



## Trade Idea Update: **Long** Q1 NWE Naphtha Crack

The long Q1 NWE naphtha crack trade idea performed in our favor, as crude prices gapped lower at the open on Monday. This was influenced by Israel's attack, which left Iranian nuclear and oil infrastructure unscathed, easing fears of potential supply disruptions. From a macroeconomic standpoint, bearish momentum on crude has strengthened, with the possibility of a Trump presidency further contributing to this outlook. Fundamentally, a reduction in previously high naphtha ARA supply, alongside resilient gasoline blending and petrochemical demand, as well as healthy cracking demand, has supported the European naphtha complex.

Due to this we suggest moving our hard stop to entry levels at **-\$3.50/bbl.** to mitigate any losses. As well, the current contract seems to be facing resistance at **-\$2.50/bbl.** levels, where we might see some profit taking and sell side pressure on the Q1 crack. We suggest if we get to **-\$3.0/bbl.** level to re-enter with a **\$0.25/bbl.** trailing stop, since we think that there is still room for upside on this trade due to the reasons:

- Late Q4- Early Q1 AG refinery maintenance to be priced in.
- Expectancy of more Chinese stimulus monetary policies to be implemented improving petrochemical demand.
- As well as a likelihood of a Trump presidency which will lead to less restrictions around shale oil drilling.

