



Weekly Report

21 JUL 2017 | WEEK 29

CRUDE

ICE Brent front-month futures surged w-o-w on the back of news of huge drawdowns in US crude and refined product stockpiles, briefly crossing the \$50/bbl mark before settling at \$49.30/bbl. Reports of Saudi Arabia considering a possible further production cut also contributed to the rally in oil prices. EIA data indicated that US crude inventories dropped by 4.7 mmb for the week ending July 14.

PRODUCTS

Naphtha cracks in Asia jumped from last week on the back of robust spot demand from petchem end-users who bought H1 September cargoes. While timespreads tightened w-o-w, they remain in contango which is indicative of a persistent supply glut.

Asian gasoline cracks firmed on the week, lifted by sharp stockdowns in the US and Singapore. Pockets of demand from Vietnam, India and Sri Lanka contributed to the strength in the Asian gasoline market. According to EIA data, US gasoline stocks fell by 1.9% over the week while IE Singapore data indicated that onshore Singapore light distillate stockpiles declined by 7.6% w-o-w.

Asian diesel cracks grew w-o-w, supported by spot purchases from Vietnam as well as a drop in Singapore inventories. Onshore middle distillate inventories in Singapore plunged by 6.2% from last week to 11 mmb. Fuel oil cracks in Asia held firm from last week, shrugging off the strength in crude prices as well as build in onshore inventories in Singapore. Lower arb arrivals from the West as well as spot demand from Korea and Pakistan lent support to cracks.

VLCC

A sluggish start to the August program shaved off more points in the Asian VLCC market. Rates for the key AG/Japan route slid by w3.5 points w-o-w as charterers continued to show a preference for newbuilds and older units whenever possible, fixing at sub-50 levels. A seasonal fall in AG crude exports due to higher domestic demand for crude burning during summer is expected to weigh on the VLCC market over Q3. Incoming arb flows from Mexico as well as the USGC may further displace some AG volumes. In line with the weaker AG market as well as lower demand in the Atlantic Basin, rates for the key WAF/East route dipped by w1 point from last week.

SUEZMAX/AFRAMAX

The Asian Suezmax market saw a revival as rates for the key AG/East route gained w2.5 points on the week, with potential to firm further. The AG market was fairly active, supported by fresh Basrah and Kharg loading cargoes. Bullish owner sentiment due to a stronger AG market underpinned the WAF Suezmax market as charterers began to cover stems for early August. Rates for TD20 grew by w2.5 points from last week to w65.

In contrast, the Aframax market in the East of Suez was muted on the back of stale activity as well as ample vessel supply. Rates for the AG/East route were stagnant at w90 while rates for the Indo/Japan route fell by w3 points on the week due to a lengthier position list in Singapore.

MR / LR

The LR market in Asia gained upward momentum over the week, buoyed by the strength in the LR2 segment. TC1 and TC5 rates jumped by \$1.32/T and \$0.36/T respectively w-o-w. Owner sentiment in the LR2 market was bullish due to a flurry of cargoes for third decade July and first decade August as well as a tight position list until first decade August. With a handful of first decade August cargoes still outstanding, LR2 rates are expected to sustain their rally. The strength in LR2 rates is likely to trickle down to the LR1 market, which saw brisk activity this week as well.

MR rates for the key AG/Japan route grew by \$0.36/T, in line with the strength in the LR market. Activity ex-AG and WCI regions was busy, with more cargoes seen heading to SAF and EAF.

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