



Weekly Report

8 SEP 2017 | WEEK 36

CRUDE PRICES

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\$/BBL		7 SEP	1 SEP	W-O-W CHANGE
ICE Brent		54.49	52.86	1.63 ▲
Dubai		53.20	49.60	3.60 ▲

CRUDE

Crude flat prices rose w-o-w, supported by a larger-than-expected drop in US crude production. EIA data indicated that weekly crude production fell by 0.7 mmb/d to 8.8 mmb/d, which can be attributed to Hurricane Harvey. News of the gradual restart of many USGC refineries and pipelines also contributed to bullish sentiment. All eyes are on Hurricane Irma which is currently heading towards Florida. ICE Brent front-month futures grew by \$1.63/bbl on the week while Dubai swaps expanded by \$3.60/bbl.

PRODUCTS

Asian naphtha cracks saw a sharp jump on the week, underpinned by firm spot demand for 2H October cargoes. Propane prices surged following Hurricane Harvey due to loading delays, turning the typically negative propane-naphtha spread positive. This has further incentivized steam crackers to use only naphtha as a feedstock, stoking demand for the product. Lower naphtha supplies from Europe after some volumes were diverted to the US also led to the growth in cracks.

Gasoline cracks in Asia saw some downward correction from last week's 19-month high but remain relatively high. According to IE Singapore data, onshore Singapore light distillate stockpiles fell by 557 kb w-o-w while EIA data indicated that US gasoline inventories plunged by 3.2 mmb on the week.

Asian gasoil cracks edged up w-o-w following Winson Oil's buying spree in the Platts Window. Diesel demand in Asia is expected to see a seasonal uptick following the end of monsoon season. Fuel oil cracks in Asia inched up slightly from last week despite the build in Singapore inventories. Onshore inventories in Singapore rose to their highest in more than 5 months, up by 0.5% on the week to 3.95 mmt.

SPOT VLCC RATES

WS (2017 basis)		7 SEP	1 SEP	W-O-W CHANGE
AG/Japan (265 kt)		41.00	37.50	3.50 ▲
AG/Singapore (270 kt)		43.00	38.00	5.00 ▲
AG/USGC (280 kt)		21.00	21.50	-0.50 ▼
WAF/Far East (260 kt)		49.00	46.50	2.50 ▲

VLCC

A sudden burst of activity in the Asian VLCC market this week gave owners an opportunity to secure slightly higher rates as charterers began working on third decade September cargoes. The number of fixtures ex-AG recorded this week was more than double than that of last week. Rates for the key AG/Japan route climbed by w3.5 points w-o-w to w41. Ample tonnage supply is expected to keep a lid on any further growth in VLCC rates.

Buoyed by the stronger AG market, rates for the key WAF/East route edged up by w2.5 points from last week. Any potential impact of weather delays in the Atlantic due to a series of hurricanes has been offset by low cargo demand. A wider Brent-Dubai spread has shut the arb to Asia, deterring crude flows from the Atlantic Basin to Asia.

SPOT SUEZMAX/AFRAMAX RATES

WS (2017 basis)	VESSEL	7 SEP	1 SEP	W-O-W CHANGE
AG/East (130 kt)	Suezmax	67.50	69.00	-1.50 ▼
WAF/UKC (130 kt)	Suezmax	72.50	67.50	5.00 ▲
AG/East (80 kt)	Aframax	92.50	92.50	0.00 ●
Indo/Japan (80 kt)	Aframax	87.50	85.00	2.50 ▲

SUEZMAX/AFRAMAX

The Asian Suezmax market eased on the week, with rates for the AG/East route slipping by w1.5 points. A lengthy tonnage list weighed on rates despite owner resistance and fresh activity. Ship delays as well as uncertain itineraries in the USGC/ Caribbean as a result of Hurricane Harvey helped to tighten the position list in WAF, lending support to Suezmax rates. As such, rates for TD20 jumped by w5 points on the week to w72.5.

The Aframax market in Asia was fairly steady this week, with rates flat on the week for an AG/East voyage and up by w2.5 points for the Indo/Japan route. Stable cargo flows as well as an increase in bunker prices contributed to bullish owner sentiment.

SPOT MR / LR RATES

WS (2017 basis)	7 SEP	1 SEP	W-O-W CHANGE
AG/Japan (75 kt)	107.50	100.00	7.50 ▲
AG/Japan (55 kt)	130.00	122.00	8.00 ▲
AG/Japan (35 kt)	155.00	147.50	7.50 ▲

MR / LR

The Asian LR market surged towards the end of the week as the impact of Hurricane Harvey took effect. TC1 and TC5 rates jumped by w7.5 and w8 points w-o-w respectively. An increasingly shorter position list underpinned the sharp rise in rates, as many vessels were fixed on long-haul trips either from AG/UKC or Asia/Americas. Fewer ballasters from the West also contributed to the tightening ship supply. US refinery outages as a result of Hurricane Harvey have left European buyers with no choice but to turn to the Middle East and Asia to meet diesel and jet fuel shortfalls. With the gasoil EFS widening to -\$11/T on Thursday, the arb is increasingly profitable. A few LR1s that were fixed to move distillates from the AG/UKC had an option for delivery to the US as well, as LR1s have more flexibility compared to their larger sisters.

Likewise, Asian MR rates have firmed on the back of robust demand to cover transpacific cargoes. Rates for the key AG/Japan route grew by w7.5 points from last week while rates for a South Korea/Singapore run basis 40 kt rose by \$50,000 on the week to \$380,000. Sentiment in the North is particularly bullish due to a tighter tonnage list as well as outstanding cargo enquiries for transpacific cargoes.

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