
# CRUDE

| CRUDE PRICES | | | |
|---|---|---|---|
| **$/BBL** | **12 JAN** | **5 JAN** | **W-O-W CHANGE** |
| ICE Brent | 56.01 | 56.89 | -0.88 ▼ |
| Dubai | 53.17 | 54.05 | -0.88 ▼ |

Crude prices recovered most of its losses from the start of the week as news of Saudi Arabia making deeper cuts than expected emerged. ICE Brent front-month futures plunged to $53.64/bbl on Tuesday before reaching $56.01/bbl, down by $0.88/bbl w-o-w. Similarly, Dubai swaps fell by $0.88/bbl to $53.17/bbl. However, concerns regarding compliance remain as Iraq's February export loading program is 3.1% higher than that of January.

A narrow Brent-Dubai Exchange of Futures for Swaps (EFS) has incentivized traders to send 22 mmb of crude from the Atlantic Basin to Asia this month, with half from Azerbaijian and the other half from the North Sea.

# PRODUCTS

Asia's naphtha crack surged w-o-w to a one-year high on the back of robust cracker demand as well as lower Western arb supplies in February. February arrivals from the West are expected to come in at 900kt, down by 40% m-o-m and 57% y-o-y. The shutdown of an RFCC unit at ADNOC's Ruwais refinery following a fire may affect prompt supplies of naphtha and gasoline. Asia's gasoline crack edged up from the previous week as well, boosted by the stronger sentiment. However, growing gasoline exports from China pushed up onshore light distillate stocks in Singapore to a six-week high of 12.7 mmb. Chinese fuel exports smashed a new record in December, up by 10.3% m-o-m and 25% y-o-y to 5.35 mmt.

Asian gasoil cracks firmed w-o-w to a one-week high, in line with the 536 kb stock draw. Onshore middle distillate inventories reached an 8-month low of 9.76 mmb. Spot demand from Indonesia and Vietnam also lent a boost to gasoil cracks.

Fuel oil cracks in Asia fell from the previous week but remain fairly robust, tracking the stock build of 3.37 mmb. Chinese bunker demand is likely to ease ahead of the Lunar New Year, while more volumes are expected to arrive from the West in January (up by 9.3% m-o-m). One VLCC carrying fuel oil left Rotterdam for Singapore this week.

# VLCC

| SPOT VLCC RATES | | | |
|---|---|---|---|
| **WS (2017 basis)** | **12 JAN** | **5 JAN** | **W-O-W CHANGE** |
| AG/Japan (265 kt) | 82.50 | 97.50 | -15.00 ▼ |
| AG/Singapore (270 kt) | 83.50 | 98.50 | -15.00 ▼ |
| AG/USGC (280 kt) | 50.00 | 60.00 | -10.00 ▼ |
| WAF/Far East (260 kt) | 85.00 | 95.00 | -10.00 ▼ |

Asian VLCC rates continued their downward slide, with rates for the key AG/Japan route falling by w15 points to w82.5 (basis 2017 Worldscale flat rates). We have started seeing OPEC's planned production cuts take effect, as the total number of VLCC cargoes for January loading is at least 5 less than December loading.

Furthermore, the availability of old vessels weighed on rates as around four vessels that were older than 15 years were fixed at discounted rates over the week. Fixtures heard include ExxonMobil placing Meandros on subjects for an AG/Singapore run, loading January 28-30, at w57.5 basis 270 kt and 2016 worldscale level. While shipowners may seek some relief in the temporary clearing out of newbuilds and older units as well as a higher February Basrah loading program, the delivery of more than 20 newbuilds over Q1 will keep a lid on VLCC rates.

VLCC rates for the WAF/Far East route were down w-o-w by w10 points (basis 2017 Worldscale flat rates) to w85 on the back of a weakened AG market. However, the West African VLCC market may start to pick up from higher cargo volumes in February due to robust Chinese demand for medium and heavy Angolan grades.

# SUEZMAX/AFRAMAX

| SPOT SUEZMAX/AFRAMAX RATES | | | | |
|---|---|---|---|---|
| **WS (2017 basis)** | **VESSEL** | **12 JAN** | **5 JAN** | **W-O-W CHANGE** |
| AG/East (130 kt) | Suezmax | 112.50 | 95.00 | 17.50 ▲ |
| WAF/UKC (130 kt) | Suezmax | 114.00 | 109.00 | 5.00 ▲ |
| AG/East (80 kt) | Aframax | 105.00 | 90.00 | -12.00 ▼ |
| Indo/Japan (80 kt) | Aframax | 104.00 | 110.00 | -6.00 ▼ |

The Suezmax segment is the only relatively bright spot in the Asian tanker market this week. Rates for the AG/East route reversed some of its losses from the previous week, up by w17.5 points w-o-w to w112.5 (basis 2017 Worldscale flat rates). A higher Basrah loading program with more Suezmax cargoes in February may lend some support to rates.

Rates for the key WAF/UKC route edged up by w5 points on the week as well, due to a tighter prompt tonnage list. Large volumes of fuel oil have been sent to the East on Suezmaxes and Aframaxes over the past week, helping to absorb some tonnage. With the NWE Europe-Asia fuel oil arb still workable, there have been some enquiries seen for Suezmaxes in the Med and NWE.

Asian Aframax rates weakened further from the previous week, with rates down by w6 points for the Indo/Japan route and w12 points for the AG/East route despite an increase in activity. The position list remains fairly healthy in the AG and Singapore but is tightening up for prompt dates. Owners are shunning long-haul voyage cargoes for short-haul voyages to avoid locking in poor returns over a longer time period.

# MR/LR

| SPOT MR / LR RATES | | | |
|---|---|---|---|
| **$/T** | **12 JAN** | **5 JAN** | **W-O-W CHANGE** |
| AG/Japan (75 kt) | 17.89 | 23.58 | -5.69 ▼ |
| AG/Japan (55 kt) | 17.89 | 22.36 | -4.47 ▼ |
| AG/Japan (35 kt) | 25.35 | 25.25 | 0.10 ▲ |

LR freight rates in Asia declined w-o-w on the back of lower activity and a longer tonnage list especially in the AG. LR2 and LR1 rates for the key AG/Japan route tumbled by $5.69/T and $4.47/T respectively. With the East-West gasoil arb closed, less ships are moving along the Middle East/Europe routes, lengthening the list of tonnage available. Moreover, the redelivery of LR2 vessels that were taken for short term t/c and storage will add further pressure to rates.

The Asian MR tanker market is relatively stable ahead of the Lunar New Year, with rates for the AG/Japan basis 35 kt route inching up by $0.10/T to $25.35/T. Rates for the Singapore/Australia route held firm at W242 on the back of steady cargo demand from Australia.

# BUNKERS

| BUNKER PRICES | | | |
|---|---|---|---|
| **$/T** | **12 JAN** | **5 JAN** | **W-O-W CHANGE** |
| Singapore 380 cst | 338.50 | 351.00 | -12.50 ▼ |
| Singapore 180 cst | 356.50 | 362.00 | -5.50 ▼ |
| Singapore MGO | 499.50 | 505.50 | -6.00 ▼ |
| Singapore Ex-Wharf Premium 380 cst | 4.45 | 5.00 | -0.55 ▼ |

Tracking the fall in crude prices, Singapore 380cst and 180cst bunker fuel prices edged down by $12.50/T and $5.50/T w-o-w respectively. Lowered buying interest pushed down Singapore ex-wharf premiums from $5/T to $4.45/T.

Total bunker sales in Singapore for 2016 grew by 7.7% y-o-y to 48.6 mmt, setting a new record for the second year in a row. December volumes were down by 3.6% y-o-y to 3.9 mmt.

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