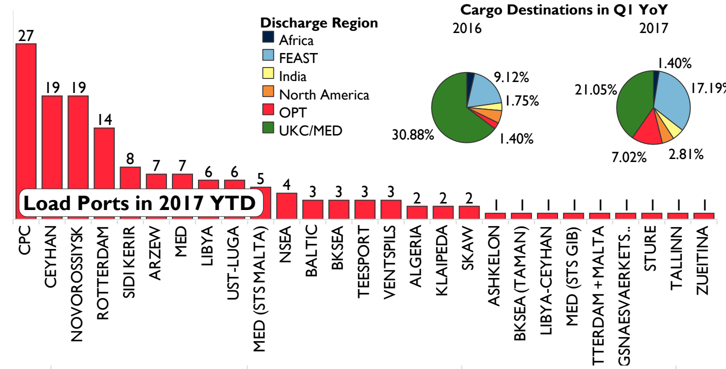
March 10th, 2017

MJLF & ASSOCIATES

Morning Brief

Crude prices rebounded somewhat this morning but remain down for the week. The WTI/Brent spread seems to be at a level that would encourage more crude exports from the US. The HO-GO spread jumped to five cents, but would need to move wider to encourage arb moves.

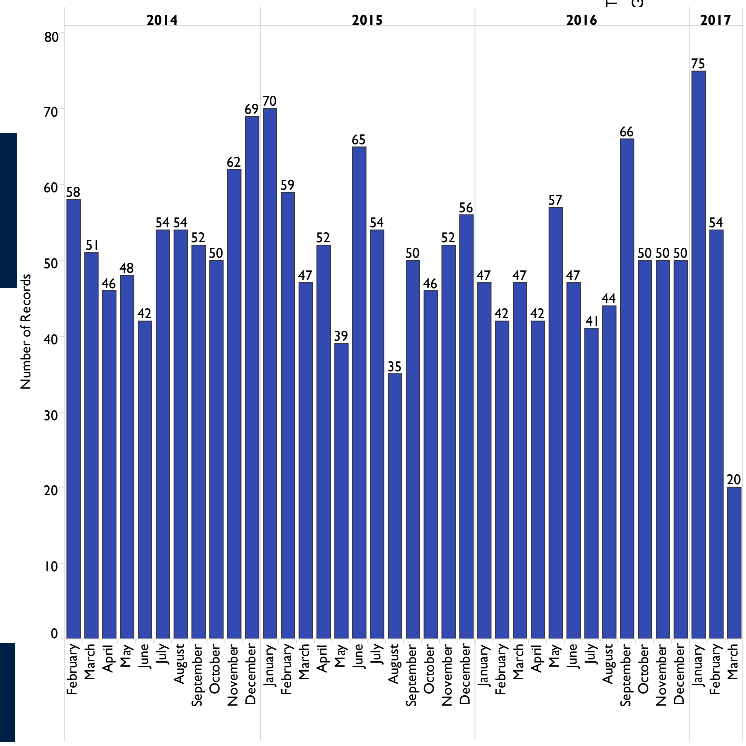
@ 0717 EST	$/b	Change From Close
WTI(1st m)	$49.60	$0.33
Dated Brent	$51.84	($0.01)
WTI/Brent	($2.35)	$0.01
HO-GO	$0.05	$0.05
Brent/Dubai	$1.40	($0.08)



Comments

Source: MJLF

Suezmax rates were firmer last week in all load regions. The immediate cause was a higher than normal cargo count in Europe, the Mediterranean, and the Baltic. The combined Suezmax cargo count in these regions was greater this year in both January and February when compared with last year. These additional volumes were seen sprinkled across a variety of load ports rather than one significant uptick in volumes. Another substantial change is where these cargoes were bound for. The narrow Brent/Dubai spread has more of these barrels moving on Suezmaxes to the far east, significantly boosting the ton mile demand compared with a shorter local voyage. When all of these factors are combined with a stable fleet size compared with last year, it's not surprising rates firmed in spite of the softer VLCC numbers. Specific to the Baltic, Turkish Straits delays are contributing to the firmer numbers, but it is important to realise the other reason tonnage is thin. Ton mile demand rose sharply and is thinning position lists. The question now is how this balances against the 58 deliveries expected this year.



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