



Weekly Report

27 OCT 2017 | WEEK 43

CRUDE PRICES

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\$/BBL		27 OCT	20 OCT	W-O-W CHANGE
ICE Brent		59.30	57.23	2.07 ▲
Dubai		56.21	55.51	0.70 ▲

CRUDE

Crude flat prices rallied to hit a 27-month high on the back of comments from Saudi Arabia's Crown Prince Mohammad bin Salman that supported an extension of the ongoing OPEC production cuts. Geopolitical tensions in the Middle East continued to play a role in bullish market sentiment. Investors shrugged off EIA reports of a weekly 865 kb build in US crude inventories. ICE Brent front-month futures surged by \$2.07/bbl from last week while Dubai swaps jumped by \$0.70/bbl w-o-w.

PRODUCTS

Asian naphtha cracks saw a spike this week, hitting their highest level in nearly two years. A wide ethylene-naphtha spread has been underpinning high cracker utilization rates, boosting end-user demand.

Gasoline cracks in Asia gained on the week, buoyed by draws on Singapore and US stocks as well as the unexpected partial shutdown at Statoil's Mongstad refinery. According to IE Singapore data, onshore Singapore light distillate stockpiles plunged by around 14% w-o-w while EIA data indicated that US gasoline inventories fell by 2.5% on the week.

Asian diesel cracks edged up from last week on the back of spot demand from Kenya, Tanzania and Sri Lanka. Despite the build in onshore Singapore inventories last week, stocks remain 11.9% lower than that of last year.

Fuel oil cracks in Asia inched up over the week, indicative of tight prompt supplies in the region despite the surge in crude prices and slight build in onshore Singapore inventories. Structural decline in Russian fuel oil output as well as lower refinery run rates in Mexico and Venezuela have weighed on Western supplies into Asia.

SPOT VLCC RATES

WS (2017 basis)		27 OCT	20 OCT	W-O-W CHANGE
AG/Japan (265 kt)		70.00	72.50	-2.50 ▼
AG/Singapore (270 kt)		70.00	73.00	-3.00 ▼
AG/USGC (280 kt)		29.00	29.00	0.00 ●
WAF/Far East (260 kt)		72.50	73.00	-0.50 ▼

VLCC

Despite firm chartering activity towards the end of the week, Asian VLCC rates were capped by charterers favoring handicapped tonnage as well as a significant number of vessels taken on COAs. As such, rates for the benchmark AG/Japan route edged down by w2.5 points w-o-w. Underlying sentiment remains firm on the back of seasonal winter demand as well as limited availability of modern tonnage.

The WAF VLCC market fared a little better and managed to hold on to most of its gains due to robust demand in the Atlantic Basin. The number of fixtures ex-US/Caribs doubled from last week, shortening the position list in the region. Rates for the key WAF/East route dipped by w0.5 points on the week.

SPOT SUEZMAX/AFRAMAX RATES

WS (2017 basis)	VESSEL	27 OCT	20 OCT	W-O-W CHANGE
AG/East (130 kt)	Suezmax	85.00	85.00	0.00 ●
WAF/UKC (130 kt)	Suezmax	98.75	82.50	16.25 ▲
AG/East (80 kt)	Aframax	135.00	135.00	0.00 ●
Indo/Japan (80 kt)	Aframax	127.50	125.00	2.50 ▲

SUEZMAX/AFRAMAX

Suezmax rates for the key AG/East route held steady at w85, supported by fresh Kharg loading barrels. A firm market in the West has drawn some ballasters over and helped to reduce tonnage availability.

WAF Suezmax rates saw a spike towards the end of the weak, jumping by w16.25 points from last week. Delays in the Bosphorus Strait and related weather delays have tightened prompt vessel supply significantly, boosting owner sentiment.

The Asian Aframax market held firm over the week, with rates flat at w127.5 and w135 for an Indo/Japan and AG/East voyage respectively. Sentiment is bullish in the Indo/Singapore region on the back of typhoon-related ship delays in North Asia and a robust Med market despite stale activity. The AG region drew some ballasters over due to limited availability of modern vessels.

SPOT LR / MR RATES

WS (2017 basis)	27 OCT	20 OCT	W-O-W CHANGE
AG/Japan (75 kt)	112.50	115.00	-2.50 ▼
AG/Japan (55 kt)	110.00	115.00	-5.00 ▼
AG/Japan (35 kt)	165.00	160.00	5.00 ▲

LR / MR

The Asian LR market seems close to bottoming out due to an influx of fresh cargoes. The LR2 segment remains stronger than that of the LR1s due to lower vessel supply, with TC1 and TC5 rates down by w2.5 points and w5 points respectively w-o-w. Around 2 LR2s and 15 LR1s are available for loading in the AG over the next week. There is potential upside for the LR1s if the pace of fixing holds steady.

Busy activity in the AG/WCI lent support to the Asian MR market, with rates for the key AG/Japan route up by w5 points on the week. Potential ship delays due to typhoons in Japan contributed to the firm undertones in the North Asian market. Rates for a South Korea/Singapore run basis 40 kt jumped by \$40,000 from last week.

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