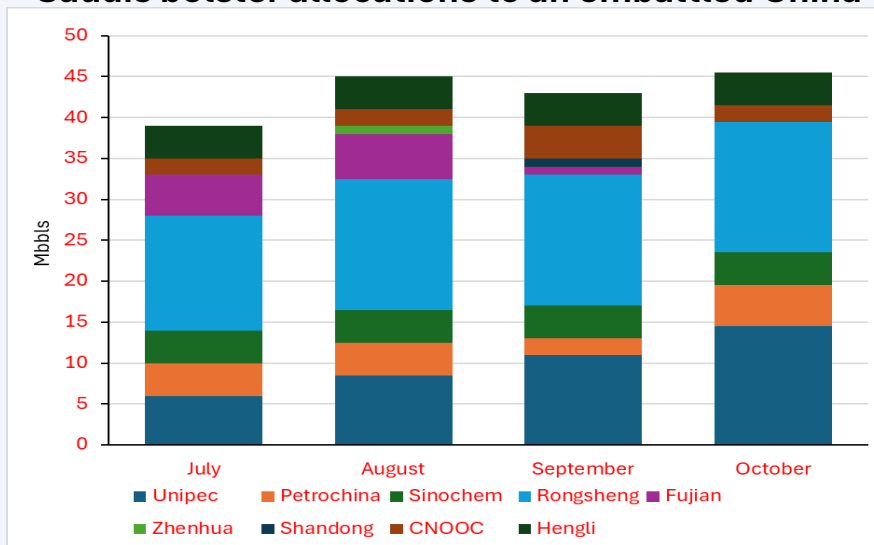




Saudis bolster allocations to an embattled China



Saudi allocations to Chinese refiners for October have jumped. Before we get into the details note the increase is in sharp contrast with the output stability narrative by OPEC. Key question to Saudi Arabia: if you are not hiking production, why are you increasing allocations to your customers? According to sources, Unipet got 14.5 mb for October up from 11 mb for September. Rongsheng, the favourite of the bunch, remains the primary recipient, at an unchanged 16 mb. These two take the lion's share of supply. Total allocation grew to 45.5 mb in October, from 43 mb in September, just shy of the 3 mb increase we expected. As we've been saying, China doesn't need much crude to fulfil its ailing demand, so where is this all going?

Barring any surge in domestic demand, the barrels would be transformed into export products, but higher export quotas are required. We will be watching. Alongside the extra supplies, current low prices may encourage further purchasing for the state reserves. Sources say some of the state purchasing is being reflected in the Dubai window activity. We reported a while back China SPR would need close to 60 mb. Time to stock up, even if it'll be sitting idle as China's industrial demand wavers even further.

We're hoping flights home from APPEC weren't as turbulent as flat price through the window, which bounced more violently than a Boeing 737. Poor Boeing: US West Coast factory workers voted almost unanimously to strike, demanding a 40% pay rise and rejecting the measly 25% counteroffer. 25% is really so miserly, don't you think? 🤔

In the window we saw more of the same: Vitol and Mitsui buying from Exxon and Reliance, but BP and Gunvor dipped their toes into the pool too, each buying from mega seller Exxon. Maybe someone should check in to make sure there isn't an issue with their 'sell' button, it seems to be jammed down.

Summary				
Physical and Futures		13-Sep-24	1-Day Change	7-Day Change
Brent Nov (fut)	(\$/bbl)	72.480	+0.910	-0.600
WTI Nov (fut)	(\$/bbl)	68.600	+1.090	-0.270
Dubai Nov (phys)	(\$/bbl)	72.890	+0.960	-0.520
OBI Continuous	(\$/bbl)	72.480	+0.910	-0.600
Crude Swaps Oct				
Brent	(\$/bbl)	71.820	+0.810	-0.870
DFL	(\$/bbl)	0.390	+0.120	+0.270
WTI	(\$/bbl)	68.390	+1.050	-0.360
Dubai	(\$/bbl)	71.530	+0.980	-0.540
Tenor		Nov-24	Dec-24	Jan-25
Crude Futures				
Brent (fut)	(\$/bbl)	72.480	71.840	71.410
WTI (fut)	(\$/bbl)	68.600	67.900	67.470



In detail

The markets continued their upward momentum and bounced onwards across the board. Dubai remained strong, gaining \$0.85/bbl, to close at \$72.79/bbl, still at a premium to Brent – 31c above Europe’s benchmark. Many businesses have a flat price exposure, and the autumn fire sale has created opportunities for many businesses to lock in relatively low prices. Brent and WTI also pursued their onward march to gain around a dollar – Nov futures are up \$0.91/bbl and \$1.09/bbl, respectively. This puts Brent at \$72.48/bbl, and WTI stands at \$68.60/bbl.

“Paper was hectic,” according to a trader. Maybe super busy is a better term as people returned to their desks after the APPEC libations. Hmm... 😊 We saw real choppiness during the window, and the Dubai M2 swap strengthened greatly over the day, from \$69.93 yesterday to \$70.85 today, eroding some of the physical premium, which slid to \$1.94, touching the lowest we’ve seen in September. All benchmarks are down on a weekly basis but massively recovered from earlier this week, as the shorts got a bit over excited and their positions backfired.

Giving up hope of such a dramatic recovery in China, investors are buckling up and piling into safe havens, which is seeing the yield curve get slammed. The 10-year yield has fallen to record lows of 2.0755%. The long end has also fallen lower than equivalent Japanese yields. Historically, risk averse Chinese investors would invest their intergenerational nest egg in property. Well, they probably don’t want to do that anymore; the property sector still has a bad case of long covid – the house price index has fallen every month since July last year and, in July 2024 were down 4.9% y/y. Keep your eyes peeled for tomorrow’s monthly update, but don’t hold out much hope for a revival. Many homes have fallen 30 to 60% in some areas. 'Even the tycoons are selling their homes,' said a source. 'Young graduates can't get jobs,' he added. And to cap it all, the super typhoon destroyed the wind farms in Hainan. 'They are all destroyed, but there is a news embargo,' said a source. We don't know but I guess they didn't call it a super typhoon for nothing. Naturally, the next best thing is longer dated sovereign debt. You can express your patriotic love for Big Brother while obtaining a low-risk coupon at the same time. What’s not to like?

The PBOC isn’t thrilled about falling long rates, so it wants to sell bonds, to push yields back up. But they’ve never done quantitative easing, at least not by western standards, so they have no bonds to sell. As we discussed in previous reports, the PBOC has recently started some rather unconventional yield curve intervention, where the central bank borrows bonds from the private sector to then sell, propping up yields. Well, it's not been particularly effective; whilst the back end seems to have uninverted itself, the downward momentum in China’s government yields is unwavering. Chinese workers won’t even get any respite until they’re old and grey; official retirement ages have been upped. Men will have to wait until they’re 63 to reach that point and women until they’re 58! Sounds like a breeze compared to here in the UK... The French must be jealous too.

Another graph showing a downturn is the dollar index, which has extended its losses. Against the yen, the dollar is at its weakest this year. Too much debt my friend! And then confidence on the dollar drops. Argentina redux? This comes as markets are starting to adjust their expectations for 18 September, when the FOMC will decide on the size of its first cut this cycle. Although most still expect a quarter point cut, some are starting to call for a 50bps. The OIS now prices 33bps of cuts at the next meeting, up from 27bps yesterday. The market is twitchy everywhere, and, with the Fed in blackout ahead of the meeting, and little in terms of important data releases, there isn’t much of substance to steer the market.

The US Bureau of Safety and Environmental Enforcement estimated about 40% of Gulf Coast oil production was inactive at some point. However, this looks like little more than short-term disruption, as most disrupted centres are coming back online with minimal damage, so expect the storm to boost prices only marginally. Bulls will have to wait for the next red flag to get worked up about, while downbeat macros weigh on markets.

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Front Month Outrights					
October Swaps			13-Sep-24	1-Day Change	7-Day Change
Crude					
Brent	(\$/bbl)	71.820		+0.810	-0.870
WTI	(\$/bbl)	68.390		+1.050	-0.360
Dubai	(\$/bbl)	71.530		+0.980	-0.540
Distillates					
Gasoil 0.1 NWE	(\$/mt)	650.880		+2.830	-14.020
NWE Jet	(\$/mt)	694.210		+3.660	-16.690
Singapore 10ppm	(\$/bbl)	83.740		+0.270	-1.950
Sing Kero	(\$/bbl)	83.460		+0.340	-2.190
Gasoline					
RBOB	(c/gal)	191.540		+2.020	-0.910
EBOB	(\$/mt)	654.200		+4.820	+4.540
Singapore 92	(\$/bbl)	75.960		+0.150	-0.530
Singapore 95	(\$/bbl)	79.360		+0.150	-0.530
Naphtha					
US C5 ENT	(c/gal)	143.440		+1.610	+0.010
NWE Naphtha	(\$/mt)	619.970		+9.340	+4.620
MOPJ Naphtha	(\$/mt)	640.140		+7.830	+5.880
Fuel Oil					
3.5% barges	(\$/mt)	383.350		+5.650	+3.750
Singapore 380	(\$/mt)	396.850		+4.280	+9.680
Singapore 180	(\$/mt)	407.660		+4.340	+12.240
0.5% barges	(\$/mt)	479.420		+7.230	-14.230
Singapore 0.5%	(\$/mt)	526.990		+8.830	-23.810
NGLs					
US Propane LST	(c/gal)	68.722		-0.334	-4.223
NWE Propane	(\$/mt)	557.540		+12.760	+4.000
Saudi Propane CP	(\$/mt)	603.540		+2.810	+1.000
Asian Propane FEI	(\$/mt)	633.040		+5.310	-3.960
US Butane ENT	(c/gal)	93.820		+0.650	-3.620
Saudi Butane CP	(\$/mt)	607.490		+1.760	+10.950



Long Tenor Swaps

		Balmo	Oct-24	Nov-24	Dec-24	Jan-25	Q4-24	Q1-25
Crude								
Brent	(\$/bbl)	72.430	71.820	71.410	71.150	71.050	71.460	70.977
WTI	(\$/bbl)	69.040	68.390	67.780	67.380	67.130	67.850	66.987
Dubai	(\$/bbl)	72.880	71.530	70.850	70.400	70.130	70.927	70.007
Distillates								
Gasoil 0.1 NWE	(\$/mt)	651.750	650.880	649.000	648.870	649.800	649.583	650.040
NWE Jet	(\$/mt)	692.750	694.210	694.750	696.620	699.550	695.193	699.657
Singapore 10ppm	(\$/bbl)	83.380	83.740	83.870	83.920	84.090	83.843	84.323
Sing Kero	(\$/bbl)	83.360	83.460	83.610	83.750	83.940	83.607	84.100
Gasoline								
RBOB	(c/gal)	194.070	191.540	189.430	188.520	189.140	189.830	196.267
EBOB	(\$/mt)	675.950	654.200	640.700	632.200	633.200	642.367	637.867
Singapore 92	(\$/bbl)	76.260	75.960	75.660	75.660	75.860	75.760	76.127
Singapore 95	(\$/bbl)	79.910	79.360	78.860	78.710	79.360	78.977	79.693
Naphtha								
US C5 ENT	(c/gal)	142.190	143.440	143.320	143.200	143.700	143.320	142.867
NWE Naphtha	(\$/mt)	623.970	619.970	613.970	608.970	605.720	614.303	601.470
MOP-Japan Naphtha	(\$/mt)	644.390	640.140	634.390	629.390	624.640	634.640	619.640
Fuel Oil								
3.5% barges	(\$/mt)	390.350	383.350	377.850	375.100	375.100	378.767	377.183
Singapore 380	(\$/mt)	411.100	396.850	389.350	387.100	386.850	391.100	388.267
Singapore 180	(\$/mt)	417.660	407.660	400.410	398.660	399.160	402.243	400.993
0.5% barges	(\$/mt)	486.920	479.420	471.670	467.670	465.420	472.920	464.087
Singapore 0.5%	(\$/mt)	543.990	526.990	517.990	512.490	507.990	519.157	504.783
NGLs								
US Propane LST	(c/gal)	64.222	68.722	70.342	71.092	71.472	70.052	70.599
NWE Propane	(\$/mt)	560.540	557.540	550.540	544.040	538.040	550.707	524.040
Saudi Propane CP	(\$/mt)	603.540	603.540	603.040	604.040	601.040	603.540	588.873
Asian Propane FEI	(\$/mt)	637.540	633.040	629.450	626.040	618.040	629.510	601.873
US Butane ENT	(c/gal)	92.940	93.820	93.570	93.190	92.940	93.527	90.107
Saudi Butane CP	(\$/mt)	607.490	607.490	605.490	606.990	603.990	606.657	589.823



Front Month Spreads				
Oct/Nov		13-Sep-24	1-Day Change	7-Day Change
Crude				
Brent	(\$/bbl)	0.410	+0.030	+0.090
WTI	(\$/bbl)	0.610	+0.110	+0.210
Dubai	(\$/bbl)	0.680	+0.060	+0.080
Distillates				
Gasoil 0.1 NWE	(\$/mt)	1.880	+0.250	+0.400
NWE Jet	(\$/mt)	-0.540	+0.330	-0.020
Singapore 10ppm	(\$/bbl)	-0.130	-0.030	+0.030
Sing Kero	(\$/bbl)	-0.150	+0.020	-0.100
Gasoline				
RBOB	(c/gal)	2.110	+0.040	+0.200
EBOB	(\$/mt)	13.500	-0.750	+7.000
Singapore 92	(\$/bbl)	0.300	-0.200	+0.180
Singapore 95	(\$/bbl)	0.500	-0.200	+0.180
Naphtha				
US C5 ENT	(c/gal)	0.120	+0.000	+0.000
NWE Naphtha	(\$/mt)	6.000	+0.250	+1.250
MOP-Japan Naphtha	(\$/mt)	5.750	+0.250	+2.000
Fuel Oil				
3.5% barges	(\$/mt)	5.500	+0.250	+1.500
Singapore 380	(\$/mt)	7.500	-0.250	+4.500
Singapore 180	(\$/mt)	7.250	-0.250	+6.250
0.5% barges	(\$/mt)	7.750	+0.500	-2.750
Singapore 0.5%	(\$/mt)	9.000	+0.250	-8.000
NGLs				
US Propane LST	(c/gal)	-1.620	-0.120	-0.370
NWE Propane	(\$/mt)	7.000	+1.500	+2.500
Saudi Propane CP	(\$/mt)	0.500	-0.500	-0.500
Asian Propane FEI	(\$/mt)	3.590	+0.090	+1.090
US Butane ENT	(c/gal)	0.250	+0.000	+0.000
Saudi Butane CP	(\$/mt)	2.000	-1.000	+4.000



Front Month Cracks and Diffs			
October	13-Sep-24	1-Day Change	7-Day Change
Crude			
Brent/Dubai (\$/bbl)	0.310	-0.160	-0.310
WTI/Brent (\$/bbl)	-3.430	+0.250	+0.510
Distillates			
Gasoil 0.1 NWE crack (\$/bbl)	15.510	-0.420	-1.080
NWE Jet crack (\$/bbl)	16.200	-0.380	-1.330
NWE Jet Diff (\$/mt)	43.000	+0.500	-3.000
Gasoil E/W (\$/bbl)	-27.000	-0.750	-0.500
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-0.300	+0.050	-0.260
Gasoline			
TA Arb (RBOB vs EBOB) (c/gal)	4.550	+0.650	-2.200
EBOB crack (\$/bbl)	6.700	-0.210	+1.410
Singapore 92 crack (\$/bbl)	4.150	-0.630	+0.360
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	-2.550	-0.400	-1.050
European Gasnaph (EBOB vs Naphtha) (\$/mt)	34.020	-4.430	-0.260
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	-7.470	-6.670	-10.210
Naphtha			
US C5 ENT vs WTI Crack	-8.130	-0.370	+0.380
NWE Naphtha Crack (\$/bbl)	-2.150	+0.250	+1.400
MOPJ Naphtha Crack (\$/bbl)	0.120	+0.100	+1.530
Naphtha E/W (NWE vs MOPJ) (\$/mt)	20.250	-1.250	+1.250
Fuel Oil			
3.5% barges crack (\$/bbl)	-11.430	+0.120	+1.470
Singapore 380 crack (\$/bbl)	-9.300	-0.110	+2.420
Singapore 180 crack (\$/bbl)	-7.610	-0.110	+2.810
Visco (180-380) (\$/mt)	10.750	+0.000	+2.500
HSFO E/W (380 vs 3.5% barges) (\$/mt)	13.500	-1.500	+6.000
0.5% barges crack (\$/bbl)	3.700	+0.350	-1.350
Singapore 0.5% crack (\$/bbl)	11.200	+0.600	-2.850
VLSFO E/W (Sing 0.5% vs 0.5% barges) (\$/mt)	47.630	+1.590	-9.520
European Hi5 (0.5% barges vs 3.5% barges) (\$/mt)	96.070	+1.450	-17.910
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	130.200	+4.550	-33.430
0.5% barges/gasoil (\$/mt)	-171.290	+4.240	+0.020
Sing 0.5% vs Sing 10ppm (\$/mt)	-96.680	+6.580	-9.030
NGLs			
US Propane LST vs NWE Propane (\$/mt)	-199.500	-14.500	-26.000
US Propane LST vs Asian Propane FEI (\$/mt)	-275.000	-7.000	-18.000
Asian Propane FEI vs NWE Propane (\$/mt)	75.500	-7.500	-8.000
Asian Propane FEI vs Saudi Propane CP (\$/mt)	29.500	+2.500	-5.000
European Pronap (NWE Propane vs NWE Naphtha) (\$/mt)	-62.430	+3.420	-0.710
Asian Pronap (FEI vs MOPJ) (\$/mt)	-36.680	-5.290	-4.960



Long Tenor Cracks / Diffs

	Balmo	Oct-24	Nov-24	Dec-24	Jan-25	Q4-24	Q1-25
Crude							
Brent/Dubai (\$/bbl)	-0.430	0.310	0.560	0.770	0.930	0.547	0.970
WTI/Brent (\$/bbl)	-3.380	-3.430	-3.630	-3.780	-3.920	-3.613	-3.980
Distillates							
Gasoil 0.1 NWE crack (\$/bbl)	15.06	15.51	15.67	15.89	16.13	15.69	16.24
NWE Jet crack (\$/bbl)	15.49	16.20	16.68	17.17	17.67	16.68	17.78
NWE Jet Diff (\$/mt)	41.00	43.00	45.50	47.50	49.50	45.33	49.50
Gasoil E/W (\$/bbl)	-30.87	-27.00	-24.34	-23.64	-23.33	-24.99	-21.83
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-0.04	-0.30	-0.23	-0.17	-0.17	-0.23	-0.22
Gasoline							
TA Arb (RBOB vs EBOB) (c/gal)	0.850	4.550	6.310	7.840	8.150	6.233	13.950
EBOB crack (\$/bbl)	8.700	6.700	5.500	4.720	4.960	5.640	5.597
Singapore 92 crack (\$/bbl)	3.840	4.150	4.270	4.510	4.840	4.310	5.173
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	-4.860	-2.550	-1.220	-0.210	-0.130	-1.327	-0.423
European Gasnaph (EBOB vs Naphtha) (\$/mt)	51.770	34.020	26.520	23.020	27.270	27.853	36.187
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	-9.220	-7.470	-4.220	0.780	7.190	-3.637	14.417
Naphtha							
US C5 ENT vs WTI Crack	-9.310	-8.130	-7.560	-7.220	-6.750	-7.637	-6.960
NWE Naphtha Crack (\$/bbl)	-2.310	-2.150	-2.400	-2.730	-2.970	-2.427	-3.370
MOPJ Naphtha Crack (\$/bbl)	-0.010	0.120	-0.100	-0.420	-0.840	-0.133	-1.320
Naphtha E/W (NWE vs MOPJ) (\$/mt)	20.500	20.250	20.500	20.500	19.000	20.417	18.250
Fuel Oil							
3.5% bgs crack (\$/bbl)	-10.940	-11.430	-11.880	-12.070	-11.950	-11.793	-11.540
Singapore 380 crack (\$/bbl)	-7.670	-9.300	-10.070	-10.180	-10.100	-9.850	-9.797
Singapore 180 crack (\$/bbl)	-6.650	-7.610	-8.330	-8.370	-8.170	-8.103	-7.800
Visco (180-380) (\$/mt)	6.500	10.750	11.000	11.500	12.250	11.083	12.667
HSFO E/W (380 vs 3.5% bgs) (\$/mt)	20.750	13.500	11.500	12.000	11.750	12.333	11.083
0.5% bgs crack (\$/bbl)	4.270	3.700	2.900	2.510	2.260	3.037	2.137
Singapore 0.5% crack (\$/bbl)	13.270	11.200	10.200	9.580	8.980	10.327	8.557
VLSFO E/W (Sing 0.5% vs 0.5% bgs) (\$/mt)	57.130	47.630	46.380	44.880	42.630	46.297	40.757
European Hi5 (0.5% bgs vs 3.5% bgs) (\$/mt)	96.570	96.070	93.820	92.570	90.320	94.153	86.903
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	132.950	130.200	128.700	125.450	121.200	128.117	116.577
0.5% bgs/gasoil (\$/mt)	-164.700	-171.290	-177.250	-181.320	-184.310	-176.620	-185.843
Sing 0.5% vs Sing 10ppm (\$/mt)	-77.000	-96.680	-106.270	-112.520	-118.360	-105.157	-123.183
NGLs							
US Propane LST vs NWE Propane (\$/mt)	-225.94	-199.5	-184.06	-173.65	-165.67	-185.737	-156.223
US Propane LST vs Asian Propane FEI (\$/mt)	-302.94	-275	-263.06	-255.65	-245.67	-264.57	-234.053
Asian Propane FEI vs NWE Propane (\$/mt)	77	75.5	79	82	80	78.833	77.833
Asian Propane FEI vs Saudi Propane CP (\$/mt)	34	29.5	26.5	22	17	26	13
European Pronap (\$/mt)	-63.43	-62.43	-63.43	-64.93	-67.68	-63.597	-77.43
Asian Pronap (FEI vs MOPJ) (\$/mt)	-40.93	-36.68	-31.43	-25.43	-23.68	-31.18	-30.813



Inter-month Crack Spreads			
Oct/Nov	13-Sep-24	1-Day Change	7-Day Change
Crude			
Brent/Dubai (\$/bbl)	-0.250	-0.010	+0.040
WTI/Brent (\$/bbl)	0.200	+0.070	+0.120
Distillates			
Gasoil 0.1 NWE crack (\$/bbl)	-0.160	-0.010	-0.060
NWE Jet crack (\$/bbl)	-0.480	+0.000	-0.090
NWE Jet Diff (\$/mt)	-2.500	+0.000	-0.500
Gasoil E/W (\$/bbl)	-2.660	-0.190	+0.000
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-0.070	+0.000	-0.180
Gasoline			
TA Arb (RBOB vs EBOB) (c/gal)	-1.760	+0.240	-1.800
EBOB crack (\$/bbl)	1.200	-0.130	+0.730
Singapore 92 crack (\$/bbl)	-0.120	-0.240	+0.070
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	-1.330	-0.120	-0.660
European Gasnaph (EBOB vs Naphtha) (\$/mt)	7.500	-1.000	+5.750
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	-3.250	-1.910	-0.500
Naphtha			
US C5 ENT vs WTI Crack	-0.570	-0.110	-0.230
NWE Naphtha Crack (\$/bbl)	0.250	-0.020	+0.030
MOPJ Naphtha Crack (\$/bbl)	0.220	-0.020	+0.100
Naphtha E/W (NWE vs MOPJ) (\$/mt)	-0.250	+0.000	+0.750
Fuel Oil			
3.5% barges crack (\$/bbl)	0.450	+0.000	+0.130
Singapore 380 crack (\$/bbl)	0.770	-0.070	+0.610
Singapore 180 crack (\$/bbl)	0.720	-0.080	+0.870
Visco (180-380) (\$/mt)	-0.250	+0.000	+1.750
HSFO E/W (380 vs 3.5% barges) (\$/mt)	2.000	-0.500	+3.000
0.5% barges crack (\$/bbl)	0.800	+0.040	-0.540
Singapore 0.5% crack (\$/bbl)	1.000	+0.000	-1.370
VLSFO E/W (Sing 0.5% vs 0.5% barges) (\$/mt)	1.250	-0.250	-5.250
European Hi5 (0.5% barges vs 3.5% barges) (\$/mt)	2.250	+0.250	-4.250
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	1.500	+0.500	-12.500
0.5% barges/gasoil (\$/mt)	5.960	+0.410	-2.880
Sing 0.5% vs Sing 10ppm (\$/mt)	9.590	+0.090	-8.600
NGLs			
US Propane LST vs NWE Propane (\$/mt)	-15.440	-2.130	-4.430
US Propane LST vs Asian Propane FEI (\$/mt)	-11.940	-0.630	-2.930
Asian Propane FEI vs NWE Propane (\$/mt)	-3.500	-1.500	-1.500
Asian Propane FEI vs Saudi Propane CP (\$/mt)	3.000	+0.500	+1.500
European Pronap (NWE Propane vs NWE Naphtha) (\$/mt)	1.000	+1.210	+1.300