

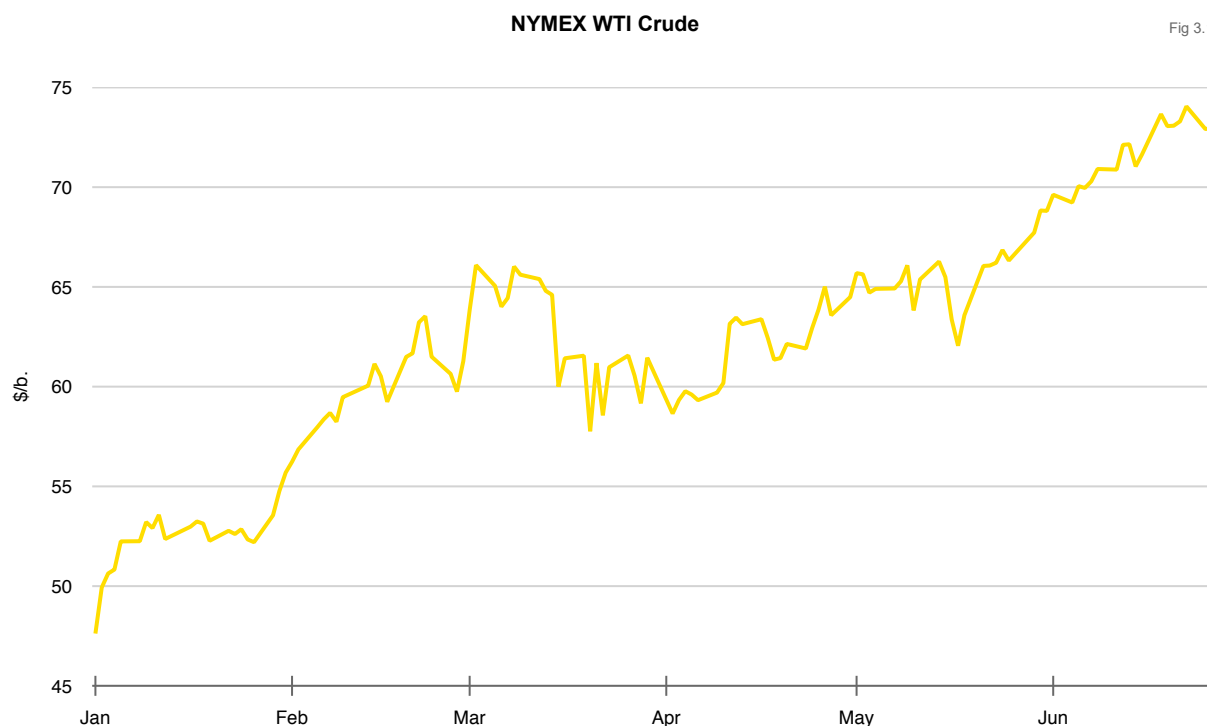
The Oil Market Journal

2021 Q2 Review of Prices and Fundamentals





Iranian nuclear talks, Vienna



Review of Q2 2021

Q2 was dominated by three main events:

- **Colonial Pipeline outage**
- **Iranian nuclear talks in Vienna**
- **COVID recovery trade**

During Q2 the US was once again hit with a major supply disruption. While the outage in Q1 was weather related, the Q2 outage was due to a cyber-attack on the Colonial Pipeline. The key pipeline which supplies refined products from Texas to the US East Coast was shut down for over one week and led to widespread supply problems.

However, the biggest driver of prices during Q2 was the continued recovery trade with traders and investors extending long positions on expectations of higher demand. In addition, OPEC+ discipline appears good and relations between Saudi Arabia and Russia have improved since the spat in the first half of 2020.

Attention was also focused on the Iranian nuclear talks during the quarter. The election of President Biden has increased the prospect of a return to the Obama led deal with Iran. Nevertheless, the recent election of a “hard-line” Iranian President may slow the return of Iranian crude to the market.

The biggest winner so far this year on the oil market is gasoline. Surprisingly, one of the worst performers on the biofuel market during the first half of the year was Ethanol.

Marine fuels performed well during the first half of 2021 with gains of about 40% supported by a booming global shipping market.

On the foreign exchange markets, Sterling outperformed and the Euro underperformed but the UK is losing the advantage of a swift vaccine program and is struggling with the “Delta Variant.” As a result there is a risk of a flip back into the Euro from Sterling in the second half of 2021.





OMJ now provides a wide range of US agricultural commodity prices from CBOT and CME

Prices

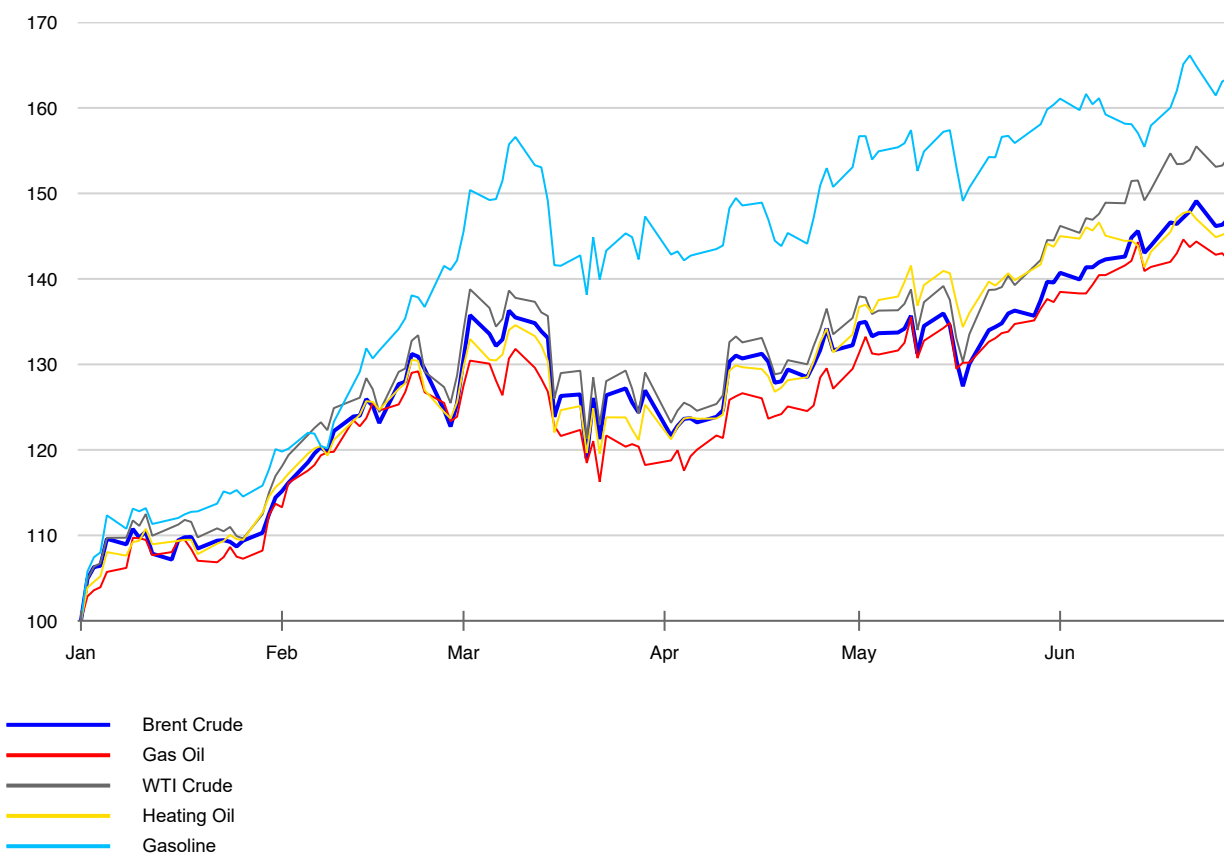


Oil Futures

Price Performance 01 January 2021 - 30 June 2021

Rebased Graph

Fig 4.1



Futures	Last Price	Change	Change %
ICE Brent Crude \$/b.	75.13	23.33	45.04
ICE Gas Oil \$/t.	596.75	176.00	41.83
NYMEX WTI Crude \$/b.	73.47	24.95	51.42
NYMEX Heating Oil US c/g.	212.87	65.24	44.19
NYMEX Gasoline US c/g.	224.44	83.60	59.36

Sources: ICE, NYMEX, OMJ

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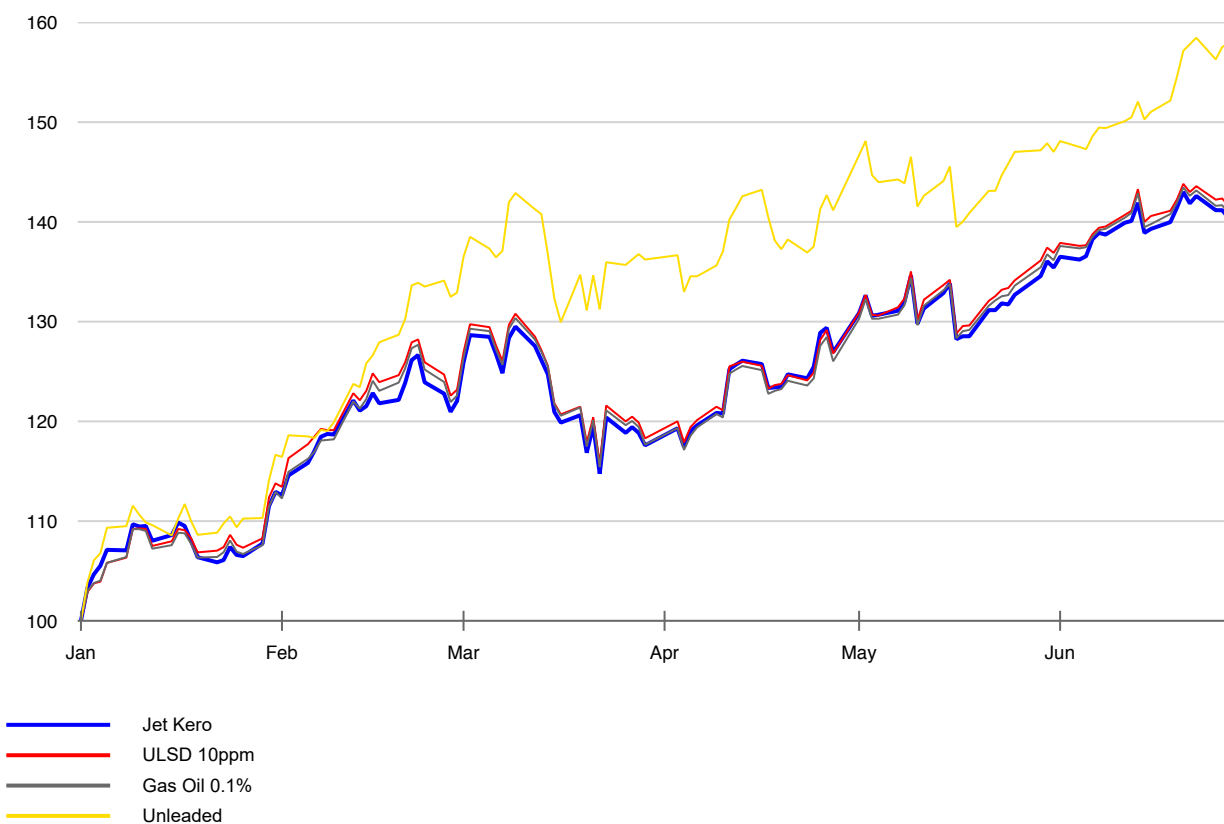


Refined Products

Price Performance 01 January 2021 - 30 June 2021

Rebased Graph

Fig 5.1



Rotterdam CIF Cargo N.W.E Basis ARA	Last Price \$/t.	Change \$/t.	Change %
Jet Kero	616.25	176.00	39.98
ULSD 10ppm UK	603.50	176.00	41.17
Gas Oil 0.1%	594.00	170.50	40.26
Unleaded	727.75	265.00	57.27

Source: Platts, OMI

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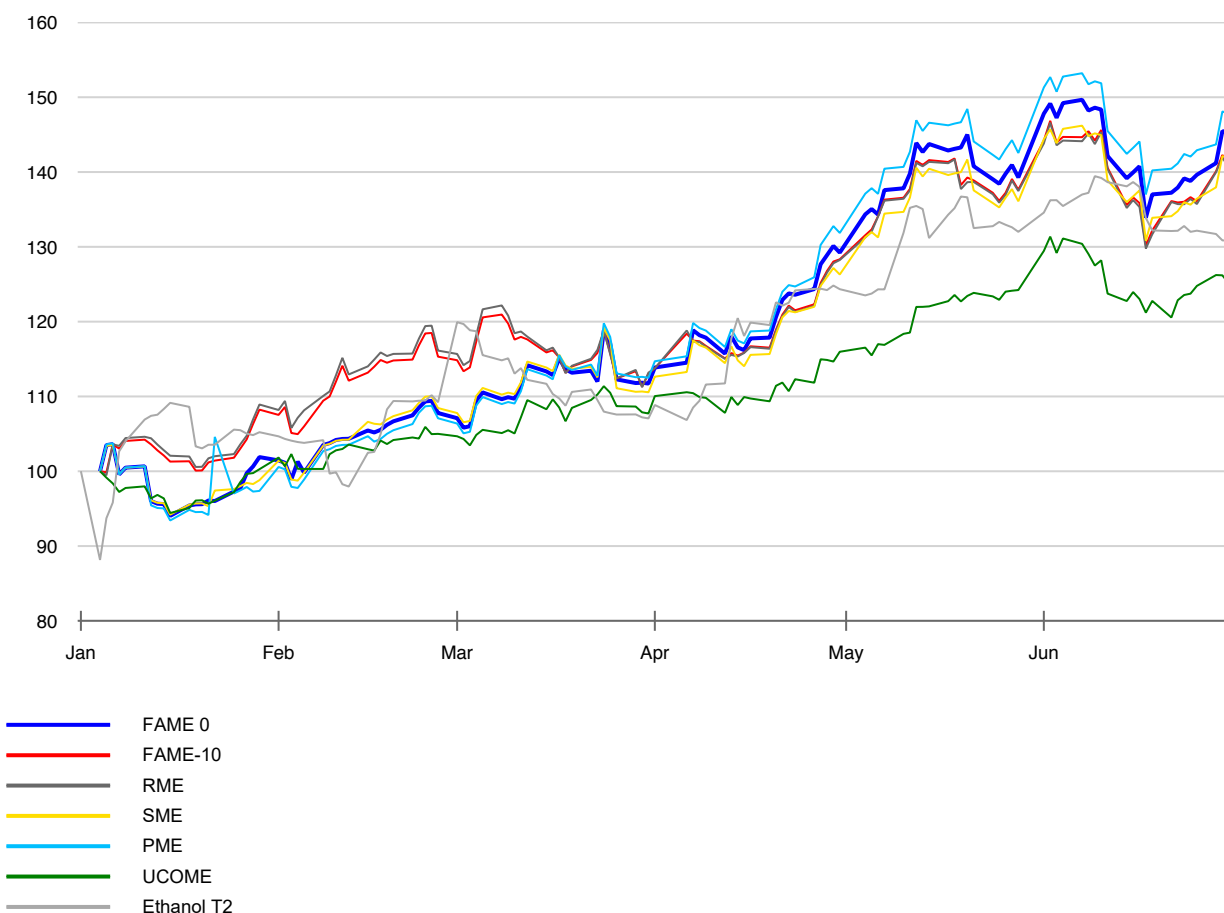


Biofuels

Price Performance 01 January 2021 - 30 June 2021

Rebased Graph

Fig 6.1



Rotterdam FOB Barge ARA	Last Price \$/t.	Change \$/t.	Change %
FAME 0	1,631.75	528.00	47.84
FAME-10	1,627.25	494.70	43.68
RME	1,626.75	491.00	43.23
SME	1,636.75	503.00	44.37
PME	1,616.75	543.00	50.57
UCOME	1,747.00	351.64	25.20
Ethanol T2	971.94	228.97	30.82

Sources: SCB, OMJ

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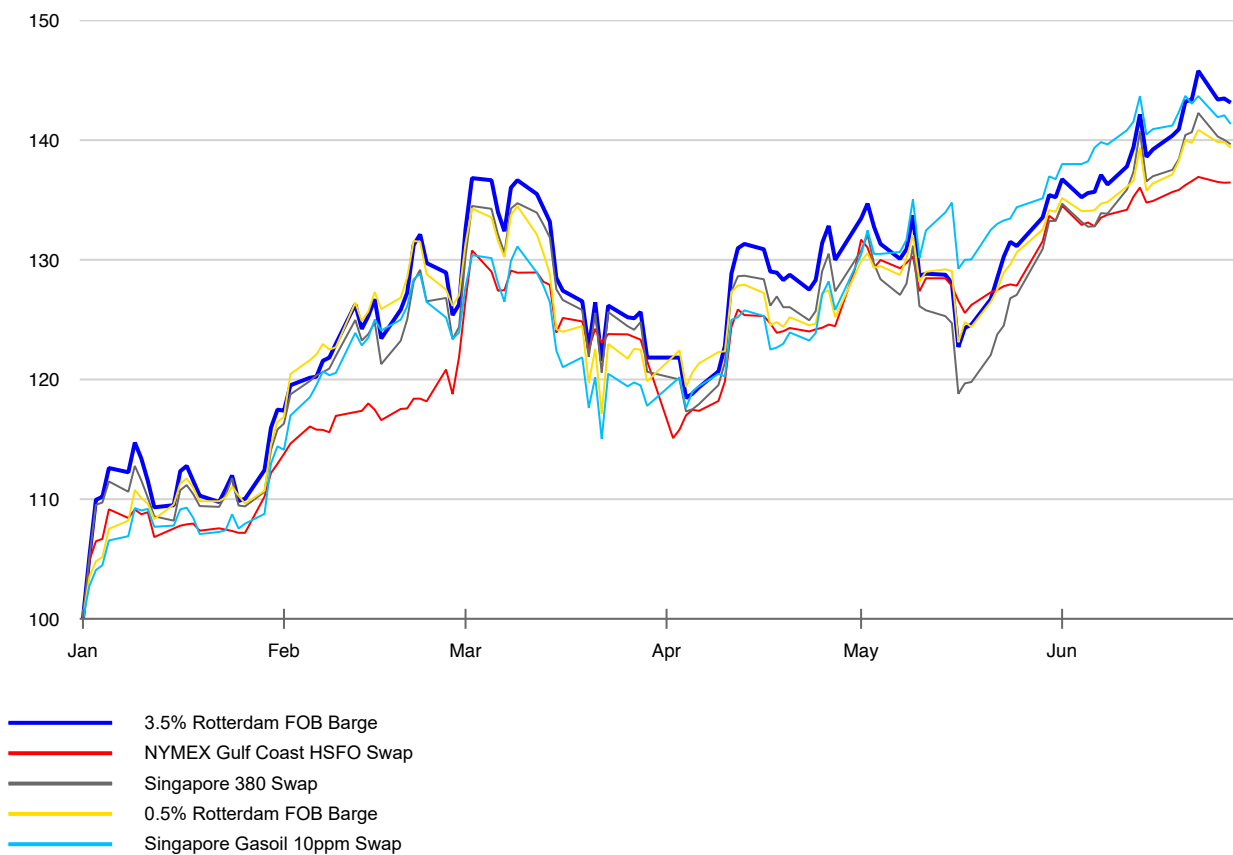


Marine Fuels

Price Performance 01 January 2021 - 30 June 2021

Rebased Graph

Fig 7.1



Fuel Oil	Last Price \$/t.	Change \$/t.	Change %
3.5% Rotterdam FOB Barge	403.25	121.50	43.12
NYMEX Gulf Coast HSFO Swap	391.92	112.01	40.02
Singapore 380 Swap	414.15	113.92	37.94
0.5% Rotterdam FOB Barge	514.25	147.25	40.12
Singapore Gasoil 10ppm Swap	595.88	171.60	40.44

Sources: Platts, CME, OMJ

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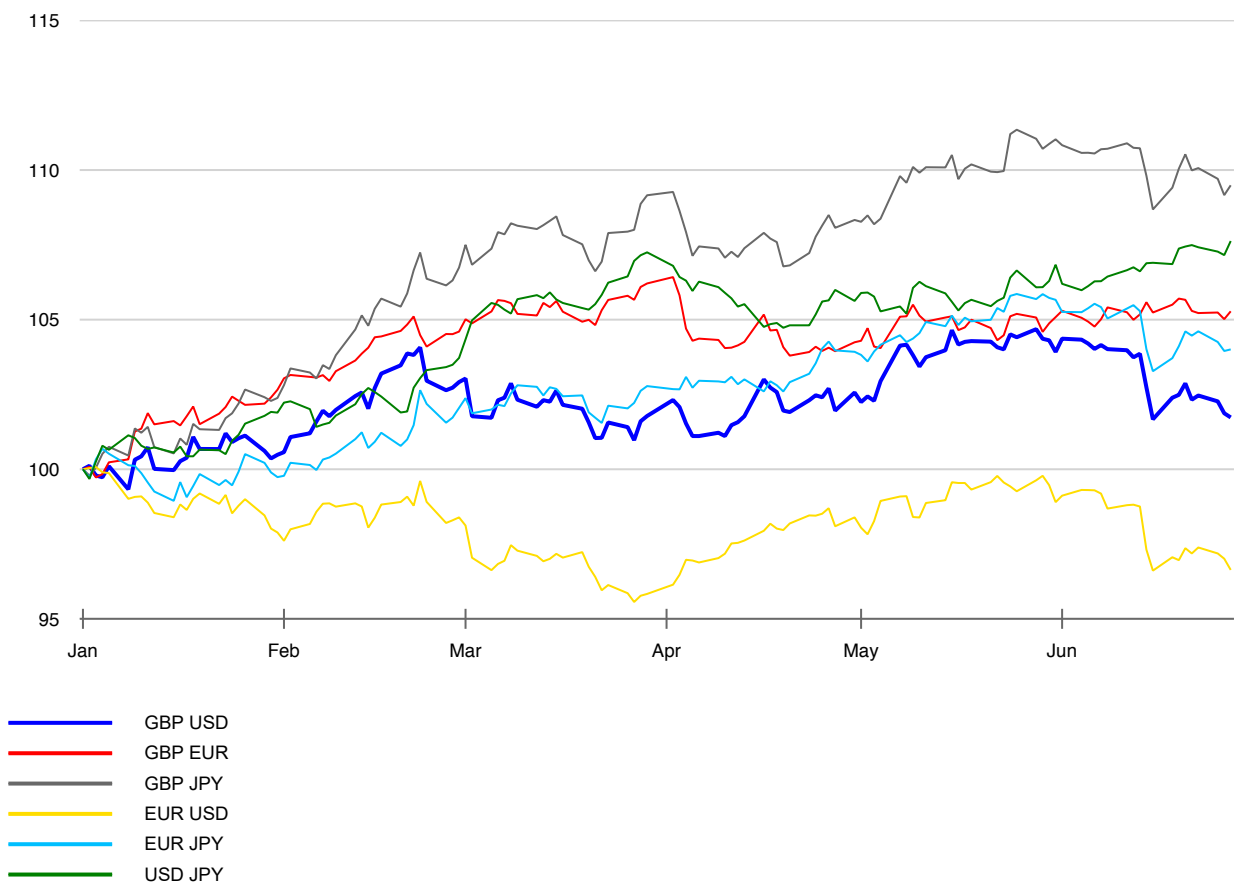


Foreign Exchange

Price Performance 01 January 2021 - 30 June 2021

Rebased Graph

Fig 8.1



Currency Pair	Last Price	Change	Change %
GBP USD	1.38145	0.01450	1.06
GBP EUR	1.16490	0.04770	4.27
GBP JPY	153.32715	12.19640	8.64
EUR USD	1.18590	-0.03765	-3.08
EUR JPY	131.62305	5.29760	4.19
USD JPY	110.99000	7.74500	7.50

Source: OMJ

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Jet fuel demand is slowly improving in the United States

Fundamentals



The Colonial Pipeline outage hit US East Coast supplies in Q2

Distillate

The fundamentals for distillate were reasonable in Q2 with demand slowly improving and generally above the five-year average. In addition, stocks were mostly below the five-year average.

Demand: During the quarter US total distillate demand was generally above the five-year average. (Fig 9.5)

Stocks: Total distillate stocks were mostly below the five-year average. (Fig 9.3)

Days Cover: Held at a stable level generally between 30 and 35 days. This is lower than the level seen in Q1 (Fig 9.1)

Outlook: Looking ahead to Q3 stocks should rise but demand should also increase as the US economy continues to pull out of the COVID crisis.

Stocks - Distillate

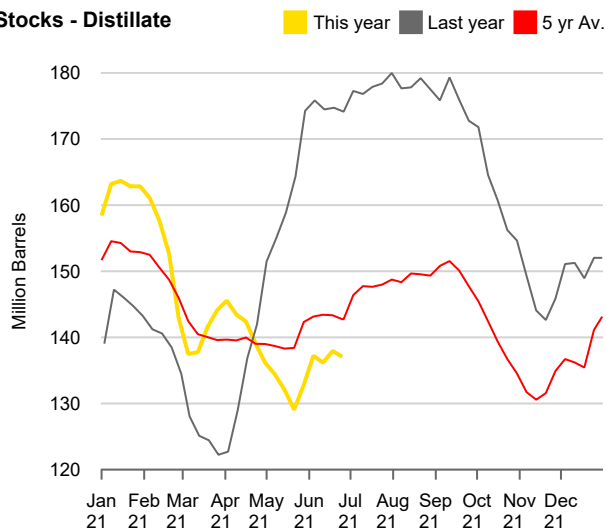


Fig 9.2

Demand - Distillate

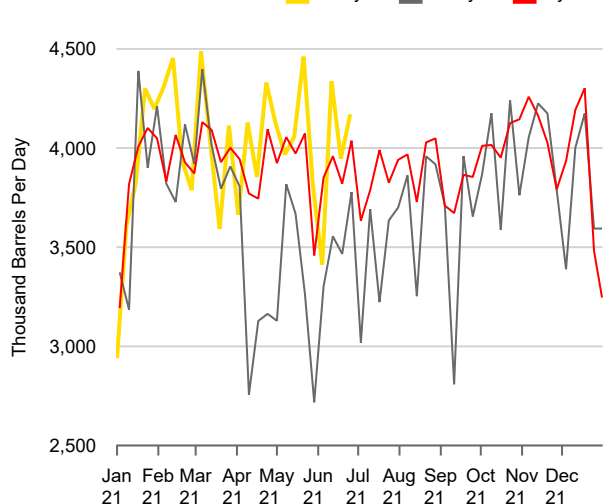


Fig 9.4

Days Cover - Distillate

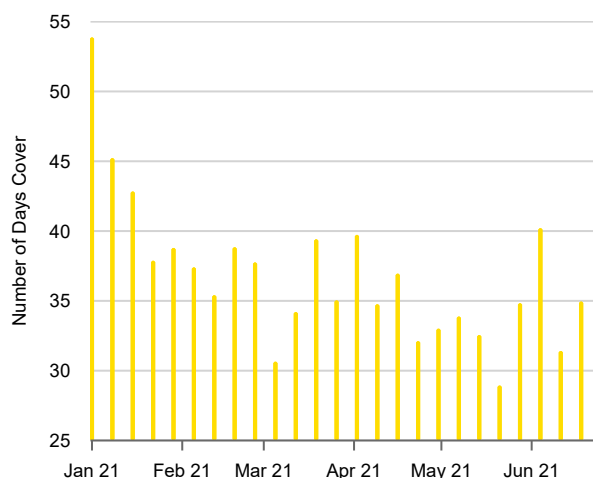


Fig 9.1

Difference Compared to Last Year - Distillate Stocks

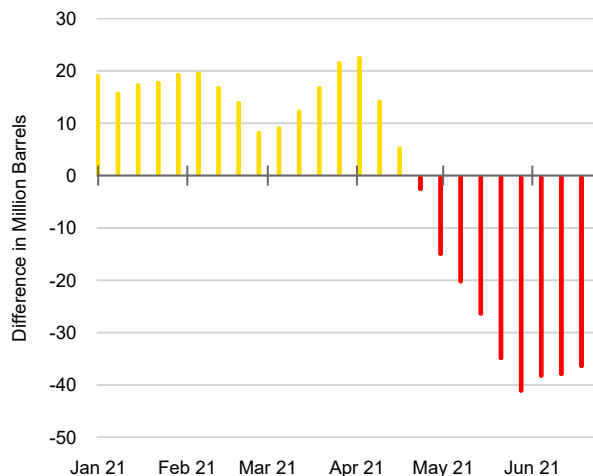


Fig 9.3

4 Week Average Demand Growth - Distillate

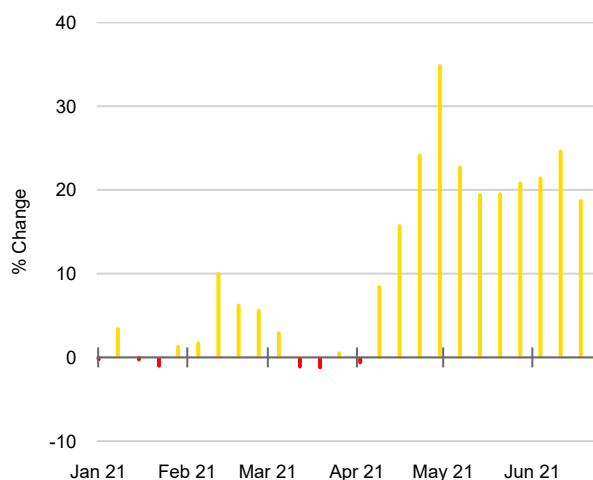


Fig 9.5



Gasoline

The fundamentals for gasoline continued to improve in Q2 with stocks holding below the five-year average and demand mostly above the five-year average.

Demand: Gasoline demand was mostly higher than the five-year average during Q2.

Stocks: Stocks remained lower than normal following the outages in Texas during February and were mostly below the five-year average. (Fig 10.3)

Days Cover: Days cover trended generally lower during the quarter. (Fig 10.1)

Outlook: Demand should continue to improve during Q3 which is the US driving season. Stocks should draw-down during the peak demand period with attention now turning to the hurricane season.

Stocks - Gasoline

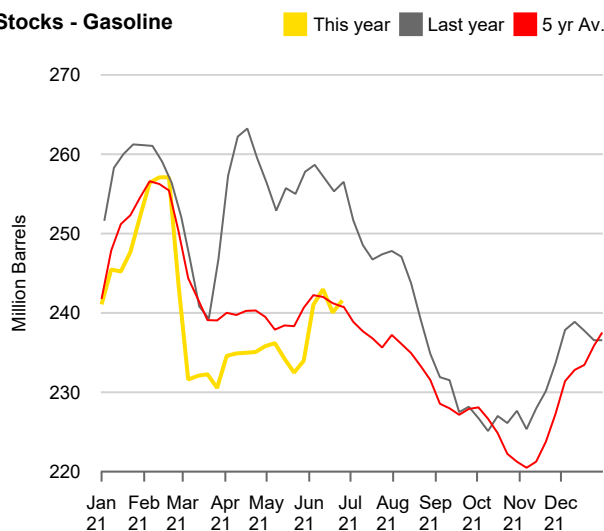


Fig 10.2

Demand - Gasoline

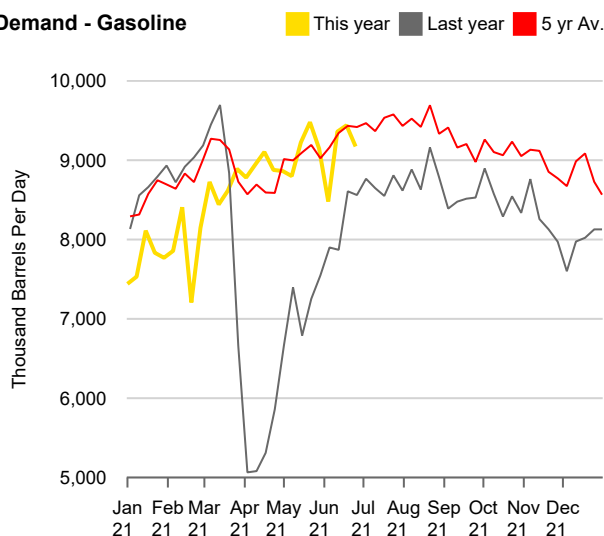


Fig 10.4

Days Cover - Gasoline

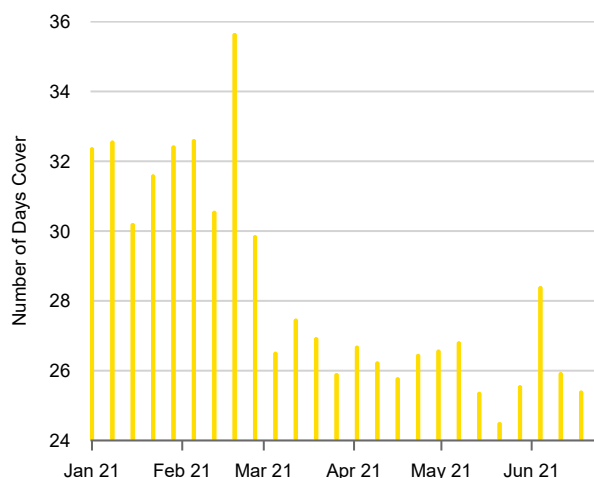


Fig 10.1

Difference Compared to Last Year - Gasoline Stocks

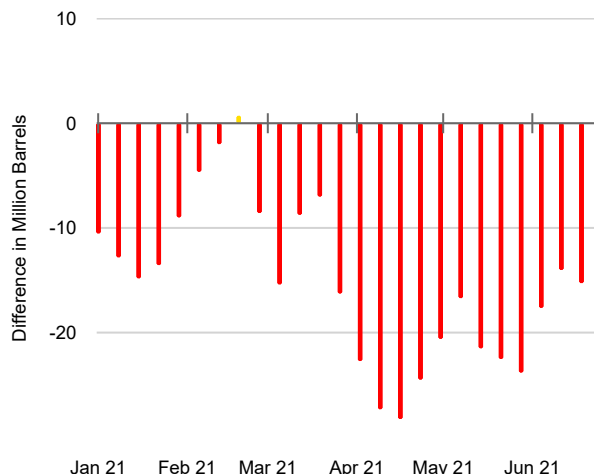


Fig 10.3

4 Week Average Demand Growth - Gasoline

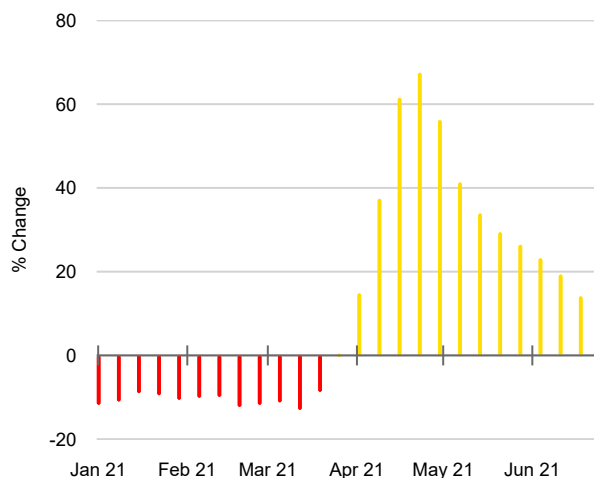


Fig 10.5



Crude

The fundamentals for crude oil improved during Q2 with stocks falling and demand edging higher.

Demand: Edged higher during the second quarter and on occasions increased above the five-year average. (Fig 11.5)

Stocks: Stocks extended lower below the five-year average. (Fig11.3)

Days Cover: Trended lower during Q2. (Fig 11.1)

Outlook: Stocks typically fall in Q3 and demand should increase.

Days Cover - Crude

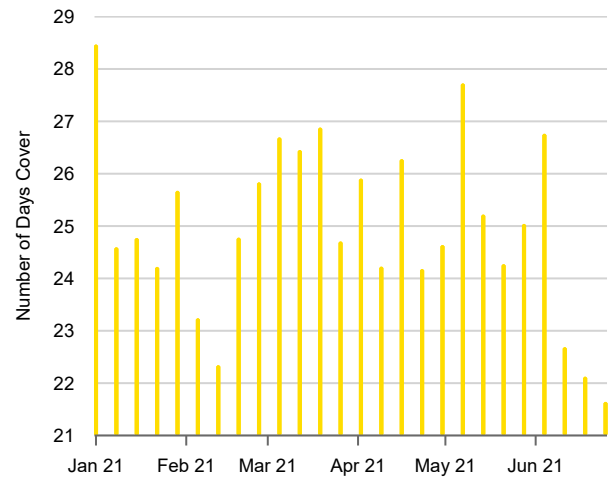


Fig 11.1

Stocks - Crude

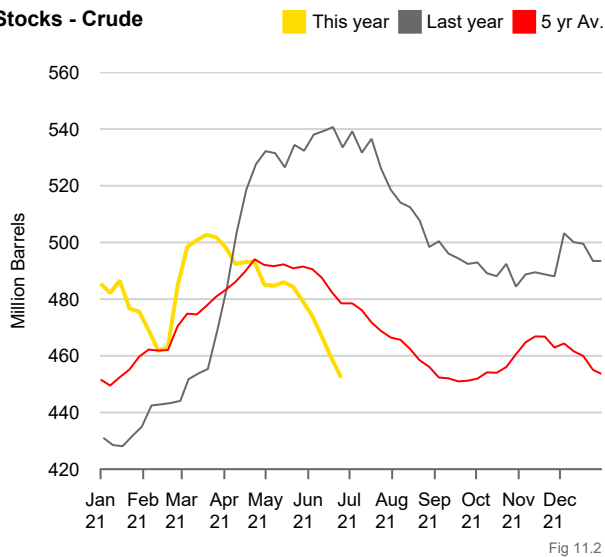


Fig 11.2

Difference Compared to Last Year - Crude Stocks

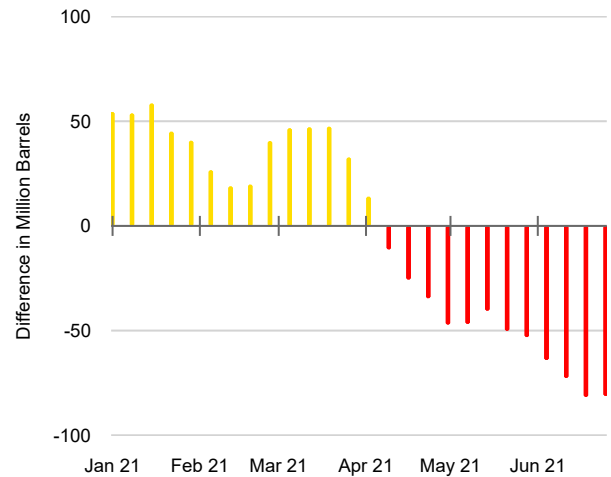


Fig 11.3

Demand - Total Products

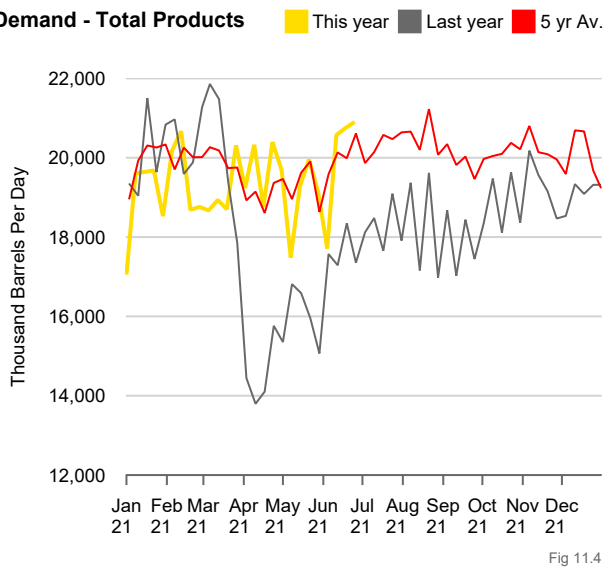


Fig 11.4

4 Week Average Demand Growth - Total Products

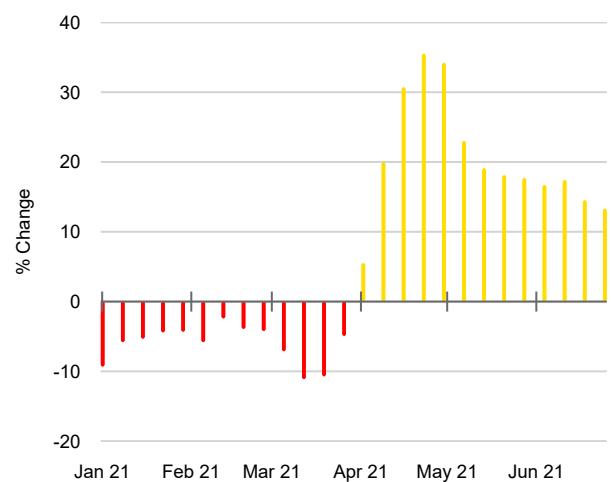


Fig 11.5





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