CRUDE

CRUDE PRICES			
$/BBL	15 JUN	8 JUN	W-O-W CHANGE
ICE Brent	46.92	47.86	-0.94
Dubai	45.56	46.57	-1.01

Crude flat prices plunged to a six-month low on the back of a counter seasonal build of 2.2 mmb in US gasoline inventories, indicating weak gasoline demand ahead of peak summer driving season. Growing supplies from Libya and Nigeria contributed to the slump in prices as doubts remain over the effectiveness of the OPEC production cuts. ICE Brent front-month futures fell by $0.94/bbl on the week while Dubai swaps dropped by $1.01/bbl.

PRODUCTS

Naphtha cracks in Asia gained on the week as buyers from South Korea returned to the market for 2H July cargoes. A narrowing ethylene-naphtha spread as well as heavy supplies from the West and India are expected to weigh on cracks.

Asian gasoline cracks hit a 12-week low on the back of weakness in the US gasoline market. As reported by EIA data, US gasoline stocks surged by 2.2 mmb over the week to 242.4 mmb. The recent release of a fresh batch of Chinese product export quotas contributed to the plunge in gasoline cracks due to oversupply worries.

Diesel cracks in Asia were up w-o-w on the back of firm spot demand from Vietnam and India. Onshore middle distillate inventories in Singapore dipped by around 1% from last week to 12.4 mmb, the lowest in more than a month.

Asian fuel oil cracks inched up from last week, tracking the fall in crude prices. While the backwardated market is indicative of tight supplies, ample supplies remain in floating storage. Bunker demand in Singapore was robust as ex-wharf premiums grew by $1.61/T w-o-w.

VLCC

SPOT VLCC RATES			
WS (2017 basis)	15 JUN	8 JUN	W-O-W CHANGE
AG/Japan (265 kt)	50.00	52.00	-2.00
AG/Singapore (270 kt)	52.00	54.00	-2.00
AG/USGC (280 kt)	26.00	26.00	0.00
WAF/Far East (260 kt)	55.00	56.50	-1.50

The VLCC market in Asia softened as expected due to a slow third decade June program and ample supply. Rates for the key AG/Japan route slid by w2 points on the week to w50. Charterers have already started covering a handful of first decade July cargoes as the release of July stems takes place. The Qatari diplomatic crisis has hardly had any effect on VLCC freight rates, with multiple port loadings continuing to take place. In line with the weakness in the AG, VLCC rates for the key WAF/East route dipped by w1.5 points from last week. The Angolan July program has yet to clear, reflecting muted buying interest from China.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES				
WS (2017 basis)	VESSEL	15 JUN	8 JUN	W-O-W CHANGE
AG/East (130 kt)	Suezmax	67.50	67.50	0.00
WAF/UKC (130 kt)	Suezmax	62.50	67.50	-5.00
AG/East (80 kt)	Aframax	97.00	98.00	-1.00
Indo/Japan (80 kt)	Aframax	95.00	90.00	-2.00

Despite the ongoing crisis in Qatar and some owners preferring to avoid Qatar loadings, Suezmax rates in the East of Suez have yet to budge. Rates for the key AG/East route held steady at w67.5 w-o-w. The spread between taking a VLCC and Suezmax on an AG/East trip remains considerable at $2.57/T, which may have deterred charterers from taking more Suezmaxes.

WAF Suezmax rates continued to slide amidst a lengthy list of prompt tonnage and slow cargo enquiry. Rates for TD20 fell by another w5 points on the week to w62.5, but appear to have bottomed out with owners putting up stiff resistance. Nigeria's overall crude loading program is expected to grow by 5.1% m-o-m to 1.84 mmb/d in July, as reported by Reuters. However, the ongoing glut of light sweet crude has led to a persistent overhang of cargoes.

The Aframax market in the East of Suez was fairly steady, with plentiful vessel supply seen in both regions. Rates for the AG/East route dipped by w1 point w-o-w while rates for the Indo/Japan route slipped by w2 points on the week. The AG region saw a tad more enquiry but ample availability of older units kept a lid on rates. Muted demand was seen in Asia, leading to a handful of vessels ballasting over to the AG despite the wide disparity in earnings.

MR/LR

SPOT MR / LR RATES			
$/T	15 JUN	8 JUN	W-O-W CHANGE
AG/Japan (75 kt)	12.47	13.57	-1.10
AG/Japan (55 kt)	15.40	15.40	0.00
AG/Japan (35 kt)	18.70	18.70	0.00

Lower cargo enquiries as well as an ease in restrictions on vessels moving to and from Qatar led to a fall in TC1 rates, which were down by $1.10/T on the week. Steady cargo activity in the LR1 market failed to lift TC5 rates due to oversupply of prompt tonnage, which were flat w-o-w at $15.40/T. There are more than 20 LR1s available for loading in the AG over the next week.

MR rates for the key AG/Japan route were stable on the week at $18.70/T while rates for a South Korea/Singapore run basis 40 kt grew by $20,000. Higher cargo volumes for third decade loading lent support to the MR market in North Asia. The recent release of a new batch of Chinese product export quotas is expected to boost cargo volumes over the coming months. The MR market in Singapore firmed up as well, with rates for a Singapore/Hong Kong trip up by $25,000 w-o-w. This can be attributed to Ramadan season which leads to a seasonal uptick in gasoline imports into Indonesia.

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