

FUTURES INSIGHTS

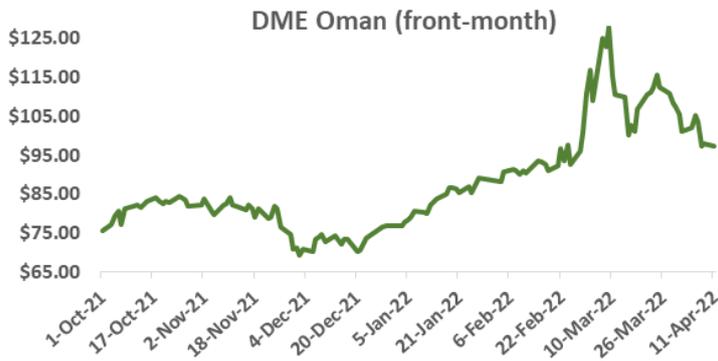
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CONTRACT

**Extreme volatility – unprecedented oil price swings
across the barrel**



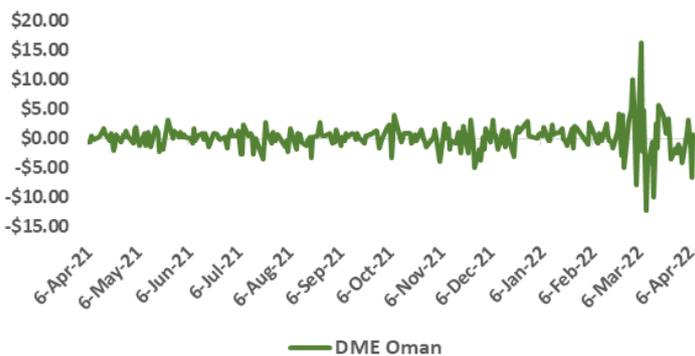
Russia's invasion of neighboring Ukraine in late February sparked one of the most volatile periods ever witnessed in oil-pricing history, as benchmark Oman crude oil trading on the Dubai Mercantile Exchange initially rallied by over \$30 per barrel before giving up most of the gains by early April after the US and the International Energy Agency announced a record combined 240 million barrel release from strategic storage reserves.



But the surge in prices during March followed by the retreat included record intraday volatility in both crude and refined products, with huge daily price swings seen across the barrel amid headline-driven trading.

DME Oman, which reflects the Asia daily trading cycle, saw a record gain of more than \$16/b on March 7 amid reports of a European embargo on Russian oil, before retreating by more than \$12/b on March 10. Despite calls for a wider embargo on Russian oil, only the US and UK (partially) followed through with the ban on new purchases of Russian crude and products, with EU states too reliant on supplies of Russian energy.

DME Oman (\$/b) - daily change

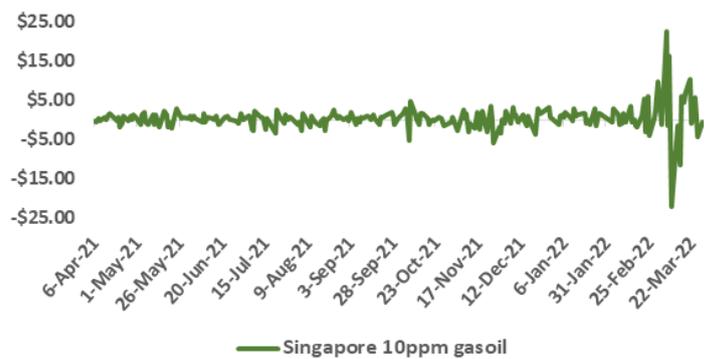


volatility during March, particularly middle distillates, amid shortages of diesel and jet fuel. The gasoil/diesel market, which makes up the largest share of oil demand in Asia, rocketed to near all-time highs of above \$180/b for physical barrels trading in the Singapore market before easing back - at one point trading at a record premium of more than \$55/b to DME Oman.

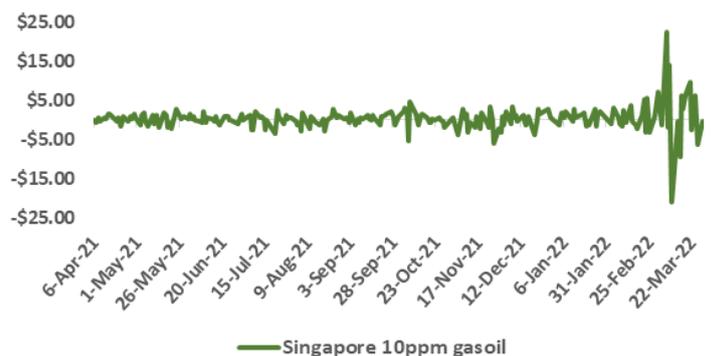
Benchmark 10ppm Singapore gasoil/diesel swaps were trading at record highs of DME Oman +\$37/b on March 9, measuring front-line May DME Oman futures versus front-line April 10ppm gasoil swaps, while gasoil derivatives also saw record price swings during the first half of March. The 10ppm April gasoil swap rocketed by \$22.50/b on March 7, before reversing by \$22/b on March 10, with several double-digit daily moves registered over the month.

Refined products derivatives are more liquid instruments compared to physical markets, and are mostly traded in the over-the-counter (OTC) market via brokers. To guarantee financial performance, OTC transactions are lodged as block trades with a clearing house such as CME Clearing. Likewise, April Jet swaps saw huge daily moves, including two swings of more than \$20/b.

Gasoil 10ppm (\$/b) - daily change



Jet/kero swap (\$/b) - daily change



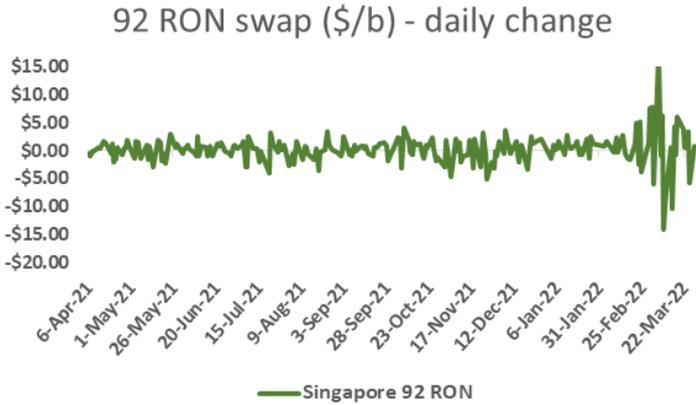
Distillates

Refined products saw even greater levels of

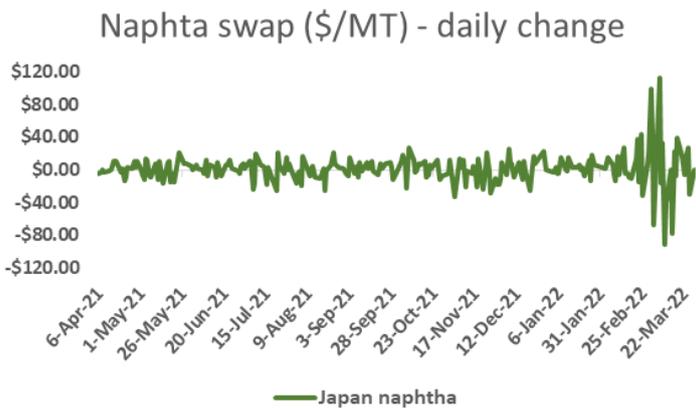
Gasoline

Asian gasoline has largely shrugged off the latest waves of lockdowns in China, maintaining strong premiums versus DME Oman in March and into April.

Benchmark Singapore 92 RON gasoline swaps also saw several sharp daily swings as prices adjusted to constant reports coming out of Russia.



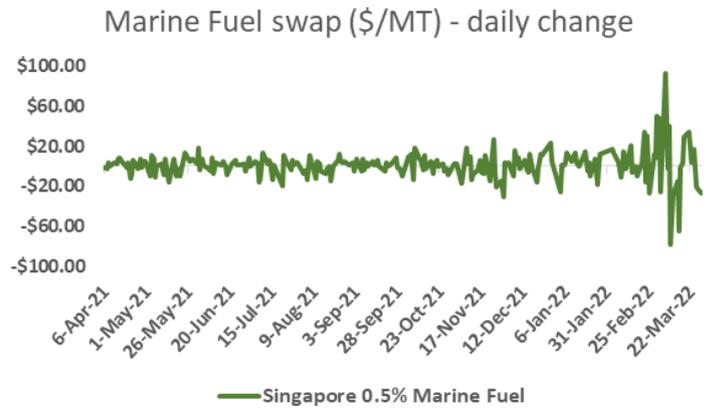
Benchmark Asian naphtha swaps, which are traded in in \$/mt basis Japan registered the first ever \$100/mt daily move, spiking up and down throughout the month.



Fuel Oil

Soaring fuel oil prices briefly lifted benchmark low-sulfur bunker fuel to more than \$1,000 per metric tonne for the first time ever, while the shipping chaos resulting from Shanghai's extended lockdown also added to vessel owner's woes.

0.5%-sulfur Marine Fuel oil, also traded in \$/mt, registered record volatility including a daily move of \$92/mt on March 7, the equivalent of over \$14/barrel.



Conclusion

The extreme volatility has made hedging crude and refined products essential, along with product cracks versus crude.

While March 2022 will likely go down as the most volatile month in oil market history, prices will be prone to further sharp swings that only sensible risk management policies can help protect against.

Dubai Mercantile Exchange
Dubai International Financial Centre
Gate Village 10, Level 4
P.O. Box 66500
Dubai, UAE

T +971 4 365 5500
F +971 4 365 5599

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