



WEEKLY REPORT

7 - APR - 2017 WEEK 14

CRUDE

CRUDE PRICES				
\$/BBL	6 APR	30 MAR	W-O-W CHANGE	
ICE Brent	54.89	52.96	1.93	▲
Dubai	53.71	50.99	2.72	▲

Crude prices extended their rally this week as bullish market sentiment offset EIA data showing record high crude inventories in the US. An unforeseen outage at the Buzzard field in the North Sea supported prices as well. Oil prices shot up further on Friday as news of the US missile strike on Syria on Friday broke, touching a one-month high. ICE Brent front-month futures were up by \$1.93/bbl w-o-w while Dubai swaps expanded by \$2.72/bbl.

PRODUCTS

Asian naphtha cracks fell w-o-w despite hitting a one-month high earlier in the week due to an unexpected outage at Qatar's 146 kb/d Ras Laffan 1 splitter. A widening propane-naphtha discount and plunging butadiene prices are expected to weigh on naphtha demand as petrochemical plants consider switching to LPG. Formosa, Asia's biggest naphtha importer, recently tendered for LPG for May delivery.

Asia's gasoline crack edged up on the week, buoyed by RFCC shutdowns in Taiwan and the UAE as well as regional spot demand. EIA data indicated that US gasoline inventories saw a drawdown of 618 kb w-o-w, lending support to cracks.

Gasoil cracks in Asia grew from last week, in line with the 237 kb stockdraw in Singapore onshore middle distillate inventories which hit a 10-week low. Spot demand from Indonesia, Malaysia and Tanzania boosted cracks as well.

Asian fuel oil cracks strengthened w-o-w as onshore Singapore stocks fell by 7.3% w-o-w to a 10-week low of 23.6 mmb. The highly anticipated fuel oil bullish play made a reappearance in the Platts window, with 52 fuel oil cargoes traded over the week so far as reported by Reuters. Prompt-month timespreads flipped into backwardation on expectations of lower Western arb arrivals in April.

In line with the strength in crude prices, Singapore 380cst and 180cst bunker prices expanded by \$18.00/T and \$17.00/T respectively w-o-w. Ex-wharf premiums inched up by \$0.07/T w-o-w on stronger buying interest.

VLCC

SPOT VLCC RATES				
WS (2017 basis)	6 APR	30 MAR	W-O-W CHANGE	
AG/Japan (265 kt)	55.00	46.00	9.00	▲
AG/Singapore (270 kt)	55.00	46.00	9.00	▲
AG/USGC (280 kt)	27.00	25.00	2.00	▲
WAF/Far East (260 kt)	65.00	55.00	10.00	▲

A sudden burst of activity breathed some life into both AG and WAF VLCC markets as charterers rushed to cover third decade April cargoes. Frenzied fixing activity pushed up rates w-o-w by w9 points for the AG/Japan route and w10 points for the WAF/Far East route. Owner resistance as well as slow steaming efforts seem to have paid off for now. Firm activity in the Americas (USGC and Caribs) helped to tighten tonnage in the Atlantic Basin and generate ton-mile demand which lent support to rates, with a whopping 16 ships fixed for a journey East over this week. Whether this rally can sustain itself depends on the pace of fixing activity next week.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES				
WS (2017 basis)	VESSEL	6 APR	30 MAR	W-O-W CHANGE
AG/East (130 kt)	Suezmax	80.00	82.50	-2.50
WAF/UKC (130 kt)	Suezmax	80.00	87.50	-7.50
AG/East (80 kt)	Aframax	120.00	115.00	5.00
Indo/Japan (80 kt)	Aframax	102.00	107.50	-5.50

Suezmaxes trading in both AG and WAF regions faced the same predicament of growing cannibalization from their larger cousins. Suezmax rates for the key AG/East route slipped by w2.5 points w-o-w while rates for TD20 fell by w7.5 points amidst low activity. Suezmaxes in WAF were plagued by a light third decade April program due to stiff competition from VLCCs.

The Aframax market in the East of Suez is being pulled in two different directions. Rates for the AG/East route gained w5 points w-o-w, supported by a lack of modern vessels as well as a steady stream of tender cargoes. Notably, ADNOC issued two tenders for three 45kt cargoes of MSFO and four 80kt cargoes of SRFO loading from Ruwais as its 127 kb/d RFCC unit remains shut.

In contrast, rates for an Indo/Japan run slid by w5.5 points on the week due to the build-up of tonnage in Singapore. Potentially higher demand from the fuel oil trading play seen this week could lend some support to rates.

MR/LR

SPOT MR / LR RATES				
\$/T	6 APR	30 MAR	W-O-W CHANGE	
AG/Japan (75 kt)	15.40	16.14	-0.74	▼
AG/Japan (55 kt)	16.50	19.44	-2.94	▼
AG/Japan (35 kt)	19.44	20.54	-1.10	▼

The previously steady LR2 market in Asia has shown some signs of slowing down due to a dearth of cargoes, with rates for the key AG/Japan route inching down by \$0.74/T w-o-w. Cargo flows are expected to remain muted over the next couple of weeks due to lower Asian spot naphtha purchases for 2H April compared to 1H. Similarly, the Asian LR1 rates have undergone a rapid and steep decline. Rates for the AG/Japan route plunged by \$2.94/T w-o-w due to ample supply of prompt tonnage.

In line with the soft LR segment, MR rates for the AG/Japan route fell by \$1.10/T w-o-w. Muted cargo flows from Japan weighed on rates for the South Korea/Singapore route basis 40 kt which declined by \$50,000 on the week to \$300,000.