Weekly Report

25 AUG 2017 | WEEK 34

CRUDE

CRUDE PRICES				
$/BBL	25 AUG	17 AUG	W-O-W CHANGE	
ICE Brent	52.04	51.03	1.01	▲
Dubai	50.55	48.65	1.90	▲

Crude flat prices grew on the week as US crude stockpiles drew down for the eighth consecutive week. EIA data indicated that US crude inventories fell by 3.3 mmb w-o-w. Preparations for Hurricane Harvey also led to the shut-in of crude production in the Gulf of Mexico, buoying crude prices. ICE Brent front-month futures edged up by $1.01/bbl on the week while Dubai swaps jumped by $1.90/bbl.

PRODUCTS

Naphtha cracks in Asia surged w-o-w as robust spot demand for October cargoes continued to soak up supplies. Asian gasoline cracks dipped on the week but remain higher than the July average, reflecting strong fundamentals.
IE Singapore data indicates that onshore Singapore light distillate stockpiles plunged by 1.6 mmb from last week while EIA data showed that US gasoline inventories fell by 1.2 mmb on the week.

Diesel cracks in Asia grew from last week on the back of a string of purchases from Hin Leong in Singapore. Firm spot demand from Sri Lanka and Tanzania as well as lower Chinese exports lent support to cracks as well. Asian fuel oil cracks fell w-o-w, in line with the strength in crude prices as well as build in Singapore stockpiles. Onshore inventories in Singapore grew by 1.7% on the week to hit 24.7 mmb, the highest since April.

VLCC

SPOT VLCC RATES				
WS (2017 basis)	25 AUG	17 AUG	W-O-W CHANGE	
AG/Japan (265 kt)	39.00	42.00	-3.00	▼
AG/Singapore (270 kt)	40.00	44.00	-4.00	▼
AG/USGC (280 kt)	22.00	23.00	-1.00	▼
WAF/Far East (260 kt)	48.00	49.00	-1.00	▼

Just when we thought the worst was over, new lows were seen in the Asian VLCC market this week. Market sentiment collapsed after SK placed the Maran Capricorn (a modern vessel) on subs for an AG-Ulsan voyage, loading September 3-5, at w39 basis 275 kt. This narrowed the spread between modern and handicapped tonnage considerably. Rates for the key AG/Japan route fell by w3 points w-o-w to w39. Owners continue to face unrelenting pressure in the face of a build-up in prompt tonnage and dearth of cargo enquiries.

Over in the Atlantic, a jump in activity in the Caribs market led to an increase in rates for a Caribs/East trip. Rates grew by $150,000 w-o-w to $3.25 million as some ballasters were required. As such, rates for a North Sea/East voyage surged by around $500,000 on the week to $4 million. However, the uptick in the Caribs and North Sea failed to have any effect on the WAF market. Rates for the key WAF/East route slipped by w1 point from last week on the back of stale activity.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES					
WS (2017 basis)	VESSEL	25 AUG	17 AUG	W-O-W CHANGE	
AG/East (130 kt)	Suezmax	67.50	67.50	0.00	●
WAF/UKC (130 kt)	Suezmax	60.00	67.50	-7.50	▼
AG/East (80 kt)	Aframax	90.00	85.00	5.00	▲
Indo/Japan (80 kt)	Aframax	85.00	82.50	2.50	▲

The Asian Suezmax market held steady over the week, with rates for the AG/East route flat at w67.5. While cargo flows ex-Kharg and Basrah were fairly steady, vessel oversupply continues to weigh on the market. Subdued activity for the first decade September fixing window in the WAF market pushed rates for TD20 down by w7.5 points on the week.

The much-beleaguered Asian Aframax sector finally took a turn for the better, with rates up by w5 points for the AG/East route and w2.5 points for an Indo/Japan trip. A lack of prompt modern vessels in the AG forced charterers to pay up to attract ballasters from the Indo/Singapore region. As such, the strength in the AG market trickled down into the Indo segment despite ample tonnage.

MR/LR

SPOT MR / LR RATES				
WS (2017 basis)	25 AUG	17 AUG	W-O-W CHANGE	
AG/Japan (75 kt)	115.00	117.50	-2.50	▼
AG/Japan (55 kt)	125.00	127.50	-2.50	▼
AG/Japan (35 kt)	152.50	147.50	5.00	▲

Firm activity in the Asian LR market failed to sustain rates over the week, as both TC1 and TC5 rates slid by w2.5 points w-o-w. Despite tighter availability of vessels, the LR2 segment saw a lack of fresh enquiries compared to the LR1s. While the LR1 sector saw a flurry of cargoes, the position list in the AG lengthened considerably as more ships ballasted over from the West. Steady enquiries are expected to keep the market flat for now.

The Asian MR market held steady w-o-w but is showing signs of peaking. Rates for the key AG/Japan route grew by w5 points as demand for trips to East Africa remained firm.

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For our consulting services, please reach us at:
Rachel Yew
research@theofe.com