CRUDE

CRUDE PRICES			
$/BBL	8 JUN	1 JUN	W-O-W CHANGE
ICE Brent	47.86	50.63	-2.77 ▼
Dubai	46.57	48.97	-2.40 ▼

Crude flat prices plummeted on the week as the market brushed aside tensions in the Middle East in favor of an unexpected build of 3.3 mmb in US crude inventories. Shell's lifting of force majeure on Nigeria's Forcados crude contributed to worries over the current supply glut. ICE Brent front-month futures plunged by $2.77/bbl on the week while Dubai swaps dropped by $2.40/bbl.

Geopolitical tensions over the Qatari diplomatic crisis led to chaos and confusion in tanker markets as various port restrictions on vessels heading to and from Qatar were removed and reinstated within the span of a day. Issues may arise regarding multiple port loadings in AG for VLCCs.

PRODUCTS

Asian naphtha cracks dove by 18% w-o-w due to increased supplies from India, Qatar and the West amidst weaker buying interest. At least 3 LR2s carrying naphtha were booked this week for a Europe/Japan voyage. The narrowing ethylene-naphtha spread has also weighed on naphtha demand.

Gasoline cracks in Asia eased from last week's five-week high as a result of stockbuilds in US and Singapore light distillate inventories. According to EIA data, US gasoline stocks expanded by 3.3 mmb w-o-w while IE Singapore data indicated that onshore light distillate inventories grew by 6% on the week to 11.6 mmb.

Asian diesel cracks grew on the week, supported by continued spot demand from India due to ongoing refinery maintenance. Onshore middle distillate inventories in Singapore fell by around 6% w-o-w to 12.5 mmb, touching a one-month low.

Fuel oil cracks in Asia surged over the week on the back of shrinking onshore fuel oil inventories in Singapore. Fuel oil stocks in Singapore sank to their lowest in more than two years, down by 8% w-o-w to 17.3 mmb. While ex-wharf premiums dipped by $0.23/T on the week, they remained firm at $4.01/T. Bunker enquiries in Singapore saw a spike this week due to Fujairah's ban on Qatari-flagged and owned vessels as well as vessels moving to and from Qatar.

VLCC

SPOT VLCC RATES			
WS (2017 basis)	8 JUN	1 JUN	W-O-W CHANGE
AG/Japan (265 kt)	52.00	47.00	5.00 ▲
AG/Singapore (270 kt)	54.00	50.00	4.00 ▲
AG/USGC (280 kt)	26.00	23.00	3.00 ▲
WAF/Far East (260 kt)	56.50	53.00	3.50 ▲

Asian VLCC rates managed to gain some traction over the week as an increasing amount of older as well as handicapped tonnage had been cleared out. Uncertainty surrounding the Qatari diplomatic crisis and tighter port restrictions also contributed to bullish sentiment. Rates for the key AG/Japan route edged up by w5 points w-o-w to w52. We expect to see further downside over the coming week as chartering activity comes to a standstill with the majority of third decade June stems already fixed. The ongoing Abu Dhabi Petroleum Ports Authority ban on tankers heading to and from Qatar may also limit co-loading operations on VLCCs and lead to higher demand for Suezmaxes and Aframaxes.

VLCC rates in WAF grew by w3 points on the week on the back of firming sentiment in the AG as well as higher demand for 1st decade July loadings.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES				
WS (2017 basis)	VESSEL	8 JUN	1 JUN	W-O-W CHANGE
AG/East (130 kt)	Suezmax	67.50	75.00	-7.50 ▼
WAF/UKC (130 kt)	Suezmax	67.50	85.00	-17.50 ▼
AG/East (80 kt)	Aframax	98.00	100.00	-2.00 ▼
Indo/Japan (80 kt)	Aframax	90.00	95.00	-5.00 ▼

The Asian Suezmax market eased due to the weakness in the WAF region and heavy oversupply of tonnage, with rates for the key AG/East route down by w7.5 points on the week to w67.5. We have yet to see a spike in demand due to split cargoes, with charterers managing to circumvent the tighter port restrictions for now.

Suezmaxes trading in WAF saw a slump in rates due to the lengthy build-up in tonnage lists. Rates for TD20 dropped by another w17.5 points over the week to w67.5. The return of more Nigerian crude exports due to the lifting of force majeure on the Forcados grade is expected to lend some support to the market.

Aframax rates in the East of Suez dipped from last week, with rates down by w2 points for an AG/East run and w5 points for the Indo/Japan route. Additional demand from Qatari crisis has yet to materialize, but is expected to benefit the Aframax segment should issues with co-loading VLCCs take place. The AG market saw a bit more activity while a few prompt vessels were seen ballasting over from Singapore. Vast oversupply of tonnage continued to outweigh firm activity in Asia.

MR/LR

SPOT MR / LR RATES			
$/T	8 JUN	1 JUN	W-O-W CHANGE
AG/Japan (75 kt)	13.57	12.84	0.73 ▲
AG/Japan (55 kt)	15.40	15.77	-0.37 ▼
AG/Japan (35 kt)	18.70	18.38	0.32 ▲

LR2 owners managed to snag a premium for Qatar-loading cargoes amidst steady activity, with TC1 rates up by $0.73/T w-o-w. In contrast, TC5 rates softened by $0.37/T on the week due to ample LR1 supply. The return of LR1 vessels that were previously taken on short-haul voyages contributed to the lengthy position list. There are around 14 LR1s available for loading in the AG over the next week.

MR rates for the key AG/Japan route grew by $0.32/T from last week while rates for a South Korea/Singapore run basis 40 kt edged up by $10,000. Higher cargo volumes ex-South Korea helped to clear out some prompt tonnage in the region.

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