



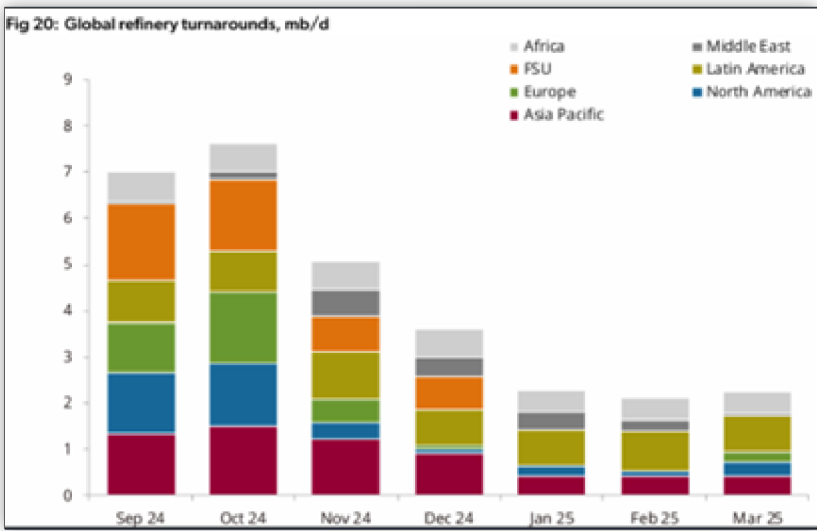
Long Q1 NWE Naphtha Crack

Currently the Naphtha market has witnessed a stronger structure on both sides of Suez, where Europe has been driven by a healthy gasoline blending market and a relatively stable petrochemical pull, after the bal-spread fell into contango the week before. In the East, firms are buying interest amid a flurry of tenders and return of Naphtha crackers from maintenance. Cracks have been range bound and 30 day price volatility has fallen to the lowest since July, indicating that the market is in a relatively balanced state, but in our opinion current indicators show European Naphtha cracks coming into Q1 should get stronger driven by a net naphtha shortfall in the east due to run cuts and a forecasted better demand, an overbalanced crude market, AG refinery turnarounds.

Coming into the end of Q4-24 and start of Q1-25, as Asian refining margins continue to dump, Refineries coming back from maintenance are forecasted to keep operating on lower rates, which will lead to a net naphtha shortfall, where in Q4 only the shortfall is anticipated to average 5.7MMt per month.

As well to add to the pressure, naphtha fed steam crackers are coming from maintenance, and new plants opening by the end of Q4 and Q1 (China Petroleum & Chemical Corp. (Sinopec)'s and Ineos Group Holdings SA's 1.2-MMt/y crackers in Tianjin and Shandong Yulong's two 1.5-MMt/y). Although the current narrative is that current macroeconomics and weak downstream petchem demand will keep cracker run rates curtailed. But in our opinion, recent and continuous application of stimulus measures will bring back confidence to the Chinese market, especially to the petchem side.

As well, coming into Q1 refineries in the Middle east, a major region for naphtha exports to the East, will be going under maintenance with some starting from now, and ADNOC a major naphtha producer and exporter in early Q1, adding to the net naphtha import shortfall.

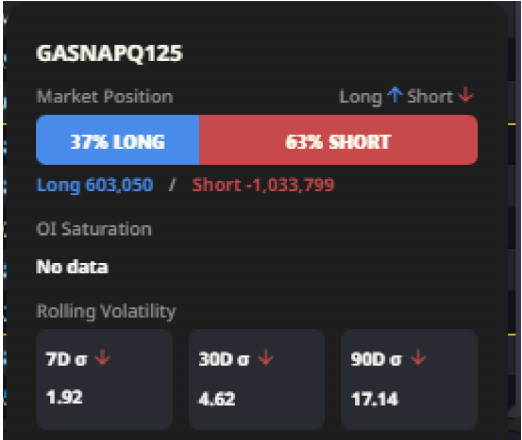


As well coming into Q1, an overall consensus from banks, agencies, and trade houses of a crude surplus coming into Q1, as tensions in the middle east seem to fade and any disruption should be limited, with the additional supply coming from US shale, where this should provide support to Q1 NWE cracks. the Q1'25 freight climbed by a muted 0.5% w/w and climbed by 2.11% over the past two weeks - highlighting a possible anticipated rise in Eastern naphtha demand then relative to the prompt.



Long Q1 NWE Naphtha Crack

Q1 Gasnaps have recently found support due to the prompt contract rallying , with an increase of demand for European barrels due to tightness in the Med , AG pulling barrels, and issues with the Dangote RFCC. But with turnarounds in Europe and MEd coming to an end, tightness is expected to cool down and the delayed start of the RFCC should cause downward pressure on Q1 Gasnaps. Trading flows are skewed to the sell-side, with the market's 7-day trading split at 10:90 long: short. The prompt contract has been well offered from refiners on blender hedging flows, accumulating a net positioning of -1.6mb over the week



We suggest going long Q1 NWE crks , where a decent net naphtha shortfall in Asia will drive demand for European barrels , as well as an oversupplied crude balance plus a gasnap pressure should support the seasonal rally of Q1 NWE cracks at this time of the year.



Long Q1 NWE Naphtha Crack

Target 1* - \$2.00/bbl

SL - \$4.00/bbl

Entry - \$3.50/bbl

Risk: \$12,500
Size: 5kb/month

