CRUDE

CRUDE PRICES			
$/BBL	9 FEB	2 FEB	W-O-W CHANGE
ICE Brent	55.63	56.56	-0.93
Dubai	53.92	55.09	-1.17

Crude prices fell from last week on the back of concerns over bloated US inventories as well as rising drilling activity. ICE Brent front-month futures slid by $0.93/bbl from last week to $55.63/bbl, while Dubai swaps were down by $1.17/bbl to $53.92/bbl. Oil prices have been trading within a narrow band since the start of 2017, failing to rally above $60 despite concerted efforts by OPEC to cut production.

With a surge in light crude from the Atlantic Basin and the US making headways into Asia, the fight for market share in OPEC's backyard has begun. According to Reuters, a few Asian refiners are planning to reduce their purchases of light crude from Saudi Arabia in March in favor of more competitively-priced crudes from the UAE and North Sea.

PRODUCTS

Asia's naphtha crack gained w-o-w, supported by firm spot demand from petchem end-users. The Asian ethylene-naphtha spread hit a near five-month high last Friday due to a strong ethylene market, which has been encouraging crackers to run at high utilization rates. The Asian gasoline crack ended the week on a strong note, surging to a one-year high on the back of spot demand from Vietnam as well as lower supplies from ongoing refinery maintenance in the region.

The Asian gasoil market flipped into backwardation over the week, indicating tightened prompt supplies ahead of upcoming peak refinery maintenance in March and April. As seen from Singapore onshore inventories hitting a two month high of 14.4 mmb, supplies of the European benchmark 10 ppm grade are ample due to the shut East-West arb. However, supplies of high sulfur gasoil are particularly scarce at a time when spot demand for 500 ppm and 25 ppm grades from Sri Lanka, Indonesia and Vietnam is firm.

Asian fuel oil cracks edged down w-o-w as Singapore onshore inventories continued growing from last week. Fuel oil stocks in Singapore expanded by 8% w-o-w to reach 25.8 mmb, an eleven-week high. ADNOC sold two 80 kt SRFO cargoes for February loading from Ruwais due to the shutdown of its RFCC unit.

VLCC

SPOT VLCC RATES			
WS (2017 basis)	9 FEB	2 FEB	W-O-W CHANGE
AG/Japan (265 kt)	76.50	68.00	8.50
AG/Singapore (270 kt)	77.50	70.00	7.50
AG/USGC (280 kt)	40.00	40.00	0.00
WAF/Far East (260 kt)	73.50	71.50	2.00

The VLCC market in the East of Suez recovered most of its losses from last week, with rates for the AG/Japan route edging up by w8.5 points to w76.5. Increased fixing activity has helped VLCC rates to gain momentum, with newbuilds and older vessels clearing out gradually. The gap between modern and handicapped tonnage seems to be narrowing to below w10 from w15 a week ago.

Steady activity in WAF is supporting rates for the East-bound voyages, which are up on the week at w73.5. Chinese buyers have been shipping vast amounts of Angolan crude on VLCCs, with Unipec and Day Harvest placing three vessels on subs for March loading. Robust demand for heavy Angolan grades is attributed to a narrow Brent/Dubai EFS as well as OPEC production cuts which have tightened global supplies of heavy crudes.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES				
WS (2017 basis)	VESSEL	9 FEB	2 FEB	W-O-W CHANGE
AG/East (130 kt)	Suezmax	77.00	83.50	-6.50
WAF/UKC (130 kt)	Suezmax	72.50	72.50	0.00
AG/East (80 kt)	Aframax	115.00	118.50	-3.50
Indo/Japan (80 kt)	Aframax	105.00	106.00	-1.00

Asian Suezmax rates continued their descent from a week ago, falling by w6.5 points to w77 for the key AG/East route. A lengthy position list in the AG continues to weigh on rates despite steady activity. An influx of March loading Basrah cargoes and a firmer VLCC market next week may help to stop the erosion in rates. The WAF Suezmax market seems to have found its floor at w72.5 for TD20. Despite a lack of second decade cargoes due to stronger demand for VLCCs, we are seeing some resistance from owners. More tonnage needs to be cleared before rates can move up.

The East of Suez Aframax market continued to soften, with rates for the AG/East route down by w3.5 points w-o-w and w1 point for the Indo/Japan route. While there was an uptick in activity, the fixtures concluded were mostly for short haul voyages. The ample supply of ships in the AG will continue to delay any recovery in rates.

MR/LR

SPOT MR / LR RATES			
$/T	9 FEB	2 FEB	W-O-W CHANGE
AG/Japan (75 kt)	11.73	11.37	0.00
AG/Japan (55 kt)	16.50	15.77	0.73
AG/Japan (35 kt)	22.00	23.03	-1.03

Asian LR2 rates for the key AG/Japan route are trading sideways at $11.73/T but an influx of third decade cargoes may lend support to rates in the coming week. The East-West gasoil arb remains closed, with rates for a West-bound voyage sinking to a multi-year low of $1.25 million. LR1 rates for the AG/Japan route edged up by $0.73/T w-o-w to $16.50/T due to increased activity and tighter prompt tonnage.

MR rates have weakened from last week due to competition for cargoes from LR1s, with rates for the AG/Japan basis 35 kt route down by $1.03/T from last week to $22.00/T. Ships have begun ballasting to AG and India in search for cargoes.

BUNKERS

BUNKER PRICES			
$/T	9 FEB	2 FEB	W-O-W CHANGE
Singapore 380 cst	322.50	324.00	-1.50
Singapore 180 cst	342.50	348.00	-5.50
Singapore MGO	503.50	501.50	2.00
Singapore Ex-Wharf Premium 380 cst	1.09	2.40	-1.31

Singapore 380cst and 180cst bunker prices slid by $1.50/T and $5.50/T respectively w-o-w, in line with the fall in crude prices. Singapore ex-wharf premiums were pressured by aggressive supplier offers, lower buying interest and high fuel oil inventories. Ex-wharf premiums came off by $1.31/T last week to $1.09/T.

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