Onyx Brokerage: A Broker's Take

1 **Long** May/Sep 0.5% Barges

Broker's View on May/Sep 0.5% barges

The low sulphur market saw pressure in Q1'24 with decreased downstream bunker demand and a glut in prompt supplies. Steady exports from Kuwait and relatively higher arbitrage volumes coming in from Europe are expected to keep the Asian LSFO market well supplied in the near term.

Despite this, the **May/Sep 0.5% barge** contract rose throughout Q1'24, trading from $15.90/mt at the start of Jan to $26.60/mt come Mar 26.

While price action has since come off to $24.25/mt as of Apr 04, we expect near term bullishness given that demand is expected to increase in the low sulphur market as **cruise ships powered by fuel are expected to be active** during the summer period in Europe (Apr/May to Sep/Oct). This becomes more important when noting that the US cruise market is expected to grow at a compound annual growth rate (CAGR) of 11.5% between 2023-2030. Despite this, cruise ships make a smaller proportion of fuel usage with the bulk of this demand emerging from container shipping. Due to the ongoing tensions in the Middle East, tankers are being diverted to other trade routes, requiring them to **utilise a greater amount of fuel.**

Overall, this is a **seasonally trending trade** as showcased by the Onyx COT dashboard highlighting a long-positioned market in May 0.5% barges and a short market in the Sep contract. We believe this trade will have a greater impact than expected on the back of the **dire circumstances in the Red Sea.** Nonetheless, it will be important to monitor indicators for whether the seasonality of cruises is already priced in.

Suggested trade:

Long May/Sep 0.5% barges

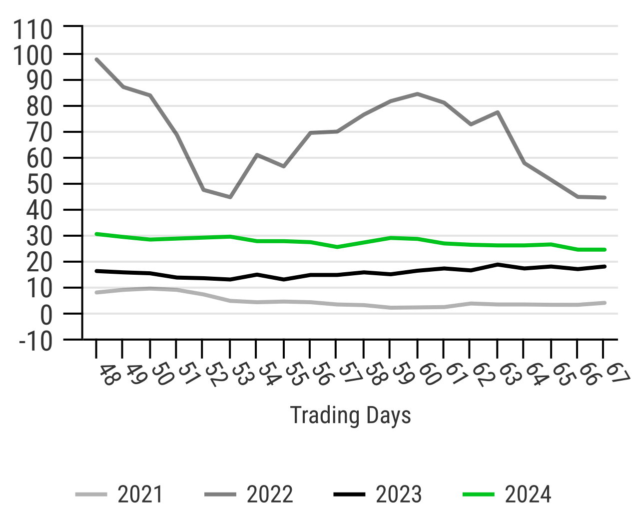
Entry $26.50/mt

Target $30.00/mt

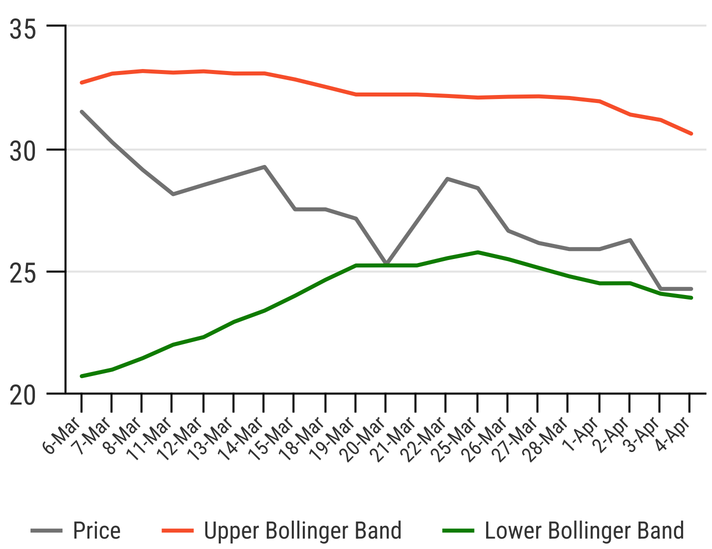
Stop $24.50/mt

Size: 5kt
Risk: 10,000

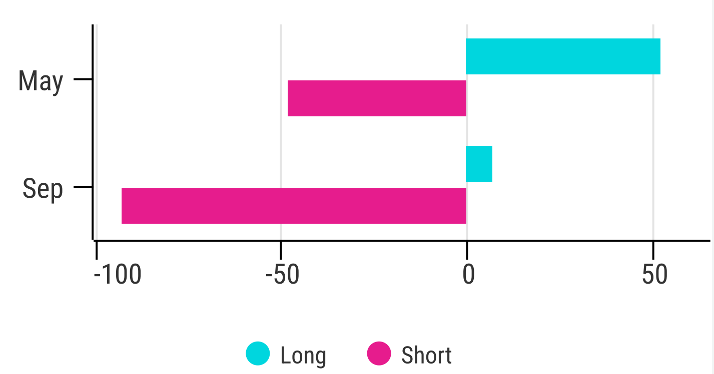
Historical May/Sep 0.5% barges ($/mt)



May/Sep 0.5% barges ($/mt)



0.5% barges: 7-Day market trading split



Onyx Brokerage: A Broker's Take

Short May Naphtha E/W

Broker's View on May Naphtha E/W

The week appeared challenging for naphtha, with persistent softness in both Europe and Asia, as front spreads narrowed to single digits. Naphtha E/W has rallied over the past week, due to significant weakness from the European side of things, as the prompt crack weakened around $4/bbl. The weakness came in after a period of bullishness that was derived from cracking and gasoline blending demand in Europe, where majors, trade houses, and refineries were aggressively buying front cracks .

Over the past week, the narrative of persistent demand from the petrochemical and manufacturing sectors has lost its dominance. This shift has been largely due to European refineries returning from maintenance and an increase in supplies from the AG, the US, and the MED to meet demand, flipping market players to the sell side, and reversing momentum.

In the East, the MOPJ flat price has been consistently capped at $700/mt, a level that is facing significant resistance, suggesting that the East is adequately supplied. This situation, coupled with a stronger crude oil price, has led to a widening of the crack spread, exacerbating its downturn. Moreover, paraffinic naphtha prices in Asia, which have experienced significant declines over the last week, are expected to remain soft. This is partly due to a notable number of Chinese cracking facilities going offline for maintenance.

Conversely, in Europe, the market for paraffinic naphtha maintains its strength, contrasting the situation in Asia. Demand for gasoline blending and cracking remains strong. Additionally, the US is actively seeking additional shipments from Europe due to diminished domestic inventories. The diminished value of aromatic naphtha's in Europe, combined with constrained supplies in NYH due to low U.S. stocks, has recently facilitated a notable arbitrage opportunity for heavy naphtha from Northwest Europe (NWE) to NYH. It is anticipated that this trend will persist, with an increasing number of shipments opting for this route.

Thus, we think that naphtha E/W would be a good way to express a view where we think that Europe should retrace higher with fundamentals looking healthier than the East.

Suggested trade:

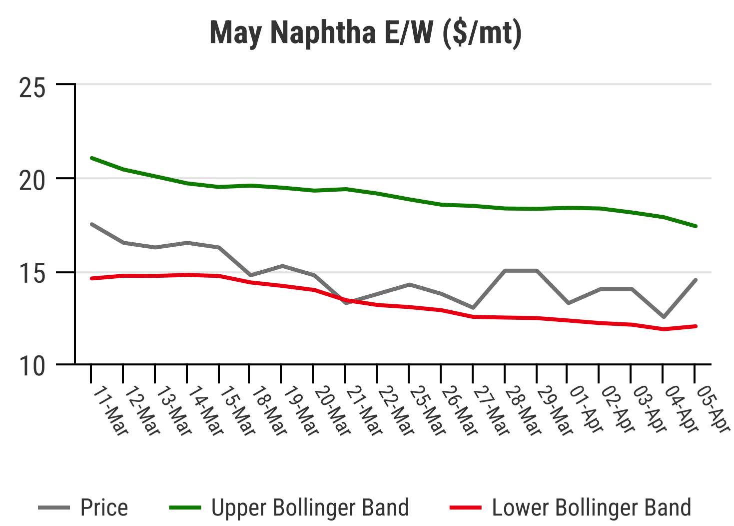
Short May Naphtha E/W

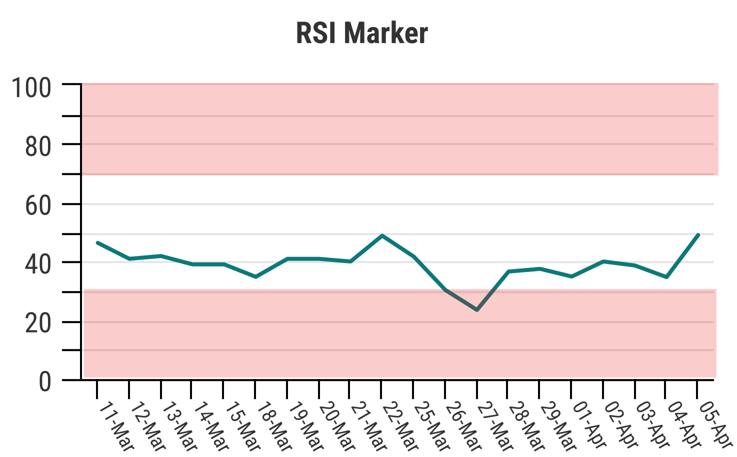
Entry $14.75/mt

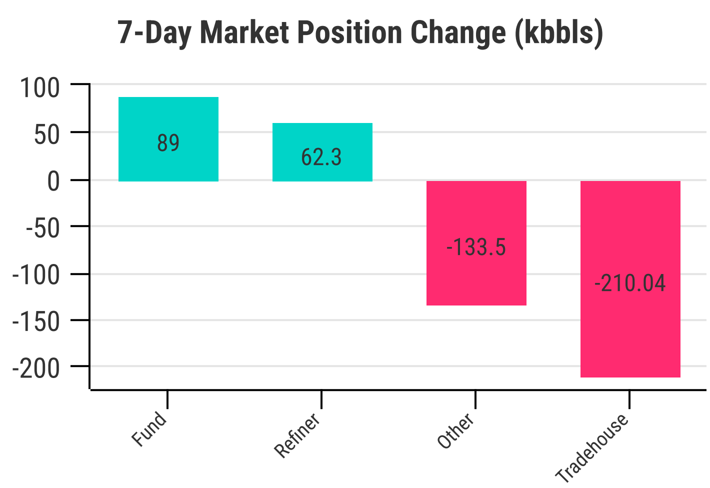
Target $12.25/mt

Stop $15.75/mt

Size: 10kt
Risk: $10,000







Year-to-Date Review

April Open Trades

Open Trades:	Entry Level	Current MTM	Initial Target	Stop Loss	Status
Long Q3 Sing 0.5% Crack	$11.25/bbl	$11.10/bbl	$12.25/bbl	$10.75/bbl	Hold
Long May/Sep 0.5% Barges	$26.50/mt	$26.35/mt	$30.00/mt	$24.50/mt	Awaiting Entry
Short May Naphtha E/W	$14.75/mt	$14.50/mt	$12.25/mt	$15.75/mt	Awaiting Entry

Monthly PnL (US $)