



# Weekly Report

18 AUG 2017 | WEEK 33

## CRUDE PRICES

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\$/BBL		17 AUG	10 AUG	W-O-W CHANGE
ICE Brent		51.03	51.90	-0.87 ▼
Dubai		48.65	48.59	0.06 ▲

## CRUDE

ICE Brent front-month futures fell by \$0.87/bbl w-o-w as surging US crude production outweighed a massive draw in inventories. EIA data indicated that US crude output hit its highest level in nearly 2 years at 9.5 mmb/d for the week to August 11. While US crude stockpiles plunged by around 9 mmb on the week for the seventh consecutive week, gasoline inventories edged up slightly by 22 kb for a second week in a row.

## PRODUCTS

Asian naphtha cracks grew on the week, buoyed by the strength in gasoline as well as firm spot demand for September cargoes. A narrow propane-naphtha spread has deterred petchem end-users from using LPG as feedstock, leading to strong demand for naphtha.

Gasoline cracks in Asia were up from last week on the back of unexpected refinery outages in the region. Unplanned outages in China (Petrochina's 1.4 mmt/year RFCC at Dalian refinery) as well as Australia (secondary unit at BP's 146 kb/d Kwinana refinery) led to a jump in cracks.

Asian diesel cracks fell w-o-w on the back of a build in Singapore inventories. According to IE Singapore data, onshore middle distillate inventories in Singapore expanded by around 16% w-o-w to 13.7 mmb, the highest in three weeks.

Fuel oil cracks in Asia edged up over the week, reflecting the fall in crude prices. Bunker demand in Singapore hit a six-month high of 4.39 mmt in July as shipowners were forced to buy in larger parcel sizes after the introduction of mass flow meters this year.

## SPOT VLCC RATES

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WS (2017 basis)		17 AUG	10 AUG	W-O-W CHANGE
AG/Japan (265 kt)		42.00	41.00	1.00 ▲
AG/Singapore (270 kt)		44.00	42.00	2.00 ▲
AG/USGC (280 kt)		23.00	23.00	0.00 ●
WAF/Far East (260 kt)		49.00	49.00	-1.00 ▼

## VLCC

It seems as though the Asian VLCC market has bottomed out for now, with rates for the key AG/Japan route inching up from last week's year-to-date low of w41 to w42. TCE earnings remain at sub-opex levels of around \$10,000/day. The September AG program has been released, with charterers slow to fix first decade cargoes due to ample supply. A smaller Saudi program for September is expected to pressure the VLCC market further, delaying any recovery this quarter.

In line with the ailing AG market, VLCC rates for the key WAF/East route fell by w1 point w-o-w. Owners were battered into submission despite their initial reluctance to lock in low earnings over longer voyages.

## SPOT SUEZMAX/AFRAMAX RATES

WS (2017 basis)	VESSEL	17 AUG	10 AUG	W-O-W CHANGE
AG/East (130 kt)	Suezmax	67.50	68.50	-1.00 ▼
WAF/UKC (130 kt)	Suezmax	67.50	65.00	2.50 ▲
AG/East (80 kt)	Aframax	85.00	85.00	0.00 ●
Indo/Japan (80 kt)	Aframax	82.50	82.50	0.00 ●

## SUEZMAX/AFRAMAX

Asian Suezmax rates saw some gains mid-week on the back of fresh Kharg cargoes for September-loading, with ships placed on subs at 130@72.5-75 for an AG/East trip. Sentiment turned bearish when these ships failed subjects, with rates for the AG/East route down by w1 point w-o-w to w67.5. Rates are likely to remain soft due to ample tonnage in the region. Stiff owner resistance as well as stable activity in the Med helped to push rates for TD20 up by w2 points from last week to w67.

The Asian Aframax market has been a stale affair for the past few weeks, with rates holding at w85 for the AG/East route and w82.5 for an Indo/Japan voyage. Owner sentiment in the AG market is firming on the back of a thinning position list, which may lead to an uptick in rates next week.

## SPOT MR / LR RATES

WS (2017 basis)	17 AUG	10 AUG	W-O-W CHANGE
AG/Japan (75 kt)	117.50	125.00	-7.50 ▼
AG/Japan (55 kt)	127.50	135.00	-7.50 ▼
AG/Japan (35 kt)	147.50	145.00	2.50 ▲

## MR/LR

The rally in the Asian LR market started showing signs of a slowdown over the week as holidays in the East took their toll and the effects of Typhoon Noru faded. Rates saw a downward correction, with both TC1 and TC5 rates down by w7.5 points w-o-w. Steady cargo flows are expected to keep rates for the LR segment stable for now.

In contrast, the MR market has firmed w-o-w with busy activity seen in all regions. In the AG, firm demand for shorthaul voyages within the region as well as trips to East Africa underpinned rates for the key AG/Japan route by w2.5 points on the week. Prompt tonnage is tight in Singapore, pushing rates for a Singapore/Oz trip up by w9 points w-o-w to w229.

The North Asian MR market was active, with a few cargoes fixed to Oz after the unexpected outage at BP's 146 kb/d Kwinana refinery. Rates for a South Korea/Singapore run basis 40 kt grew by \$30,000 from last week. With a shorter position list in the Far East, there is potential for rates to gain further.

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