

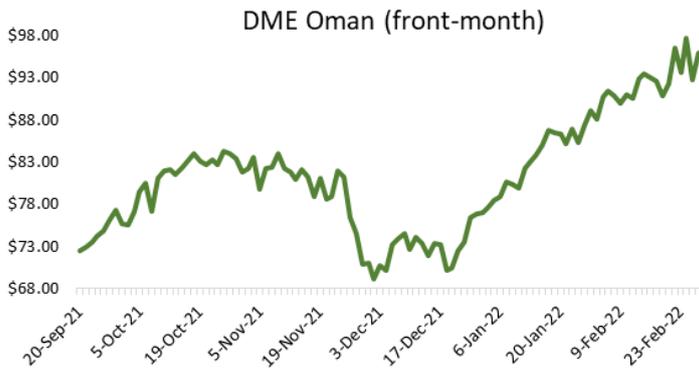


## ASIAN REFINED PRODUCTS UNDERPIN 2022 CRUDE OIL GAINS

Oman crude oil trading on the Dubai Mercantile Exchange registered the highest monthly average price in more than seven years in February 2022, as Russia's invasion of Ukraine increased concerns over an already tight supply/demand outlook.

DME Oman for April delivery averaged \$91.96/b, up from the March-contract average of \$83.62/b, which was the highest since September of 2014.

The contract expiry price of \$95.87/b was 8% above the previous-month's expiry of \$88.48/b



Global crude oil in the first two months of 2022 have now rallied by around \$20/barrel, as a number of OPEC+ producers continue to fall short on production targets.

However, in most cases, refined products markets have outpaced the crude oil gains, suggesting the rally is supported by strong demand fundamentals as the demand recovery continues.

The International Energy Agency (IEA), said in its latest report that global oil demand would expand by 3.2 million bpd this year and reach 100.6 million bpd, on par with pre-pandemic highs.

## Distillates

The gasoil/diesel market, which makes up the largest share of oil demand in Asia, strengthened by over \$8/b in February, adding to the 15/b in outright-price gains during January, as distillates consolidated at healthy premiums to DME Oman.

Benchmark 10ppm Singapore gasoil/diesel swaps were trading at around post-pandemic highs of DME Oman +\$15/b, measuring front-line April DME Oman futures versus front-line March 10ppm swaps.

The initial spread of the Omicron variant in late November had sent gasoil cracks retreating to around DME Oman +\$9/b, but latest Covid-19 strain had little overall impact on demand and gasoil cracks quickly rebounded.

Asian gasoil prices were also supported by fears over a shortage of Russian exports, as sanctions tighten and extend to the oil industry.

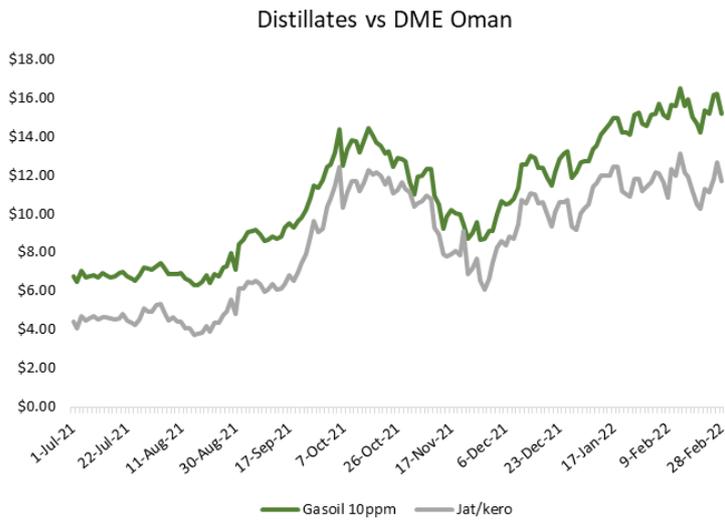
Europe is structurally short of gasoil and its import needs are largely met from Russia, Saudi Arabia and India.

Russia accounts for roughly half of the imports of diesel and gasoil to Europe, which can vary between 4 and 6 million mt a month.

Any disruption to Russian supplies due to sanctions or supply chain issues will likely result in firmer low-sulfur gas oil futures, say analysts, which could pull additional gasoil supply from Saudi Arabia and India at a time when Chinese exports of oil products is capped by export quotas.

Increased demand for diesel would come as global stocks are at a 17-year low, according to analysts FGE.

Indian exports of diesel have been in an upward trend for most of the past year as limited demand has allowed for an increase in supply, while the US has seen overall product exports fall.



Jet/Kerosene cracks also held on to the January gains although the ongoing impact of Covid on international flights coupled with poor seasonal demand in February has capped further gains.

The jet/kero crack versus DME Oman average around +\$11.50/b in February, having tumbled to around \$6.50/b in late November.

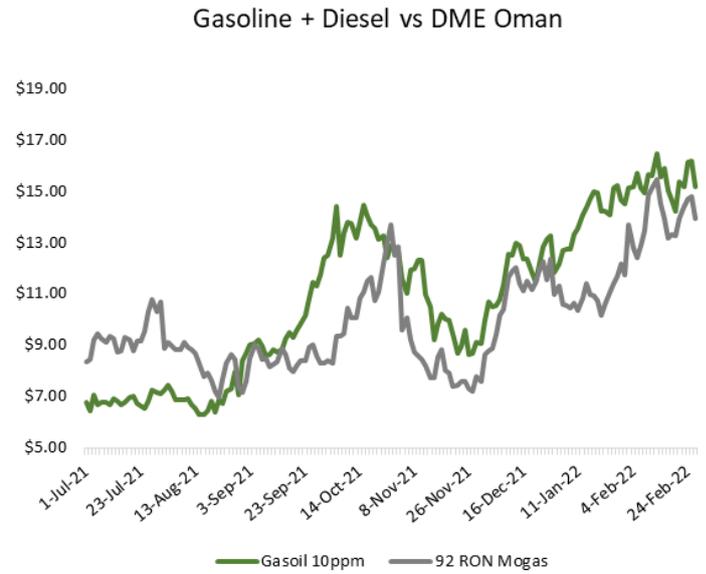
However, Omicron cases in Asia-Pacific have hindered the jet fuel demand recovery in the region over the near term, as some airlines are forced to reduce flight capacity due to wider mobility restrictions. Europe is largely supplied by the Middle East to meet much of its jet requirements, supporting arbitrage opportunities to the West.

## Gasoline

The US has largely led the global gasoline recovery and US refining margins jumped to fresh highs at the end of February amid tight supplies and refinery outages, which also underpinned Asian margins. Benchmark Singapore 92 RON gasoline swaps built on the steep gains seen in January, averaging nearly \$14/b against DME Oman in February.

Mobility levels in Asia, which act an indicator for gasoline demand, continued to pick up with India reaching +20% versus pre-Covid early 2020

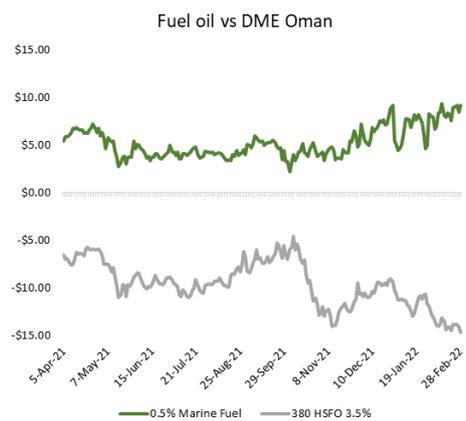
levels, while Japan recovered to 12% below the same period in 2020 and South Korea is up 5%.



## Fuel Oil

0.5%-sulfur Marine Fuel oil cracks continued the firm 2022 upwards trend hitting post-pandemic highs of around \$9/b over DME Oman, in part due to expensive blend stock from the distillate pool which is used to bring down sulfur content.

By contrast, the 3.5%-sulfur 380 CST bunker fuel oil grade remained in a downwards trend with cracks against DME tumbling to around minus \$14.50/b versus DME Oman in late February.



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