



WEEKLY REPORT

24 - FEB - 2017 WEEK 8

CRUDE

CRUDE PRICES				
\$/BBL	23 FEB	16 FEB	W-O-W CHANGE	
ICE Brent	56.58	55.65	0.93	▲
Dubai	55.00	53.89	1.11	▲

Crude prices grew w-o-w as market optimism regarding OPEC's high compliance rate with its agreement to cut production prevailed over rising crude inventories in the US. ICE Brent front-month futures gained by \$0.93/bbl on the week while Dubai swaps increased by \$1.11/bbl.

The flattening Brent futures curve has made it increasingly uneconomical to store crude, leading to a draw in global inventories. As an influx of crude begins to make its way out of floating storage, the additional supply will pressure the front of the curve.

PRODUCTS

Asia's naphtha crack shed nearly 30% w-o-w on the back of expectations of higher supplies. Front-month timespreads narrowed by \$1.50/T from the week before, as a fall in LPG demand at the end of winter is expected to lower prices relative to naphtha. The ramping up of Iran's 120 kb/d Persian Gulf Star Phase 1 as well as Qatar's 146 kb/d Ras Laffan 2 condensate splitters will lengthen regional supplies, while Taiwan's CPC is likely to start-up its new 50 kb/d Dalin splitter by the end of Q1. As such, we expect to see an ease in naphtha cracks in Q2 2017.

The Asian gasoline crack continued sliding from last week, in line with the growth in Singapore onshore inventories. Light distillates stocks in Singapore grew by 3.3% w-o-w to 13.2 mmb for the week ending Feb 22. Heavy upcoming refinery turnarounds in March will tighten gasoline balances in the region, with around 50% of total maintenance taking place at state-owned refineries in China. This is likely to lower Chinese gasoline exports as state-owned refiners are the only ones who hold fuel export quotas. Together with an expected spike in summer demand, we expect gasoline cracks to strengthen in Q2 2017.

Asian gasoil cracks remain supported by spot demand from Sri Lanka and Pakistan. Front-month timespreads strengthened by \$0.16/T due to expectations of lower supplies during peak refinery maintenance season.

The 380cst fuel oil complex in Singapore remains in steep backwardation despite weak bunker demand and higher incoming Western supplies, pointing to signs of a potential trading play. Onshore fuel oil inventories surged by 10% w-o-w to nearly 4 mmb for the week ending Feb 22.

VLCC

SPOT VLCC RATES				
WS (2017 basis)	23 FEB	16 FEB	W-O-W CHANGE	
AG/Japan (265 kt)	70.00	75.00	-5.00	▼
AG/Singapore (270 kt)	71.00	75.50	-4.50	▼
AG/USGC (280 kt)	35.00	39.00	-4.00	▼
WAF/Far East (260 kt)	70.00	71.50	-1.50	▼

The East of Suez VLCC market continued weakening as a combination of heavy upcoming refinery turnarounds in Asia as well as OPEC production cuts weighed on March stems. Rates for the AG/Japan route sank by w5 points from last week to w70. Around 1.8 mmb/d of Asian refining capacity is likely to be offline in March, up by 85.4% y-o-y. Rates for the WAF/East route inched down by w1.5 points, underpinned by weakness in the AG market despite steady activity seen. Trading for the April loading programs has been slow due to many market participants away at IP Week in London.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES					
WS (2017 basis)	VESSEL	23 FEB	16 FEB	W-O-W CHANGE	
AG/East (130 kt)	Suezmax	82.50	72.50	10.00	▲
WAF/UKC (130 kt)	Suezmax	80.00	80.00	0.00	●
AG/East (80 kt)	Aframax	117.00	112.50	4.50	▲
Indo/Japan (80 kt)	Aframax	110.00	105.00	5.00	▲

The Asian Suezmax market showed some sign of recovery after falling consecutively for five weeks. Rates for the AG/East route jumped by w10 points to w82.5 on the back of a flurry of activity, buoyed by a firmer WAF market. A handful of vessels ballasted over to WAF, helping to clear some of the excess tonnage. The Suezmax market in WAF held firm from last week, with TD20 rates holding at w80 due to a steady flow of cargoes and shorter position list.

Aframax rates in the East of Suez picked up as the impact of short-term time charter activity has begun to take effect. Around 8 Aframaxes have been taken for short-term time charters by ST Shipping and Vitol. Rates for the AG/East route and Indo/Japan route grew by w4.5 points and w5 points respectively on the back of increased cargo enquiries as well as tighter prompt tonnage. Sentiment in the AG is firm as owners are looking to narrow the wide disparity in earnings in the two regions, which stands at around \$1200/day.

MR/LR

SPOT MR / LR RATES				
\$/T	23 FEB	16 FEB	W-O-W CHANGE	
AG/Japan (75 kt)	16.50	17.60	-1.10	▼
AG/Japan (55 kt)	18.33	18.34	-0.01	▼
AG/Japan (35 kt)	16.87	20.54	-3.67	▼

Rates on the LR2s in Asia are starting to come off after peaking last week, down by \$1.10/T for the mainhaul AG/Japan route. As expected, the high level of cargo flows seen last week has proved unsustainable with lower enquiry seen. Prompt supply up to first half March remains tight.

LR1 rates for the AG/Japan route managed to hold firm w-o-w at \$18.33/T, sustained by an influx of cargo demand in the AG as well as West Coast India. The Asian MR market remains soft, with rates for an AG/Japan run basis 35 kt falling by \$3.67/T from last week to \$16.87/T. While there has been some activity up in the North, this is unlikely to push up rates. Heavy upcoming maintenance at Chinese state-owned refineries accounts for around 1 mmb/d in March, which may lead to lower CPP exports. Potential delays due to icy weather conditions in North China seems to be the only bright spot for owners for now.

BUNKERS

BUNKER PRICES				
\$/T	23 FEB	16 FEB	W-O-W CHANGE	
Singapore 380 cst	328.00	327.00	1.00	▲
Singapore 180 cst	348.50	349.50	-1.00	▼
Singapore MGO	511.00	507.50	3.50	▲
Singapore Ex-Wharf Premium 380 cst	1.16	0.30	0.86	▲

Singapore bunker prices were a mixed bag. 380cst bunker fuel prices inched up by \$1/T w-o-w while 180cst bunker fuel prices slipped by \$1/T. Bunker demand remained sluggish,

with Singapore ex-wharf premiums up by \$0.86/T to \$1.16/T which is still relatively low.