Weekly Report

28 JUL 2017 | WEEK 30

CRUDE

CRUDE PRICES			
$/BBL	27 JUL	20 JUL	W-O-W CHANGE
ICE Brent	51.49	49.30	2.19 ▲
Dubai	49.35	48.33	1.02 ▲

Crude flat prices continued their rally from last week, supported by deep draws in US crude and refined product inventories. EIA data indicated that US crude stockpiles dropped by 7.2 mmb w-o-w for the week ending July 21. Market sentiment has been bullish in light of the OPEC meeting at St Petersburg where Nigeria voluntarily agreed to cap its production at 1.8 mmb/d. ICE Brent front-month futures jumped by $2.19/bbl on the week while Dubai swaps grew by $1.02/bbl.

PRODUCTS

Asian naphtha cracks continued growing from last week, supported by both spot and term purchases from regional petchem end-users. The narrow naphtha-propane spread may have incentivized more buying in anticipation of higher prices in the future.

Gasoline cracks in Asia dipped w-o-w as stockbuilds in Singapore and the ARA region outweighed the draw in US inventories. According to IE Singapore data, onshore Singapore light distillate stockpiles surged by 22.4% w-o-w to hit 14.3 mmb, a three-month high. Data from PJK International indicated that gasoline stocks in the ARA region expanded by almost 7% w-o-w.

Gasoil cracks in Asia shot up to levels last seen in November, buoyed by elevated purchases of 500ppm gasoil from Winson Oil as well as robust demand from Kenya and Tanzania. Fuel oil cracks in Asia fell on the week, in line with the strength in crude prices as well as higher Western supplies arriving in August. Onshore inventories in Singapore grew by 7.5% on the week to hit 24.5 mmb, the highest since April.

VLCC

SPOT VLCC RATES			
WS (2017 basis)	27 JUL	20 JUL	W-O-W CHANGE
AG/Japan (265 kt)	50.00	50.00	0.00 ●
AG/Singapore (270 kt)	51.00	51.00	0.00 ●
AG/USGC (280 kt)	24.00	24.50	-0.50 ▼
WAF/Far East (260 kt)	51.50	54.00	-2.50 ▼

An influx of fixing activity (largely by Unipec) mid-week failed to lift VLCC rates as charterers continued to turn to ex-dry dock and older vessels for discounts. Rates for the key AG/Japan route were flat at w50 w-o-w. Recent developments during the OPEC meeting at St Petersburg are expected to weigh further on the VLCC market, with both Saudi Arabia and the UAE pledging to cut crude exports. This may lead to a m-o-m drop of 6-7% in ex-AG VLCC fixtures. The same problem plagued the WAF VLCC market which used to be the last bastion for owners of modern tonnage. Rates for the key WAF/East route dropped by w2.5 points from last week as charterers showed a preference for older tonnage amidst lower overall activity in the Atlantic Basin.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES				
WS (2017 basis)	VESSEL	27 JUL	20 JUL	W-O-W CHANGE
AG/East (130 kt)	Suezmax	67.50	67.50	0.00 ●
WAF/UKC (130 kt)	Suezmax	67.50	65.00	2.50 ▲
AG/East (80 kt)	Aframax	90.00	90.00	0.00 ●
Indo/Japan (80 kt)	Aframax	85.00	87.00	-2.00 ▼

While Asian Suezmax rates saw a strong start to the week, the growth in rates was capped by the weak VLCC market as well as oversupply of tonnage (including a handful of newbuilds). Steady cargo flows and a firmer WAF market kept rates for the key AG/East route flat w-o-w at w67.5.

The WAF Suezmax market was fairly active as charterers covered second decade August stems, with rates for TD20 up by w2.5 points on the week. The position list in WAF was shorter as fewer vessels were seen ballasting over from the East, lending some support to rates.

The Asian Aframax market remained under downwards pressure, with AG still the more active region of the two. Rates for the AG/East route held steady at the w90 mark for the third consecutive week while rates for an Indo/Japan voyage slid further by w2 points w-o-w. While the Indo region saw an injection of activity mid-week which helped to clear out some prompt tonnage, more cargoes are needed to push rates up.

MR/LR

SPOT MR / LR RATES			
$/T	27 JUL	20 JUL	W-O-W CHANGE
AG/Japan (75 kt)	17.24	15.04	2.20 ▲
AG/Japan (55 kt)	16.87	16.50	0.37 ▲
AG/Japan (35 kt)	20.54	19.80	0.74 ▲

The Asian LR market shot up from last week as owners managed to secure rates at higher than last done levels. TC1 and TC5 rates surged by $2.20/T and $0.37/T respectively on the week. The LR2 segment remained robust, with uncovered cargoes for second decade August stems as well as a tight position list for 1H August underpinning the boost in rates. Only 2 LR2 and 7 LR1 vessels are available for loading in the AG over the next week. While the strength in the LR2 market has led to charterers looking at splitting cargoes onto LR1s, the LR1 market has firmed as a result.

MR rates for the key AG/Japan route increased by $0.74/T w-o-w, reflecting the robust LR market. Demand to move cargoes from AG and WCI to East Africa held steady, lending support to rates as well.

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