



Market Summary

Don't listen to the data... at your own risk

Brent continued to extend the losses that began on Friday evening, falling by 91c to \$84.91/bbl. Money managers increased length in Brent futures in the week to July 9, but net positioning remained subdued, one could actually say even-sided. Implied volatility in Brent remains at 9-year lows. Is this the quiet before the storm, or are we already in the eye of the tornado?

Winds are gathering speed in the cash Brent market...again! Mercuria has been amassing a significant cash position over the last three weeks and has bought 49 cash Brents, equivalent to 7 physical cargoes. Mercuria bought three more partials today at implied EFP premiums of 25c or more. What are they going to do? We don't know but the past tells us the sellers could get caught in another short squeeze.

But the core economy is no good, with almost every data release across our desk looking bleak. Anything constructive is rapidly revised down. But yet, equities continue to break record highs, and Brent remains firmly anchored in the \$85s/bbl. But the dam is filling up, and at some point, it inevitably must burst.

In the UK, the BoE remains concerned about service's inflation and labor tightness. Hopes of US soft landing are diminishing, and remember monetary policy operates with a 6 month lag. In the Euro Area, industrial production is contracting y-o-y, with May down -2.9%, having only printed a single month of expansion out of the last 12 months. French deliveries of road fuel fell by 10.4% in June, against the same time last year, even despite summer driving season. And concerns over debt sustainability in France grow with the national auditor confiding that they are "dangerously exposed".

Despite everywhere we look painting a very bleak picture, WTI and Brent structures remain in a steep bullish backwardation, and prices remain elevated, with Brent trading around \$85/bbl. But synthetically elevated prices cannot last for ever. Or maybe just ignore all the data and go with the flow.

See details over leaf

Summary

Physical and Futures		15-Jul-24	1-Day Change	7-Day Change
Brent Sep (fut)	(\$/bbl)	84.910	-0.910	-1.250
WTI Sep (fut)	(\$/bbl)	80.870	-0.890	-0.970
Dubai Sep (phys)	(\$/bbl)	84.640	-0.740	-1.650

Crude Swaps Aug

Brent	(\$/bbl)	83.935	-0.800	-1.375
DFL	(\$/bbl)	1.030	-0.120	+0.180
WTI	(\$/bbl)	80.480	-0.865	-1.050
Dubai	(\$/bbl)	83.590	-0.770	-1.830

Tenor

Crude Futures

		Sep-24	Oct-24	Nov-24
Brent (fut)	(\$/bbl)	84.910	83.970	83.170
WTI (fut)	(\$/bbl)	80.870	79.810	78.930



In detail

As at 16:30 BST, September WTI and Brent futures eased to \$80.87/bbl and \$84.91/bbl, respectively. Against the same time on Friday, the Brent front month futures contract fell by \$0.91/bbl, while the WTI contract fell by slightly less, down \$0.89/bbl over the same period. The M1/M2 spreads for Brent futures remained unchanged from Friday, at \$1.06/bbl.

Despite glaring overproduction and weak demand, some analysts still remain optimistic about oil prices. The Fed is expected to start easing from September. The dollar should consequently weaken, as interest rate differentials close, we'll leave discussion of CIP deviations for another day. Some suggest this would boost oil demand, as local purchasing power becomes elevated. And this makes sense, weak dollar equals cheap oil... right? This coveted relationship is not as robust as many might hope. Pre 2008, perhaps, but after the onset of quantitative easing, rising liquidity, and changes in risk sentiment dynamics, the inverse dollar-oil relationship is no longer as strong.

If you look at the 30 day correlations between ICE Brent futures and the dollar, today's data showed a return to the inverse relationship (-15.8%). But the historical series oscillates from positive to negative. At longer horizons the same is true. 120 day and 60 day correlations are positive in the latest data at 2% and 6% respectively, but have also been negative in the past. (Figure 1) It is therefore difficult to justify inference of oil prices from the strength of the dollar. Yet a rising price in any national currency means a hit on demand.

But of course, the dollar plays a key role in oil markets, even if less useful for price prediction. As Nigeria's Dangote refinery continues to guzzle more and more US crude, the naira extends further losses against the dollar. This FX instability becomes a problem when you buy your crude in dollars, but domestic markets trade products in naira. Relative to a year ago the currency has seen around a 70% devaluation, despite efforts from the central bank. On July 10-11 the CBN sold around 122.7 million USD to domestic currency markets. The CBN has also maintained an aggressively tight monetary regime since May 2022. The base rate now stands at 26.25%, however inflation continues to rise, printing 34.2% y-o-y in June.

The hiking is almost certainly not over, don't take your boots off yet, and neither is the currency intervention. The CBN has boosted foreign reserves to \$35 billion, having secured loans from the world bank and the African Export Import Bank. Interest driven capital inflows and growing oil exports provide shreds of optimism, but there remains a lot of ground to travel. In June, Nigeria's output of crude and condensate rose to 1.5mb/d and oil sales account for over of 80% of Nigeria's export earnings.

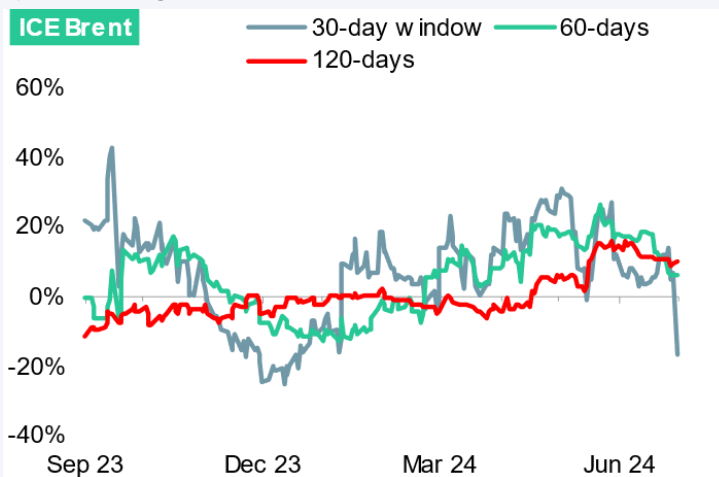


Figure 1: ICE Brent front month and DXY correlations, Bloomberg, Authors calculations

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Front Month Outrights					
August Swaps			15-Jul-24	1-Day Change	7-Day Change
Crude					
Brent	(\$/bbl)	83.935		-0.800	-1.375
WTI	(\$/bbl)	80.480		-0.865	-1.050
Dubai	(\$/bbl)	83.590		-0.770	-1.830
Distillates					
Gasoil 0.1 NWE	(\$/mt)	773.625		-6.425	-16.605
NWE Jet	(\$/mt)	825.120		-5.930	-19.610
Singapore 10ppm	(\$/bbl)	100.250		-0.760	-2.060
Sing Kero	(\$/bbl)	99.260		-0.650	-1.950
Gasoline					
RBOB	(c/gal)	246.365		-2.870	-5.790
EBOB	(\$/mt)	827.910		-9.790	-15.640
Singapore 92	(\$/bbl)	91.180		-0.980	-1.390
Singapore 95	(\$/bbl)	95.540		-0.970	-1.380
Naphtha					
US C5 ENT	(c/gal)	156.770		-1.120	-2.130
NWE Naphtha	(\$/mt)	677.200		-3.470	-8.630
MOPJ Naphtha	(\$/mt)	694.200		-2.470	-8.380
Fuel Oil					
3.5% barges	(\$/mt)	480.310		-3.750	-10.350
Singapore 380	(\$/mt)	498.810		-4.500	-8.350
Singapore 180	(\$/mt)	505.310		-4.500	-5.540
0.5% barges	(\$/mt)	557.470		-5.710	-9.900
Singapore 0.5%	(\$/mt)	599.060		-6.600	-11.620
NGLs					
US Propane LST	(c/gal)	80.900		-0.640	-3.040
NWE Propane	(\$/mt)	568.990		-2.280	+2.160
Saudi Propane CP	(\$/mt)	584.990		-2.730	-0.340
Asian Propane FEI	(\$/mt)	636.490		-2.780	-3.840
US Butane ENT	(c/gal)	97.650		-0.500	-2.290
Saudi Butane CP	(\$/mt)	569.990		-1.780	-1.340



Long Tenor Swaps

		Balmo	Aug-24	Sep-24	Oct-24	Nov-24	Q4-24	Q1-25
Crude								
Brent	(\$/bbl)	84.835	83.935	83.150	82.485	81.925	81.942	80.583
WTI	(\$/bbl)	81.370	80.480	79.550	78.715	78.035	78.052	76.348
Dubai	(\$/bbl)	84.390	83.590	82.850	82.170	81.570	81.583	80.113
Distillates								
Gasoil 0.1 NWE	(\$/mt)	773.625	773.625	774.090	771.420	766.210	766.932	758.300
NWE Jet	(\$/mt)	825.620	825.120	826.590	826.420	822.210	822.930	816.300
Singapore 10ppm	(\$/bbl)	100.120	100.250	100.320	100.120	99.670	99.683	98.867
Sing Kero	(\$/bbl)	99.040	99.260	99.490	99.420	99.120	99.120	98.463
Gasoline								
RBOB	(c/gal)	249.015	246.365	228.005	222.320	218.540	219.270	224.645
EBOB	(\$/mt)	830.910	827.910	814.160	769.410	747.660	749.827	732.577
Singapore 92	(\$/bbl)	91.830	91.180	89.980	88.880	87.880	87.987	86.730
Singapore 95	(\$/bbl)	96.340	95.540	94.240	93.090	91.890	92.030	90.340
Naphtha								
US C5 ENT	(c/gal)	156.270	156.770	157.150	157.530	157.650	157.527	156.900
NWE Naphtha	(\$/mt)	690.950	677.200	669.700	664.950	659.700	659.700	645.533
MOP-Japan Naphtha	(\$/mt)	701.200	694.200	686.700	680.950	675.450	675.533	659.533
Fuel Oil								
3.5% barges	(\$/mt)	486.060	480.310	471.810	461.060	454.310	455.260	447.127
Singapore 380	(\$/mt)	505.060	498.810	483.810	471.060	463.310	464.560	454.393
Singapore 180	(\$/mt)	510.810	505.310	491.560	481.310	474.560	475.727	467.393
0.5% barges	(\$/mt)	560.970	557.470	551.970	545.970	540.470	540.637	528.553
Singapore 0.5%	(\$/mt)	604.810	599.060	592.560	586.560	581.310	581.393	567.810
NGLs								
US Propane LST	(c/gal)	79.900	80.900	81.780	83.030	83.780	83.530	82.360
NWE Propane	(\$/mt)	572.990	568.990	564.990	563.990	562.990	563.323	544.323
Saudi Propane CP	(\$/mt)	584.990	584.990	588.490	597.490	605.990	604.823	598.157
Asian Propane FEI	(\$/mt)	641.490	636.490	637.490	641.990	645.990	643.823	620.490
US Butane ENT	(c/gal)	96.650	97.650	98.150	99.400	100.150	99.940	97.810
Saudi Butane CP	(\$/mt)	569.990	569.990	581.490	592.490	601.490	600.157	592.157



Front Month Spreads				
Aug/Sep		15-Jul-24	1-Day Change	7-Day Change
Crude				
Brent	(\$/bbl)	0.785	-0.080	+0.065
WTI	(\$/bbl)	0.930	-0.105	+0.150
Dubai	(\$/bbl)	0.740	-0.060	-0.060
Distillates				
Gasoil 0.1 NWE	(\$/mt)	-0.465	+0.075	+0.315
NWE Jet	(\$/mt)	-1.470	+0.570	+0.310
Singapore 10ppm	(\$/bbl)	-0.070	-0.020	+0.040
Sing Kero	(\$/bbl)	-0.230	-0.040	-0.110
Gasoline				
RBOB	(c/gal)	18.360	-0.730	-0.960
EBOB	(\$/mt)	13.750	-1.000	-1.000
Singapore 92	(\$/bbl)	1.200	-0.050	+0.350
Singapore 95	(\$/bbl)	1.300	-0.050	+0.350
Naphtha				
US C5 ENT	(c/gal)	-0.380	+0.000	+0.000
NWE Naphtha	(\$/mt)	7.500	-1.000	-0.500
MOP-Japan Naphtha	(\$/mt)	7.500	+0.000	+0.000
Fuel Oil				
3.5% barges	(\$/mt)	8.500	-0.500	-1.250
Singapore 380	(\$/mt)	15.000	-0.250	-1.750
Singapore 180	(\$/mt)	13.750	-0.250	-0.250
0.5% barges	(\$/mt)	5.500	-0.250	-0.250
Singapore 0.5%	(\$/mt)	6.500	-0.250	-1.000
NGLs				
US Propane LST	(c/gal)	-0.880	+0.000	-0.130
NWE Propane	(\$/mt)	4.000	+1.000	+1.500
Saudi Propane CP	(\$/mt)	-3.500	+0.000	+4.000
Asian Propane FEI	(\$/mt)	-1.000	+0.000	+1.000
US Butane ENT	(c/gal)	-0.500	+0.120	+0.120
Saudi Butane CP	(\$/mt)	-11.500	+1.000	+2.000



Front Month Cracks and Diffs			
August	15-Jul-24	1-Day Change	7-Day Change
Crude			
Brent/Dubai (\$/bbl)	0.350	-0.020	+0.460
WTI/Brent (\$/bbl)	-3.460	-0.060	+0.320
Distillates			
Gasoil 0.1 NWE crack (\$/bbl)	19.900	-0.060	-0.860
NWE Jet crack (\$/bbl)	20.770	+0.040	-1.120
NWE Jet Diff (\$/mt)	51.500	+0.500	-3.000
Gasoil E/W (\$/bbl)	-26.750	+0.750	+1.300
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-1.000	+0.100	+0.100
Gasoline			
TA Arb (RBOB vs EBOB) (c/gal)	9.700	-0.100	-1.350
EBOB crack (\$/mt)	15.460	-0.370	-0.500
Singapore 92 crack (\$/bbl)	7.250	-0.180	-0.010
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	-8.200	+0.200	+0.500
European Gasnaph (EBOB vs Naphtha) (\$/mt)	150.640	-6.390	-6.990
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	65.410	-5.610	-3.030
Naphtha			
US C5 ENT vs WTI Crack	-14.640	+0.390	+0.160
NWE Naphtha Crack (\$/bbl)	-7.850	+0.400	+0.400
MOPJ Naphtha Crack (\$/bbl)	-5.940	+0.510	+0.430
Naphtha E/W (NWE vs MOPJ) (\$/mt)	17.000	+1.000	+0.250
Fuel Oil			
3.5% barges crack (\$/bbl)	-8.300	+0.200	-0.260
Singapore 380 crack (\$/bbl)	-5.390	+0.080	+0.050
Singapore 180 crack (\$/bbl)	-4.360	+0.080	+0.490
Visco (180-380) (\$/mt)	6.500	+0.000	+2.750
HSFO E/W (380 vs 3.5% barges) (\$/mt)	18.500	-0.750	+2.000
0.5% barges crack (\$/bbl)	3.850	-0.110	-0.200
Singapore 0.5% crack (\$/bbl)	10.400	-0.250	-0.470
VLSFO E/W (Sing 0.5% vs 0.5% barges) (\$/mt)	41.590	-0.640	-1.720
European Hi5 (0.5% barges vs 3.5% barges) (\$/mt)	77.160	-2.210	+0.390
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	100.250	-2.100	-3.330
0.5% barges/gasoil (\$/mt)	-216.150	+0.530	+6.710
Sing 0.5% vs Sing 10ppm (\$/mt)	-147.860	-0.940	+3.670
NGLs			
US Propane LST vs NWE Propane (\$/mt)	-147.500	-1.000	-18.000
US Propane LST vs Asian Propane FEI (\$/mt)	-215.000	-0.500	-12.000
Asian Propane FEI vs NWE Propane (\$/mt)	67.500	-0.500	-6.000
Asian Propane FEI vs Saudi Propane CP (\$/mt)	51.500	+0.000	-3.500
European Pronap (NWE Propane vs NWE Naphtha) (\$/mt)	-108.210	+1.100	+10.710
Asian Pronap (FEI vs MOPJ) (\$/mt)	-109.210	-0.400	+7.960



Long Tenor Cracks / Diffs

	Balmo	Aug-24	Sep-24	Oct-24	Nov-24	Q4-24	Q1-25
Crude							
Brent/Dubai (\$/bbl)	0.450	0.350	0.290	0.330	0.370	0.377	0.487
WTI/Brent (\$/bbl)	-3.470	-3.460	-3.600	-3.770	-3.900	-3.897	-4.237
Distillates							
Gasoil 0.1 NWE crack (\$/bbl)	19.00	19.90	20.75	21.07	20.93	21.01	21.20
NWE Jet crack (\$/bbl)	19.93	20.77	21.75	22.40	22.42	22.49	23.01
NWE Jet Diff (\$/mt)	52.00	51.50	52.50	55.00	56.00	56.00	58.00
Gasoil E/W (\$/bbl)	-27.73	-26.75	-26.71	-25.56	-23.66	-24.29	-21.76
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-1.09	-1.00	-0.84	-0.70	-0.57	-0.57	-0.41
Gasoline							
TA Arb (RBOB vs EBOB) (c/gal)	11.500	9.700	-4.730	2.390	4.830	4.937	15.237
EBOB crack (\$/mt)	14.920	15.460	14.600	9.880	7.840	8.077	7.367
Singapore 92 crack (\$/bbl)	7.000	7.250	6.850	6.410	5.970	6.057	6.167
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	-7.910	-8.200	-7.750	-3.480	-1.870	-2.020	-1.200
European Gasnaph (EBOB vs Naphtha) (\$/mt)	139.890	150.640	144.390	104.390	87.890	90.057	87.053
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	63.830	65.410	62.920	59.500	56.670	57.477	63.007
Naphtha							
US C5 ENT vs WTI Crack	-15.740	-14.640	-13.550	-12.560	-11.820	-11.890	-10.443
NWE Naphtha Crack (\$/bbl)	-7.210	-7.850	-7.890	-7.770	-7.800	-7.820	-8.057
MOPJ Naphtha Crack (\$/bbl)	-6.050	-5.940	-5.980	-5.970	-6.030	-6.040	-6.483
Naphtha E/W (NWE vs MOPJ) (\$/mt)	10.250	17.000	17.000	16.000	15.750	15.833	14.000
Fuel Oil							
3.5% bgs crack (\$/bbl)	-8.300	-8.300	-8.840	-9.870	-10.380	-10.247	-10.170
Singapore 380 crack (\$/bbl)	-5.300	-5.390	-6.950	-8.300	-8.960	-8.783	-9.030
Singapore 180 crack (\$/bbl)	-4.400	-4.360	-5.730	-6.680	-7.190	-7.023	-6.980
Visco (180-380) (\$/mt)	5.750	6.500	7.750	10.250	11.250	11.167	13.000
HSFO E/W (380 vs 3.5% bgs) (\$/mt)	19.000	18.500	12.000	10.000	9.000	9.300	7.267
0.5% bgs crack (\$/bbl)	3.500	3.850	3.780	3.500	3.190	3.200	2.650
Singapore 0.5% crack (\$/bbl)	10.410	10.400	10.170	9.880	9.620	9.613	8.833
VLSFO E/W (Sing 0.5% vs 0.5% bgs) (\$/mt)	43.840	41.590	40.590	40.590	40.840	40.757	39.257
European Hi5 (0.5% bgs vs 3.5% bgs) (\$/mt)	74.910	77.160	80.160	84.910	86.160	85.377	81.427
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	99.750	100.250	108.750	115.500	118.000	116.833	113.417
0.5% bgs/gasoil (\$/mt)	-212.650	-216.150	-222.120	-225.450	-225.820	-226.340	-229.787
Sing 0.5% vs Sing 10ppm (\$/mt)	-141.140	-147.860	-154.880	-159.390	-161.370	-161.357	-168.830
NGLs							
US Propane LST vs NWE Propane (\$/mt)	-156.71	-147.5	-138.92	-131.4	-126.5	-128.133	-115.23
US Propane LST vs Asian Propane FEI (\$/mt)	-225.21	-215	-211.42	-209.4	-209.5	-208.633	-191.397
Asian Propane FEI vs NWE Propane (\$/mt)	68.5	67.5	72.5	78	83	80.5	76.167
Asian Propane FEI vs Saudi Propane CP (\$/mt)	56.5	51.5	49	44.5	40	39	22.333
European Pronap (\$/mt)	-117.96	-108.21	-104.71	-100.96	-96.71	-96.377	-101.21
Asian Pronap (FEI vs MOPJ) (\$/mt)	-116.21	-109.21	-98.21	-83.46	-69.46	-70.71	-61.377



Inter-month Crack Spreads			
Aug/Sep	15-Jul-24	1-Day Change	7-Day Change
Crude			
Brent/Dubai (\$/bbl)	0.060	-0.010	+0.150
WTI/Brent (\$/bbl)	0.140	-0.010	+0.070
Distillates			
Gasoil 0.1 NWE crack (\$/bbl)	-0.850	+0.100	-0.030
NWE Jet crack (\$/bbl)	-0.980	+0.140	-0.050
NWE Jet Diff (\$/mt)	-1.000	+0.500	+0.000
Gasoil E/W (\$/bbl)	-0.040	-0.230	+0.030
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-0.160	-0.020	-0.150
Gasoline			
TA Arb (RBOB vs EBOB) (c/gal)	14.430	-0.440	-0.670
EBOB crack (\$/mt)	0.860	-0.040	-0.200
Singapore 92 crack (\$/bbl)	0.400	+0.020	+0.260
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	-0.450	+0.070	+0.470
European Gasnaph (EBOB vs Naphtha) (\$/mt)	6.250	+0.000	-0.500
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	2.490	-0.420	+2.910
Naphtha			
US C5 ENT vs WTI Crack	-1.090	+0.110	-0.140
NWE Naphtha Crack (\$/bbl)	0.040	-0.050	-0.140
MOPJ Naphtha Crack (\$/bbl)	0.040	+0.060	-0.080
Naphtha E/W (NWE vs MOPJ) (\$/mt)	0.000	+1.000	+0.500
Fuel Oil			
3.5% barges crack (\$/bbl)	0.540	-0.010	-0.290
Singapore 380 crack (\$/bbl)	1.560	+0.030	-0.360
Singapore 180 crack (\$/bbl)	1.370	+0.030	-0.120
Visco (180-380) (\$/mt)	-1.250	+0.000	+1.500
HSFO E/W (380 vs 3.5% barges) (\$/mt)	6.500	+0.250	-0.500
0.5% barges crack (\$/bbl)	0.070	+0.020	-0.130
Singapore 0.5% crack (\$/bbl)	0.230	+0.030	-0.240
VLSFO E/W (Sing 0.5% vs 0.5% barges) (\$/mt)	1.000	+0.000	-0.750
European Hi5 (0.5% barges vs 3.5% barges) (\$/mt)	-3.000	+0.250	+1.000
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	-8.500	+0.000	+0.750
0.5% barges/gasoil (\$/mt)	5.970	-0.240	-0.480
Sing 0.5% vs Sing 10ppm (\$/mt)	7.020	-0.110	-1.300
NGLs			
US Propane LST vs NWE Propane (\$/mt)	-8.580	-0.990	-2.180
US Propane LST vs Asian Propane FEI (\$/mt)	-3.580	+0.010	-1.680
Asian Propane FEI vs NWE Propane (\$/mt)	-5.000	-1.000	-0.500
Asian Propane FEI vs Saudi Propane CP (\$/mt)	2.500	+0.000	-3.000
European Pronap (NWE Propane vs NWE Naphtha) (\$/mt)	-3.500	+2.000	+2.000