WEEKLY REPORT

28 - APR - 2017 WEEK 17

CRUDE

CRUDE PRICES			
$/BBL	27 APR	20 APR	W-O-W CHANGE
ICE Brent	51.44	52.99	-1.55 ▼
Dubai	50.26	50.66	-0.40 ▼

Crude flat prices fell on the week on the back of concerns over persistent oversupply in the market, exacerbated by the reopening of Libya's Sharara and El Feel oilfields. EIA data indicating a third consecutive weekly stockdraw in US crude inventories was offset by growth in refined product stocks. ICE Brent front-month futures were down by $1.55/bbl w-o-w while Dubai swaps dipped by $0.40/bbl.

PRODUCTS

Naphtha cracks in Asia dived over the week, heavily pressured by the soft gasoline market. Spot demand from North Asian petchem end-users held firm as ethylene-naphtha margins remain healthy. Asian gasoline cracks tumbled w-o-w as massive stockbuilds in bloated global inventories weighed on supplies. As reported by EIA data, US gasoline stocks expanded by 3.4 mmb over the week. IE Singapore data indicated that onshore Singapore light distillate stockpiles jumped by 7.6% w-o-w to 14.8 mmb, which is the highest in more than 8 months.

The Asian gasoil market was boosted by pockets of spot demand from Vietnam, India and Kenya as well as lower regional supplies due to peak refinery maintenance. Fuel oil cracks in Asia inched up on the week, in line with weaker crude prices. Prompt-month timespreads flipped into backwardation from last week, up by $0.65/bbl on expectations of lower supplies. Onshore fuel oil inventories in Singapore plunged by 9% w-o-w to 22.9 mmb, which is a 12-week low.

Reflecting the fall in crude prices, Singapore 380cst and 180cst bunker prices declined by $12.50/T and $9.00/T respectively on the week. Ex-wharf premiums rose by $0.31/T w-o-w, supported by firm bunker demand in Singapore.

VLCC

SPOT VLCC RATES			
WS (2017 basis)	27 APR	20 APR	W-O-W CHANGE
AG/Japan (265 kt)	64.00	75.00	-11.00 ▼
AG/Singapore (270 kt)	65.00	74.00	-9.00 ▼
AG/USGC (280 kt)	35.00	42.00	-7.00 ▼
WAF/Far East (260 kt)	67.50	72.50	-5.00 ▼

The recent rally in the Asian VLCC market seems to be over-after all, what goes up must come down. Rates for the key AG/Japan route declined by w10 points on the week to w64 due to the return of older tonnage which is typically fixed at a discounted rate. Moreover, a sizeable chunk of AG/East fixtures this week were taken on COAs, intensifying the competition for spot cargoes. We expect the VLCC market to continue softening on the back of ample tonnage, but growing long-haul arbitrage crude trades from the Atlantic Basin is likely to limit the downside.

Rates for the key WAF/East route slid by w5 points w-o-w as charterers turned to their less expensive cousins, leading to a slowdown in cargo volumes for third decade loading. Angola's overall crude loading program is expected to grow by 3.7% m-o-m to 1.67 mmb/d in June, as reported by Reuters. However, a potential slowdown in Chinese crude buying may weigh on volumes heading East, and subsequently WAF VLCC rates.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES				
WS (2017 basis)	VESSEL	27 APR	20 APR	W-O-W CHANGE
AG/East (130 kt)	Suezmax	86.00	82.50	2.50 ▲
WAF/UKC (130 kt)	Suezmax	90.00	80.00	-7.50 ▼
AG/East (80 kt)	Aframax	117.50	120.00	-5.00 ▼
Indo/Japan (80 kt)	Aframax	102.50	105.00	-2.00 ▼

A pick up in fixing activity bumped up Asian Suezmax rates over the week, buoyed by the robust West Africa market. Rates for the key AG/East route edged up by w3.5 points w-o-w to w86. The WAF Suezmax market strengthened on the back of an injection of second-decade loading cargo demand, as charterers turned to splitting VLCC cargoes onto Suezmaxes. Suezmax rates for TD20 climbed by w10 points on the week and could firm further given the tighter position list.

Asian Aframax rates inched down w-o-w as vessel oversupply continues to plague the sector. Rates for an AG/East run as well as Indo/Japan voyage slipped by w2.5 points from last week. The AG saw healthy activity on the back of fuel oil tender cargoes, balanced by sufficient ballasters from Asia. While the Asian segment was busy this week, owners were reluctant to lock in low earnings at current levels for long-haul voyages.

MR/LR

SPOT MR / LR RATES			
$/T	27 APR	20 APR	W-O-W CHANGE
AG/Japan (75 kt)	12.47	12.47	0.00 ●
AG/Japan (55 kt)	14.67	14.67	0.00 ●
AG/Japan (35 kt)	19.07	18.86	0.21 ▲

Sentiment in the Asian LR market remains weak, with LR2 and LR1 rates for the key AG/Japan route flat on the week at $12.47/T and $14.67/T respectively. While a boost in activity ahead of Golden Week has failed to move rates upwards amidst the lengthy position list, some prompt tonnage has been cleared. Owners are continuing to stand their ground, refusing to fix at lower than last done levels. With a shorter position list seen for the LR1s, there is potential for rates to grow should the pace of fixing activity remain brisk.

MR rates for the AG/Japan route crept up by $0.21/T w-o-w as news of a potential delay in the widely-expected Chinese consumption tax to be imposed on mixed aromatics and light cycle oil imports broke. Rates for the South Korea/Singapore route basis 40 kt continued to plunge, down by $40,000 on the week to $240,000. Heavy refinery maintenance in North Asia has weighed on product exports and subsequently MR rates.

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