Weekly Report

11 AUG 2017 | WEEK 32

CRUDE

CRUDE PRICES			
$/BBL	10 AUG	3 AUG	W-O-W CHANGE
ICE Brent	51.90	52.01	-0.11
Dubai	48.59	50.83	-2.24

Crude flat prices eased on the week as fears of a continued supply glut persisted. ICE Brent front-month futures dipped by $0.11/bbl on the week while Dubai swaps fell by $2.24/bbl. However, signs of rebalancing can be found in the Brent futures curve, which shifted into prompt backwardation for the first three months. EIA data was a mixed bag- while US crude stockpiles fell by 6.5 mmb on the week for the sixth consecutive week, gasoline inventories saw an unexpected build of 3.4 mmb.

PRODUCTS

Naphtha cracks in Asia dipped w-o-w as news of Shell's restart of its 404 kb/d Pernis refinery weighed. Fundamentals remain supported by robust spot demand as peak cracker maintenance comes to an end as well as lower incoming arb arrivals in the coming months.

Asian gasoline cracks grew from last week, shrugging off stockbuilds in the US and Singapore. Firm gasoline demand in the US underpinned cracks, with Colonial Pipeline announcing that it would resume its practice of rationing space as demand to move gasoline from the USGC to the Atlantic Coast recovered.

Asian diesel cracks saw further downward correction from the week before. With Shell restarting the Pernis refinery, demand to move distillate cargoes from the AG and Asia to the West has already started to slow down as the EFS weakens.

Fuel oil cracks in Asia expanded on the week, in line with the dip in crude prices. While onshore fuel oil inventories in Singapore grew by 2.3% w-o-w to 23.7 mmb, they remain 9.8% lower than year-ago levels.

VLCC

SPOT VLCC RATES			
WS (2017 basis)	10 AUG	3 AUG	W-O-W CHANGE
AG/Japan (265 kt)	41.00	47.00	-6.00
AG/Singapore (270 kt)	42.00	48.00	-6.00
AG/USGC (280 kt)	23.00	23.00	0.00
WAF/Far East (260 kt)	50.00	49.00	1.00

The Asian VLCC market faced renewed downwards pressure as a large amount of third-decade fixtures ex-AG were covered by older units as well as COAs. Rates for the key AG/Japan route plunged by w6 points on the week to w41. Earnings sank below $10,000/day levels over the week, which are sub-opex.
As reported by Reuters, Saudi Arabia will cut crude allocations to customers worldwide by at least 520 kb/d in September. This includes its prized buyers in Asia who have mostly been shielded from the OPEC cuts so far. This is expected weigh on VLCC demand further, with rates not expected to see any substantial recovery this quarter.

In contrast, VLCC rates for the key WAF/East route inched up by w1 point w-o-w to w50 as owners put up a fight. Owners were reluctant to lock in dismal earnings over a longer time period.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES				
WS (2017 basis)	VESSEL	10 AUG	3 AUG	W-O-W CHANGE
AG/East (130 kt)	Suezmax	68.50	71.00	-2.50
WAF/UKC (130 kt)	Suezmax	65.00	67.50	-2.50
AG/East (80 kt)	Aframax	85.00	82.50	0.00
Indo/Japan (80 kt)	Aframax	82.50	82.50	0.00

Asian Suezmax rates dipped from last week, capped by a grim VLCC market and a lack of fresh activity. It is currently around $4/T cheaper to load cargoes on a VLCC instead of Suezmax for an AG/Japan voyage. Rates for the key AG/East route edged down by w2.5 points w-o-w to w68.5. Similarly, the WAF Suezmax market was plagued by a lack of third decade cargoes due to heavy competition from their larger sisters. Rates for TD20 fell by w2.5 points on the week to w65.

The Aframax market was busier in the Far East/Indo region in comparison to the AG, which was fairly quiet other than some shorthaul activity. Ample tonnage continued to plague both regions, which kept rates stable at w85 for the AG/East route and w82.5 for the Indo/Japan voyage.

MR/LR

SPOT MR / LR RATES			
WS (2017 basis)	10 AUG	3 AUG	W-O-W CHANGE
AG/Japan (75 kt)	125.00	125.00	0.00
AG/Japan (55 kt)	135.00	127.50	7.50
AG/Japan (35 kt)	145.00	138.00	7.00

The Asian LR market gained momentum from last week, buoyed by Typhoon Noru which led to ships in Taiwan and Japan facing delays. Increased demand for replacements allowed owners to obtain premiums. TC1 rates held steady at w125 while TC5 rates jumped by w7.5 points w-o-w due to more cargo enquiries.

The MR segment continued to see firm demand in the AG and WCI, with rates for the key AG/Japan route up by w7 points on the week. With more vessels ballasting from Singapore to the AG/WCI region in search of cargoes, the position list in Singapore has begun to tighten.

Activity in the North Asian market is starting to show signs of picking up as the fixing window moves into the 3rd decade. Strong refining margins as well as peak summer demand have incentivized refiners to run at high utilization rates, helping to boost cargo demand.

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