CRUDE

CRUDE PRICES			
$/BBL	19 JAN	12 JAN	W-O-W CHANGE
ICE Brent	54.16	56.01	-1.85
Dubai	52.55	53.17	-0.62

Crude prices hit a one-week low on Wednesday on the back of a strong US dollar as well as market expectations of the first m-o-m increase in US shale production since October 2016. However, oil prices managed to recover some losses by the end of the week due to a significant drop in crude inventories at Cushing, Oklahoma which is the largest storage hub in the US.

ICE Brent front-month futures slid by $1.85/bbl from last week to $54.16/bbl, while Dubai swaps fell by $0.62/bbl to $53.17/bbl. Two VLCCs carrying North Sea crude have been fixed for early February loading from UKC to Asia, incentivized by the narrow Brent-Dubai Exchange of Futures for Swaps (EFS).

PRODUCTS

Asia's naphtha crack slipped from last week but remains firm, supported by strong spot demand from South Korea, expectations of tighter supply in February and the strength in gasoline. The naphtha arbitrage from the West remains tricky to work due to healthy demand in NWE. Increased heating demand for LPG in Europe has decreased its price-competitiveness against naphtha as petchem feedstock, encouraging end-users to buy more naphtha instead.

Asia's gasoline crack continued edging up w-o-w on the back of refinery maintenance in Indonesia (Asia's top gasoline importer) and the Middle East. The shutdown of the RFCC unit at ADNOC's Ruwais refinery may tighten gasoline supply in the region. However, onshore light distillate inventories in Singapore surged by 1.1 mmb to reach a 5-month high of 13.83 mmb for the week ending Jan 18. Growing Chinese gasoline exports may pressure cracks in the coming months.

Asian gasoil cracks inched up from the previous week due to spot demand from Indonesia and Sri Lanka. Planned maintenance at Indonesia's Balikpapan and Balongan refineries has led to an increase in Indonesia's gasoil imports. Fuel oil cracks in Asia fell w-o-w on the expectations of increased arbitrage supplies, in line with the stock build of 29 kb/d. Around 4.6 mmt of fuel oil is expected to arrive from the West in January (up by 14.3% m-o-m). ADNOC awarded a rare tender to sell an 80kt SRFO cargo for 25-27 January loading from Ruwais. We may see more SRFO exported from Ruwais due to the shutdown of its RFCC unit.

VLCC

SPOT VLCC RATES			
WS (2017 basis)	19 JAN	12 JAN	W-O-W CHANGE
AG/Japan (265 kt)	86.75	82.50	4.25
AG/Singapore (270 kt)	89.00	83.50	5.50
AG/USGC (280 kt)	50.00	50.00	0.00
WAF/Far East (260 kt)	81.00	85.00	-4.00

VLCC rates in the East of Suez edged up from the previous week on the back of a balanced tonnage list and expectations of a pre-Lunar New Year rush that we have yet to see. Rates for the AG/Japan route grew by w4.25 points to w86.75 (basis 2017 Worldscale flat rates). The temporary clearing out of most older vessels has also helped to lift rates. Asian refiners have remained largely shielded from OPEC's planned production cuts, with Saudi Aramco allocating full February volumes to most buyers.

Rates for the WAF/Far East route softened by w4 points w-o-w to w81 (basis 2017 Worldscale flat rates) despite increased cargo volumes for February loading. Fixtures heard include Unipec placing Irene SL on subjects for a WAF/China run, loading February 20-22, at w62.25 basis 260 kt and 2016 worldscale level.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES				
WS (2017 basis)	VESSEL	19 JAN	12 JAN	W-O-W CHANGE
AG/East (130 kt)	Suezmax	110.00	112.50	-2.50
WAF/UKC (130 kt)	Suezmax	87.50	114.00	-26.50
AG/East (80 kt)	Aframax	125.00	105.00	20.00
Indo/Japan (80 kt)	Aframax	135.00	104.00	31.00

Suezmax rates for the AG/East route inched down by w2.5 points from the previous week on the back of a lengthy tonnage list and weakness in the WAF market. Suezmax activity in WAF has waned after last week due to muted demand for early February loadings. Rates for the WAF/UKC route plummeted by w26.5 points w-o-w to w87.5. With prompt tonnage tightening up, rates may bottom out soon.

The Asian Aframax market firmed over the past week, with rates for the Indo/Japan route up by w31 points w-o-w and w20 points for the AG/East route due to a flurry of pre-Lunar New Year activity and bullish owner sentiment. Fixtures heard include SPC placing Oly Sky on subjects for a Ruwais/East run, for 25 January fuel oil loading, at w127.5 basis 80 kt. Prompt modern tonnage in Asia is tight especially in Indonesia, supported by a relatively stronger Med market which previously drew some ballasters from the AG.

MR/LR

SPOT MR / LR RATES			
$/T	19 JAN	12 JAN	W-O-W CHANGE
AG/Japan (75 kt)	14.30	17.89	-3.59
AG/Japan (55 kt)	16.87	17.89	-1.02
AG/Japan (35 kt)	24.90	25.35	-0.45

LR freight rates in Asia continued their downward slide from the previous week. LR2 rates for the AG/Japan route fell by $3.59/T w-o-w to $14.30/T due to less activity along the AG/Europe routes as well as regional refinery outages. Muted winter heating demand for gasoil in Europe and high distillate inventories in the ARA region has kept the East-West gasoil arb closed, resulting in less ships moving along the AG/Europe routes. Furthermore, refinery outages in the Middle East and India has resulted in deferred cargoes as well lower exports. This is likely to lead to more ships opening in the AG, especially LR2s. LR1 rates for the AG/Japan route were down by $1.02/T from last week to $16.87/T despite increased activity.

Weakening LR rates may further pressure the MR market, which is already beginning to exhibit signs of weakness. Rates for the AG/Japan basis 35 kt route dipped by $0.45/T from last week to $24.90/T. Rates for the South Korea/Singapore basis 40 kt route fell from $400,000 to $380,000 due to weakened demand and oversupply of tonnage in North Asia.

BUNKERS

BUNKER PRICES			
$/T	19 JAN	12 JAN	W-O-W CHANGE
Singapore 380 cst	341.00	338.50	2.50
Singapore 180 cst	356.00	356.50	-0.50
Singapore MGO	500.50	499.50	1.00
Singapore Ex-Wharf Premium 380 cst	3.60	4.45	-0.85

Singapore bunker prices were mixed- 380cst bunker fuel prices grew by $2.50/T w-o-w despite three consecutive days of declines, and 180cst bunker fuel prices inched down by $0.50/T w-o-w respectively. Lower bunker demand led to a $0.85/T fall in Singapore ex-wharf premiums from the previous week. Rising supplies from the West into Singapore will likely keep a lid on bunker prices in the near term.

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