

## Media Monitoring

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### **Feb Western fuel oil to Asia above 3 mln T so far**

By Yaw Yan Chong

SINGAPORE, (Reuters) - Western fuel oil cargoes arriving in Asia in February have risen above 3.0 million tonnes, on a slew of bookings in the past week as the West-to-East arbitrage window opens, traders said on Tuesday.

The spillover of some cargoes due to arrive in late January also added to next month's volumes.

The February arrivals are up from January's six-month low volumes of 2.8-2.9 million tonnes, with still more than a week of the tanker-fixing window left open.

Traders said the heavy bookings have weakened the product's prompt timespreads in the past two sessions, and exacerbated by profit-taking following a more than two-week rise.

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"There was a spate of bookings last week but how many actually get fully fixed remains to be seen. The market's appetite for cargoes is quite high because it's a new year and everyone wants to do something," a Singapore-based Western trader said.

But he said the market impact remained to be seen as there is more than enough storage capacity to hold the cargoes.

"I still feel the near-term momentum is bullish and the current dip is just a slight correction," the trader added.

#### WIDENING ARBITRAGE WINDOW

Most of the bookings last week are for lifting from the Baltics, with three 100,000-tonne tankers provisionally chartered by Singapore-listed **Chemoil**, Russia's Clearlake and Western trader Holt Global.

Another 270,000-tonne Very Large Crude Carrier (VLCC), the "Front Chief", was booked by Cargill for Jan. 25 loading from Rotterdam.

The bookings included more than the usual volumes from the Caribbean and United States, as well as three VLCCs booked by PetroChina and Mexico's PMI, mostly loading at the end of this month, shipbrokers said.

Traders said some of the end-January cargoes, particularly from the Caribbean and the U.S., could see their arrivals spill into early March, given the lengthy 40-45 days journey.

Traders said the East-West (E-W) spreads for February have blown up to about \$30.00 a tonne in the past week or so, up from around \$25.00 a week earlier.

They said the E-W spreads could rise further, with bids for the Q2 and Q3 contracts seen at \$27.00 a tonne, slightly below the previous session's notional value of around \$27.50.

"The wider the E-W spreads, the higher the potential returns to buy cargoes from the West and sell in the East. The Singapore market has been strong for the past two to three weeks," another trader said.

"But the European market is catching up because the freezing winter has driven power companies to restart their fuel oil-fired plants, limiting supplies for export," he said adding that he did not expect the arbitrage window to stay open for too long because freight is also rising.

Freight rates for Very Large Crude Carriers (VLCCs) plying the Rotterdam-Singapore route have risen in line from around \$14.00 a tonne to \$18.00, while the three recent Baltic bookings were fixed at around \$30.00 a tonne.

Reflecting the heavier supplies, the February/March timespread, which becomes prompt by the end of the week, was bid/offered at parity/50 cents a tonne by 0830 GMT, down from its recent peak of \$1.38 just last Thursday. (Editing by Ramthan Hussain)