



Time to abandon the bearish bandwagon?



Blimey! Brent's surge into the European close burst up beyond the last few days' levels to carry us firmly back into the \$72/bbl range. The bears went too deep into enemy territory and now they have to pay up! The super-short market will be feeling the pinch from this afternoon and we're sure some will be kicking themselves for jumping on the bandwagon of \$60 Brent too early.

"Ripper into the window" said one trader describing flat price at the close of Europe today, and it was. Front month Brent jumped \$1.38/bbl in the hour before market close. In physical Gunvor bid for a Forties and an Ekofisk. Here we go again...? Mitsui also threw their hat in the ring for a Forties.

Nevertheless, the downward signals are clear: Europe has inspired little confidence in economic recent prints and PMIs consistently deep in contractionary territory with little sign of easing decline. This has become clear to the ECB. It needs to cut interest rates. Today the bank knocked another quarter point of their policy rate, as expected. And yes, this is bullish!

But they may not be as Dovish as many might have hoped, as the committee still sees pockets of inflationary pressure, including wage growth, as cause for concern. They also cut their GDP forecast through to 2026, in a sign that restrictive policy will continue to be implemented, ie they will likely continue to be restrained in easing. It is likely that a quarter point per quarter.

Allegedly, the regulatory snipers have new targets in its sights. The former Glencore head of oil has appeared in British court on charges related to alleged conspiracy to make corrupt payments, allegedly involving various African state-owned oil companies' employees. He joins five other members of the group's former staff under investigation with such devious allegations. It's important to remember that all of these men are no longer affiliated with Glencore. Not now.

Summary				
Physical and Futures		12-Sep-24	1-Day Change	7-Day Change
Brent Nov (fut)	(\$/bbl)	72.770	+3.160	-0.390
WTI Nov (fut)	(\$/bbl)	68.850	+3.200	-0.140
Dubai Nov (phys)	(\$/bbl)	73.090	+3.050	-0.280
OBI Continuous	(\$/bbl)	72.770	+3.160	-0.390
Crude Swaps Oct				
Brent	(\$/bbl)	72.140	+3.000	-0.550
DFL	(\$/bbl)	0.410	+0.200	+0.200
WTI	(\$/bbl)	68.630	+3.130	-0.200
Dubai	(\$/bbl)	71.760	+3.120	-0.210
Tenor		Nov-24	Dec-24	Jan-25
Crude Futures				
Brent (fut)	(\$/bbl)	72.770	72.170	71.730
WTI (fut)	(\$/bbl)	68.850	68.160	67.730



In detail

Details: Brent roared surging through the day before taking flight past the \$72/bbl level with some aggressive bidding into the close. Brent finished the day a whopping \$3.16/bbl higher than yesterday, at \$72.77/bbl!!! One boozy friend told us last night, 'this is dangerous territory for the shorts.!' Boy, was he right. WTI gained even more – up by \$3.20/bbl to close at \$68.85/bbl. The prompt strength drove up Brent front month spreads to a huge 60c, from 46c yesterday. Will the cabin decompress after such a rapid take off? Best to have your oxygen masks ready but the bulls are back in charge.

Headline inflation in the Euro Area has slowed markedly, falling to 2.2% y/y in August the coolest since July 2021. But the ECB easing cycle is off to a slow start, with the benchmark policy rate falling to 3.5%. This is of course bullish. But real rates remain elevated, further constraining the private sector. Construction has been a particularly weak point. Unfortunately, this hydrocarbon intensive sector is also highly sensitive to real rates, so don't expect a rapid bounce back. So, should the ECB start cutting faster? There is an argument for accelerated easing as we discuss above, but in this global cycle, many central banks are seemingly erring on the side of caution. The Fed is yet to knock anything off their funds rate even but they will next week. Everyone is worried about cutting too fast, triggering a resurgence in underlying inflation akin to pre-Volker era dynamics. With PPI surprising to the upside in the US today at 0.2% m/m for August, 10 bps above expectation, can you blame the Fed for being nervy? They are right to be. We've noticed a worrying tendency in recent inflation data on both sides of the Atlantic: core inflation in the US is consistently printing higher than headline, indicating energy and food are now weighing the price level. The same is true in Europe. European energy inflation has plummeted to -3% in August. But the sticky services inflation has accelerated to 4.2%, from 4% in July. Services inflation, once embedded, is much harder to shift than the volatile energy and food components.

Monetary policy in the Euro Area remains in the balance. Should they accelerate cuts to try to resuscitate any remnants of economic activity, at the risk of further embedding stubborn pockets of inflationary pressures? Or do they draw a hard line on inflation, slowing easing nominal rates, while keeping restrictive real rates? It's hard to say, but erring on the side of caution, after years of very high and politically unpopular inflation, is probably wise.

Whatever the ECB decides is the best course of action, it will have to be something of a magic sponge to save Germany's energy situation. The deteriorating state of the German economy and market has led to Olaf Scholz grovelling to the European Commission to extend the existing price compensation, which is currently effective until 2030, to help subsidise companies hit by higher electricity prices. After killing industry with a disastrous electricity policy, the subsidy efforts will only hit the taxpayer deteriorating further its purchasing capability.

German power futures for a year-ahead have fallen to their lower levels since April as weak demand sees poor economic performance meets the country's continued losses of cheap Russian gas. Prices have fallen by more than 10% since the end of August. While other European markets have seen losses, Germany's have outpaced its neighbours'. It is expected this month's gas consumption in Europe's three biggest economies would be near 5-year lows. Not a nice picture for the continent overall...

Bizarrely, given its lacklustre gas demand, Europe is set to massively expand LNG infrastructure: from below 20 bcm import capacity in 2023, the IEEFA expects capacity to reach almost 60 bcm by the decade's end. Hopefully they've got some old CDs and nick nacks to fill it, as it won't be filled with LNG; the facilities that already exist were at under half capacity in H1 2024. The Institute for Energy Economics and Financial Analysis forecasts that European imports of LNG will fall by 37% by the end of the decade. The growth in gasoil stocks at the ARA hub, up 20 kt in the most recent weekly figures showcases the overall lack of European demand for energy.

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Front Month Outrights					
October Swaps			12-Sep-24	1-Day Change	7-Day Change
Crude					
Brent	(\$/bbl)	72.140	+3.000	-0.550	
WTI	(\$/bbl)	68.630	+3.130	-0.200	
Dubai	(\$/bbl)	71.760	+3.120	-0.210	
Distillates					
Gasoil 0.1 NWE	(\$/mt)	657.280	+25.550	-10.680	
NWE Jet	(\$/mt)	698.710	+24.480	-14.750	
Singapore 10ppm	(\$/bbl)	84.560	+3.290	-1.610	
Sing Kero	(\$/bbl)	84.230	+3.110	-1.850	
Gasoline					
RBOB	(c/gal)	192.320	+7.560	+0.400	
EBOB	(\$/mt)	658.330	+24.310	+9.160	
Singapore 92	(\$/bbl)	76.730	+2.670	+0.540	
Singapore 95	(\$/bbl)	80.130	+2.660	+0.560	
Naphtha					
US C5 ENT	(c/gal)	144.160	+6.870	-0.480	
NWE Naphtha	(\$/mt)	621.750	+30.610	+2.750	
MOPJ Naphtha	(\$/mt)	642.920	+30.370	+3.850	
Fuel Oil					
3.5% barges	(\$/mt)	384.750	+17.150	+2.540	
Singapore 380	(\$/mt)	399.120	+14.670	+10.410	
Singapore 180	(\$/mt)	409.810	+14.360	+12.850	
0.5% barges	(\$/mt)	480.060	+16.380	-17.080	
Singapore 0.5%	(\$/mt)	527.110	+14.220	-29.280	
NGLs					
US Propane LST	(c/gal)	68.857	+0.801	-4.469	
NWE Propane	(\$/mt)	557.740	+23.620	+4.210	
Saudi Propane CP	(\$/mt)	606.700	+13.080	+5.170	
Asian Propane FEI	(\$/mt)	634.700	+17.030	-2.880	
US Butane ENT	(c/gal)	93.610	+1.540	-4.470	
Saudi Butane CP	(\$/mt)	610.740	+14.070	+15.160	



Long Tenor Swaps

		Balmo	Oct-24	Nov-24	Dec-24	Jan-25	Q4-24	Q1-25
Crude								
Brent	(\$/bbl)	72.710	72.140	71.730	71.490	71.380	71.787	71.303
WTI	(\$/bbl)	69.310	68.630	68.020	67.640	67.390	68.097	67.247
Dubai	(\$/bbl)	73.150	71.760	71.090	70.680	70.460	71.177	70.353
Distillates								
Gasoil 0.1 NWE	(\$/mt)	658.500	657.280	655.250	654.960	655.610	655.830	655.400
NWE Jet	(\$/mt)	697.750	698.710	699.080	700.870	703.610	699.553	703.400
Singapore 10ppm	(\$/bbl)	84.160	84.560	84.630	84.740	84.890	84.643	85.027
Sing Kero	(\$/bbl)	84.130	84.230	84.370	84.560	84.720	84.387	84.803
Gasoline								
RBOB	(c/gal)	194.550	192.320	190.130	189.190	189.730	190.547	196.917
EBOB	(\$/mt)	680.080	658.330	644.330	635.830	636.580	646.163	640.997
Singapore 92	(\$/bbl)	77.080	76.730	76.280	76.230	76.380	76.413	76.647
Singapore 95	(\$/bbl)	80.730	80.130	79.480	79.280	79.880	79.630	80.213
Naphtha								
US C5 ENT	(c/gal)	142.910	144.160	144.040	143.920	144.420	144.040	143.587
NWE Naphtha	(\$/mt)	625.250	621.750	615.750	610.500	607.250	616.000	603.000
MOP-Japan Naphtha	(\$/mt)	646.920	642.920	637.170	631.920	627.170	637.337	622.170
Fuel Oil								
3.5% barges	(\$/mt)	393.000	384.750	379.370	376.750	376.750	380.290	379.000
Singapore 380	(\$/mt)	413.370	399.120	391.370	388.870	388.620	393.120	389.953
Singapore 180	(\$/mt)	419.810	409.810	402.310	400.310	400.810	404.143	402.560
0.5% barges	(\$/mt)	487.560	480.060	472.560	469.060	466.810	473.893	465.683
Singapore 0.5%	(\$/mt)	545.360	527.110	517.860	512.860	508.610	519.277	505.777
NGLs								
US Propane LST	(c/gal)	64.357	68.857	70.477	71.227	71.607	70.187	70.734
NWE Propane	(\$/mt)	560.740	557.740	550.240	543.240	537.740	550.407	524.073
Saudi Propane CP	(\$/mt)	606.700	606.700	606.700	605.700	602.700	606.367	590.533
Asian Propane FEI	(\$/mt)	639.200	634.700	630.950	627.200	619.200	630.950	603.033
US Butane ENT	(c/gal)	92.730	93.610	93.360	93.110	92.860	93.360	90.067
Saudi Butane CP	(\$/mt)	610.740	610.740	609.240	608.740	605.740	609.573	591.573



Front Month Spreads				
Oct/Nov		12-Sep-24	1-Day Change	7-Day Change
Crude				
Brent	(\$/bbl)	0.410	+0.090	+0.070
WTI	(\$/bbl)	0.610	+0.140	+0.160
Dubai	(\$/bbl)	0.670	+0.100	+0.100
Distillates				
Gasoil 0.1 NWE	(\$/mt)	2.030	+0.800	-0.100
NWE Jet	(\$/mt)	-0.370	+0.900	-0.500
Singapore 10ppm	(\$/bbl)	-0.070	+0.090	+0.040
Sing Kero	(\$/bbl)	-0.140	+0.060	-0.070
Gasoline				
RBOB	(c/gal)	2.190	+0.090	+0.310
EBOB	(\$/mt)	14.000	+0.250	+7.500
Singapore 92	(\$/bbl)	0.450	-0.110	+0.350
Singapore 95	(\$/bbl)	0.650	-0.110	+0.350
Naphtha				
US C5 ENT	(c/gal)	0.120	+0.000	+0.000
NWE Naphtha	(\$/mt)	6.000	+1.250	+0.750
MOP-Japan Naphtha	(\$/mt)	5.750	+1.250	+1.250
Fuel Oil				
3.5% barges	(\$/mt)	5.380	+0.260	+0.130
Singapore 380	(\$/mt)	7.750	-0.750	+3.750
Singapore 180	(\$/mt)	7.500	-0.750	+5.500
0.5% barges	(\$/mt)	7.500	-0.500	-4.250
Singapore 0.5%	(\$/mt)	9.250	-1.500	-9.250
NGLs				
US Propane LST	(c/gal)	-1.620	-0.240	-0.370
NWE Propane	(\$/mt)	7.500	+2.500	+1.500
Saudi Propane CP	(\$/mt)	0.000	-2.500	-1.000
Asian Propane FEI	(\$/mt)	3.750	-0.250	+0.700
US Butane ENT	(c/gal)	0.250	+0.000	-0.250
Saudi Butane CP	(\$/mt)	1.500	-2.000	+3.500



Front Month Cracks and Diffs			
October	12-Sep-24	1-Day Change	7-Day Change
Crude			
Brent/Dubai (\$/bbl)	0.380	-0.140	-0.350
WTI/Brent (\$/bbl)	-3.520	+0.150	+0.360
Distillates			
Gasoil 0.1 NWE crack (\$/bbl)	16.130	+0.530	-0.780
NWE Jet crack (\$/bbl)	16.580	+0.210	-1.250
NWE Jet Diff (\$/mt)	41.500	-1.000	-4.000
Gasoil E/W (\$/bbl)	-27.250	-1.500	-1.100
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-0.330	-0.180	-0.230
Gasoline			
TA Arb (RBOB vs EBOB) (c/gal)	4.150	+0.600	-2.250
EBOB crack (\$/bbl)	6.890	-0.060	+1.780
Singapore 92 crack (\$/bbl)	4.580	-0.320	+1.220
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	-2.300	-0.250	-0.550
European Gasnaph (EBOB vs Naphtha) (\$/mt)	36.650	-6.250	+6.600
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	-3.770	-8.140	+1.120
Naphtha			
US C5 ENT vs WTI Crack	-8.090	-0.250	+0.070
NWE Naphtha Crack (\$/bbl)	-2.290	+0.460	+0.960
MOPJ Naphtha Crack (\$/bbl)	0.100	+0.430	+1.070
Naphtha E/W (NWE vs MOPJ) (\$/mt)	21.250	-0.250	+1.000
Fuel Oil			
3.5% barges crack (\$/bbl)	-11.550	-0.300	+1.050
Singapore 380 crack (\$/bbl)	-9.360	-0.760	+2.220
Singapore 180 crack (\$/bbl)	-7.660	-0.800	+2.620
Visco (180-380) (\$/mt)	10.750	-0.250	+2.500
HSFO E/W (380 vs 3.5% barges) (\$/mt)	14.250	-2.600	+7.750
0.5% barges crack (\$/bbl)	3.450	-0.450	-2.050
Singapore 0.5% crack (\$/bbl)	10.850	-0.800	-4.000
VLSFO E/W (Sing 0.5% vs 0.5% barges) (\$/mt)	46.990	-2.220	-12.380
European Hi5 (0.5% barges vs 3.5% barges) (\$/mt)	95.570	-0.630	-19.360
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	128.310	-0.260	-39.500
0.5% barges/gasoil (\$/mt)	-177.360	-10.250	-5.790
Sing 0.5% vs Sing 10ppm (\$/mt)	-103.400	-11.240	-17.350
NGLs			
US Propane LST vs NWE Propane (\$/mt)	-199.000	-19.500	-27.500
US Propane LST vs Asian Propane FEI (\$/mt)	-276.000	-13.000	-20.500
Asian Propane FEI vs NWE Propane (\$/mt)	77.000	-6.500	-7.000
Asian Propane FEI vs Saudi Propane CP (\$/mt)	28.000	+4.000	-8.000
European Pronap (NWE Propane vs NWE Naphtha) (\$/mt)	-64.140	-7.300	+1.060
Asian Pronap (FEI vs MOPJ) (\$/mt)	-36.390	-17.550	+1.060



Long Tenor Cracks / Diffs

	Balmo	Oct-24	Nov-24	Dec-24	Jan-25	Q4-24	Q1-25
Crude							
Brent/Dubai (\$/bbl)	-0.430	0.380	0.630	0.800	0.920	0.603	0.947
WTI/Brent (\$/bbl)	-3.410	-3.520	-3.700	-3.850	-4.000	-3.690	-4.060
Distillates							
Gasoil 0.1 NWE crack (\$/bbl)	15.74	16.13	16.23	16.42	16.62	16.26	16.70
NWE Jet crack (\$/bbl)	15.92	16.58	17.01	17.45	17.91	17.01	17.99
NWE Jet Diff (\$/mt)	39.50	41.50	44.00	46.00	48.00	43.83	48.00
Gasoil E/W (\$/bbl)	-31.34	-27.25	-24.34	-23.56	-23.16	-25.05	-21.96
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-0.03	-0.33	-0.26	-0.18	-0.17	-0.26	-0.22
Gasoline							
TA Arb (RBOB vs EBOB) (c/gal)	0.170	4.150	5.960	7.450	7.790	5.853	13.697
EBOB crack (\$/bbl)	8.930	6.890	5.620	4.850	5.040	5.787	5.647
Singapore 92 crack (\$/bbl)	4.360	4.580	4.550	4.730	5.000	4.620	5.343
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	-4.560	-2.300	-1.070	-0.100	-0.040	-1.157	-0.303
European Gasnaph (EBOB vs Naphtha) (\$/mt)	54.900	36.650	28.650	25.400	29.400	30.233	38.067
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	-4.850	-3.770	-1.770	3.070	9.070	-0.823	16.290
Naphtha							
US C5 ENT vs WTI Crack	-9.300	-8.090	-7.530	-7.200	-6.730	-7.607	-6.940
NWE Naphtha Crack (\$/bbl)	-2.470	-2.290	-2.540	-2.900	-3.160	-2.577	-3.560
MOPJ Naphtha Crack (\$/bbl)	-0.020	0.100	-0.130	-0.490	-0.910	-0.173	-1.397
Naphtha E/W (NWE vs MOPJ) (\$/mt)	21.750	21.250	21.500	21.500	20.000	21.417	19.250
Fuel Oil							
3.5% bgs crack (\$/bbl)	-10.870	-11.550	-12.050	-12.210	-12.100	-11.937	-11.670
Singapore 380 crack (\$/bbl)	-7.680	-9.360	-10.160	-10.320	-10.250	-9.947	-9.963
Singapore 180 crack (\$/bbl)	-6.660	-7.660	-8.420	-8.510	-8.320	-8.197	-7.967
Visco (180-380) (\$/mt)	6.500	10.750	11.000	11.500	12.250	11.083	12.667
HSFO E/W (380 vs 3.5% bgs) (\$/mt)	20.250	14.250	12.000	12.000	11.750	12.750	10.833
0.5% bgs crack (\$/bbl)	4.060	3.450	2.690	2.370	2.120	2.837	2.023
Singapore 0.5% crack (\$/bbl)	13.150	10.850	9.810	9.260	8.700	9.973	8.330
VLSFO E/W (Sing 0.5% vs 0.5% bgs) (\$/mt)	57.740	46.990	45.240	43.740	41.740	45.323	40.033
European Hi5 (0.5% bgs vs 3.5% bgs) (\$/mt)	94.820	95.570	93.570	92.570	90.320	93.903	86.943
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	132.310	128.310	126.810	124.310	120.310	126.477	116.143
0.5% bgs/gasoil (\$/mt)	-171.250	-177.360	-182.750	-185.870	-188.860	-181.993	-189.800
Sing 0.5% vs Sing 10ppm (\$/mt)	-82.170	-103.400	-113.170	-118.610	-123.680	-111.727	-127.680
NGLs							
US Propane LST vs NWE Propane (\$/mt)	-225.44	-199	-183.06	-172.15	-164.67	-184.737	-155.553
US Propane LST vs Asian Propane FEI (\$/mt)	-303.94	-276	-263.81	-256.15	-246.17	-265.32	-234.553
Asian Propane FEI vs NWE Propane (\$/mt)	78.5	77	80.75	84	81.5	80.583	79
Asian Propane FEI vs Saudi Propane CP (\$/mt)	32.5	28	24.25	21.5	16.5	24.583	12.5
European Pronap (\$/mt)	-64.64	-64.14	-65.64	-67.39	-69.64	-65.723	-79.057
Asian Pronap (FEI vs MOPJ) (\$/mt)	-40.39	-36.39	-30.64	-26.39	-24.64	-31.14	-31.807



Inter-month Crack Spreads			
Oct/Nov	12-Sep-24	1-Day Change	7-Day Change
Crude			
Brent/Dubai (\$/bbl)	-0.250	-0.010	-0.020
WTI/Brent (\$/bbl)	0.180	+0.050	+0.080
Distillates			
Gasoil 0.1 NWE crack (\$/bbl)	-0.100	+0.080	+0.030
NWE Jet crack (\$/bbl)	-0.430	+0.070	-0.070
NWE Jet Diff (\$/mt)	-2.500	+0.000	-0.500
Gasoil E/W (\$/bbl)	-2.910	-0.600	-0.220
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-0.070	-0.030	-0.110
Gasoline			
TA Arb (RBOB vs EBOB) (c/gal)	-1.810	+0.010	-1.830
EBOB crack (\$/bbl)	1.270	-0.050	+0.830
Singapore 92 crack (\$/bbl)	0.030	-0.200	+0.270
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	-1.230	-0.140	-0.550
European Gasnaph (EBOB vs Naphtha) (\$/mt)	8.000	-1.000	+6.750
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	-2.000	-2.170	+1.670
Naphtha			
US C5 ENT vs WTI Crack	-0.560	-0.140	-0.170
NWE Naphtha Crack (\$/bbl)	0.250	+0.050	+0.000
MOPJ Naphtha Crack (\$/bbl)	0.230	+0.050	+0.060
Naphtha E/W (NWE vs MOPJ) (\$/mt)	-0.250	+0.000	+0.500
Fuel Oil			
3.5% barges crack (\$/bbl)	0.500	+0.010	+0.010
Singapore 380 crack (\$/bbl)	0.800	-0.200	+0.510
Singapore 180 crack (\$/bbl)	0.760	-0.210	+0.790
Visco (180-380) (\$/mt)	-0.250	+0.000	+1.750
HSFO E/W (380 vs 3.5% barges) (\$/mt)	2.250	-1.000	+3.500
0.5% barges crack (\$/bbl)	0.760	-0.160	-0.750
Singapore 0.5% crack (\$/bbl)	1.040	-0.320	-1.530
VLSFO E/W (Sing 0.5% vs 0.5% barges) (\$/mt)	1.750	-1.000	-5.000
European Hi5 (0.5% barges vs 3.5% barges) (\$/mt)	2.000	-0.750	-4.500
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	1.500	-0.750	-13.000
0.5% barges/gasoil (\$/mt)	5.390	-1.710	-4.230
Sing 0.5% vs Sing 10ppm (\$/mt)	9.770	-2.170	-9.550
NGLs			
US Propane LST vs NWE Propane (\$/mt)	-15.940	-3.750	-3.420
US Propane LST vs Asian Propane FEI (\$/mt)	-12.190	-1.000	-2.680
Asian Propane FEI vs NWE Propane (\$/mt)	-3.750	-2.750	-0.750
Asian Propane FEI vs Saudi Propane CP (\$/mt)	3.750	+2.250	+1.750
European Pronap (NWE Propane vs NWE Naphtha) (\$/mt)	1.500	+1.250	+0.750