



### Market Summary

#### Convergence at last?

Markets continued to sell off on Tuesday, extending the losses that started on Friday evening. Brent front month lost close to a dollar at nearly \$84.00/bbl by press time, with WTI and Dubai falling too. Some correction at last. But is this where fundamentals finally assert themselves and prove who the boss really is, or is it just another round around the \$85.00/bbl mark? Be cautious, as signals from China to the US via Europe are really not looking good. Home construction, a big driver for petrochemicals, lumber, cars for the new garage and even lawnmowers is not looking good. Focus on this leading US indicator: 'Privately-owned housing units authorized by building permits in May were at a seasonally adjusted annual rate of 1,386,000. This is 3.8 percent below the revised April rate of 1,440,000 and is **9.5 percent below the May 2023 rate.**'

Perhaps markets are finally coming round to the apparent dislocation between price action and fundamentals. Supply remains generous, whilst demand looks very weak. OPEC countries consistently miss quotas, Canada is boosting exports and new oil discoveries seem to happen every week. Kuwait have recently discovered some 3200mmbbl oil. Yes, we know it takes years to develop. But the economy looks very bad.

Iraq overproduced by at least 184kb/d in June, but some sources cite as much as 200kbd excess. They have acknowledged the overproduction and have pledged to compensate for their transgressions by September. We firmly believe this is never going to happen, and this is just fake cheer for the hopeful longs grasping for straws in a barren desert.

But why do so many of the OPEC+ countries overproduce, despite agreeing to cuts? The difficulty with curbing production is that many oil infrastructure developments pledge oil as repayment to investors, in a robustly structured commercial agreement. Therefore, honoring contractual obligations to investors can often mean that adhering to reduced production quotas becomes almost impossible.

As an example, CNPC is thought to account for around 30% of Iraq's exports with debt repayments tied in. But there are many Western companies doing the same things for decades. So cutting? As New Yorkers would say, **Fuhgeddaboutit!**

Summary		16-Jul-24	1-Day Change	7-Day Change
<b>Physical and Futures</b>				
Brent Sep (fut)	(\$/bbl)	84.120	-0.850	-1.280
WTI Sep (fut)	(\$/bbl)	80.090	-0.820	-1.090
Dubai Sep (phys)	(\$/bbl)	83.840	-0.840	-1.780
<b>Crude Swaps Aug</b>				
Brent	(\$/bbl)	83.180	-0.830	-1.460
DFL	(\$/bbl)	1.000	-0.080	+0.270
WTI	(\$/bbl)	78.840	-0.780	-2.050
Dubai	(\$/bbl)	82.890	-0.800	-1.820
<b>Tenor</b>		<b>Sep-24</b>	<b>Oct-24</b>	<b>Nov-24</b>
<b>Crude Futures</b>				
Brent (fut)	(\$/bbl)	84.120	83.210	82.450
WTI (fut)	(\$/bbl)	80.090	79.105	78.250



## In detail

As at 09:30 BST, crude markets fell against the close of Asia yesterday. September Brent futures dropped by \$0.85 to \$84.12/bbl. September WTI futures lost \$0.82/bbl, at \$80.09/bbl. Our Dubai assessment of physical cargoes for September fell by \$0.84/bbl, to close the window at \$83.84/bbl. Physical premiums for September Dubai eased by 9c but remained elevated at \$1.70/bbl.

China, Japan and South Korea look to Canada for quenching their thirst for oil, set to receive cargoes of the heavy sour slate in September. In South Korea, GS Caltex is expected to split a 550kbbbl cargo with ENEOS in Japan. SK Energy, Rongsheng and Hengyi have also purchased cargoes. Amidst tight margins in Asia, refineries are keeping an eye out for cheap crude. Cold Lake crude's \$5-\$6/bbl discount to Brent clearly ticks the box.

But in China, there is a huge pile of local government debt. Debt concentrated in local government finance vehicle's (LGFV), is particularly worrying, amounting to \$11.5 trillion as of June 30, according to Fitch. As this debt matures, the ability of LGFV's repay comes into focus amidst a very weak macro-outlook. Earlier this year, Chinese regulators asked investors to limit exposure to short dated LGFV bonds. The LGFV's effectively acts a pathway for the banking sector to invest in regional infrastructure projects. The local government transfers assets, usually in the form of land rights, to the LGFV, whilst the banking sector provides financing, in return the LGFV posts collateral. So much global debt that has to blow up, with creditors then cutting back in their lifestyle!

Before 2015, local governments in China were prohibited from borrowing from capital markets, and so LGFVs were developed in the 1990's a means of bypassing this restriction. Almost acting as a proxy for the local government, the LGFV debt pile soared uncontrollably, much of which was stored away from the watchful eye, off balance sheet. Debt financing is often a fruitful mechanism for growth but remains contingent on that very growth for the eventual debt repayment. The LGFV's remain a legacy of the old, supply driven Chinese growth model. And China's economy is restructuring, so should their investment model. The popularity of LGFV's is falling, whilst government deleveraging initiatives continue, with this quarter marked the third quarter of declines in net issuance. But outstanding debt remains very high and poses clear risks, especially as China's economy remains stagnant.

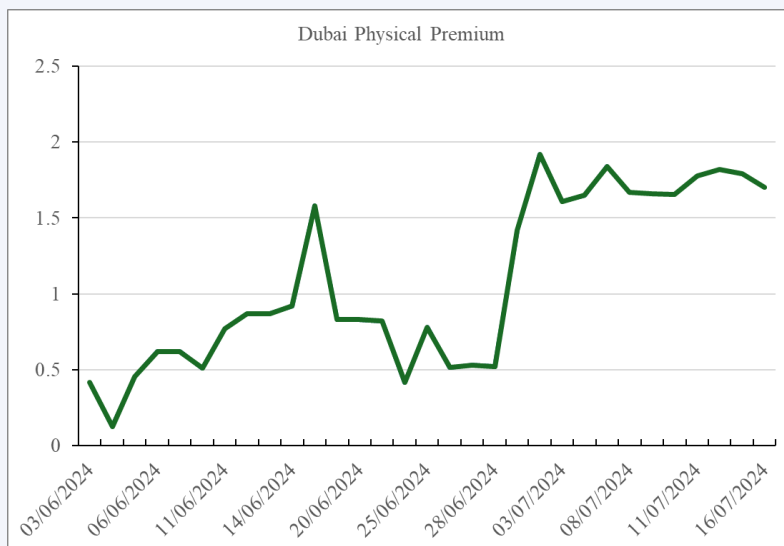
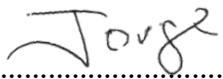




Figure 1: Dubai physical premium, Onyx Flux and authors calculations

Jorge Montepeque: 

Managing Director for Benchmarking  
 jmontepeque@onyxcapitalgroup.com

Harinder Sandhu: 

Quantitative Research Analyst  
 hsandhu@onyxcapitaladvisory.com

Will Cunliffe: 

Research Analyst  
 wcunliffe@onyxcapitaladvisory.com



<b>Front Month Outrights</b>				
<b>August Swaps</b>			16-Jul-24	1-Day Change 7-Day Change
<b>Crude</b>				
Brent	(\$/bbl)	83.180	-0.830	-1.460
WTI	(\$/bbl)	78.840	-0.780	-2.050
Dubai	(\$/bbl)	82.890	-0.800	-1.820
<b>Distillates</b>				
Gasoil 0.1 NWE	(\$/mt)	767.810	-4.290	-14.000
NWE Jet	(\$/mt)	819.180	-3.290	-17.130
Singapore 10ppm	(\$/bbl)	99.420	-0.440	-1.830
Sing Kero	(\$/bbl)	98.390	-0.460	-1.760
<b>Gasoline</b>				
RBOB	(c/gal)	225.790	-3.300	-23.805
EBOB	(\$/mt)	819.130	-12.420	-16.340
Singapore 92	(\$/bbl)	90.280	-1.260	-1.370
Singapore 95	(\$/bbl)	94.630	-1.270	-1.370
<b>Naphtha</b>				
US C5 ENT	(c/gal)	155.400	-2.040	-1.930
NWE Naphtha	(\$/mt)	671.330	-7.300	-8.100
MOPJ Naphtha	(\$/mt)	689.830	-5.050	-6.600
<b>Fuel Oil</b>				
3.5% barges	(\$/mt)	476.250	-5.210	-11.050
Singapore 380	(\$/mt)	495.250	-4.460	-8.300
Singapore 180	(\$/mt)	501.750	-4.460	-5.550
0.5% barges	(\$/mt)	551.370	-7.430	-11.180
Singapore 0.5%	(\$/mt)	592.960	-7.110	-12.130
<b>NGLs</b>				
US Propane LST	(c/gal)	80.127	-0.833	-3.513
NWE Propane	(\$/mt)	565.460	-2.790	-0.300
Saudi Propane CP	(\$/mt)	582.960	-1.340	-1.800
Asian Propane FEI	(\$/mt)	632.460	-3.840	-6.800
US Butane ENT	(c/gal)	97.010	-0.570	-2.630
Saudi Butane CP	(\$/mt)	567.960	-0.840	-1.800



<b>Long Tenor Swaps</b>			Balmo	Aug-24	Sep-24	Oct-24	Nov-24	Q4-24	Q1-25
<b>Crude</b>									
Brent	(\$/bbl)	84.040	83.180	82.410	81.780	81.240	81.260	79.970	
WTI	(\$/bbl)	79.740	78.840	78.030	77.360	76.760	77.380	75.750	
Dubai	(\$/bbl)	83.690	82.890	82.140	81.480	80.890	80.907	79.507	
<b>Distillates</b>									
Gasoil 0.1 NWE	(\$/mt)	767.180	767.810	765.220	760.330	757.570	761.040	752.950	
NWE Jet	(\$/mt)	820.500	819.180	820.810	820.720	816.830	817.540	811.453	
Singapore 10ppm	(\$/bbl)	99.290	99.420	99.490	99.280	98.870	98.883	98.133	
Sing Kero	(\$/bbl)	98.210	98.390	98.620	98.550	98.280	98.290	97.693	
<b>Gasoline</b>									
RBOB	(c/gal)	244.360	225.790	220.270	216.540	215.000	217.270	222.920	
EBOB	(\$/mt)	822.130	819.130	806.130	762.130	740.880	742.963	726.297	
Singapore 92	(\$/bbl)	90.930	90.280	89.130	88.080	87.130	87.247	86.070	
Singapore 95	(\$/bbl)	95.430	94.630	93.380	92.280	91.130	91.280	89.670	
<b>Naphtha</b>									
US C5 ENT	(c/gal)	154.900	155.400	155.900	156.280	156.400	156.277	155.650	
NWE Naphtha	(\$/mt)	685.080	671.330	663.580	658.830	653.580	653.580	639.413	
MOP-Japan Naphtha	(\$/mt)	696.830	689.830	681.830	676.080	670.330	670.413	653.913	
<b>Fuel Oil</b>									
3.5% barges	(\$/mt)	482.000	476.250	467.750	457.000	450.250	451.167	442.967	
Singapore 380	(\$/mt)	502.250	495.250	479.750	466.500	457.750	459.250	448.583	
Singapore 180	(\$/mt)	507.750	501.750	487.500	476.500	468.750	470.167	461.333	
0.5% barges	(\$/mt)	554.870	551.370	545.870	540.120	534.870	534.953	523.203	
Singapore 0.5%	(\$/mt)	598.710	592.960	586.710	580.960	575.960	575.960	562.877	
<b>NGLs</b>									
US Propane LST	(c/gal)	79.127	80.127	81.007	82.257	83.007	82.757	81.587	
NWE Propane	(\$/mt)	569.460	565.460	561.460	560.460	559.460	559.793	540.793	
Saudi Propane CP	(\$/mt)	582.960	582.960	585.960	594.460	602.960	601.793	594.627	
Asian Propane FEI	(\$/mt)	636.960	632.460	633.960	638.460	642.460	640.460	617.627	
US Butane ENT	(c/gal)	96.010	97.010	97.510	98.760	99.510	99.260	97.050	
Saudi Butane CP	(\$/mt)	567.960	567.960	578.960	589.460	598.460	597.127	588.627	



<b>Front Month Spreads</b>				
<b>Aug/Sep</b>		<b>16-Jul-24</b>	<b>1-Day Change</b>	<b>7-Day Change</b>
<b>Crude</b>				
Brent	(\$/bbl)	0.770	-0.020	+0.110
WTI	(\$/bbl)	0.900	-0.040	+0.170
Dubai	(\$/bbl)	0.750	-0.050	+0.000
<b>Distillates</b>				
Gasoil 0.1 NWE	(\$/mt)	-0.630	+0.060	+0.460
NWE Jet	(\$/mt)	-1.630	+0.560	+0.460
Singapore 10ppm	(\$/bbl)	-0.070	+0.020	+0.060
Sing Kero	(\$/bbl)	-0.230	-0.010	-0.080
<b>Gasoline</b>				
RBOB	(c/gal)	18.570	-0.400	-0.400
EBOB	(\$/mt)	13.000	-1.750	-1.500
Singapore 92	(\$/bbl)	1.150	-0.100	+0.330
Singapore 95	(\$/bbl)	1.250	-0.100	+0.330
<b>Naphtha</b>				
US C5 ENT	(c/gal)	-0.500	-0.120	-0.120
NWE Naphtha	(\$/mt)	7.750	-0.750	+0.250
MOP-Japan Naphtha	(\$/mt)	8.000	+0.250	+1.000
<b>Fuel Oil</b>				
3.5% barges	(\$/mt)	8.500	-0.500	-1.500
Singapore 380	(\$/mt)	15.500	+0.250	-0.500
Singapore 180	(\$/mt)	14.250	+0.250	+0.500
0.5% barges	(\$/mt)	5.500	-0.500	+0.250
Singapore 0.5%	(\$/mt)	6.250	-0.250	-0.500
<b>NGLs</b>				
US Propane LST	(c/gal)	-0.880	+0.000	-0.130
NWE Propane	(\$/mt)	4.000	+1.000	+1.500
Saudi Propane CP	(\$/mt)	-3.000	+1.000	+4.500
Asian Propane FEI	(\$/mt)	-1.500	-0.500	+0.500
US Butane ENT	(c/gal)	-0.500	+0.120	+0.000
Saudi Butane CP	(\$/mt)	-11.000	+1.500	+3.500



<b>Front Month Cracks and Diffs</b>			
<b>August</b>	<b>16-Jul-24</b>	<b>1-Day Change</b>	<b>7-Day Change</b>
<b>Crude</b>			
Brent/Dubai (\$/bbl)	0.290	+0.000	+0.360
WTI/Brent (\$/bbl)	-3.440	+0.010	+0.310
<b>Distillates</b>			
Gasoil 0.1 NWE crack (\$/bbl)	19.800	+0.230	-0.500
NWE Jet crack (\$/bbl)	20.780	+0.390	-0.710
NWE Jet Diff (\$/mt)	52.000	+1.000	-2.500
Gasoil E/W (\$/bbl)	-26.500	+1.000	+1.000
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-1.030	-0.020	+0.070
<b>Gasoline</b>			
TA Arb (RBOB vs EBOB) (c/gal)	10.250	+0.250	-0.550
EBOB crack (\$/mt)	15.150	-0.700	-0.510
Singapore 92 crack (\$/bbl)	7.100	-0.440	+0.090
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	-8.050	+0.250	+0.600
European Gasnaph (EBOB vs Naphtha) (\$/mt)	147.800	-5.260	-8.240
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	62.200	-5.530	-4.810
<b>Naphtha</b>			
US C5 ENT vs WTI Crack	-14.450	-0.020	+0.370
NWE Naphtha Crack (\$/bbl)	-7.750	+0.000	+0.550
MOPJ Naphtha Crack (\$/bbl)	-5.670	+0.250	+0.720
Naphtha E/W (NWE vs MOPJ) (\$/mt)	18.500	+2.250	+1.500
<b>Fuel Oil</b>			
3.5% barges crack (\$/bbl)	-8.180	+0.000	-0.280
Singapore 380 crack (\$/bbl)	-5.190	+0.120	+0.150
Singapore 180 crack (\$/bbl)	-4.160	+0.120	+0.590
Visco (180-380) (\$/mt)	6.500	+0.000	+2.750
HSFO E/W (380 vs 3.5% barges) (\$/mt)	19.000	+0.750	+2.750
0.5% barges crack (\$/bbl)	3.650	-0.350	-0.300
Singapore 0.5% crack (\$/bbl)	10.200	-0.300	-0.450
VLSFO E/W (Sing 0.5% vs 0.5% barges) (\$/mt)	41.590	+0.320	-0.950
European Hi5 (0.5% barges vs 3.5% barges) (\$/mt)	75.120	-2.220	-0.130
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	97.710	-2.650	-3.830
0.5% barges/gasoil (\$/mt)	-215.470	-2.720	+3.790
Sing 0.5% vs Sing 10ppm (\$/mt)	-147.350	-3.390	+1.870
<b>NGLs</b>			
US Propane LST vs NWE Propane (\$/mt)	-148.000	-1.500	-18.000
US Propane LST vs Asian Propane FEI (\$/mt)	-215.000	-0.500	-11.500
Asian Propane FEI vs NWE Propane (\$/mt)	67.000	-1.000	-6.500
Asian Propane FEI vs Saudi Propane CP (\$/mt)	49.500	-2.500	-5.000
European Pronap (NWE Propane vs NWE Naphtha) (\$/mt)	-105.780	+4.610	+7.830
Asian Pronap (FEI vs MOPJ) (\$/mt)	-106.780	+3.860	+4.830



## Long Tenor Cracks / Diffs

	Balmo	Aug-24	Sep-24	Oct-24	Nov-24	Q4-24	Q1-25
<b>Crude</b>							
Brent/Dubai (\$/bbl)	0.350	0.290	0.270	0.300	0.350	0.353	0.460
WTI/Brent (\$/bbl)	-3.520	-3.440	-3.560	-3.740	-3.890	-3.880	-4.217
<b>Distillates</b>							
Gasoil 0.1 NWE crack (\$/bbl)	18.85	19.80	20.64	20.93	20.82	20.89	21.09
NWE Jet crack (\$/bbl)	20.08	20.78	21.75	22.37	22.42	22.49	23.01
NWE Jet Diff (\$/mt)	54.00	52.00	53.00	55.50	56.50	56.50	58.50
Gasoil E/W (\$/bbl)	-26.79	-26.50	-26.61	-25.61	-23.76	-24.38	-21.86
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-1.08	-1.03	-0.87	-0.73	-0.59	-0.59	-0.44
<b>Gasoline</b>							
TA Arb (RBOB vs EBOB) (c/gal)	12.070	10.250	-4.600	2.460	4.800	4.933	15.347
EBOB crack (\$/mt)	14.650	15.150	14.350	9.700	7.680	7.910	7.197
Singapore 92 crack (\$/bbl)	6.890	7.100	6.710	6.300	5.880	5.983	6.087
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	-7.770	-8.050	-7.640	-3.410	-1.810	-1.943	-1.120
European Gasnaph (EBOB vs Naphtha) (\$/mt)	137.050	147.800	142.550	103.300	87.300	89.383	86.883
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	60.620	62.200	60.620	57.630	55.460	56.350	63.050
<b>Naphtha</b>							
US C5 ENT vs WTI Crack	-15.450	-14.450	-13.350	-12.380	-11.660	-11.737	-10.370
NWE Naphtha Crack (\$/bbl)	-7.070	-7.750	-7.860	-7.760	-7.810	-7.830	-8.133
MOPJ Naphtha Crack (\$/bbl)	-5.740	-5.670	-5.800	-5.820	-5.920	-5.933	-6.497
Naphtha E/W (NWE vs MOPJ) (\$/mt)	11.750	18.500	18.250	17.250	16.750	16.833	14.500
<b>Fuel Oil</b>							
3.5% bgs crack (\$/bbl)	-8.130	-8.180	-8.750	-9.810	-10.330	-10.207	-10.213
Singapore 380 crack (\$/bbl)	-4.950	-5.190	-6.860	-8.320	-9.150	-8.937	-9.330
Singapore 180 crack (\$/bbl)	-4.080	-4.160	-5.640	-6.740	-7.420	-7.217	-7.320
Visco (180-380) (\$/mt)	5.500	6.500	7.750	10.000	11.000	10.917	12.750
HSFO E/W (380 vs 3.5% bgs) (\$/mt)	20.250	19.000	12.000	9.500	7.500	8.083	5.617
0.5% bgs crack (\$/bbl)	3.340	3.650	3.550	3.280	2.990	2.983	2.423
Singapore 0.5% crack (\$/bbl)	10.250	10.200	9.990	9.710	9.460	9.440	8.673
VLSFO E/W (Sing 0.5% vs 0.5% bgs) (\$/mt)	43.840	41.590	40.840	40.840	41.090	41.007	39.673
European Hi5 (0.5% bgs vs 3.5% bgs) (\$/mt)	72.870	75.120	78.120	83.120	84.620	83.787	80.237
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	96.460	97.710	106.960	114.460	118.210	116.710	114.293
0.5% bgs/gasoil (\$/mt)	-211.630	-215.470	-221.750	-225.100	-225.460	-225.983	-229.477
Sing 0.5% vs Sing 10ppm (\$/mt)	-140.630	-147.350	-154.120	-158.450	-160.400	-160.397	-167.770
<b>NGLs</b>							
US Propane LST vs NWE Propane (\$/mt)	-157.21	-148	-139.41	-131.9	-126.99	-128.627	-115.723
US Propane LST vs Asian Propane FEI (\$/mt)	-224.71	-215	-211.91	-209.9	-209.99	-209.293	-192.557
Asian Propane FEI vs NWE Propane (\$/mt)	67.5	67	72.5	78	83	80.667	76.833
Asian Propane FEI vs Saudi Propane CP (\$/mt)	54	49.5	48	44	39.5	38.667	23
European Pronap (\$/mt)	-115.53	-105.78	-102.03	-98.28	-94.03	-93.697	-98.53
Asian Pronap (FEI vs MOPJ) (\$/mt)	-113.78	-106.78	-95.78	-81.53	-67.28	-68.53	-59.197



<b>Inter-month Crack Spreads</b>			
<b>Aug/Sep</b>	<b>16-Jul-24</b>	<b>1-Day Change</b>	<b>7-Day Change</b>
<b>Crude</b>			
Brent/Dubai (\$/bbl)	0.020	+0.010	+0.110
WTI/Brent (\$/bbl)	0.120	-0.040	+0.050
<b>Distillates</b>			
Gasoil 0.1 NWE crack (\$/bbl)	-0.840	+0.070	-0.030
NWE Jet crack (\$/bbl)	-0.970	+0.110	-0.040
NWE Jet Diff (\$/mt)	-1.000	+0.500	+0.000
Gasoil E/W (\$/bbl)	0.110	+0.080	-0.010
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-0.160	-0.030	-0.140
<b>Gasoline</b>			
TA Arb (RBOB vs EBOB) (c/gal)	14.850	+0.020	+0.020
EBOB crack (\$/mt)	0.800	-0.180	-0.280
Singapore 92 crack (\$/bbl)	0.390	-0.060	+0.230
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	-0.410	+0.110	+0.510
European Gasnaph (EBOB vs Naphtha) (\$/mt)	5.250	-1.000	-1.750
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	1.580	-1.080	+1.750
<b>Naphtha</b>			
US C5 ENT vs WTI Crack	-1.100	+0.010	-0.200
NWE Naphtha Crack (\$/bbl)	0.110	-0.040	-0.070
MOPJ Naphtha Crack (\$/bbl)	0.130	+0.060	+0.000
Naphtha E/W (NWE vs MOPJ) (\$/mt)	0.250	+1.000	+0.750
<b>Fuel Oil</b>			
3.5% barges crack (\$/bbl)	0.570	-0.050	-0.340
Singapore 380 crack (\$/bbl)	1.670	+0.070	-0.190
Singapore 180 crack (\$/bbl)	1.480	+0.070	-0.030
Visco (180-380) (\$/mt)	-1.250	+0.000	+1.000
HSFO E/W (380 vs 3.5% barges) (\$/mt)	7.000	+0.750	+1.000
0.5% barges crack (\$/bbl)	0.100	-0.040	-0.070
Singapore 0.5% crack (\$/bbl)	0.210	-0.010	-0.190
VLSFO E/W (Sing 0.5% vs 0.5% barges) (\$/mt)	0.750	+0.250	-0.750
European Hi5 (0.5% barges vs 3.5% barges) (\$/mt)	-3.000	+0.000	+1.750
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	-9.250	-0.500	+0.000
0.5% barges/gasoil (\$/mt)	6.280	-0.330	-0.060
Sing 0.5% vs Sing 10ppm (\$/mt)	6.770	-0.400	-0.950
<b>NGLs</b>			
US Propane LST vs NWE Propane (\$/mt)	-8.590	-1.000	-2.190
US Propane LST vs Asian Propane FEI (\$/mt)	-3.090	+0.500	-1.190
Asian Propane FEI vs NWE Propane (\$/mt)	-5.500	-1.500	-1.000
Asian Propane FEI vs Saudi Propane CP (\$/mt)	1.500	-1.500	-4.000
European Pronap (NWE Propane vs NWE Naphtha) (\$/mt)	-3.750	+1.750	+1.250