

Weekly Report

3 NOV 2017 | WEEK 44

CRUDE PRICES

\$/BBL		3 NOV	27 OCT	W-O-W CHANGE	
ICE Brent		60.62	59.30	1.32	▲
Dubai		58.58	56.21	2.37	▲

CRUDE

Crude flat prices crossed the \$60/bbl mark for the first time in more than 2 years, driven by market expectations of an extension of the ongoing OPEC output cuts. Declining US crude inventories despite growing production lent further support to prices. EIA data indicated that US crude stockpiles saw a drawdown of 2.4 mmb from last week. ICE Brent front-month futures edged up by \$1.32/bbl from last week while Dubai swaps jumped by \$2.37/bbl w-o-w.

PRODUCTS

The rally in naphtha cracks in Asia continued this week, with cracks holding at a near two-year high. Despite Western arb volumes likely to hit a four-month high of 1.3 mmt as reported by Reuters, robust demand from end-users has been soaking up supplies.

Asian gasoline cracks jumped from last week, supported by bullish sentiment in the West. Unexpected outages at Valero's 270 kb/d Pembroke refinery and Statoil's 240 kb/d Mongstad refinery boosted gasoline cracks in the West. Lower gasoline stocks in the US also lent support to cracks, with EIA data indicating a sharp draw of 4 mmb for the week ending Oct 27.

Diesel cracks in Asia fell on the week, weighed down by increased exports from India as well as a build in onshore Singapore stockpiles. IE Singapore data indicated that onshore Singapore inventories grew by 4.4% w-o-w to 12 mmb. A narrower gasoil EFS has rendered the East-West arb less profitable, which is likely to have contributed to the build in inventories.

Fuel oil cracks in Asia edged up w-o-w as tight supplies continue to outweigh rising crude prices as well as a continued build in onshore Singapore inventories. A narrowing East-West spread as well as higher freight rates have led to lower incoming arb arrivals from the West.

SPOT VLCC RATES

WS (2017 basis)		3 NOV	27 OCT	W-O-W CHANGE	
AG/Japan (265 kt)		69.50	70.00	-0.50	▼
AG/Singapore (270 kt)		70.00	70.00	0.00	●
AG/USGC (280 kt)		28.00	29.00	-1.00	▼
WAF/Far East (260 kt)		72.00	72.50	-0.50	▼

VLCC

The East of Suez VLCC market saw a lull in activity as we remain in the second decade November fixing window, with rates mostly flat across the board. Rates for the key AG/Japan route dipped by w0.5 points from last week. Unipac continued to take a large chunk of vessels on COAs while charterers continued to take compromised vessels whenever possible, limiting any further rise in rates.

In line with the muted AG market, rates for the key WAF/East route inched down by w0.5 points on the week. Slim position lists in the Atlantic Basin may lead to more vessels ballasting over from the AG to meet robust demand in the Caribs and Hound Point. Rates for a Hound Point/East trip jumped by \$200,000 w-o-w to \$5.4 million.

SPOT SUEZMAX/AFRAMAX RATES

WS (2017 basis)	VESSEL	3 NOV	27 OCT	W-O-W CHANGE	
AG/East (130 kt)	Suezmax	89.00	85.00	4.00	▲
WAF/UKC (130 kt)	Suezmax	95.00	98.75	-3.75	▼
AG/East (80 kt)	Aframax	128.00	135.00	-7.00	▼
Indo/Japan (80 kt)	Aframax	117.50	127.50	-10.00	▼

SUEZMAX/AFRAMAX

While activity in the Asian Suezmax market was fairly lacklustre, rates for the key AG/East route gained by w4 points w-o-w. Bullish owner sentiment due to lower vessel availability as well as firmer Med and WAF markets boosted Suezmax rates.

The WAF Suezmax market eased from last week's spike in rates but remained relatively firm. Owners finally gave into pressure as charterers held back 2nd decade cargoes amidst a lengthening position list. As such, rates for TD20 fell by w3.75 points from last week. Charterers should watch out for ongoing delays in the Bosphorus Strait which have the potential to tighten prompt vessel supply.

Aframax rates in Asia softened over the week, with rates down by w10 and w7 points on the week for an Indo/Japan and AG/East trip respectively. An ease in weather delays in North Asia, build-up in tonnage and weaker Med market contributed to the fall in rates. The AG region saw stale activity and a lengthier position list as a handful of vessels ballasted over from the Indo/Singapore region.

LR / MR

The Asian LR market saw an upwards tick in activity this week, pushing TC1 and TC5 rates up by w7.5 and w10 points respectively w-o-w. The LR2s are facing tighter prompt vessel supply than the LR1s, while the LR1s have turned to poaching short-haul cargoes from the MR segment. Around 4 LR2s and 10 LR1s are available for loading in the AG over the next week.

MR rates for the key AG/Japan route edged up by w7.5 points on the week, buoyed by robust demand to move cargoes from the AG/WCI to East Africa. The North Asian market is holding firm on a tight position list in South Korea and steady flow of cargoes. Rates for a South Korea/Singapore run basis 40 kt grew by \$10,000 from last week.

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