

Base Oils (Middle East)

Report Date : Thu 10 Jan 2013 GMT

Ready to publish : Thu 10 Jan 2013 10:36 GMT by henga

| Name | Unit | Low | High |
|---|--------|--------|--------|
| Base Oils Group I SN 150 Spot CFR UAE | USD/MT | +20820 | +20840 |
| Base Oils Group I SN 500 Spot CFR UAE | USD/MT | +30850 | +50890 |
| Base Oils Group I SN 150 Spot ex-tank Sharjah | USD/MT | +10840 | +10860 |
| Base Oils Group I SN 500 Spot ex-tank Sharjah | USD/MT | +20870 | +20890 |

| Name | Unit | Assessed |
|--|--------|----------|
| Base Oils Group I Iran Sepahan Oil SN500 Posted Price FOB Iran | USD/MT | n/c870 |

Mideast base oil prices rise on bullish sentiment

The base oils market in the Middle East gained some momentum in the week ended 10 January, following a seasonal lull that was due to the New Year holiday.

Selling sentiment was bullish during the week as sellers were heard marking up prices in line with crude and its downstream products, fuel oil and gasoil, while some sellers were able to transact Group I cargoes to India at firmer prices.

The overall market sentiment is mixed. While some market participants said trading activity is expected to pick up further, in line with the firmer crude and upstream markets in the near term, others said demand from the key importing markets is still weak and the outlook remains uncertain.

Iranian major Sepahan Oil Co's (SOC) list prices of SN500 were unchanged at \$870/tonne FOB Iran and \$910/tonne CFR UAE on 2 January. No update was available from the refiner for the week ended 10 January.

CFR UAE

Import prices to the UAE were assessed as firmer, in line with a tender awarded late in the previous week. Prices were higher also in tandem with the upstream gas markets, which gave sellers further upward price pressure.

A tender for a 14,000 tonne cargo of Iranian Group I base oils was heard awarded to a sole trader in the United Arab Emirates (UAE). The trader was heard able to liquidate most of the stock, 5,000 tonnes of which was SN500. The remainder of the parcel comprised SN150 base oils and brightstock.

In India, a key importing market, buying sentiment was heard to be bearish. Cargoes were heard sold at the mid-\$800s/tonne CFR India, but some traders were targeting higher selling ideas at the high \$800s/tonne CFR India/UAE.

Ex-tank Sharjah

Activity in the export market in the UAE picked up slightly during the week as a few sellers managed to offload some product to buyers in the region.

However, supply is still high as sellers continue to face difficulty in liquidating large volumes because of persistently weak demand. This has led some market participants to have a pessimistic outlook on the overall base oils market in Asia and may lead to a decline in the coming months.

Deals and discussions were range-bound during the week for both Group I SN150 and SN500 base oils. The outlook is mixed, with some players expressing optimism on firmer prices in tandem with the uptrend in the gas markets and the need for downstream blenders to restock from February, while others said the weak demand may cap any price hikes.

Crude futures and fuel prices

WTI crude futures for February were up by 65 cents/bbl to settle at \$93.75/bbl during Asian trade on 10 January, while Brent crude for February on the ICE traded 54 cents/bbl higher at \$111.88/bbl during the same session.

Crude futures gained further ground on Thursday afternoon, buoyed by positive December trade data from China, the world's second largest oil consumer, which showed sizeable year-on-year increases in exports and imports.

In Singapore, fuel oil prices were at \$643-644/tonne FOB Singapore during the week ended 10 January, up by \$20/tonne week on week. The prices of 0.5% sulphur gasoil were at \$941-942/tonne FOB Singapore, down by \$30/tonne week on week.

Shipping enquiries

| TONNES | PRODUCT | FROM | TO | LAYCAN |
|--------|-----------|---------------------|-------------|----------------------------|
| 1,900 | Base oils | Yeosu | Haiphong | End-December/early January |
| 1,800 | Base oils | Mailiao | JNPT, India | 15-20 January |
| 2,000 | Base oils | Singapore/Sri Racha | Manila | 7-12 January |
| 1,000 | Base oils | Kaohsiung | Merak | Early January |
| 2,000 | Base oils | Hong Kong | Yokohama | Early January |
| 1,000 | Base oils | Kaohsiung | Port Klang | Early January |
| 1,000 | Base oils | Houston | Mumbai | 7-18 January |

Freight rates

From Bandar Imam Khomeini, Iran, to the UAE: \$45-48/tonne

From Bushehr, Iran, to the UAE: \$45-48/tonne

From Europe to the UAE: \$65-75/tonne

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