WEEKLY REPORT

3 - MAR - 2017 WEEK 9

CRUDE

CRUDE PRICES			
$/BBL	2 MAR	23 FEB	W-O-W CHANGE
ICE Brent	55.08	56.58	-1.50 ▼
Dubai	53.66	55.00	-1.34 ▼

Crude prices slid from last week as indications of weak compliance from Russia as well as historically high crude stockpiles in the US shook market confidence. Russia's oil production in February remained flat from January at 11.1 mmb/d despite its pledge to reduce output. ICE Brent front-month futures fell by $1.50/bbl on the week while Dubai swaps dropped by $1.34/bbl.

In what seems like a move to capture market share, Saudi Aramco cut April crude official selling prices (OSP) for its light grades to Asia. Its flagship grade Arab Light has been facing severe competition in Asia as a glut of light crude from the UAE and Atlantic Basin makes its way over.

PRODUCTS

The Asian naphtha crack tumbled by 24% from last week, hitting its lowest point this year. Despite a more than 50% fall m-o-m in March Western arb volumes, higher intra-regional supplies are expected to more than make up the shortfall. The start-up of CPC's new 50 kb/d Dalin splitter by the end of Q1 will add to regional volumes as well. Furthermore, as winter demand for LPG eases and prices fall relative to naphtha, petchem end-users will substitute more naphtha for LPG in the cracking pool.

Asia's gasoline crack dropped sharply by nearly 30% w-o-w, in line with the gasoline glut in the US. According to EIA data, US gasoline stocks remain bloated at 228.6 mmb despite a slip from last week's all-time high. The upcoming peak refinery maintenance season will lower gasoline supplies in Asia, which is expected to support cracks in Q2 2017.

Asian gasoil cracks dipped on the week on the back of ample supplies. India's March gasoil exports are likely to grow m-o-m as refiners destock ahead of the nation-wide switch to 50 ppm on 1 April.

Fuel oil cracks in Asia edged down from last week as Singapore onshore fuel oil stocks remained bloated at almost 4 mmt for the week ending Mar 1. The highly anticipated trading play materialized on Wednesday, with around 22 cargoes exchanging hands in the Platts window. The trading play fizzled out after a day as prompt timespreads narrowed by $1.35/T w-o-w.

VLCC

SPOT VLCC RATES			
WS (2017 basis)	2 MAR	23 FEB	W-O-W CHANGE
AG/Japan (265 kt)	60.00	70.00	-10.00 ▼
AG/Singapore (270 kt)	60.00	71.00	-11.00 ▼
AG/USGC (280 kt)	31.00	35.00	-4.00 ▼
WAF/Far East (260 kt)	62.50	70.00	-7.50 ▼

The Asian VLCC market softened further over the week, with rates for the benchmark AG/Japan route tumbling by w10 points to w60. Older vessels were fixed within the range of w54.5 - w58 for an AG/East run while modern tonnage managed to obtain rates from w60 - w62.5, creating a two-tiered market once again. We expect VLCC rates to remain under pressure over the coming weeks due to the unusually heavy refinery turnaround season in Asia and OPEC production cuts which will lower cargo volumes. Falling floating storage inventories that will free up more tonnage as well as an influx of newbuilds are other bearish factors to watch out for.

Similarly, rates for the WAF/East route were dragged down by w7.5 points w-o-w to w62.5 due to the weakness in the AG. Loading delays continue to plague demand for Nigeria's Qua Iboe grade with March loading cargoes still available.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES				
WS (2017 basis)	VESSEL	2 MAR	23 FEB	W-O-W CHANGE
AG/East (130 kt)	Suezmax	83.00	72.50	0.50 ▲
WAF/UKC (130 kt)	Suezmax	85.00	80.00	5.00 ▲
AG/East (80 kt)	Aframax	117.00	112.50	0.00 ●
Indo/Japan (80 kt)	Aframax	112.50	105.00	2.50 ▲

Suezmax rates for an AG/East run inched up by w0.5 points on the week, supported by increased enquiry as well as strength in the WAF market. The soft VLCC segment in the AG may cap any further growth in rates. Sentiment in the WAF Suezmax market firmed on the back of increased second decade enquiries which tightened the position list. Rates for TD20 expanded by w5 points from last week to w85. The rally is likely to sustain due to expected steady cargo volumes for third decade loading.

The East of Suez Aframax market held steady w-o-w. Rates for the AG/East route were flat on the week while rates for the Indo/Japan route grew by w2.5 points. Owners are bullish in anticipation of higher demand from the fuel oil trading play on Wednesday, as there have been rumors of short-term time charter enquiries. Any further gains in rates may be limited by the relatively healthy tonnage list in Asia.

MR/LR

SPOT MR / LR RATES			
$/T	2 MAR	23 FEB	W-O-W CHANGE
AG/Japan (75 kt)	15.40	16.50	-1.10 ▼
AG/Japan (55 kt)	17.16	18.33	-1.17 ▼
AG/Japan (35 kt)	19.44	16.87	-0.36 ▼

LR2 and LR1 rates for the key AG/Japan route slipped by $1.10/T and $1.17/T from last week respectively. Ship supply has outpaced demand despite a steady stream of cargoes. Similarly, MR rates for an AG/Japan run basis 35 kt dipped by $0.36/T w-o-w. A subdued Singapore market will cause more vessels to ballast to the AG/WCI region. Demand up in the North continues to be robust due to increased activity along the South Korea/Australia route.

BUNKERS

BUNKER PRICES			
$/T	2 MAR	23 FEB	W-O-W CHANGE
Singapore 380 cst	325.50	328.00	-2.50 ▼
Singapore 180 cst	348.00	348.50	-0.50 ▼
Singapore MGO	510.50	511.00	-0.50 ▼
Singapore Ex-Wharf Premium 380 cst	2.57	1.16	1.41 ▲

In line with the fall in crude prices, Singapore 380cst and 180cst bunker prices dipped by $2.50/T and $0.50/T respectively w-o-w. Bunker demand saw some improvement as Singapore ex-wharf premiums grew by $1.41/T w-o-w to $2.57/T.

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