



Weekly Report

23 JUN 2017 | WEEK 23

CRUDE

Crude flat prices dove to sub-\$45 levels mid-week, marking a ten-month low. Surging production in the US, Nigeria and Libya continued to cast doubts over OPEC's ability to reduce the stubborn glut in crude. The market shrugged off news of a 2.5 mmb drop in US crude stockpiles. ICE Brent front-month futures plunged by \$1.70/bbl on the week while Dubai swaps fell by \$1.54/bbl.

CRUDE PRICES

\$/BBL	22 JUN	15 JUN	W-O-W CHANGE
ICE Brent	45.22	46.92	-1.70 ▼
Dubai	44.02	45.56	-1.54 ▼

PRODUCTS

Asian naphtha cracks grew from last week, supported by low crude prices as well as the strength in the gasoline market. Spot demand was fairly subdued as buyers have covered the bulk of their requirements for 2H July. Gasoline cracks in Asia recovered from last week's 12-week low due to stockdraws in the US and Singapore, as well as spot demand from India. According to EIA data, US gasoline stocks fell by 578 kb over the week while IE Singapore data indicated that onshore Singapore light distillate stockpiles plunged by 8.3% w-o-w to 10.5 mmb, the lowest level in more than 8 months.

Diesel cracks in Asia inched down w-o-w on the back of reports of a build in Singapore inventories. Onshore middle distillate inventories in Singapore grew by around 1% on the week to 12.5 mmb. However, the market remains fairly supported by firm Indian imports which have helped to mop up some of the excess supply from China as well as the AG (due to a persistently strong EFS which has kept the East-West arb shut).

Mirroring the drop in crude prices, Asian fuel oil cracks hit a 5-year high over the week. Firm bunker demand as well as lower supplies from the West (Russia and Venezuela) have boosted cracks. Ex-wharf premiums in Singapore dipped by \$0.51/T on the week but remained robust at \$5.11/T.

VLCC

VLCC rates in Asia edged up on the back of a recent uptick in short-term time charter activity. At least 5 older units were taken by charterers including Trafigura to potentially store crude for 30-90 days at levels around \$17,000/day, helping to clear some of the supply overhang. Steady activity as charterers covered first decade July stems lent support to rates as well. Rates for the key AG/Japan route grew by w2 points on the week to w52. Tracking the AG market, VLCC rates for the key WAF/East route inched up by w1 point from last week.

SPOT VLCC RATES

WS (2017 basis)	22 JUN	15 JUN	W-O-W CHANGE
AG/Japan (265 kt)	52.00	50.00	2.00 ▲
AG/Singapore (270 kt)	53.00	52.00	1.00 ▲
AG/USGC (280 kt)	26.00	26.00	0.00 ●
WAF/Far East (260 kt)	56.00	55.00	1.00 ▲

SUEZMAX/AFRAMAX

The Asian Suezmax market was flat w-o-w, with rates for the key AG/East route holding steady at w67.5 for the third consecutive week. The lengthy position list in the AG outweighed the release of July Basrah stems. WAF Suezmax rates continued their relentless decline as prompt tonnage built up in the Atlantic amidst muted activity. Rates for TD20 dropped by another w7.5 points from last week to w5.

The Aframax market in the AG was the busier of the two regions, with rates for the AG/East route stable on the week at w97. An increase in short-haul runs has helped to shorten the position list considerably, but whether this can be sustained is another issue. Rates for the Indo/Japan route slipped by w2.5 points w-o-w as activity remained subdued. Cargo enquiries ex-Kozmino have been unusually quiet as a smaller June program due to field maintenance as well as slowing Chinese demand weighed on volumes.

MR / LR

SPOT MR / LR RATES

\$/T	22 JUN	15 JUN	W-O-W CHANGE
AG/Japan (75 kt)	12.47	12.47	0.00 ●
AG/Japan (55 kt)	15.40	15.40	0.00 ●
AG/Japan (35 kt)	18.92	18.70	0.22 ▲

Both TC1 and TC5 rates were flat on the week at \$12.47/T (w85) and \$15.40/T (w105) respectively as owners and charterers seem to have come to a standstill for now. Earnings remain depressed at \$6000-\$7000/day levels as position lists for both segments continue to look healthy.

The Asian MR market firmed slightly towards the end of the week as a flurry of cargo enquiries in South Korea and Singapore boosted owner sentiment. MR rates for the key AG/Japan route grew by \$0.22/T w-o-w while rates for a South Korea/Singapore run basis 40 kt grew by \$30,000 from last week.

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