

# *BAINFO Base Oil Weekly*

*Aug. 30, 2018 / Issue 18-34*



## *Highlights:*

- *Bullish Factors Dominated the International Crude Oil Market and Prices Went up Totally*
- *Base Oil Prices Continued to Keep Stable*
- *Vacuum Column Oil Market Kept Stable*
- *White Oil Trading Market Performed Flat, with Unchangeable Prices*

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# Crude Oil

## ➤ Market Analysis

Earlier this week, the US active drilling decreased sharply, supporting crude oil prices. Investor paid attention on shrunk crude oil stocks. In supply side, the worry from sanction on Iran could offset the bad influence from the unclearness of Sino-US trade war. Besides, US-Mexico trade deal and continuous decreased US dollars all supported crude oil prices. Therefore, future prices of international crude oil continued to rise. Later this week, supply sides still had large uncertainty, for Sino-US trade war situation was tension. And then, reports of US crude oil stocks showed good news to the market. Export of Iran crude oil was predicted to slump due to sanctions recovery, which would expand the gap of crude oil supply. That would boost crude oil prices, so international crude oil prices rose, after falling. Overall, bullish factors dominated the international crude oil market and prices went up totally. WTI average price decreased to USD 68.69/barrel, up 3.14% over last week and down 2.81% over last month, while Brent price ran at USD 75.97/barrel, up by 4.67% over last week and 1.42% over last month.

## ➤ Supply

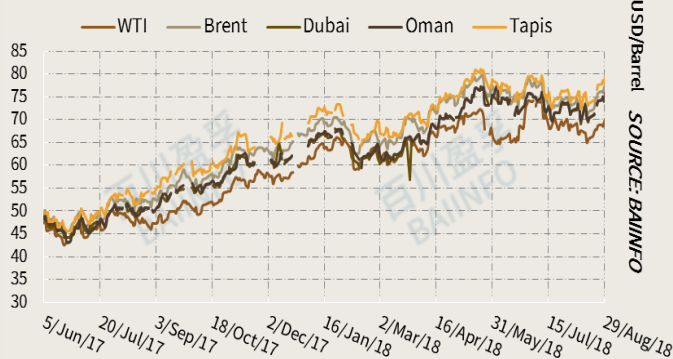
Data from EIA showed that in the week ended Aug. 24, 2018, US crude oil stocks decreased by 2.566 million barrels to 405.8 million barrels and inventory of US refined oil dropped by 837,000 barrels. And US gasoline stocks fell by 1.554 million barrels.

## ➤ Demand

EIA issued short-term monthly report. It showed that demand growth expectation of global crude oil would be at 470,000 barrels for per day in 2018, and 290,000 barrels for per day in 2019.

## ➤ Price Trend

International Crude Oil Future Price Trend



Crude Oil

Base Oil

Non-standard Base Oil

White Oil/Deodorizing

Kerosene

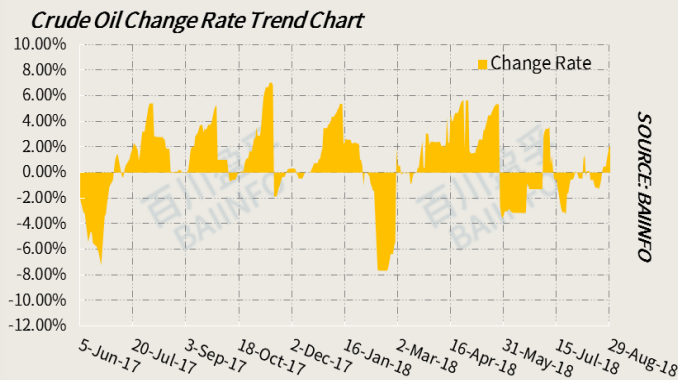
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➤ **Change Rate**



➤ **Forecast**

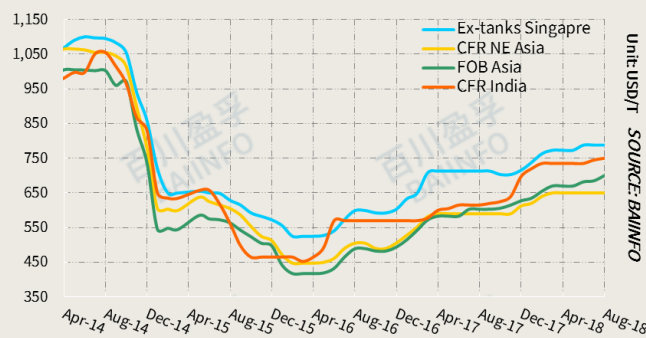
The upgrade of Sino-US trade war might slow down growth of economy, further dragging demand of crude oil. However, the recovery of US sanction on Iran might cause export of Iran crude oil fall largely, expanding the risk of supply gap. Recently, decreased US dollars were likely to support crude oil prices to be in uptrend, but trade protectionist policies pursued by the US would drag the growth of global economy and cut energy demand. Impacted by uncertainty of trade war, growth of global crude oil demand might below the expectation, so it might put pressure on later crude oil prices tendency. Overall, bullish and bearish factors forces were interwoven in the international oil market. Crude oil prices are predicted to remain upward adjustment, but if there is great bad news, the risk for dropped prices is still existed. It can be expected that average prices for WTI and Brent are anticipated to be at USD 68-72/barrel and USD 75-77/barrel respectively shortly.

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**Base Oil**

➤ **International Base Oil**

**Asia Base Oil 150SN Monthly Average Price Trend**



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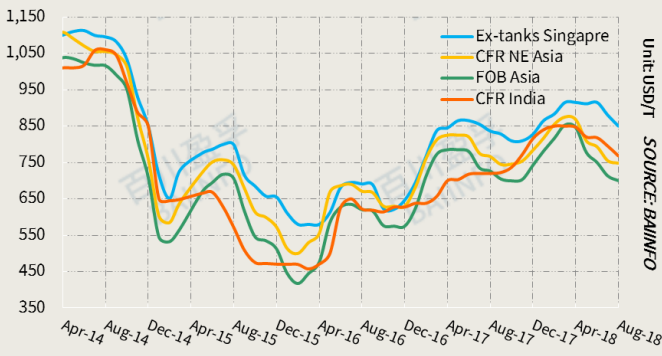
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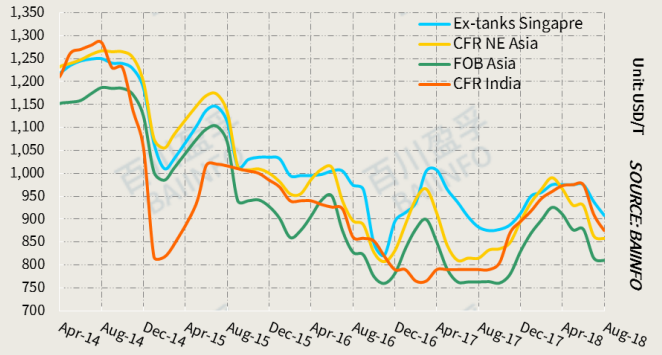
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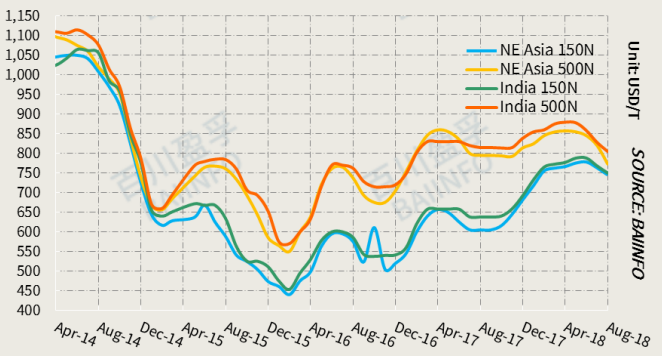
Asia Base Oil 500SN Monthly Average Price Trend



Asia Brightstocks Monthly Average Price Trend



Group II Base Oil CFR Asia Price Trend



➤ Domestic Base Oil

● Market Analysis

This week, base oil prices continued to keep stable. Downstream enterprises started to inquiry, but they did not hurry to buy goods. Domestic mainstream offers were unchangeable. Shipment of some refineries was good, and prices edged up, with the increase range of RMB 50-100/T. Trading market showed ups and downs, mainly depending on downstream demand and supply of the market. Overall, with strict environmental inspections, operation rate at downstream enterprises was insufficient, so demand to base oil recovered slowly. Although inquiries became more, actual orders were fewer, so prices were difficult to be pushed up.

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Downstream demand recovered slowly. The purchase strength in blending plants was weak, but there were some cost supports from crude oil prices. In addition, gasoline and diesel prices boosted shipment of some LV resources. Shortly, base oil market will sustain steady and LV resources prices are predicted to rise by RMB 100/T.

● **Local Market**

<p>Northeast China</p>	<p>Base oil market ran stable. Supply of base oil in refineries was mainly used by inside, and a few resources sold to outside. Listing prices and traders' offers were unchangeable. LV 60N base oil prices moved up to RMB 7,206/T.</p>
<p>South China</p>	<p>Affected by relevant policies, operation rate in downstream enterprises reduced, with flat transactions. Supply of 60N base oil was tight, so some traders went prices up, with the increase range of RMB 100/T.</p>
<p>East China</p>	<p>Base oil offers remained stable and some refineries' prices were adjusted slightly. Prices edged up by RMB 50-100/T.</p>
<p>North China</p>	<p>In one enterprise, prices edged up by RMB 100/T, but actual deals were based on the volume of taking cargoes, with some discounts.</p>
<p>Middle China</p>	<p>Inventory at plants was low, with firm prices.</p>
<p>Northwest China</p>	<p>One enterprise started to be overhauled and planned to finish in middle Sep. There was no inventory.</p>

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## Non-standard Base Oil

➤ **Market Analysis**

Crude oil prices had a great impact on vacuum column oil market. This week, vacuum column oil market kept stable.

Overall, bad and good news were interwoven in crude oil market, players held watching mood, but gasoline and diesel prices were firm. Vacuum column oil prices continued to be stable. Market prices were adjusted on downstream shipment and crude oil prices. There is upward space to vacuum column oil prices and the increase range is predicted to be RMB 100/T.

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## White Oil/Deodorizing Kerosene

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## ➤ *Market Analysis*

This week, white oil trading market performed flat, with unchangeable prices. Downstream demand rose over last week, but improvement was poor. Shipment of refineries was different. Boosted by gasoline and diesel prices, the price gap of light grade white oil was large. Shipment of light grade white oil, especially D40, was good and refineries had no inventory.

Recently, advantage and disadvantage factors were interwoven in the international oil market. Downstream demands recover slowly, so in a short term, supply and demand of white oil market will not fluctuate largely. Without obvious good news, white oil prices are likely to be stable. It is predicted to edge up by RMB 50/T.

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## *Newsflash*

### ➤ *Crude Oil Advances amid Signs of A Tighter U.S. Oil Picture*

Crude broke through \$70/bbl for the first time in a month as shrinking stockpile levels in the U.S. combined with expectations of lower Iran exports point to tighter markets.

Futures in New York advanced as much as 0.8% on Thursday. Two straight weeks of declines in U.S. crude inventories combined with lower fuel supplies and flat production helped push crude through the key psychological level.

“At the end of the day, what we are seeing is a tighter U.S. market. We are seeing stagnation on the oil production side,” said Bart Melek, head of global commodity strategy at TD Securities in Toronto. “This along with an economy that’s still running pretty firm in the United States,” as well as sanctions on Iran has kept prices higher, he said.

Some of Iran’s customers are already facing difficulties buying the country’s crude even before sanctions are enforced on Nov. 4. Meanwhile, Energy Information Administration data released Wednesday showed crude production at a standstill, while oil stockpiles fell 2.57 MMbbl last week.

West Texas Intermediate crude for October delivery climbed 35 cents to \$69.86/bbl at 9:31 a.m. on the New York Mercantile Exchange, after earlier rising as high as \$70.08. Total volume traded was about 40% below the 100-day average. Brent for October settlement added 31 cents to \$77.45/bbl on the London-based ICE Futures Europe exchange. The global benchmark crude traded at a \$7.79 premium to WTI, the widest since mid-June. JBC Energy said it wouldn’t be surprised to see a double-digit spread amid bottlenecks in the U.S. and a tightening Brent market.

“The oil market is once again tightening after a short period in late June and early July when it was likely oversupplied,” said Giovanni Staunovo, an analyst at UBS Group AG in Zurich. “Iran-

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nian oil-export declines are already visible well in advance of U.S. oil-related sanctions.” (USD 1=RMB 6.8522; Source: Worldoil; Compiling by Shinning Shen)

### ➤ *Iran's Oil Exports Slump to 2 1/2-year Low before U.S. Sanctions*

Iran's oil exports are tumbling again as the country's key buyers in Asia take fewer cargoes in the weeks before U.S. sanctions take full effect.

The Persian Gulf nation shipped just under 2.1 MMbpd of crude and condensates in August, ship-tracking data compiled by Bloomberg show. That's the lowest since March 2016. Observed crude flows were the weakest since January. Pressure is growing on buyers of the country's crude after U.S. President Donald Trump announced in May that sanctions would be fully reimposed from Nov. 4. Iran, facing the risk of declining sales of its biggest export, will try to close the Strait of Hormuz, a vital conduit for Middle East shipments, if its own flows are blockaded, a top military official said this week.

"We still have two months to go before November 4 and we expect to see further decreases in shipments to OECD Asia, Europe and India," said Michael Tran, analyst at RBC Capital Markets, adding he anticipates Iran deepening discounts for its crude to find buyers.

Total flows of crude and condensate, a super-light refinery feedstock that's rich in fuels like gasoline, slumped to the three main Asian destinations: China, India and Japan. In total, there are 1.1 MMbbl headed to the those nations, down from 1.8 million in July. Flows to Europe increased slightly, reaching 355,000 bpd in August compared with 323,000 in July. Observed deliveries to Turkey dipped slightly. In total, crude and condensate shipments slumped by 755,000 bpd since April, the month before Trump announced the re-imposition of sanctions. Final observed flows will be subject to some revision because not all the destinations are known yet for every vessel that was observed leaving Iran in August.

Iran's exports and oil production collapsed in 2012 after Barack Obama, then U.S. President, led a global coalition to curb purchases to try and force the Persian country into restricting its nuclear program. While more buyer countries have been less publicly supportive of Trump this time around, it appears many are still cutting back anyway. Countries that flout the U.S. measures risk having their banks excluded from the American financial system. Global ship insurers have also said it's becoming more difficult to cover vessels involved in the Iranian oil trade. While Iran's sales are dropping, those from Saudi Arabia and Russia are compensating, said Olivier Jakob, an analyst at Petromatrix GmbH.

"There is some potential for further replacement if the exports from Iran continue to decline, and they should move lower," he said. (USD 1=RMB 6.8522; Source: Worldoil; Compiling by Shinning Shen)

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## Price Data

### ➤ Crude Oil

Date	WTI	Brent	Douri	150SN	500SN
29-Aug-2018	69.51	77.14	67.56	788	880
28-Aug-2018	68.53	75.95	68.26	788	880
27-Aug-2018	68.87	76.21	68.43	788	880
24-Aug-2018	68.72	75.82	67.24	788	880
23-Aug-2018	67.83	74.73	66.43	788	880
Jul-2018	70.22	74.51	66.77	788	894
Jun-2018	67.05	75.49	67.90	788	906
May-2018	69.88	77.10	69.13	774	911
Apr-2018	66.33	71.76	64.02	773	915
Mar-2018	62.77	66.72	62.73	761	870
Feb-2018	62.18	65.73	59.19	761	870

Notes: WTI- NYMEX first-month settlement price (USD/barrel), Brent-IPE first-month settlement price (USD/barrel), Douri-Singapore spot price (USD/barrel), 150SN/500SN-Singapore ex-tanks price (USD/barrel), "/" means no price.

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### ➤ Base Oil

#### ● International Base Oil

Grade	Low-end Change	Current Price	High-end Change	Price before 4 Weeks
<b>Base Oil Price Ex-tanks Singapore (USD/T)</b>				
150SN	n/c	780-795	n/c	780-795
500SN	n/c	870-890	n/c	880-910
150BS	n/c	915-960	n/c	915-960
<b>Base Oil Price FOB Asia (USD/T)</b>				
150SN	n/c	690-710	n/c	675-695
500SN	↓ 5	690-710	↓ 5	705-720
150BS	n/c	800-820	↓ 5	800-830
<b>Base Oil Price CFR NE Asia (USD/T)</b>				
150SN	n/c	630-670	n/c	630-670
500SN	↓ 5	740-755	↓ 5	750-760
150BS	n/c	850-865	↓ 5	850-875
<b>Base Oil Price CFR India (USD/T)</b>				
150SN	n/c	740-760	n/c	730-760
500SN	n/c	760-775	↓ 5	785-805
150BS	n/c	870-880	↓ 5	890-930



## Group II Base Oil Price FOB NE Asia (USD/T)

150N	n/c	710-725	n/c	730-745
500N	↓ 5	745-760	↓ 5	780-810

## Group II Base Oil Price CFR Asia (USD/T)

NE Asia 150N	n/c	740-750	n/c	750-775
NE Asia 500N	n/c	770-785	↓ 10	810-830
India 150N	n/c	740-760	↓ 5	750-785
India 500N	↓ 15	790-820	↓ 5	820-835

● *Base Oil Wholesale Prices*

Base Oil	Grade	East China (RMB/T)			South China (RMB/T)			Northeast/North China (RMB/T)		
		Low-end Price	High-end Price	Change	Low-end Price	High-end Price	Change	Low-end Price	High-end Price	Change
SN150	I	7,100	7,200	0	7,200	7,300	0	6,700	6,900	0
SN400	I	8,100	8,200	0	8,200	8,300	0	7,650	7,800	0
60N	II	7,250	7,350	0	7,250	7,350	0	7,250	7,350	0
150N	II	7,500	8,450	↓ 100	7,750	8,600	0	7,500	8,450	↓ 100
500N	II	8,650	8,800	↓ 100	8,850	9,000	↓ 100	8,650	8,800	↓ 100
100N	III	9,600	9,800	0	9,600	9,800	0	9,600	9,800	0
250N	III	8,600	8,700	0	8,700	8,850	0	8,600	8,700	0
BS150	/	9,000	9,150	0	9,000	9,150	0	9,000	9,150	0

*Imported Base Oil Arrivals*

Arrival Date	Departure Port/Country	Tonnes	Model	Destination Port
in the middle ten-day of Sep., 2018	Thailand	2,000	150BS	Nantong
in the middle ten-day of Sep., 2018	Thailand	3,000	150BS	Nantong
in the early ten-day of Sep., 2018	South Korea	1,000	GS600	Nantong
in the early ten-day of Sep., 2018	Thailand	1,000	150BS	Nantong
in the early ten-day of Sep., 2018	South Korea	1,000	GS600	Nantong
in the early ten-day of Sep., 2018	South Korea	1,000	GS600	Nantong
in the early ten-day of Sep., 2018	Thailand	1,000	150BS	Nantong
in the early ten-day of Sep., 2018	Thailand	1,000	150BS	Nantong
in the late ten-day of Aug., 2018	Qatar	1,000	GTL100N	Guangzhou
in the late ten-day of Aug., 2018	Thailand	1,000	150BS	Nantong
in the middle ten-day of Aug., 2018	Japan	2,000	150BS	Nantong
in the early ten-day of Aug., 2018	Abu Dhabi	6,000	2CST/4CST/6CST/8CST	Nantong
in the middle ten-day of Jul., 2018	Thailand	2,000	150BS	Nantong
in the middle ten-day of Jul., 2018	Abu Dhabi	6,000	4CST/6CST/8CST	Nantong

in the early ten-day of Jul., 2018	Abu Dhabi	2,500	4CST/6CST/8CST	Guangzhou
in the early ten-day of Jul., 2018	Abu Dhabi	3,500	4CST/6CST/8CST	Nantong
in the early ten-day of Jul., 2018	Formosa	2,000	150N/500N	Nantong
in the last ten-day of Jun., 2018	Formosa	3,000	150N/500N	Nantong
in the middle ten-day of Jun., 2018	Abu Dhabi	6,000	4CST/6CST/8CST	Nantong
in the middle ten-day of Jun., 2018	South Korea	2,000	150N/600N	Nantong
in the middle ten-day of Jun., 2018	South Korea	5,000	150N/8CST	Taicang
in the early ten-day of Jun., 2018	Indonesia	6,000	150BS	Taicang

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## Import & Export

### ➤ China's Base Oil Imp. & Exp. by Countries in Mar., 2018

Countries/Regions	18/Mar/18		18/Mar/18	
	Imp. Qty (Tonne)	Imp. Val (US\$)	Exp. Qty (Tonne)	Exp. Val (US\$)
South Korea	115,646	93,568,658	394	275,985
Singapore	54,761	45,742,382	0	0
Taiwan of China	42,560	34,589,457	0	0
the United Arab Emirates	20,991	16,848,694	0	0
Qatar	16,985	14,100,618	0	0
Thailand	9,435	8,862,296	0	0
Japan	8,798	7,780,834	0	0
Indonesia	7,794	7,344,203	0	0
Russia	6,992	4,738,510	0	0
Bahrain	2,920	2,342,476	0	0
Malaysia	2,889	2,189,632	0	0
Italy	2,425	2,410,106	0	0
the United States	574	1,084,100	0	0
the United Kingdom	401	362,626	0	0
Sweden	239	202,158	0	0
Germany	217	186,449	0	0
Finland	217	200,403	0	0
Belgium	114	121,050	0	0
France	38	112,757	0	0
Holland	5	6,028	0	0
Canada	1	2,360	0	0
India	1	2,159	0	0
North Korea	0	0	222	252,268
Iran	0	0	82	61,448
Israel	0	526	0	0

Total	294,004	242,798,482	698	589,701
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➤ *China's Base Oil Imp. & Exp. in Mar., 2018*

Items	Imp. in Mar.			Exp. in Mar.		
	10/Jul/05	9/Jul/05	YoY%	10/Jul/05	9/Jul/05	YoY%
Volume (Tonne)	294,004	308,564	-5	698	2,614	-73
Value (US\$)	242,798,482	226,759,956	7	589,701	1,575,033	-63
Unit Price (US\$/T)	826	735	12	845	603	40

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