WEEKLY REPORT

10 - MAR - 2017 WEEK 10

CRUDE

CRUDE PRICES			
$/BBL	9 MAR	2 MAR	W-O-W CHANGE
ICE Brent	52.19	55.08	-2.89 ▼
Dubai	51.20	53.66	-2.46 ▼

ICE Brent front-month futures tumbled to a three-month low on Thursday, breaking out of the narrow $55-$60 range that it has been trading in since the landmark OPEC agreement to reduce output. Brent crude prices fell by $2.89/bbl w-o-w to $52.19 as a ninth weekly consecutive build in US crude inventories weighed on investors. The Brent futures curve has slipped back into contango from its previously flat structure.

PRODUCTS

Buoyed by the strength in gasoline cracks, Asia's naphtha crack regained some losses w-o-w (up by 6%) but remains 35% lower than month-ago levels. Prompt-month timespreads flipped into contango mid-week, reflecting lengthy supplies. Demand remains robust as petchem end-users continue to show a preference for naphtha over LPG as feedstock for now, due to relatively high butadiene prices. Naphtha yields a larger volume of butadiene than propane.

Asia's gasoline crack saw a swift rebound last week, in line with the massive stockdraw of 6.6 mmb in US gasoline stocks (down by 2.9% w-o-w). Production cuts on the US East Coast as well as refinery outages on the USGC lent support to the US gasoline market as well.

Asia's 500ppm gasoil cracks firmed w-o-w on the back of spot demand from Pakistan, Vietnam as well as Malaysia. The spread between 500ppm and 10ppm gasoil has narrowed to less than $0.10/bbl due to ample supplies of the higher quality grade.

Fuel oil cracks in Asia inched up from last week despite heavy supplies, in line with the drop in crude prices. Prompt-month timespreads narrowed to $0.15/T, down by $0.60/T w-o-w as official data showed a 190 kt stockbuild in Singapore onshore fuel oil inventories, bringing the total to 4.14 mmt.

Tracking the fall in crude prices, Singapore 380cst and 180cst bunker prices were down by $9/T and $2.50/T respectively w-o-w. Ex-wharf premiums in Singapore dipped by $1.01/T, reflecting sluggish bunker demand.

VLCC

SPOT VLCC RATES			
WS (2017 basis)	9 MAR	2 MAR	W-O-W CHANGE
AG/Japan (265 kt)	55.00	60.00	-5.00 ▼
AG/Singapore (270 kt)	56.00	60.00	-4.00 ▼
AG/USGC (280 kt)	28.00	31.00	-3.00 ▼
WAF/Far East (260 kt)	57.50	62.50	-5.00 ▼

VLCC rates for the key AG/Japan route continued their downward slide over the week, falling by w5 points to w55 on the back of ample tonnage. Quite a few vessels were taken on COA, increasing the competition for cargoes in the spot market. The gap between older and modern tonnage seems to have narrowed significantly, with modern vessels commanding a premium of only w2 - 2.5 points. A decline in cargo volumes due to OPEC production cuts as well as upcoming peak refinery maintenance, the release of floating storage units and the delivery of newbuilds will continue to keep VLCC rates suppressed.

In line with the softer AG market, rates for the WAF/East route inched down by w5 points w-o-w to w57.5 despite a steady stream of cargoes. Charterers have begun working first decade April stems. The April Angolan program has not sold out as quickly as March and February, with around 10 cargoes remaining as reported by Reuters.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES				
WS (2017 basis)	VESSEL	9 MAR	2 MAR	W-O-W CHANGE
AG/East (130 kt)	Suezmax	90.00	83.00	7.00 ▲
WAF/UKC (130 kt)	Suezmax	105.00	85.00	20.00 ▲
AG/East (80 kt)	Aframax	117.50	117.00	0.50 ▲
Indo/Japan (80 kt)	Aframax	115.00	112.50	2.50 ▲

The Asian Suezmax market gained w-o-w, with rates for an AG/East run up by w7 points to w90. Rate were buoyed by the firm WAF market as well as growing Iranian exports. Iran's crude exports reached a record 3 mmb/d in late February, higher than the expected 2.2 mmb/d. Kharg-loading cargoes typically command a premium as well.

The WAF Suezmax market saw a bull run this week as rates for TD20 surged by w20 points to hit triple digits. Increased cargo flows as well as tight position list for third decade March loading led to the boost in rates. The strength in the Black Sea market trickled down to all regions as well, as rates for TD6 spiked by w30 points within a day due to a lack of ship supply. The rally in WAF Suezmax rates may not be sustainable for long as more vessels ballast over from the East and charterers turn to relatively weaker segments such as VLCCs and Aframaxes to cover stems.

Aframax rates in the East of Suez crept up from last week, with rates for the AG/East route up by 0.5 points and rates for the Indo/Japan route up by 2.5 points. The anticipated demand for short-term time charters has failed to materialize so far, but owner sentiment remains firm in Asia due to a rush of fixing activity mid-week which helped to clear tonnage. Higher ESPO export volumes in April may lend support to Aframax rates, with exports expected to grow by 7% m-o-m.

MR/LR

SPOT MR / LR RATES			
$/T	9 MAR	2 MAR	W-O-W CHANGE
AG/Japan (75 kt)	16.14	15.40	0.74 ▲
AG/Japan (55 kt)	18.33	17.16	1.17 ▲
AG/Japan (35 kt)	20.17	19.44	0.73 ▲

LR2 and LR1 rates for the key AG/Japan route recovered most of their losses from last week, up by $0.74/T and $1.17/T from last week respectively. LR2 rates are supported by tight prompt tonnage, but most third decade loading cargoes have already been fixed. This leaves little room for LR2 rates to move further upwards. In contrast, a flood of third decade loading cargoes has led to the rally in LR1 rates. There is potential for LR1 rates to improve on increased activity. MR rates for an AG/Japan route grew by $0.73/T w-o-w, mirroring the strength in the LR segment. Demand in North Asia seems to have slowed down, with less enquiries seen amidst healthy tonnage.

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