WEEKLY REPORT

19 - MAY - 2017 WEEK 20

CRUDE

CRUDE PRICES			
$/BBL	18 MAY	11 MAY	W-O-W CHANGE
ICE Brent	52.51	50.77	1.74 ▲
Dubai	51.00	49.64	1.36 ▲

Crude flat prices rose further w-o-w, spurred by market expectations of a nine-month extension of the OPEC production cuts as well as news of a drawdown in US crude stockpiles for the sixth consecutive week. OPEC members seem to be in consensus regarding the extension of the output cuts, with Saudi Arabia and Russia recently announcing their support. ICE Brent front-month futures firmed by $1.74/bbl on the week while Dubai swaps grew by $1.36/bbl.

PRODUCTS

Naphtha cracks in Asia saw a sharp decline from last week on the back of an ease in spot buying from petchem end-users as many had covered their 2H June requirements. Asian gasoline cracks fell on the week, in line with the stockbuild in Singapore inventories as well as lower-than-expected draw in US stockpiles. IE Singapore data indicated that onshore Singapore light distillate stocks expanded by 8.5% over the week to 13.2 mmb.

Diesel cracks in Asia dipped w-o-w as heavy supplies from India and the AG outweighed steady regional demand. Onshore middle distillate inventories in Singapore surged by 14% on the week to 13.2 mmb.

Asian fuel oil cracks were flat on the week as robust bunker demand in Singapore balanced out growing onshore fuel oil stockpiles. Ex-wharf premiums climbed further by $1.27/T w-o-w to $4.89/T.

VLCC

SPOT VLCC RATES			
WS (2017 basis)	18 MAY	11 MAY	W-O-W CHANGE
AG/Japan (265 kt)	52.00	62.00	-10.00 ▼
AG/Singapore (270 kt)	54.50	62.50	-8.00 ▼
AG/USGC (280 kt)	25.00	31.00	-6.00 ▼
WAF/Far East (260 kt)	53.00	60.00	-7.00 ▼

The Asian VLCC market succumbed to heavy downward pressure this week as a huge overhang of ships rolled over from the May loading program with handicapped tonnage taking up a significant share. Cargoes for first decade June loading have been slow to emerge with charterers in no hurry to fix. As such, rates for the key AG/Japan voyage plunged by w10 points w-o-w to w52 with discounted units concluded at below w50 levels.

Tracking the weak AG market, rates for the key WAF/East route dropped by w7 points from last week to w53. Chinese demand for Angolan crude has slowed recently due to an ease in buying from teapot refineries, with the June Angolan program yet to clear as a few cargoes remain. Onshore crude storage at Shandong is reported to be full by Reuters as independent refiners overbought crude in Q1 when they rushed to use up their import quotas.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES				
WS (2017 basis)	VESSEL	18 MAY	11 MAY	W-O-W CHANGE
AG/East (130 kt)	Suezmax	75.00	80.00	-5.00 ▼
WAF/UKC (130 kt)	Suezmax	75.00	72.50	2.50 ▲
AG/East (80 kt)	Aframax	105.00	110.00	-5.00 ▼
Indo/Japan (80 kt)	Aframax	97.00	100.00	-3.00 ▼

The Asian Suezmax market continued to soften from last week as rates for the key AG/East route fell by w5 points to w75, in line with the weakness in the larger VLCC segment. Activity remained muted amidst a lengthy list of ships. A smaller June Basrah loading program is expected to weigh further on cargo volumes. The WAF Suezmax market saw a slight uptick in rates as more enquiries were seen for first decade June cargoes. Market sentiment was also buoyed by the firming Aframax market in the Mediterranean. Rates for TD20 inched up by w2.5 points w-o-w to w75.

Aframax rates in Asia saw further erosion this week as owners were battered into submission. Rates for an AG/East run fell by w5 points w-o-w while rates for the Indo/Japan route edged down by w3 points from last week. Sparse activity and ample vessel supply led to lower rates being concluded. Owners can only hope that the surging Med market will attract ballasters from the East, which may help to clear some of the excess tonnage.

MR/LR

SPOT MR / LR RATES			
$/T	18 MAY	11 MAY	W-O-W CHANGE
AG/Japan (75 kt)	13.20	16.14	-2.94 ▼
AG/Japan (55 kt)	14.30	17.16	-2.86 ▼
AG/Japan (35 kt)	17.24	17.90	-0.66 ▼

The LR2 market in Asia underwent a downward spiral over the week as TC1 rates dove by $2.94/T w-o-w. Tepid activity allowed charterers to gain the upper hand, leading to rates coming off rapidly with further downside expected. Similarly, TC1 rates fell by $2.86/T on the week, in line with the soft LR2 market.

Sentiment in the Asian MR market remains bearish despite a slight uptick in activity in North Asia. However, cargo flows have been insufficient to clear the abundance of ships and push rates up. MR rates for the AG/Japan route inched down by $0.66/T on the week while rates for a South Korea/Singapore run basis 40 kt held steady w-o-w.

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