Wednesday, May 23, 2018

MARKET NEWS

Coal News

The API2 Cal19 contract opened 50cents lower from Tuesday's close at $88.50/t in line with the initial weakness shown in the German Power Cal19 market which also opened 35cents lower at €42.45/MWh. The two markets moved in mild correlation through the rest of the session with the German Power Baseload Cal19 market closing 20cents lower on the day at €42.60/MWh. The API2 Cal19 market fluctuated in a $1.50 range as the contract bounced from an aggressive downward spike to $87.00 first thing to close $1.10 lower on the day at $87.90/t. The initial move downwards came in line with reports from China which clarified further regulations implemented by the NDRC in order to stabilize domestic ZCE prices within the “Green Zone” Yn500-570.0/t benchmark. The ZCE touched Yn586.00 during the Asian session and failed to recover in the afternoon closing Yn15.00 lower at Yn587.00/t. After an initial spike lower across the Q318 NEWC touching $100.00 the front end of the NEWC curve found some support with the Q318 API2 v NEWC spread closing 45cents lower at -$8.90 with the Cal19 API2 v NEWC spread closing flat at -$6.05. Backwardation across the API2 curve came under pressure with the Q318 v Cal19 spread closing 20cents lower at $4.25 with the Q318 v Cal19 NEWC spread finding some support for the first time this week closing 15cent higher at $7.10.

API 2/API 4				API 4			
Bid $	Offer $	Mid $	Chg	Bid $	Offer $	Mid $	Chg
-13.40	-12.90	-13.15	-0.30	102.10	102.60	102.35	-0.10
-10.45	-9.95	-10.20	-0.50	101.85	102.35	102.10	-0.50
-9.75	-9.25	-9.50	-0.40	101.60	102.10	101.85	-0.45
-8.90	-8.40	-8.65	-0.85	100.55	101.05	100.80	-0.45
-8.90	-8.40	-8.65	-0.85	100.55	101.05	100.80	-0.45
-7.35	-6.85	-7.10	0.00	98.55	99.05	98.80	-1.20
-7.25	-6.75	-7.00	0.00	96.45	96.95	96.70	-1.20
-6.85	-6.35	-6.60	0.15	94.30	94.80	94.55	-1.20
-6.25	-5.75	-6.00	0.10	93.00	93.50	93.25	-1.20
-6.65	-6.15	-6.40	0.10	94.05	94.55	94.30	-1.20
-6.65	-6.15	-6.40	0.10	91.35	91.85	91.60	-1.20
-6.45	-6.45	-6.45		89.35	89.35	89.35	

TB Investment Holding Limited
Global Market
P.O. Box 1405, Majuro, Marshall Islands
admin@tbiholding.com

Iron Ore News

Market Comment

DCE closed at 457, down 0.54%, while SHFE rebar dropped by 0.45% to 3,566. The iron ore market has ended its rally under the selling pressure. The lower steel prices were blamed for the weak iron ore demand as Tangshan billet prices scaled down by 20 to 3,620. However, there was one bright spot in the market as steel inventory has scaled down since the peak volume in mid-March 2018.

Paper & Physical trades (previous trading day)

Miner

Rio traded 170kt Fe 61% PBF at 62.99/mt for June 5-14 laycan.

Port Inventory

According to Custeel's survey of 42 ports in China, the total port inventory stood at 157.17 million tonnes on Friday, 18 May 2018, down 847,000 tonnes as compared to last Friday, while daily cargoes evacuation increased by 107,000 tonnes week-on-week to 2.76 million tonnes.

Technical Reports

Oil Intraday Support and Resistance – Brent futures remain technically bullish and continue to hold above key moving averages. Technical support is USD 78.10, downside moves below this level would suggest the technical picture is weakening. Upside moves above USD 80.50 would be regarded as technically bullish die to the new high with upper trend resistance at USD 81.47.

TB Investment Holding Limited
Global Market
P.O. Box 1405, Majuro, Marshall Islands
admin@tbiholding.com

Oil Market News

Equities: Wall street closed lower on Tuesday, with the Dow Jones finishing down 0.72% and the S&P 500 0.31% in the red. China's Finance Ministry stated on Tuesday that it will cut import tariffs on some vehicles to 15% from 25%, as well as cut tariffs on automotive products to 6%. These cuts will come into effect on 1 July. However, uncertainty over trade policy and other geopolitical issues resurfaced in The US session on Tuesday, as President Donald Trump told reporters that he is not particularly happy with how US-China Trade talks are going, adding that trade negotiations "have a long way to go". On the geopolitical front, Trump made comments that there is a good chance that a summit with North Korean leader Kim Jong Un "may not work out." These comments came as Pres. Trump met with South Korean President Moon Jae-in ahead of a meeting with Kim Jong Un scheduled for June 12. Stocks in Europe meanwhile finished Tuesday's session in the green. The FTSE 100 gained 0.23%, securing another record closing high of 7877.45. Italy remained in focus as the anti-establishment coalition's government formation process stalled. The FTSE MIB index closed up 0.54% after falling 1.5% over the previous 2 trading sessions. Asian equities are trading firmly in the red on Wednesday, following Wall Street lower after Trump's comments. The Nikkei is down 1.12% and the Hang Seng index is showing a loss of 1.04% at the time of writing.

Bonds: It was a mixed and muted affair for Treasuries yesterday with the 10yr yield again trading in a sub-3bpt range and most yields finishing up by a matter of ticks. Overnight they are leaking lower with the 10yr back under 3.05%. Curve bias has turned flatter in anticipation of more supply in the belly today. The Italian bond curve bounced quite nicely with the higher yields that Italy is experiencing increasingly attractive from a carry perspective. The market will be considering the potential for a more significant deterioration in Euro sentiment, but with Italy far from sitting with the finances of Greece, yields are likely to find some buyers on the way up. There are still a lot of moving parts, however, and one thing that is likely with respect to the bond market there is that volatility could well be expected. Quite interesting to consider the relatively close correlation between Italy and Spain through this period, with rising anti-EU sentiment in Spain also a theme of the past few years. Germany comes to market with EUR 5bn in 2y bonds. At the last auction of 24 April the market was a little more hungry for the short term debt than usual, generating the highest bid/cover on record at 2.6x. Treasury comes to market today with $36bn in 5yr notes and $16bn in 2yr floaters.

Currencies: Very mixed session for the majors with high beta of the high betas ZAR and BRL sharing the top of the table with the CHF, while the bottom rungs counterintuitively featured the NZD and the CAD. DXY for its part recovered from fresh declines, bounced firm back to around 93.60 overnight with the pain trade very much still higher in terms of positioning. Clearly then the latest risk rebound in FX is not planted on a firm foundation as yet. As we have noted, we may need to see a secular USD pullback deepen to get a greenlight for a more broad-based EM rebound but the EUR still trades very defensively and UST yields are steadying off their latest pullbacks. Report that OPEC is mulling production increases to offset impact of supply cuts from Venezuela and Iran sanctions was prominent. Oil has been impressively resilient into the teeth of the USD's rally in recent weeks, but its momentum of late has slowed and it may be the last shoe to drop for broader commodities that otherwise have been treading water.

Credit markets: New deals continued trickling in the IG primary with 2 issuers pricing just $2.3bn yesterday. Demand metrics were good though with book coverage just under 3.0x and concession of just over 2bpts. Deal flow is expected to pick up in coming sessions with the US facing a long holiday weekend, but pace so far is still well adrift of this week's supply expectation have of $30bn, competing with $99bn in UST auctions. IG USD pipeline: L-Bank (0.3bn; 2,4,5yr), Hyundai Capital America, Petrofac (0.3bn; 5yr), Israel Chemicals, Vodafone, Empresas CMPC, ASB Bank

TB Investment Holding Limited
Global Market
P.O. Box 1405, Majuro, Marshall Islands
admin@tbiholding.com

(5yr), Avista Corp, Sweden (3yr), South Jersey Industries (250mn), Export-Import Bank of Korea, Flora (0.5bn; 8yr), Rio Oil (0.6bn; 10yr), Mongolian Mortgage, Met Tokyo, Poland, Welltower, Sprint (3.9bn), JSW Steel, Russia (4.0bn), GTT Communications, Thomson Reuters (5.5bn), Oman.

Energy: The front month Brent contract spiked higher yesterday stalling at $80.49/bbl which was one cent off the previous high at $80.50/bbl, this has effectively created a technical double top which when one takes tradition technical analysis thought into account is a frequent price formation at the end of a bull market. Many analysts and market commentators have been pointing to a stretched market that may well be running out of steam, as it stands we are around 0.5% off this morning in Asia with the front month benchmark marking time just north of the $79.00/bbl mark. One point to note is that oil has been remarkably resilient in the face of a strong USD of late choosing to focus almost squarely on the geopolitical backdrop that currently envelopes Venezuela and Iran, granted the production losses here will be significant, however OPEC has agreed to step in and take the slack should sanctions in Iran take out around 200 000 bpd, and Venezuela's oil production has been dropping for years, so this is not an unknown. The fact of the matter is that the US production juggernaut has no signs of slowing and many of the OPEC members would welcome the lifting of the current deal – only a couple of weeks back we had news flow from OPEC officials that the deal would remain in place until at least the end of 2018. The next OPEC meeting in Vienna is only weeks away, the Russian's for one wanted this deal assessed in June and we could well see a different tone emerge post the next meeting.

Oil prices ended higher at close of Asian trading Tuesday, with upward pressure caused by forseen supply reduction from OPEC members Venezuela and Iran; The U.S. imposed new sanctions on Venezuela following Sunday's re-election of President Nicolas Maduro, a move that analysts say could further curb the country's oil output already at its lowest in decades. Meanwhile, after Washington's exit from a nuclear deal with Tehran, the U.S. this week demanded that Iran make sweeping changes -- from dropping its nuclear program to pulling out of the Syrian civil war -- or face severe economic sanctions as the Trump administration hardened its approach towards Iran. Stockpiles in the U.S. are also seen to be lower, with analysts polled by Reuters predicting domestic crude inventory reductions for the third straight week by 2.8 million barrels in the week ended May 18. Refined product levels are also seen to be down the same period, with gasoline and distillate inventories dipping by 1.5 million barrels and 1 million barrels respectively.

July ICE Brent futures was $0.87 higher at $79.82/bbl, while the rest of the 47-month forward contracts traded between $0.20 and $0.89. Front month July WTI futures was up $1.03 at $72.74/bbl, with the other 48-month forward contracts trading between $0.43 and $1.02. The July Dubai EFS gained $0.02 at $3.75/bbl, while the July Dubai EFS increased $0.02 at $3.75/bbl. The Cal '18 Brent/Dubai lost $0.1 at $3.08/bbl as the Cal '19 contract posted gains of $0.05 at $3.90/bbl.INE Crude September futures contract dipped $0.80 to $76.16/bbl (Yuan 485.1/bbl) at 1630 Singapore time.

Benchmark 180-cst FO was $4.25 higher for May contracts at $463.75/mt; Cal '18 gained $3.94 to $453.78/mt while the Cal '19 traded $6 higher at $401.83/mt. May 180-Dubai cracks were down $0.26 at -$4.30/bbl, the Cal '18 contract dipped $0.2 at -$4.08/bbl while the Cal '19 strengthened $0.48 at -$7.19/bbl. The 3.5% Rotterdam Barges May crack weakened $0.23 at -$10.70/bbl; the Cal '18 contract lost $0.05 at -$11.23/bbl and the Cal '19 was up $0.43 at -$16.57/bbl.

TB Investment Holding Limited
Global Market
P.O. Box 1405, Majuro, Marshall Islands
admin@tbiholding.com

The front month June ICE LGO futures contract posted gains of $4.75 at $698.25/mt, while the Cal '18 traded $4.81 higher at $693.32/mt and the Cal '19 contract increased $3.13 at $680.63/mt. The June GO EFS differential (10ppm) widened $1.17 at -$7.41/mt while the July contract was down $1.28 at -$8.09/mt. The May Singapore GO 10ppm contract increased $0.47 at $93.34/bbl and the Cal '18 contract increased $0.55 at $91.90/bbl; Cal '19 advanced $0.67 at $90.24/bbl.

The May CFR-naphtha contracts rose $10.50 at $699.75/mt; Cal '18 was up $10.34 at $677.09/mt and the Cal '19 contract increased $11.65 at $631.31/mt. May CFR naphtha-Brent cracks were $0.37 higher at -$1.21/bbl; Cal '18 traded $0.54 higher at -$2.60/bbl while the Cal '19 advanced $0.80 at -$3.43/bbl.

TB Investment Holding Limited
Global Market
P.O. Box 1405, Majuro, Marshall Islands
admin@tbiholding.com