Weekly Report

6 OCT 2017 | WEEK 40

CRUDE

CRUDE PRICES			
$/BBL	6 OCT	29 SEP	W-O-W CHANGE
ICE Brent	57.00	57.41	-0.41
Dubai	55.19	55.55	-0.36

Crude flat prices dipped from last week on the back of US crude exports hitting a record high. EIA data indicated that crude exports jumped by 0.5 mmb/d to 1.98 mmb/d last week, stoking concerns of oversupply once again. The reopening of Libya's Sharara oilfield after a two-day shutdown contributed to bearish market sentiment despite discussions of a possible extension in the ongoing OPEC production cuts. ICE Brent front-month futures edged down by $0.41/bbl w-o-w while Dubai swaps slipped by $0.36/bbl on the week.

PRODUCTS

Naphtha cracks in Asia gained on the week as end-user demand in the spot market held firm despite the Golden Week holidays. Western arb arrivals in October remain relatively low, tightening supplies in the region. Asian gasoline cracks grew w-o-w, buoyed by the rally in the USGC market ahead of Tropical Storm Nate and fall in crude prices.

Diesel cracks in Asia saw some downward correction from last week on the back of a stockbuild in Singapore and higher supplies from India. IE Singapore data indicated that onshore inventories grew by 1.8% on the week to 10.7 mmb. Fuel oil cracks in Asia inched down w-o-w despite firm market sentiment on expectations of lower Western supplies.

VLCC

SPOT VLCC RATES			
WS (2017 basis)	6 OCT	29 SEP	W-O-W CHANGE
AG/Japan (265 kt)	62.00	53.00	9.00
AG/Singapore (270 kt)	62.50	55.00	7.50
AG/USGC (280 kt)	26.00	23.00	3.00
WAF/Far East (260 kt)	62.00	60.00	2.00

Despite the holidays in China and Korea, enquiries in the Asian VLCC market held firm as we move into the third decade fixing window. Owner sentiment remained bullish on the back of a healthy position list in the AG and a lack of modern units. As such, rates for the key AG/Japan firmed by w9 points w-o-w, crossing the w60 mark for the first time since May. An influx of third decade cargoes in the coming week is expected to lead to further gains.

Rates for the key WAF/East route edged up by w2 points on the week, in line with the stronger AG market. Asian demand for WAF crudes has been subdued due to the wide Brent-Dubai spread, leaving an overhang of Angolan and Nigerian from the October and November loading program.

SUEZMAX/AFRAMAX

SPOT SUEZMAX/AFRAMAX RATES				
WS (2017 basis)	VESSEL	6 OCT	29 SEP	W-O-W CHANGE
AG/East (130 kt)	Suezmax	79.00	77.50	1.50
WAF/UKC (130 kt)	Suezmax	72.50	80.00	-7.50
AG/East (80 kt)	Aframax	115.00	110.00	5.00
Indo/Japan (80 kt)	Aframax	105.00	130.00	-25.00

The Asian Suezmax market was fairly stable on the back of steady flows ex-Kharg and Basrah. Rates for the key AG/East route inched up by w1.5 points from last week. In contrast, the WAF Suezmax market softened due to an ease in cargo demand as the VLCCs bit off a large chunk of the third decade program. A lengthy position list weighed on rates for TD20 as well, which fell by w7.5 points on the week.

Previous gains in the Asian Aframax market were completely erased, with rates for an Indo/Japan trip plunging by w25 points w-o-w. A lack of long-haul cargoes as well as a pile-up of tonnage as vessel delays eased led to the drop in rates. A pick-up in activity in the AG region led to a jump in rates, up by w5 points from last week for an AG/East voyage.

LR/MR

SPOT LR / MR RATES			
WS (2017 basis)	6 OCT	29 SEP	W-O-W CHANGE
AG/Japan (75 kt)	135.00	145.00	-10.00
AG/Japan (55 kt)	130.00	152.50	-22.50
AG/Japan (35 kt)	165.00	175.00	-10.00

The rally in the Asian LR market is showing signs of abating, with TC1 and TC5 rates down by w10 points and w22.5 points w-o-w respectively. The position list for 2H October has lengthened considerably as vessels previously taken on West-bound voyages return, giving charterers ammunition to go in for the kill. LR rates are expected to come under pressure in the coming weeks.

Similarly, MR rates for the key AG/Japan route fell by w10 points on the week as the market starts to soften. Ongoing holidays in China and Korea has slowed down fixing momentum, leading to muted enquiries and a build-up in tonnage. As such, rates for a South Korea/Singapore run basis 40 kt fell by $40,000 on the week.

Visit us at **theofe.com**

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