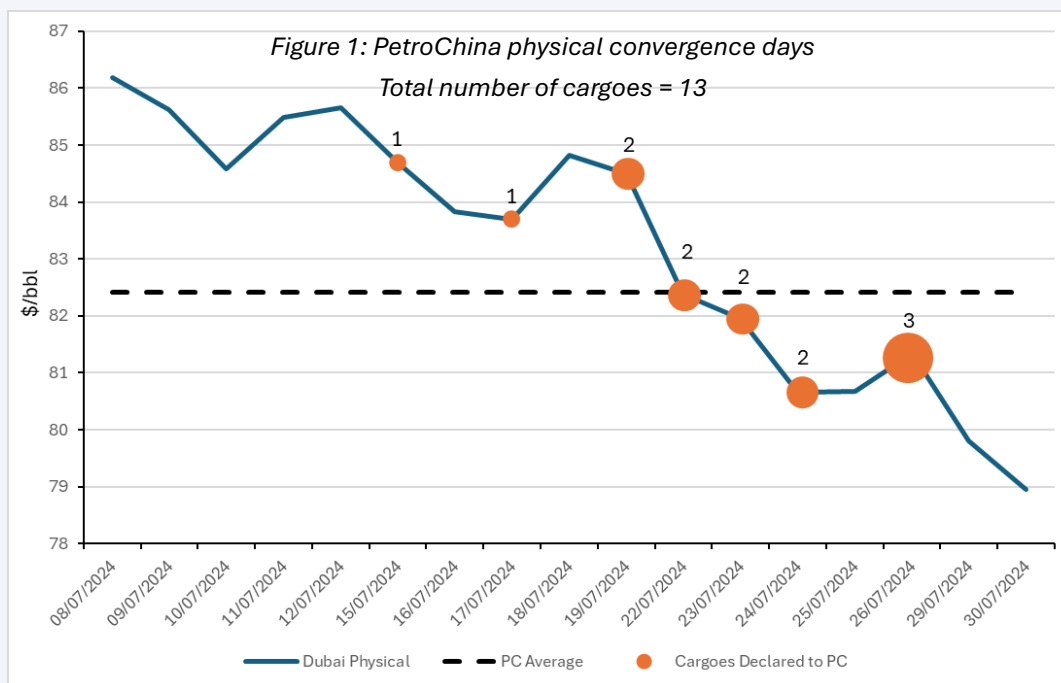




Market Summary

Somebody caught a falling knife!



The joys of buying as the market goes against you! PetroChina's herculean buying efforts in the face of bad fundamentals, which, by the way, have been originating in China, befuddle us. I am sure many some of our readers who engage in stock picking would be familiar with the 'let me buy some more to average down.' PC definitely averaged down. We did a rough calculation of the 13 cargoes that were delivered to them in the physical Dubai window, and the cargo values at the close of the market was over \$82.00/bbl. The current market value is sub \$79.00/bbl. Maybe there is some trading magic, but we don't see it.

Summary		30-Jul-24	1-Day Change	7-Day Change
Physical and Futures				
Brent Sep (fut)	(\$/bbl)	79.930	-1.240	-2.760
WTI Sep (fut)	(\$/bbl)	75.930	-1.210	-2.690
Dubai Sep (phys)	(\$/bbl)	78.950	-0.845	-3.000
Crude Swaps Aug				
Brent	(\$/bbl)	79.130	-1.180	-2.530
DFL	(\$/bbl)	0.760	-0.060	-0.160
WTI	(\$/bbl)	75.560	-1.160	-2.670
Dubai	(\$/bbl)	78.140	-1.030	-2.750
Tenor		Sep-24	Oct-24	Nov-24
Crude Futures				
Brent (fut)	(\$/bbl)	79.930	79.160	78.480
WTI (fut)	(\$/bbl)	75.930	74.870	74.170



In detail

Markets continued their descent. All major crudes fell against yesterday, but Brent fared the worst, losing \$1.24/bbl and closing below \$80! Dubai's fall seems to be slowing down slightly, shedding 84.5c on the day, after a very sparse window. Only five partials traded, 3 of which ended up in PetroChina's hands. PetroChina was able to reverse the widening trend on the Brent/Dubai spread which tightened by a massive 40 cts!

The market decline will come as bad news to PetroChina, who have been particularly active in the Dubai window this month. We counted a total of 13 cargoes in July: 9 of Upper Zakum, 2 of Oman, and 1 each of Murban and Al-Shaheen, at an average price of \$82.41 per cargo. Of course, since PetroChina will pay the average of the 20 partials, and prices have been coming down, the average price paid is a bit higher than the daily closings.

Nevertheless, PC is in the hole, with Dubai closing the window today at \$78.95/bbl, \$5.73/bbl lower than their first cargo, bought on the 15th. As crude comes down, margins are going to widen. However, in China, returns to refining remain very weak. Gasoil cracks are back to 2023 lows, and without any margin recovery runs will remain unexciting.

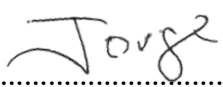
But the US wants more crude in the SPR. The DoE has finalised a contract to purchase 4.65mbbls. As of 19 July, the SPR contained around 374mbbls, albeit higher than in 2022, but some way below the 600-700mbbls usually held in reserve. Deputy Energy Secretary David Turk has said that the DoE only has the means to purchase around 15mbbls. "of course, we would like to do more... but we do need additional funds," Turk said. And funds from where exactly? America has some prioritisation to do.

U.S. national debt surpassed \$35 trillion. However, the commonly cited figure of over \$35 trillion for U.S. "public debt outstanding" can be misleading. It includes around \$7 trillion that the federal government effectively owes itself due to internal accounts. But these are obligations anyway. Economists typically focus on "debt held by the public," about \$27.5 trillion (as of Q1 2024), to assess the debt's impact on the economy. And this debt held by the public has increased by around \$10 trillion since Q1 2020. Fed Chair Powell and many others have expressed considerable concerns over the level and threat to debt sustainability.

U.S. Government debt has indeed spiraled. The workhorse models for analyzing fiscal spending, developed from the seminal Diamond (1965) overlapping generations model, break down when projecting the path of the U.S. economy under current fiscal policy. Models are forced to be augmented with 'closure rules', which, at some point in the future, rebalance the debt to GDP—in other words, hike taxes aggressively.


Since governments can roll over debt, when a bond matures, you simply issue a new one to pay it off, right? Only if the market believes there will be a buyer in the future. A loose fiscal approach crowds out productive private capital formation, reducing GDP and, thus, tax receipts. Not very attractive to markets. This is particularly pronounced for economies at the upper limits of debt burden. In parallel, to enforce the closure rule, taxes need to be hiked.

The Penn Wharton Budget Model estimates that a maximum debt-to-GDP ratio of 200% is sustainable, but only if markets myopically believe closure rules will be enforced. It is likely far lower than that. Federal debt held by the public currently stands at 97% of the GDP.

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Front Month Outrights					
August Swaps			30-Jul-24	1-Day Change	7-Day Change
Crude					
Brent	(\$/bbl)	79.130	-1.180	-2.530	
WTI	(\$/bbl)	75.560	-1.160	-2.670	
Dubai	(\$/bbl)	78.140	-1.030	-2.750	
Distillates					
Gasoil 0.1 NWE	(\$/mt)	732.360	-14.000	-19.660	
NWE Jet	(\$/mt)	782.860	-15.500	-18.660	
Singapore 10ppm	(\$/bbl)	94.910	-1.830	-2.610	
Sing Kero	(\$/bbl)	93.980	-1.860	-2.440	
Gasoline					
RBOB	(c/gal)	237.460	-4.480	-5.100	
EBOB	(\$/mt)	793.380	-14.060	-13.610	
Singapore 92	(\$/bbl)	88.200	-1.530	-1.390	
Singapore 95	(\$/bbl)	92.690	-1.540	-1.400	
Naphtha					
US C5 ENT	(c/gal)	146.390	-1.330	-5.100	
NWE Naphtha	(\$/mt)	640.360	-14.320	-24.470	
MOPJ Naphtha	(\$/mt)	652.860	-15.590	-28.130	
Fuel Oil					
3.5% barges	(\$/mt)	446.090	-6.090	-14.670	
Singapore 380	(\$/mt)	470.340	-5.840	-10.170	
Singapore 180	(\$/mt)	478.340	-5.970	-8.540	
0.5% barges	(\$/mt)	530.990	-8.000	-13.010	
Singapore 0.5%	(\$/mt)	574.930	-6.480	-10.160	
NGLs					
US Propane LST	(c/gal)	77.565	-0.039	-0.714	
NWE Propane	(\$/mt)	563.110	-1.710	+0.280	
Saudi Propane CP	(\$/mt)	584.110	-1.210	+2.280	
Asian Propane FEI	(\$/mt)	630.110	-5.210	-1.140	
US Butane ENT	(c/gal)	96.820	+0.220	-0.320	
Saudi Butane CP	(\$/mt)	579.110	+1.790	+6.360	



Long Tenor Swaps

		Balmo	Aug-24	Sep-24	Oct-24	Nov-24	Q4-24	Q1-25
Crude								
Brent	(\$/bbl)	79.540	79.130	78.470	77.960	77.560	77.580	76.683
WTI	(\$/bbl)	75.940	75.560	74.680	74.010	73.490	73.517	72.340
Dubai	(\$/bbl)	78.940	78.140	77.920	77.410	76.940	76.960	75.963
Distillates								
Gasoil 0.1 NWE	(\$/mt)	731.000	732.360	734.240	732.220	727.500	728.233	721.550
NWE Jet	(\$/mt)	786.000	782.860	784.240	783.720	780.500	781.233	778.050
Singapore 10ppm	(\$/bbl)	94.610	94.910	95.040	94.940	94.560	94.563	93.973
Sing Kero	(\$/bbl)	93.730	93.980	94.140	94.180	93.970	93.963	93.527
Gasoline								
RBOB	(c/gal)	241.660	237.460	219.360	212.840	208.720	209.520	214.517
EBOB	(\$/mt)	796.380	793.380	780.380	733.880	713.130	715.463	700.463
Singapore 92	(\$/bbl)	89.150	88.200	86.600	85.350	84.250	84.400	83.233
Singapore 95	(\$/bbl)	93.640	92.690	91.040	89.640	88.440	88.523	86.823
Naphtha								
US C5 ENT	(c/gal)	145.510	146.390	147.010	147.510	147.510	147.427	147.053
NWE Naphtha	(\$/mt)	648.440	640.360	634.690	631.690	627.940	627.857	617.023
MOP-Japan Naphtha	(\$/mt)	657.860	652.860	650.860	647.360	643.610	643.527	631.193
Fuel Oil								
3.5% barges	(\$/mt)	449.590	446.090	439.340	430.590	424.090	425.090	417.557
Singapore 380	(\$/mt)	475.590	470.340	458.090	444.840	435.590	437.173	425.840
Singapore 180	(\$/mt)	483.090	478.340	466.590	454.590	446.090	447.673	438.507
0.5% barges	(\$/mt)	534.990	530.990	523.490	516.990	511.490	511.697	499.693
Singapore 0.5%	(\$/mt)	581.180	574.930	566.680	559.680	553.680	553.930	540.097
NGLs								
US Propane LST	(c/gal)	76.685	77.565	78.185	79.185	79.805	79.558	78.105
NWE Propane	(\$/mt)	568.610	563.110	555.610	547.610	545.110	545.277	521.943
Saudi Propane CP	(\$/mt)	584.110	584.110	584.110	591.110	597.110	596.443	585.443
Asian Propane FEI	(\$/mt)	635.110	630.110	627.110	628.110	629.110	627.943	601.610
US Butane ENT	(c/gal)	96.320	96.820	97.200	97.580	97.830	97.663	94.790
Saudi Butane CP	(\$/mt)	579.110	579.110	579.110	589.610	596.110	595.277	584.110



Front Month Spreads				
Aug/Sep		30-Jul-24	1-Day Change	7-Day Change
Crude				
Brent	(\$/bbl)	0.660	-0.060	-0.110
WTI	(\$/bbl)	0.880	-0.090	-0.070
Dubai	(\$/bbl)	0.220	+0.010	-0.380
Distillates				
Gasoil 0.1 NWE	(\$/mt)	-1.880	-0.310	-0.470
NWE Jet	(\$/mt)	-1.380	-0.310	+0.030
Singapore 10ppm	(\$/bbl)	-0.130	-0.010	-0.010
Sing Kero	(\$/bbl)	-0.160	-0.040	+0.090
Gasoline				
RBOB	(c/gal)	18.100	-0.740	-1.020
EBOB	(\$/mt)	13.000	-1.000	-0.250
Singapore 92	(\$/bbl)	1.600	-0.100	+0.280
Singapore 95	(\$/bbl)	1.650	-0.100	+0.280
Naphtha				
US C5 ENT	(c/gal)	-0.620	+0.000	+0.000
NWE Naphtha	(\$/mt)	5.670	-2.580	-3.330
MOP-Japan Naphtha	(\$/mt)	2.000	-2.500	-5.500
Fuel Oil				
3.5% barges	(\$/mt)	6.750	+0.500	+0.750
Singapore 380	(\$/mt)	12.250	-0.250	-0.250
Singapore 180	(\$/mt)	11.750	-0.250	+0.750
0.5% barges	(\$/mt)	7.500	-0.250	+0.500
Singapore 0.5%	(\$/mt)	8.250	+0.500	+1.500
NGLs				
US Propane LST	(c/gal)	-0.620	+0.130	+0.260
NWE Propane	(\$/mt)	7.500	+1.040	+3.500
Saudi Propane CP	(\$/mt)	0.000	+0.000	+1.500
Asian Propane FEI	(\$/mt)	3.000	+0.500	+2.500
US Butane ENT	(c/gal)	-0.380	+0.120	+0.120
Saudi Butane CP	(\$/mt)	0.000	+5.500	+6.500



Front Month Cracks and Diffs			
August	30-Jul-24	1-Day Change	7-Day Change
Crude			
Brent/Dubai (\$/bbl)	1.010	-0.110	+0.240
WTI/Brent (\$/bbl)	-3.580	+0.010	-0.150
Distillates			
Gasoil 0.1 NWE crack (\$/bbl)	19.170	-0.720	-0.110
NWE Jet crack (\$/bbl)	20.200	-0.820	+0.140
NWE Jet Diff (\$/mt)	50.500	-1.500	+1.000
Gasoil E/W (\$/bbl)	-25.250	+0.400	+0.250
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-0.930	-0.030	+0.170
Gasoline			
TA Arb (RBOB vs EBOB) (c/gal)	10.700	-0.450	-1.200
EBOB crack (\$/mt)	16.100	-0.530	+0.870
Singapore 92 crack (\$/bbl)	9.050	-0.380	+1.120
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	-7.040	+0.160	+0.250
European Gasnaph (EBOB vs Naphtha) (\$/mt)	152.910	+0.240	+10.840
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	81.850	+2.670	+16.740
Naphtha			
US C5 ENT vs WTI Crack	-14.080	+0.580	+0.530
NWE Naphtha Crack (\$/bbl)	-7.200	-0.480	-0.250
MOPJ Naphtha Crack (\$/bbl)	-5.790	-0.590	-0.670
Naphtha E/W (NWE vs MOPJ) (\$/mt)	12.500	-1.000	-3.750
Fuel Oil			
3.5% barges crack (\$/bbl)	-8.900	+0.200	+0.180
Singapore 380 crack (\$/bbl)	-5.080	+0.240	+0.890
Singapore 180 crack (\$/bbl)	-3.820	+0.240	+1.130
Visco (180-380) (\$/mt)	8.000	+0.000	+1.500
HSFO E/W (380 vs 3.5% barges) (\$/mt)	24.250	+0.250	+4.500
0.5% barges crack (\$/bbl)	4.470	-0.080	+0.420
Singapore 0.5% crack (\$/bbl)	11.400	+0.150	+0.900
VLSFO E/W (Sing 0.5% vs 0.5% barges) (\$/mt)	44.000	+1.450	+3.040
European Hi5 (0.5% barges vs 3.5% barges) (\$/mt)	84.900	-1.780	+1.520
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	104.660	-0.570	+0.080
0.5% barges/gasoil (\$/mt)	-201.500	+6.160	+6.300
Sing 0.5% vs Sing 10ppm (\$/mt)	-132.150	+7.300	+9.040
NGLs			
US Propane LST vs NWE Propane (\$/mt)	-159.000	+1.500	-4.000
US Propane LST vs Asian Propane FEI (\$/mt)	-226.000	+5.000	-2.500
Asian Propane FEI vs NWE Propane (\$/mt)	67.000	-3.500	-1.500
Asian Propane FEI vs Saudi Propane CP (\$/mt)	46.000	-4.000	-3.500
European Pronap (NWE Propane vs NWE Naphtha) (\$/mt)	-77.070	+13.150	+24.740
Asian Pronap (FEI vs MOPJ) (\$/mt)	-68.570	+14.700	+30.450



Long Tenor Cracks / Diffs

	Balmo	Aug-24	Sep-24	Oct-24	Nov-24	Q4-24	Q1-25
Crude							
Brent/Dubai (\$/bbl)	0.620	1.010	0.560	0.570	0.640	0.640	0.740
WTI/Brent (\$/bbl)	-3.600	-3.580	-3.800	-3.960	-4.060	-4.060	-4.330
Distillates							
Gasoil 0.1 NWE crack (\$/bbl)	18.58	19.17	20.09	20.30	20.08	20.16	20.17
NWE Jet crack (\$/bbl)	20.19	20.20	21.04	21.47	21.48	21.55	22.05
NWE Jet Diff (\$/mt)	55.00	50.50	50.00	51.50	53.00	53.00	56.50
Gasoil E/W (\$/bbl)	-26.16	-25.25	-26.19	-24.89	-23.04	-23.74	-21.44
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-0.88	-0.93	-0.90	-0.76	-0.59	-0.60	-0.45
Gasoline							
TA Arb (RBOB vs EBOB) (c/gal)	14.050	10.700	-3.670	3.100	4.910	5.043	14.330
EBOB crack (\$/mt)	16.040	16.100	15.200	10.140	8.050	8.307	7.397
Singapore 92 crack (\$/bbl)	9.590	9.050	8.120	7.380	6.690	6.813	6.547
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	-6.450	-7.040	-7.080	-2.750	-1.360	-1.487	-0.847
European Gasnaph (EBOB vs Naphtha) (\$/mt)	147.910	152.910	145.660	102.160	85.160	87.577	83.410
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	84.760	81.850	70.520	63.610	58.190	59.527	62.143
Naphtha							
US C5 ENT vs WTI Crack	-14.830	-14.080	-12.930	-12.060	-11.540	-11.600	-10.580
NWE Naphtha Crack (\$/bbl)	-6.710	-7.200	-7.180	-7.010	-7.020	-7.053	-7.363
MOPJ Naphtha Crack (\$/bbl)	-5.640	-5.790	-5.350	-5.240	-5.250	-5.283	-5.767
Naphtha E/W (NWE vs MOPJ) (\$/mt)	9.500	12.500	16.250	15.750	15.750	15.750	14.250
Fuel Oil							
3.5% bgs crack (\$/bbl)	-8.760	-8.900	-9.290	-10.160	-10.770	-10.643	-10.927
Singapore 380 crack (\$/bbl)	-4.660	-5.080	-6.350	-7.930	-8.980	-8.750	-9.633
Singapore 180 crack (\$/bbl)	-3.490	-3.820	-5.010	-6.380	-7.320	-7.090	-7.640
Visco (180-380) (\$/mt)	7.500	8.000	8.500	9.750	10.500	10.500	12.667
HSFO E/W (380 vs 3.5% bgs) (\$/mt)	26.000	24.250	18.750	14.250	11.500	12.083	8.283
0.5% bgs crack (\$/bbl)	4.690	4.470	3.960	3.450	2.980	2.993	2.003
Singapore 0.5% crack (\$/bbl)	11.970	11.400	10.770	10.190	9.630	9.653	8.370
VLSFO E/W (Sing 0.5% vs 0.5% bgs) (\$/mt)	46.250	44.000	43.250	42.750	42.250	42.293	40.463
European Hi5 (0.5% bgs vs 3.5% bgs) (\$/mt)	85.400	84.900	84.150	86.400	87.400	86.607	82.137
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	105.660	104.660	108.660	114.910	118.160	116.827	114.327
0.5% bgs/gasoil (\$/mt)	-196.140	-201.500	-210.570	-214.860	-215.810	-216.357	-221.757
Sing 0.5% vs Sing 10ppm (\$/mt)	-123.660	-132.150	-141.370	-147.470	-150.790	-150.563	-160.103
NGLs							
US Propane LST vs NWE Propane (\$/mt)	-169.08	-159	-148.27	-135.06	-129.33	-130.78	-115.02
US Propane LST vs Asian Propane FEI (\$/mt)	-235.58	-226	-219.77	-215.56	-213.33	-213.447	-194.687
Asian Propane FEI vs NWE Propane (\$/mt)	66.5	67	71.5	80.5	84	82.667	79.667
Asian Propane FEI vs Saudi Propane CP (\$/mt)	51	46	43	37	32	31.5	16.167
European Pronap (\$/mt)	-79.57	-77.07	-78.82	-83.82	-82.57	-82.32	-94.91
Asian Pronap (FEI vs MOPJ) (\$/mt)	-73.57	-68.57	-66.57	-56.07	-46.32	-46.903	-45.57



Inter-month Crack Spreads			
Aug/Sep	30-Jul-24	1-Day Change	7-Day Change
Crude			
Brent/Dubai (\$/bbl)	0.450	-0.050	+0.280
WTI/Brent (\$/bbl)	0.220	-0.030	+0.040
Distillates			
Gasoil 0.1 NWE crack (\$/bbl)	-0.920	-0.010	+0.040
NWE Jet crack (\$/bbl)	-0.840	+0.000	+0.100
NWE Jet Diff (\$/mt)	0.500	+0.000	+0.500
Gasoil E/W (\$/bbl)	0.940	+0.270	+0.430
Regrade (Sing Kero vs Sing 10ppm) (\$/bbl)	-0.030	-0.030	+0.100
Gasoline			
TA Arb (RBOB vs EBOB) (c/gal)	14.370	-0.470	-0.970
EBOB crack (\$/mt)	0.900	-0.070	+0.070
Singapore 92 crack (\$/bbl)	0.930	-0.060	+0.380
Gasoline E/W (Sing 92 vs EBOB) (\$/bbl)	0.040	+0.020	+0.310
European Gasnaph (EBOB vs Naphtha) (\$/mt)	7.250	+1.500	+3.000
Asian Gasnaph (Sing 92 vs MOPJ) (\$/mt)	11.330	+1.670	+7.840
Naphtha			
US C5 ENT vs WTI Crack	-1.150	+0.080	+0.070
NWE Naphtha Crack (\$/bbl)	-0.020	-0.240	-0.250
MOPJ Naphtha Crack (\$/bbl)	-0.440	-0.230	-0.520
Naphtha E/W (NWE vs MOPJ) (\$/mt)	-3.750	+0.000	-2.250
Fuel Oil			
3.5% barges crack (\$/bbl)	0.390	+0.120	+0.210
Singapore 380 crack (\$/bbl)	1.270	+0.020	+0.060
Singapore 180 crack (\$/bbl)	1.190	+0.000	+0.220
Visco (180-380) (\$/mt)	-0.500	+0.000	+1.000
HSFO E/W (380 vs 3.5% barges) (\$/mt)	5.500	-0.750	-1.000
0.5% barges crack (\$/bbl)	0.510	+0.010	+0.180
Singapore 0.5% crack (\$/bbl)	0.630	+0.110	+0.330
VLSFO E/W (Sing 0.5% vs 0.5% barges) (\$/mt)	0.750	+0.750	+1.000
European Hi5 (0.5% barges vs 3.5% barges) (\$/mt)	0.750	-0.750	-0.250
Asian Hi5 (Sing 0.5% vs 380) (\$/mt)	-4.000	+0.750	+1.750
0.5% barges/gasoil (\$/mt)	9.070	-0.400	+0.820
Sing 0.5% vs Sing 10ppm (\$/mt)	9.220	+0.570	+1.570
NGLs			
US Propane LST vs NWE Propane (\$/mt)	-10.730	-0.320	-2.150
US Propane LST vs Asian Propane FEI (\$/mt)	-6.230	+0.180	-1.150
Asian Propane FEI vs NWE Propane (\$/mt)	-4.500	-0.500	-1.000
Asian Propane FEI vs Saudi Propane CP (\$/mt)	3.000	+0.500	+1.000
European Pronap (NWE Propane vs NWE Naphtha) (\$/mt)	1.750	+3.250	+6.750