



WEEKLY REPORT

13 - APR - 2017 WEEK 15

CRUDE

CRUDE PRICES				
\$/BBL	12 APR	5 APR	W-O-W CHANGE	
ICE Brent	55.86	54.36	1.50	▲
Dubai	54.09	53.71	0.38	▲

Rising geopolitical tensions in the Middle East as well as the shutdown of Libya's Sharara oilfield pushed crude prices to a one-month high on Tuesday before easing slightly on news of surging US crude production. ICE Brent front-month futures jumped by \$1.50/bbl w-o-w while Dubai swaps climbed by \$0.38/bbl. Reports of Saudi Arabia supporting an extension of the OPEC production cuts, a surprise fall in US crude stocks as well as bullish crude import data from China boosted oil prices. China's crude imports in March hit a staggering 9.2 mmb, setting a new record.

PRODUCTS

Asian naphtha cracks tumbled from last week due to unexpected outages at two large-scale steam crackers in Southeast Asia. Lotte Chemical Titan's two 260,000 mt/year and 407,000 mt/year steam crackers in Malaysia as well as PCS' 465,000 mt/year cracker in Singapore were shut. Around three petrochemical end-users have purchased LPG for May delivery due to the wide propane-naphtha discount as well as plummeting butadiene prices. Steam crackers in North Asia are heading into peak turnaround season in Q2, with an average of 2 million mt/year expected to be offline.

Gasoline cracks in Asia jumped on the week on the back of firm sentiment in the West. As reported by EIA data, US gasoline stocks saw a steep draw of 3 mmb w-o-w. Robust import demand from Latin America and West Africa has been driving the strength in the Atlantic Basin gasoline market.

The Asian gasoil crack expanded over the week, buoyed by firm spot demand from Qatar and Vietnam. A planned Chinese consumption tax to be imposed on mixed aromatics and light cycle oil imports is likely to reduce imports of such blendstocks, lowering the domestic gasoil surplus and subsequently exports from China.

Fuel oil cracks in Asia were flat w-o-w while prompt-month timespreads flipped back into contango as concerns of heavy supplies resurfaced. Onshore inventories in Singapore grew by 3% from last week to 24 mmb.

Reflecting the uptick in crude prices, Singapore 380cst and 180cst bunker prices jumped by \$17.50/T and \$19.00/T respectively on the week. Ex-wharf premiums grew by \$0.21/T w-o-w due to strong bunker demand in Singapore.

VLCC

SPOT VLCC RATES				
WS (2017 basis)	12 APR	5 APR	W-O-W CHANGE	
AG/Japan (265 kt)	67.50	52.50	15.00	▲
AG/Singapore (270 kt)	69.00	52.50	16.50	▲
AG/USGC (280 kt)	37.00	27.00	10.00	▲
WAF/Far East (260 kt)	70.00	61.00	9.00	▲

The Asian VLCC market shot up this week, benefiting from last week's fixing bonanza which tightened the position list in the AG. Rates for the benchmark AG/Japan route surged by w15 points on the week to w67.5, boosted by a firm WAF market which required more ballasters from the AG as well as robust cargo demand for end-April and early-May loading.

Similarly, rates for the key WAF/East route jumped by w9 points w-o-w. A lack of natural tonnage in the Atlantic Basin due to brisk fixing activity has left charterers with no choice but to turn to AG ballasters. With a significant chunk of tonnage tied up on long haul voyages, the rally in VLCC rates may still have some life after all.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES					
WS (2017 basis)	VESSEL	12 APR	5 APR	W-O-W CHANGE	
AG/East (130 kt)	Suezmax	82.50	80.00	2.50	▲
WAF/UKC (130 kt)	Suezmax	72.50	80.00	-7.50	▼
AG/East (80 kt)	Aframax	117.50	122.50	-5.00	▼
Indo/Japan (80 kt)	Aframax	100.00	102.00	-2.00	▼

Buoyed by the strengthening VLCC segment in the AG, Suezmax rates in Asia regained their losses from last week. Rates for the key AG/East route inched up by w2.5 points w-o-w despite low levels of activity. In contrast, the firm VLCC WAF market had an opposite effect on Suezmax rates for TD20 which slid by w7.5 points from last week. With the bulk of the first decade May program loading on VLCCs, Suezmaxes in WAF have been facing a dearth of cargoes.

Asian Aframax rates eased on the week on the back of scarce activity. Rates for an AG/East run fell by w5 points w-o-w while rates for the Indo/Japan route edged down by w2 points from last week. With earnings in the AG now higher than that of Asia, owners have been willing to ballast to the AG without additional cost despite the tight supply of modern ships in the region.

The highly-anticipated increase in time-charter activity in Singapore has failed to materialize, leaving tonnage in Asia to pile up. Owners can only hope for a surge in fuel oil cargoes at the end of the month from the heavy activity seen in the Platts Window last week.

MR/LR

SPOT MR / LR RATES				
\$/T	12 APR	5 APR	W-O-W CHANGE	
AG/Japan (75 kt)	14.30	15.77	-1.47	▼
AG/Japan (55 kt)	15.40	18.34	-2.94	▼
AG/Japan (35 kt)	18.33	19.44	-1.11	▼

The collapse in the Asian LR market has been sharp and swift, compounded by the unexpected outage at Qatar's 146 kb/d Ras Laffan 1 splitter. LR2 and LR1 rates for the key AG/Japan route declined by \$1.47/T and \$2.94/T respectively. Muted cargo enquiries for the LR2s has led to rates coming off faster than the LR1s, which are still active but face a lengthy position list. The LR1s have also turned to poaching short-haul cargoes from the MR segment. Little relief seems to be in sight as naphtha-fed steam crackers in North Asia begin peak turnaround season.

Amidst increasing competition from the LR1s, MR rates for the AG/Japan route dropped by \$1.11/T w-o-w. The widely-anticipated Chinese consumption tax to be imposed on mixed aromatics and light cycle oil imports has weighed on market sentiment, leading to a scramble by traders to cancel cargoes as reported by Reuters.

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