WEEKLY REPORT

17 - FEB - 2017 WEEK 7

CRUDE

CRUDE PRICES

$/BBL	16 FEB	9 FEB	W-O-W CHANGE
ICE Brent	55.65	55.63	0.02
Dubai	53.89	53.92	-0.03

Crude prices were relatively stable on the week as reports that OPEC may extend its initial 6 month agreement to cut production failed to lift prices amidst record high US inventories. ICE Brent front-month futures held steady from last week at $55.65/bbl while Dubai swaps were relatively flat at $53.89/bbl.

Rising production in the US has led to swelling crude and fuel stocks. Exports of US crude also touched a new high at 1 mmb/d, with the bulk of them moving to Asia. Firm demand for medium and heavy sour grades propelled US crude Mars to a one-year high against WTI.

PRODUCTS

After hitting a 13-month high on Tuesday, Asia's naphtha crack inched down from last week but remains firm on the back of strong fundamentals. Robust buying from petchem end-users in China, Japan, Taiwan and South Korea has boosted cracks amidst lower Western arb volumes and Indian exports. Winter heating demand for LPG has pushed prices up, making LPG a less economically viable option for steam crackers.

The Asian gasoline crack slipped from last week's one-year high but still reflected solid fundamentals. Demand from the Middle East (ADNOC's tender for nine 27 kt cargoes over March-April delivery) as well as Asia (Indonesia, Vietnam, Pakistan) bolstered cracks. Singapore onshore inventories fell to a 5-week low of 12.76 mmb for the week ending Feb 15. With some traders turning to floating storage to store gasoline around Singapore, we could see a further drawdown in stocks over the next few weeks. Lower supplies on the back of heavier planned refinery maintenance y-o-y will keep the market supported.

Asian gasoil cracks are holding steady w-o-w while prompt timespreads flipped into backwardation. Spot demand from Sri Lanka and Tanzania as well as tighter supply due to higher refinery maintenance will keep cracks high.

380cst fuel oil cracks in Asia grew on the week, in line with the draw in onshore inventories in Singapore. Fuel oil stocks fell by 1.7 mmb w-o-w despite growth in net imports. Some volumes may have made their way into floating storage as at least 4 Aframaxes were fixed for short-term time charters this week.

VLCC

SPOT VLCC RATES

WS (2017 basis)	16 FEB	9 FEB	W-O-W CHANGE
AG/Japan (265 kt)	75.00	76.50	-1.50
AG/Singapore (270 kt)	75.50	77.50	-2.00
AG/USGC (280 kt)	39.00	40.00	-1.00
WAF/Far East (260 kt)	71.50	73.50	-2.00

The East of Suez VLCC market has been quiet this week with little activity seen as many await March loading dates. Rates for the AG/Japan route dipped by w1.5 point from last week to w75. Charterers were seen splitting some VLCC cargoes into smaller Suezmaxes to take advantage of weaker Suezmax rates. Upcoming peak refinery maintenance in Asia over March and April will put a dent in cargo volumes, which may cap any potential recovery in VLCC rates.

Weakness in the AG eroded gains in the WAF VLCC market despite market expectations of higher East-bound volumes in March. Rates for a WAF/East run slipped by w2 points w-o-w to w71.5. Angola's April export program is expected to hit a five-month high at 1.69 mmb/d. Firm Asian demand for medium and heavy grades pushed Angolan crude Dalia to a 3-1/2 year high versus Dated Brent last week.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES

WS (2017 basis)	VESSEL	16 FEB	9 FEB	W-O-W CHANGE
AG/East (130 kt)	Suezmax	72.50	77.00	-4.50
WAF/UKC (130 kt)	Suezmax	80.00	72.50	7.50
AG/East (80 kt)	Aframax	112.50	115.00	-2.50
Indo/Japan (80 kt)	Aframax	105.00	105.00	0.00

Asian Suezmax rates softened for a fifth consecutive week, down by w4.5 points to w72.5 for the key AG/East route. An influx of fresh cargoes from the VLCC segment failed to push rates up amid ample vessel supply in the AG. A 17.2% m-o-m drop in Iraqi Basrah crude exports for March and corresponding fall in Suezmax stems may weigh further on rates. Iraqi crude exports are expected to hit a 7-month low in March due to field maintenance as well as seasonal stormy weather conditions.

The WAF Suezmax market firmed from last week, with TD20 gaining w7.5 points to w80. Owner resistance as well as increased inquiry for first decade March loadings supported Suezmax rates. A handful of vessels heading East helped to clear the tonnage list as well.

Aframax rates for the AG/East route fell by w2.5 points w-o-w to w112.5 while rates for the Indo/Japan route held steady at w105. The AG market is facing a dearth of fresh cargoes amidst limited tonnage. A recent surge in short-term time charter activity in Singapore boosted owner sentiment in Asia but failed to lift rates due to a lengthy position list. More tonnage needs to be cleared before rates can move up. At least 4 Aframaxes have been taken by charterers including ST Shipping and Petrochina on short-term time charter of up to 90 days to potentially store fuel oil, with some outstanding inquires remaining. The disparity in earnings in the two regions has widened significantly, leading to a handful of vessels ballasting out of the AG.

MR/LR

SPOT MR / LR RATES

$/T	16 FEB	9 FEB	W-O-W CHANGE
AG/Japan (75 kt)	17.60	11.73	5.87
AG/Japan (55 kt)	18.34	16.50	1.84
AG/Japan (35 kt)	20.54	22.00	-1.46

The East of Suez LR2 market took a sharp turn for the better over the week, with rates for the key AG/Japan route spiking by $5.87/T to a five-week high of $17.6/0T. Rates appear to be time-sensitive, as a surge in third decade Feb and first decade March cargoes has tightened the position list up to first half March. Around 5 vessels were taken by a couple of oil majors for short-term time charters to store gasoline, exacerbating the tight prompt supply of ships and supporting rates.

LR2 rates for the AG/West route have increased significantly as well, up by at least US$250,000. However, the East-West gasoil arb remains shut, capping further growth in cargo volumes. The surge in rates is likely to be short-lived as a steady stream of cargo volumes seems unsustainable at current levels, especially with the upcoming peak maintenance season. Furthermore, the redelivery of ships that were taken for short-term time charters could eventually weigh on rates once more.

BUNKERS

BUNKER PRICES

$/T	16 FEB	9 FEB	W-O-W CHANGE
Singapore 380 cst	327.00	322.50	4.50
Singapore 180 cst	349.50	342.50	7.00
Singapore MGO	507.50	503.50	4.00
Singapore Ex-Wharf Premium 380 cst	0.30	1.09	-0.79

In line with the strength in crude prices, Singapore 380cst and 180cst bunker prices grew by $4.50/T and $7.00/T respectively w-o-w. Bunker demand was slow over the week, leading to aggressive supplier offers which pushed Singapore ex-wharf premiums down by $0.79/T to $0.30/T.

Singapore bunker sales in January grew by 7.1% y-o-y to 4.46 mmt, setting a new monthly record. With February typically a slow month in terms of bunker demand, we are likely to see an ease in y-o-y growth for February sales.

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