



WEEKLY REPORT

26 - MAY - 2017 WEEK 21

CRUDE

CRUDE PRICES

| | \$/BBL | 25 MAY | 18 MAY | W-O-W CHANGE |
|-----------|--------|--------|--------|--------------|
| ICE Brent | | 51.46 | 52.51 | -1.05 ▼ |
| Dubai | | 49.94 | 51.00 | -1.06 ▼ |

Crude flat prices fell on the week as the nine-month extension of the OPEC production cuts was perceived by the market as insufficient to stem the ongoing supply glut. Market participants had been hoping for deeper as well as longer cuts. News of a lower-than-expected draw in US gasoline stocks outweighed that of a massive drop in crude stockpiles. ICE Brent front-month futures were down by \$1.05/bbl on the week while Dubai swaps slid by \$1.06/bbl.

PRODUCTS

Asian naphtha cracks weakened further w-o-w, hitting a five-month low as heavy supplies from India and the West offset lower spot demand. Softer demand from petrochemical end-users was in line with the narrowing ethylene-naphtha spread, which hit a four-month low. Gasoline cracks in Asia dipped from last week on the back of reports of a lower-than-expected draw in US inventories. According to EIA data, US gasoline stocks dropped by 787 kb over the week.

Asian gasoil cracks edged up from last week, boosted by stronger sentiment after a sudden refinery outage in South Africa as well as robust spot demand from India and Kenya. Firm buying interest from Indian refiners due to ongoing refinery maintenance has helped to soak up excess 10ppm volumes in the region.

Fuel oil cracks in Asia inched down on the week as market participants shrugged off the sharp draw in Singapore onshore inventories (down by 12% w-o-w) due to the recent movement of cargoes into floating storage as reported by Reuters. Lower bunker demand in Singapore weighed on cracks as well, with ex-wharf premiums down by \$0.52/T w-o-w to \$4.37/T.

VLCC

SPOT VLCC RATES

| WS (2017 basis) | | 25 MAY | 18 MAY | W-O-W CHANGE |
|-----------------------|--|--------|--------|--------------|
| AG/Japan (265 kt) | | 50.00 | 52.00 | -2.00 ▼ |
| AG/Singapore (270 kt) | | 52.50 | 54.50 | -2.00 ▼ |
| AG/USGC (280 kt) | | 25.00 | 25.00 | 0.00 ● |
| WAF/Far East (260 kt) | | 53.00 | 53.00 | 0.00 ● |

The East of Suez VLCC market languished at a new low due to the continued dripfeed of cargoes as we move into the fixing window for 2nd decade June. Rates for the key AG/Japan route softened by w2 points on the week as newbuilds as well as older tonnage continued to fight for market share. The majority of AG/China cargoes were taken on COAs, increasing the competition in the spot market. The rollover of the OPEC output cuts brings little comfort to owners as the production cuts are expected to continue weighing on cargo volumes ex-AG.

Likewise, activity in the WAF VLCC market was slow which kept rates flat at w53. Weaker Chinese demand for Angolan crude has reduced cargo volumes as buyers turn to more competitively priced barrels in the region following the lowering of Saudi Aramco's June OSPs.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES

| WS (2017 basis) | VESSEL | 25 MAY | 18 MAY | W-O-W CHANGE |
|--------------------|---------|--------|--------|--------------|
| AG/East (130 kt) | Suezmax | 75.00 | 75.00 | 0.00 ● |
| WAF/UKC (130 kt) | Suezmax | 95.00 | 75.00 | 20.00 ▲ |
| AG/East (80 kt) | Aframax | 100.00 | 105.00 | -5.00 ▼ |
| Indo/Japan (80 kt) | Aframax | 95.00 | 97.00 | -2.00 ▼ |

The Asian Suezmax market was balanced as increased fixing activity helped to clear out some of the excess tonnage. Rates for the key AG/East route held steady from last week at w75. The firming WAF market may attract some ballasters from the East, shortening the position list and giving rates a little push.

Suezmax rates in WAF saw a rapid spike at the end of the week as cargo enquiries for 2nd decade June jumped. Rates for TD20 surged by a whopping 20 points w-o-w to w95, with potential to gain further. As reported by Platts, Angolan crude prices recently hit multi-month lows which has in turn attracted greater interest from the US and Europe, boosting cargo volumes and tightening the tonnage list.

The Asian Aframax market continued to come off shade by shade, with rates for an AG/East run down by w5 points on the week while rates for the Indo/Japan route slipped by w2 points w-o-w. While the previously firm Med market managed to draw a handful of ballasters from AG and Singapore, this hardly made a dent in the swollen tonnage lists in both regions. Ample ship availability as well as subdued activity are expected to keep a lid on rates.

MR/LR

SPOT MR / LR RATES

| | \$/T | 25 MAY | 18 MAY | W-O-W CHANGE |
|------------------|------|--------|--------|--------------|
| AG/Japan (75 kt) | | 12.47 | 13.20 | -0.73 ▼ |
| AG/Japan (55 kt) | | 13.93 | 14.30 | -0.37 ▼ |
| AG/Japan (35 kt) | | 17.97 | 17.24 | 0.73 ▲ |

The LR tanker market in Asia saw further decline on the week as ship availability remained healthy despite owners' best efforts at resistance amidst stable fixing activity. Both TC1 and TC5 rates fell by \$0.73/T and \$0.37/T from last week respectively. Charterers have been in a rush to fix ahead of an anticipated rise in rates, with a handful of LR2s placed on subs at the end of the week. The market could be close to bottoming out should the pace of fixing activity remain steady.

The Asian MR market took a turn for the better this week, buoyed by robust demand in the North region. MR rates for the AG/Japan route edged up by \$0.73/T on the week while rates for a South Korea/Singapore run basis 40 kt jumped by \$50,000 w-o-w as cargo enquiries for first decade June surfaced.