



CRUDE

CRUDE PRICES				
\$/BBL		26 JAN	19 JAN	W-O-W CHANGE
ICE Brent		56.24	54.16	2.08 ▲
Dubai		53.94	52.55	1.39 ▲

Crude prices gained on the week due to bullish market sentiment regarding OPEC's production cuts. Saudi crude output is expected to drop by 570 kb/d m-o-m to 9.9 mmb/d in January. ICE Brent front-month futures grew by \$2.08/bbl from last week to \$56.24/bbl, while Dubai swaps were up by \$1.39/bbl to \$53.94/bbl. North Sea producers seem to have grabbed some market share in Asia. Monthly North Sea crude flows to Asia hit a record 12 mmb in January on the back of a narrow Brent-Dubai Exchange of Futures for Swaps (EFS).

PRODUCTS

Asia's naphtha crack held firm w-o-w as the robust ethylene-naphtha spread is incentivizing steam crackers to run at high utilization rates. A spike in LPG prices due to winter heating demand has encouraged end-users to turn to naphtha instead. Lower Western arb arrivals as well as a string of unexpected refinery outages has tightened naphtha supply as well.

Asia's gasoline crack slipped from last week's 10-month highs but remains supported by strong Indonesian demand and a string of unplanned refinery outages in Asia and the Middle East. Firm gasoline demand in Asia has pulled more cargoes from Europe over the past week, with at least 5 LR2 vessels fixed to load 80kt cargoes of gasoline and gasoline blendstocks from NWE to Singapore.

Asian gasoil cracks were stable as unplanned refinery outages in the region offset ample supplies. Chinese diesel exports set a new monthly record at 1.78 mmt, up by 81.4% y-o-y as refiners rushed to fully utilize their leftover export quotas as well as destock ahead of the switch to China V emission standards.

Fuel oil cracks in Asia fell w-o-w due to concerns over rising arbitrage supplies as well as higher crude prices, despite a stock draw of 180 kb/d. February fuel oil East-West swaps reached a six-week low on Tuesday.

VLCC

SPOT VLCC RATES				
WS (2017 basis)		26 JAN	19 JAN	W-O-W CHANGE
AG/Japan (265 kt)		78.00	86.75	-8.75 ▼
AG/Singapore (270 kt)		80.00	89.00	-9.00 ▼
AG/USGC (280 kt)		48.50	50.00	-1.50 ▼
WAF/Far East (260 kt)		77.00	81.00	-4.00 ▼

VLCC rates for the AG/Japan route slid by w8.75 points from last week to w78 as the pre-Lunar New Year rush that owners have been hoping for failed to materialize. Owners' efforts to hold rates steady were dampened by the influx of newbuilds in the market, which has led to wide discounts. Fixtures heard include SK Energy placing newbuild DHT Tiger on subjects for an AG/Korea run, loading February 8-10, at w50 basis 270 kt and 2016 worldscale level. With more than 20 new vessels expected to be delivered over Q1, VLCC rates are likely to remain under pressure.

The weakness in the AG market trickled down to the WAF market, where rates fell by w4 points w-o-w to w77. Uncertainty regarding loading delays of Nigerian grades was also a contributing factor to muted demand.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES				
WS (2017 basis)	VESSEL	26 JAN	19 JAN	W-O-W CHANGE
AG/East (130 kt)	Suezmax	90.00	110.00	-20.00 ▼
WAF/UKC (130 kt)	Suezmax	85.00	87.50	-2.50 ▼
AG/East (80 kt)	Aframax	130.00	125.00	5.00 ▲
Indo/Japan (80 kt)	Aframax	115.00	135.00	-20.00 ▼

Suezmax rates for the AG/East route tumbled by w20 points w-o-w to w90 due to excess tonnage and a lack of new cargoes. The weak WAF market has contributed to the pile up of tonnage in the AG, as ships are deterred from ballasting over.

The Suezmax market in WAF softened over the past week, with rates for the WAF/UKC route down by w2 points to w85. While the prompt tonnage list is relatively balanced, cargo demand for second decade February loadings remains subdued. Disruptions and loading delays have also limited exports of some Nigerian grades such as Forcados and Bonny Light. The shutdown of the Bonga field for maintenance will lead to a 50% drop in Bonga crude exports next month.

Aframax rates in the AG picked up by w5 points from last week due to tighter availability of modern tonnage, while rates for the Indo/Japan route have fallen rapidly by w20 points on the back of ample vessel supply. A weak Suezmax market in the AG will cap any further growth in rates. Moreover, more ballasters arriving from Singapore and the switching of a couple LR2s to the dirty market will lengthen the tonnage list in the AG.

MR/LR

SPOT MR / LR RATES			
\$/T	26 JAN	19 JAN	W-O-W CHANGE
AG/Japan (75 kt) 📶	11.73	14.30	-2.57 ▼
AG/Japan (55 kt) 📶	16.50	16.87	-0.37 ▼
AG/Japan (35 kt) 📶	23.58	24.90	-1.32 ▼

Asian LR2 rates have come off rapidly by a staggering w40 points over the last two weeks. LR2 rates for the AG/Japan route fell by \$3.59/T w-o-w to \$14.30/T, with average daily earnings basis a round voyage in the region of \$2500 to \$3000. Owners are considering switching to the more lucrative dirty market, where average daily earnings for an Aframax AG-East run ranges from \$12,000 to \$12,500. However, this may have limited impact on rates due to the lengthy tonnage list. A string of recent unplanned refinery outages seems to be the culprit for the dearth of cargoes. Rates are not expected to see any signs of recovery until after Chinese New Year.

LR1 rates for the AG/Japan route edged down by \$0.37/T from last week to \$16.50/T, but remain fairly stable despite the decline in LR2s. LR1 rates are not expected to sustain at current levels for much longer.

MR rates have begun to come off, with rates for the AG/Japan basis 35 kt route down by \$1.32/T from last week to \$23.58/T. Lower demand in North Asia can be attributed to lower CPP exports out of China due to higher domestic consumption ahead of Chinese New Year. Increased travelling during the week-long holiday typically boosts domestic use of gasoline and jet fuel.

BUNKERS

BUNKER PRICES			
\$/T	26 JAN	19 JAN	W-O-W CHANGE
Singapore 380 cst	330.50	341.00	-10.50 ▼
Singapore 180 cst	354.00	356.00	-2.00 ▼
Singapore MGO	498.50	500.50	-2.00 ▼
Singapore Ex-Wharf Premium 380 cst	4.04	3.60	0.44 ▲

Bunker prices in Singapore fell w-o-w, with 380cst and 180cst fuel prices down by \$10.50/T and \$2/T respectively. Increased buying interest pushed up Singapore ex-wharf premiums from \$3.60/T last week to \$4.04/T. With 5-6 mmt of fuel oil expected to arrive in February, February premiums for Singapore ex-wharf 380 CST bunker fuel term contracts were \$1 to \$1.50/T lower than that of January.