



WEEKLY REPORT

2 - DEC - 2016 WEEK 48

CRUDE

CRUDE PRICES				
\$/BBL	1 DEC	24 NOV	W-O-W CHANGE	
ICE Brent	53.59	49.02	4.57	▲
Dubai	48.80	45.69	3.11	▲

Crude flat prices surged w-o-w as OPEC members proved skeptics wrong by emerging with a deal to cut production from record levels of 33.8 mmb/d in October to 32.6 mmb/d effective January 2017. ICE Brent front-month futures were up by \$4.57/bbl w-o-w to \$53.59/bbl.

Combined cuts by both OPEC and non-OPEC (1.8 mmb/d) will lead to the drawing down of inventories in 1H 2017, helping to remove some excess volumes from the market. However, the boost in crude prices is likely to be short-lived as it opens the floodgates to a potential wave of production from non-OPEC producers such as the US, Canada and Brazil. Iran, Libya and Nigeria (which are exempted from the deal) have the potential to ramp up output as well, making an overall increase in OPEC production next year a very distinct possibility.

PRODUCTS

Asian naphtha cracks fell w-o-w amid ample prompt supplies as well as the spike in crude prices. Expectations of increased volumes from Europe as well as new condensate splitters coming online by 1H 2017 will continue weighing on naphtha cracks. Asia's gasoline crack was supported by firm demand from Indonesia, Asia's largest gasoline buyer as well as a shortage of high-octane fuel. In a rare form of reverse arbitrage, two LRs are carrying gasoline from the USGC and USWC to Asia around mid-December.

Asian fuel oil cracks firmed w-o-w due to tight prompt supplies and firm winter power generation demand for 180cst material. Concerns over a lack of on-spec fuel oil and shortage of low viscosity blendstocks have led to a rally in fuel oil cracks this quarter.

VLCC

SPOT VLCC RATES				
WS	1 DEC	24 NOV	W-O-W CHANGE	
AG/Japan	68.00	74.75	-6.75	▼
AG/Singapore	69.00	75.75	-6.75	▼
AG/USGC	40.00	41.00	-1.00	▼
WAF/Far East	70.00	72.00	-2.00	▼

VLCC freight rates for the AG/Japan route were down by w6.75 points w-o-w. While cargo flows in the AG remained steady, charterers turned to older vessels (more than 15 years old) and newbuilds which typically offer discounted rates. Modern vessels approved by oil majors saw fixtures above w70 while lower-quality tonnage was fixed in w60s. Rates for the WAF/Far East route fell by w2 points w-o-w to w70 on the back of the weaker AG market. Continued strength in the Dubai crude benchmark may further narrow the Brent/Dubai exchange of futures for swaps (EFS), incentivizing buyers in Asia to purchase more West African grades.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES					
WS	VESSEL	1 DEC	24 NOV	W-O-W CHANGE	
AG/East	Suezmax	82.50	85.00	-2.50	▼
WAF/UKC	Suezmax	87.50	100.00	-12.50	▼
AG/East	Aframax	105.00	100.00	5.00	▲
Indo/Japan	Aframax	110.00	105.00	5.00	▲
Caribs/USGC	Aframax	155.00	135.00	20.00	▲

The Asian Suezmax market weakened w-o-w despite stable demand for loadings out of Iran and Iraq. This was partially due to softening activity along the WAF/UKC Suezmax route as there was a lack of new cargoes. Rates for Asian Aframax tankers continued growing w-o-w, up by w5 points for both AG/East and Indo/Japan routes on the back of tightened tonnage and firm winter demand from Indian and Chinese refiners. We expect Aframax rates to hold firm over the coming weeks as weather delays play an increasing big factor.

MR/LR

SPOT MR / LR RATES				
\$/T	1 DEC	24 NOV	W-O-W CHANGE	
AG/Japan (75 kt)	14.34	13.71	0.63	▲
AG/Japan (55 kt)	14.69	14.20	0.49	▲
AG/Japan (MR)	19.58	17.62	1.96	▲

The LR2 market in the East of Suez seems relatively balanced, with rates for the AG/Japan route up by \$0.63/T w-o-w. The flow of naphtha cargoes has been steady as robust ethylene margins are encouraging strong petchem demand. The increasingly favorable East/West gasoil arb could potentially lend some support to the LR2 market over the next few weeks.

LR1 rates were up by \$0.49/T w-o-w on the back of increased activity, but still face an overhang of tonnage. The Asian MR market strengthened by \$1.96/T w-o-w, supported by increased loadings out of South Korea.

BUNKERS

BUNKER PRICES				
\$/T	1 DEC	24 NOV	W-O-W CHANGE	
Singapore 380 cst	303.50	289.50	14.00	▲
Singapore 180 cst	314.50	298.50	16.00	▲
Singapore MGO	456.50	447.00	9.50	▲
Singapore Ex-Wharf Premium 380 cst	4.39	2.81	1.58	▲

Bunker demand in Singapore was up w-o-w largely due to increased buying in anticipation of rising crude prices. As a result, ex-wharf premiums were up by \$1.58/T w-o-w to \$4.39/T. Singapore 380cst and 180cst bunker fuel prices grew by \$14.00/T and \$16.00/T respectively w-o-w, in line with the jump in crude prices.