



Weekly Report

30 JUN 2017 | WEEK 26

CRUDE

Crude flat prices rallied on the back of an atypical fall in US production, recovering from last week's ten-month low. EIA data indicated that weekly production dropped by 100 kb/d to 9.3 mmb/d. However, this can be attributed to the temporary effect of the tropical storm in the Gulf of Mexico. ICE Brent front-month futures grew by \$2.20/bbl on the week while Dubai swaps expanded by \$2.48/bbl. Global supplies remain ample with production in Libya close to hitting 1 mmb/d and Shell lifting force majeure on Nigeria's Bonny Light crude exports as reported by Reuters.

PRODUCTS

Naphtha cracks in Asia saw a w-o-w decline as the recovery in crude prices and high inflows from the West outweighed steady demand from petchem end-users. Asian gasoline cracks inched down from last week as concerns over muted US demand during peak summer driving season plagued the market. Overflowing inventories on the US East Coast have kept the transatlantic arb barely workable, leading to more European gasoline heading to AG/Asia. IE Singapore data indicated that onshore Singapore light distillate stockpiles grew by 6.5% on the week to 11.2 mmb.

The Asian diesel crack grew from last week, buoyed by robust spot demand from India as well as a stockdraw in Singapore inventories. Onshore middle distillate inventories in Singapore plunged by around 20% w-o-w to 10 mmb, the lowest in more than 5 months.

Tracking the increase in crude prices, fuel oil cracks in Asia fell from last week. Fuel oil supplies are expected to remain tight in the short-term due to lower arrivals from the West. Ex-wharf premiums in Singapore dropped by \$0.90/T w-o-w, reflecting the ease in bunker demand.

VLCC

The Asian VLCC market remained depressed on the back of stale activity as we roll into the fixing window for second decade July. While charterers have their pick of handicapped tonnage to choose from, owners of modern vessels are continuing to hold their ground. Rates for the key AG/Japan route inched down by w0.5 points on the week to w51.5. The VLCC market in WAF was equally uninspiring, with rates for the key WAF/East route down by w1 point w-o-w to w55. The ongoing rebound in Chinese demand for Angolan crude may lend some support to August cargo volumes.

SUEZMAX/AFRAMAX

The Asian Suezmax market declined over the week due to a lack of fresh cargoes, smaller Basrah and Kharg programs for July as well as ample tonnage. As reported by Reuters, Iranian crude exports for July are expected to fall by 7% m-o-m to 1.86 mmb/d. Rates for the key AG/East route fell by w3.5 points w-o-w to w64. The pick-up in the WAF market may attract more ballasters from the East.

The WAF Suezmax market seems to have recovered marginally on the back of a tighter position list for end-second decade amidst stiffer owner resistance. Rates for TD20 gained by w5 points from last week to w60. Shell's recent lifting of force majeure on Nigeria's Bonny Light crude exports is expected to raise cargo volumes in coming weeks.

It was a quiet affair for Aframaxes trading in the East of Suez this week. A lack of enquiry in the AG dragged rates for the key AG/East route down by w2 points w-o-w to w95. Rates for the Indo/Japan route were flat on the week at w92.5 as a lengthy tonnage list continued to plague the stagnant market.

MR / LR

The LR market in Asia saw a rebound over the week albeit from very low levels, with TC1 and TC5 rates up by \$1.47/T and \$1.84/T respectively. The pace of fixing activity was relatively steady after market participants returned from the public holiday on Monday, helping to clear out some tonnage. Whether the recovery in rates can be sustained is another issue.

MR rates for the key AG/Japan route rose by \$0.88/T w-o-w, buoyed by a flurry of cargoes into East Africa. Rates for an AG/East Africa trip surged from mid-w140s last week to w170 on Thursday.

SPOT MR / LR RATES

\$/T	29 JUN	22 JUN	W-O-W CHANGE
AG/Japan (75 kt)	13.94	12.47	1.47 ▲
AG/Japan (55 kt)	17.24	15.40	1.84 ▲
AG/Japan (35 kt)	19.80	18.92	0.88 ▲

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