.040	+0.150
NWE Naphtha Crack (\$/bbl)	-7.650	+0.200	+0.800
MOPJ Naphtha Crack (\$/bbl)	-5.600	+0.340	+0.910
Naphtha E/W (NWE vs MOPJ) (\$/mt)	18.250	+1.250	+1.000
Fuel Oil			
3.5% barges crack (\$/bbl)	-8.750	-0.450	-0.900
Singapore 380 crack (\$/bbl)	-5.440	-0.050	-0.230
Singapore 180 crack (\$/bbl)	-4.420	-0.060	+0.120
Visco (180-380) (\$/mt)	6.500	+0.000	+2.250
HSFO E/W (380 vs 3.5% barges) (\$/mt)	21.000	+2.500	+4.250
0.5% barges crack (\$/bbl)	3.300	-0.550	-0.600
Singapore 0.5% crack (\$/bbl)	9.950	-0.450	-0.700
VLSFO E/W (Sing 0.5% vs 0.5% barges) (\$/mt)	42.230	+0.640	-0.630
European Hi5 (0.5% barges vs 3.5% barges) (\$/mt)	76.520	-0.640	+1.910
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	97.750	-2.500	-2.970
0.5% barges/gasoil (\$/mt)	-212.440	+3.710	+4.380
Sing 0.5% vs Sing 10ppm (\$/mt)	-144.370	+3.490	+2.510
NGLs			
US Propane LST vs NWE Propane (\$/mt)	-151.500	-4.000	-21.500
US Propane LST vs Asian Propane FEI (\$/mt)	-218.000	-3.000	-14.000
Asian Propane FEI vs NWE Propane (\$/mt)	66.500	-1.000	-7.500
Asian Propane FEI vs Saudi Propane CP (\$/mt)	49.500	-2.000	-4.500
European Pronap (NWE Propane vs NWE Naphtha) (\$/mt)	-105.660	+2.550	+6.900
Asian Pronap (FEI vs MOPJ) (\$/mt)	-106.960	+2.250	+2.850



Long Tenor Cracks / Diffs

	Balmo	Aug-24	Sep-24	Oct-24	Nov-24	Q4-24	Q1-25
Crude							
Brent/Dubai (\$/bbl)	0.250	0.250	0.240	0.280	0.330	0.333	0.440
WTI/Brent (\$/bbl)	-3.580	-3.480	-3.610	-3.780	-3.920	-3.913	-4.237
Distillates							
Gasoil 0.1 NWE crack (\$/bbl)	18.07	19.07	20.01	20.41	20.32	20.39	20.70
NWE Jet crack (\$/bbl)	19.41	20.15	21.08	21.76	21.82	21.89	22.51
NWE Jet Diff (\$/mt)	54.50	52.50	52.50	54.50	55.50	55.50	57.50
Gasoil E/W (\$/bbl)	-26.68	-26.00	-26.09	-25.09	-23.34	-23.92	-21.44
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-1.11	-1.11	-0.99	-0.81	-0.62	-0.63	-0.43
Gasoline							
TA Arb (RBOB vs EBOB) (c/gal)	12.860	11.000	-4.170	2.710	4.700	4.820	14.823
EBOB crack (\$/mt)	14.300	14.840	14.120	9.540	7.670	7.900	7.337
Singapore 92 crack (\$/bbl)	6.980	7.230	6.870	6.450	6.110	6.190	6.427
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	-7.330	-7.620	-7.250	-3.100	-1.570	-1.720	-0.920
European Gasnaph (EBOB vs Naphtha) (\$/mt)	133.500	144.500	140.000	101.250	86.250	88.333	86.667
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	61.100	62.690	61.280	58.110	56.370	57.117	64.453
Naphtha							
US C5 ENT vs WTI Crack	-15.780	-14.680	-13.510	-12.530	-11.790	-11.830	-10.463
NWE Naphtha Crack (\$/bbl)	-6.970	-7.650	-7.770	-7.650	-7.690	-7.707	-7.957
MOPJ Naphtha Crack (\$/bbl)	-5.700	-5.600	-5.720	-5.710	-5.810	-5.817	-6.333
Naphtha E/W (NWE vs MOPJ) (\$/mt)	11.250	18.250	18.250	17.250	16.750	16.833	14.500
Fuel Oil							
3.5% bgs crack (\$/bbl)	-8.810	-8.750	-9.030	-9.960	-10.510	-10.370	-10.300
Singapore 380 crack (\$/bbl)	-5.240	-5.440	-7.000	-8.390	-9.130	-8.943	-9.273
Singapore 180 crack (\$/bbl)	-4.340	-4.420	-5.740	-6.820	-7.400	-7.227	-7.223
Visco (180-380) (\$/mt)	5.750	6.500	8.000	10.000	11.000	10.917	13.000
HSFO E/W (380 vs 3.5% bgs) (\$/mt)	22.750	21.000	13.000	10.000	8.750	9.083	6.583
0.5% bgs crack (\$/bbl)	2.960	3.300	3.250	3.040	2.800	2.797	2.323
Singapore 0.5% crack (\$/bbl)	9.950	9.950	9.770	9.560	9.360	9.343	8.660
VLSFO E/W (Sing 0.5% vs 0.5% bgs) (\$/mt)	44.480	42.230	41.480	41.480	41.730	41.647	40.313
European Hi5 (0.5% bgs vs 3.5% bgs) (\$/mt)	74.770	76.520	78.020	82.520	84.520	83.603	80.187
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	96.500	97.750	106.500	114.000	117.500	116.167	113.917
0.5% bgs/gasoil (\$/mt)	-207.920	-212.440	-219.100	-222.390	-222.670	-223.217	-227.103
Sing 0.5% vs Sing 10ppm (\$/mt)	-137.130	-144.370	-151.480	-155.790	-157.710	-157.733	-165.303
NGLs							
US Propane LST vs NWE Propane (\$/mt)	-160.71	-151.5	-142.41	-134.9	-129.99	-131.627	-119.097
US Propane LST vs Asian Propane FEI (\$/mt)	-227.71	-218	-214.91	-212.9	-212.99	-212.293	-196.097
Asian Propane FEI vs NWE Propane (\$/mt)	67	66.5	72.5	78	83	80.667	77
Asian Propane FEI vs Saudi Propane CP (\$/mt)	54	49.5	48.5	44.5	40	39.167	24.5
European Pronap (\$/mt)	-115.66	-105.66	-102.16	-98.41	-94.16	-93.827	-98.493
Asian Pronap (FEI vs MOPJ) (\$/mt)	-113.96	-106.96	-96.46	-82.21	-67.96	-69.21	-60.543



Inter-month Crack Spreads			
Aug/Sep	16-Jul-24	1-Day Change	7-Day Change
Crude			
Brent/Dubai (\$/bbl)	0.010	-0.050	+0.110
WTI/Brent (\$/bbl)	0.130	-0.010	+0.050
Distillates			
Gasoil 0.1 NWE crack (\$/bbl)	-0.940	-0.090	-0.150
NWE Jet crack (\$/bbl)	-0.930	+0.050	-0.020
NWE Jet Diff (\$/mt)	0.000	+1.000	+1.000
Gasoil E/W (\$/bbl)	0.090	+0.130	-0.210
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-0.120	+0.040	-0.120
Gasoline			
TA Arb (RBOB vs EBOB) (c/gal)	15.170	+0.740	+0.070
EBOB crack (\$/mt)	0.720	-0.140	-0.450
Singapore 92 crack (\$/bbl)	0.360	-0.040	+0.190
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	-0.370	+0.080	+0.630
European Gasnaph (EBOB vs Naphtha) (\$/mt)	4.500	-1.750	-4.250
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	1.410	-1.080	+0.990
Naphtha			
US C5 ENT vs WTI Crack	-1.170	-0.080	-0.290
NWE Naphtha Crack (\$/bbl)	0.120	+0.080	+0.040
MOPJ Naphtha Crack (\$/bbl)	0.120	+0.080	+0.040
Naphtha E/W (NWE vs MOPJ) (\$/mt)	0.000	+0.000	+0.000
Fuel Oil			
3.5% barges crack (\$/bbl)	0.280	-0.260	-0.610
Singapore 380 crack (\$/bbl)	1.560	+0.000	-0.350
Singapore 180 crack (\$/bbl)	1.320	-0.050	-0.200
Visco (180-380) (\$/mt)	-1.500	-0.250	+1.000
HSFO E/W (380 vs 3.5% barges) (\$/mt)	8.000	+1.500	+1.500
0.5% barges crack (\$/bbl)	0.050	-0.020	-0.130
Singapore 0.5% crack (\$/bbl)	0.180	-0.050	-0.270
VLSFO E/W (Sing 0.5% vs 0.5% barges) (\$/mt)	0.750	-0.250	-1.000
European Hi5 (0.5% barges vs 3.5% barges) (\$/mt)	-1.500	+1.500	+3.000
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	-8.750	-0.250	+0.500
0.5% barges/gasoil (\$/mt)	6.660	+0.690	+0.480
Sing 0.5% vs Sing 10ppm (\$/mt)	7.110	+0.090	-0.630
NGLs			
US Propane LST vs NWE Propane (\$/mt)	-9.090	-0.510	-2.010
US Propane LST vs Asian Propane FEI (\$/mt)	-3.090	+0.490	-0.010
Asian Propane FEI vs NWE Propane (\$/mt)	-6.000	-1.000	-2.000
Asian Propane FEI vs Saudi Propane CP (\$/mt)	1.000	-1.500	-4.000
European Pronap (NWE Propane vs NWE Naphtha) (\$/mt)	-3.500	+0.000	+0.500