TBI Holding

Friday, May 25, 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
-13.75	-13.25	-13.50	-0.25	102.85	103.35	103.10	0.05
-11.65	-11.15	-11.40	-0.95	102.55	103.05	102.80	0.20
-10.55	-10.05	-10.30	-0.55	101.85	102.35	102.10	-0.20
-10.25	-9.75	-10.00	-0.55	101.25	101.75	101.50	-0.20
-10.25	-9.75	-10.00	-0.55	101.25	101.75	101.50	-0.20
-7.65	-7.15	-7.40	-0.25	97.90	98.40	98.15	-0.80
-7.50	-7.00	-7.25	-0.55	95.10	95.60	95.35	-1.30
-7.35	-6.85	-7.10	-0.60	92.85	93.35	93.10	-1.60
-6.85	-6.35	-6.60	-0.55	91.30	91.80	91.55	-2.10
-7.10	-6.60	-6.85	-0.55	92.45	92.95	92.70	-1.80
-7.40	-6.90	-7.15	-0.55	89.75	90.25	90.00	-1.80
-7.20	-7.20	-7.20		87.75	87.75	87.75	

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Oil Market News

Equities: US equities finished Thursday's session lower as Trump cancelled talks with North Korea that was meant to take place on 12 June in Singapore. The sudden decision killed hope among investors for the end of a nuclear warfare between the US and North Korea. Data released in the US yesterday showed initial jobless claims rose by 11k to 234k in the week ended 19 May, which was above expectations and the highest level in 7 weeks. European stocks also finished Thursday's session lower as carmaker shares come under pressure after the US's decision to consider imports on automakers late Wednesday and continued uncertainty over the make-up of the Italian government also weighed on stocks. After initially trading firmer, Italy's FTSE MIB index ended 0.7% lower and the UK's FTSE 100 was down 0.92%. Market sentiment is shaky in Asia on Friday with Asian shares on the defensive due to the latest geopolitical developments. Nevertheless, the VIX is trading lower into the session, currently at 12.53%. Note that with US and UK markets shuttered on Monday for Memorial Day and Spring Day respectively, liquidity could thin out ahead of the weekend.

Bonds: Treasuries extended their latest run of gains with some risk-off tailwinds and lower EGB yields first thing, culminating in a decent 7yr auction and little else thereafter. Shorts have felt the squeeze, but CFTC data of late affirmed huge positioning, especially at the longer-end. The market will be in digestion mode now with the $99bn in coupons sold this week ahead of the long weekend, likely to ensure a light and abbreviated session today. Yields finished off their lows, the 10yr notably holding just over the 2.95% range support going back to late Apr. The $30bn 7yr auction was aided by some mini concession, helping it stop through by 0.5bpts and this time direct and indirect bidders took a chunky 78.4% award amid the 2.62 cover ratio. Here as well, demand for short-covering is expected to have played a part and post-auction price action bore this out. Gilts remained supported though the UK session too, ending back down at 1.401% which now marks a 16bp fall from May's peaks. The BoE has been stressing the data-dependency of its policymaking, which in context of the softening CPI data and still poor growth data suggests that rate hike risk is moderating. Still quite difficult to pick a direction on the Italian sovereign curve, with bear flattening seeming like the most likely bias until the government irons out its mantra. Keep an eye on the Italy-Germany 10y yield spread, which is around 20bp off of 2017's peak levels generated when the market started getting concerned about a populist twist

Currencies: Broad but mild rebound set in among the majors as markets turned into risk-off mode to bias JPY and CHF out-performance. Theme is consolidation though ahead of long weekend for US and UK as well with dearth of drivers on the cards today leaving DXY treading water just under 94.0 handle. USTs also approach month-end now with the auctions out the way, squeeze pressure and short covering coming through to push down yields. JPY still proves particularly sensitive to these shifts. Key pair is still EUR-USD though and its latest bounce looks decidedly uninspiring with the fade coming in at 1.750 instantly. 1.17 handle interim support, but barriers further below still beckon with the market still very one-sided in terms of long EUR positioning and vulnerable to getting flushed lower.

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 (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.

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Energy: The big news on the geopolitical front was US President Trump unceremoniously cancelling the planned Jun summit with North Korea's leader. Although both sides sounded pretty conciliatory about it, markets digested the news as yet another risk headwind coming back on the table in addition to the latest US threat to impose import tariffs on autos. This has not had much impact on oil markets with investors choosing instead to focus on the fact that Russia has hinted that it may gradually increase output. Russian Energy Minister Alexander Novak stated yesterday that restrictions on oil production could be eased "softly" if OPEC and non-OPEC countries see the oil market balancing in June according to the Interfax news agency. Russia has always pencilled in June as the time for reassessment and the Iranian and Venezuelan issues may well be the catalyst to prompt a rethink at the 22 June Vienna meeting. The question of Russian commitment to the overall longevity of the deal was always present, and the expectation is that they are keen to get out of the deal given that prices have risen sharply and inventories area in a more balanced position. As with yesterday, we see the market as somewhat toppish with short term traders favouring a sell strategy on spikes above the $80.00/bbl in anticipation of a potential shift in the OPEC compliance dynamic post the meeting on the 22 June. Technically, yesterday's losses have generated a stochastic crossover sell signal and have continued in early trade today but so far those losses have been relatively modest. So expect more downside in due course but keep stops fairly tight for now.

Oil was mostly higher at close of Asian trading Thursday, amid Libya's National Oil Corporation cutting production by about 120,000 bpd on Wednesday, as its eastern subsidiary AGOCO faced power problems due to unusually hot weather. Production has halted at its Massala field and the Sarir field also has power problems, based on a Reuters source. However, by mid-afternoon sentiment quickly turned bearish, driven by the prospect of the first increase in OPEC output since 2016 in the face of concern over supply from both Venezuela and Iran. The cartel and some non-OPEC major oil producers are scheduled to meet in Vienna on June 22. The group previously agreed to curb their output by about 1.8 million bpd to boost oil prices and clear a supply glut. Meanwhile, EIA data this week posted an unexpected build in crude inventories by 5.8 million barrels the week to May 18; analysts were forecasting a 1.6 million barrel dip in a Reuters poll. Gasoline stocks also posted a surprise build at 1.9 million barrels, compared with analysts' expectations for a 1.4 million barrel decline.

July ICE Brent futures was $0.31 higher at $79.37/bbl, while the rest of the 47-month forward contracts traded between $0.03 and $0.40. Front month July WTI futures was down $0.36 at $71.51/bbl, with the other 48-month forward contracts trading between -$0.49 and -$0.14. The July Dubai EFS dipped $0.12 at $3.60/bbl, while the July Dubai EFS slid $0.12 at $3.6/bbl. The Cal '18 Brent/Dubai lost $0.03 at $3.17/bbl as the Cal '19 contract posted gains of $0.04 at $3.94/bbl. INE Crude September futures contract increased $0.06 to $75.97/bbl (Yuan 485/bbl) at 1630 Singapore time.

Benchmark 180-cst FO was $1.00 higher for May contracts at $460.25/mt; Cal '18 gained $1.13 to $450.31/mt while the Cal '19 traded $1.35 higher at $398.17/mt. May 180-Dubai cracks were down $0.27 at -$4.56/bbl, the Cal '18 contract dipped $0.24 at -$4.31/bbl while the Cal '19 declined $0.08 at -$7.69/bbl. The 3.5% Rotterdam Barges May crack weakened $0.35 at -$10.85/bbl; the Cal '18 contract lost $0.27 at -$11.56/bbl and the Cal '19 slumped $0.05 at -$16.99/bbl.

The front month June ICE LGO futures contract posted gains of $4.50 at $699.00/mt, while the Cal '18 traded $3.91 higher at $692.86/mt and the Cal '19 contract shaved off $0.19 at $681.27/mt. The June GO EFS (10ppm) differential narrowed $0.12 at -$9.20/mt while the July contract was up $0.79 at -$8.11/mt. The May Singapore GO 10ppm contract increased $0.63 at $93.08/bbl and the Cal '18 contract increased $0.59 at $91.84/bbl; Cal '19 advanced $0.50 at $90.14/bbl.

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The May CFR-naphtha contracts rose $7.00 at $700.25/mt; Cal '18 was up $8.06 at $679.09/mt and the Cal '19 contract increased $10.19 at $632.88/mt. May CFR naphtha-Brent cracks were $0.39 higher at -$0.71/bbl; Cal '18 traded $0.52 higher at -$2.16/bbl while the Cal '19 advanced $0.84 at -$3.22/bbl.

GASOIL

Asia Gasoil Weekly: May volumes at 5.2 mln mt to date

Asian gasoil exports for May are seen at 5.2 million metric tonnes (mt) to date, with full-month volumes projected around 8.0 million mt, based on assessments by Thomson Reuters Oil Research.

The Asian gasoil market is steady so far this month, supported by tighter supplies amid regional refinery turnarounds.

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