



REFINED PRODUCTS LEAD DME OMAN TO THREE-YEAR HIGH

- *Diesel demand leads the oil prices recovery as cracks soar
- *Jet/kero cracks follow diesel higher to post-pandemic highs
- *Gasoline demand sends 92 RON cracks to yearly peaks
- *HSFO eases off, Marine Fuel steady

Oman crude oil futures trading on the DME Monday October 18 reached a three-year high of \$83.95 per barrel, as the upwards momentum across the oil markets continued into the fourth quarter. Fears over an energy crunch in Asia ahead of winter have driven LNG (liquid natural gas) and coal to record highs, while refined products have broadly outperformed crude, particularly the distillates markets.

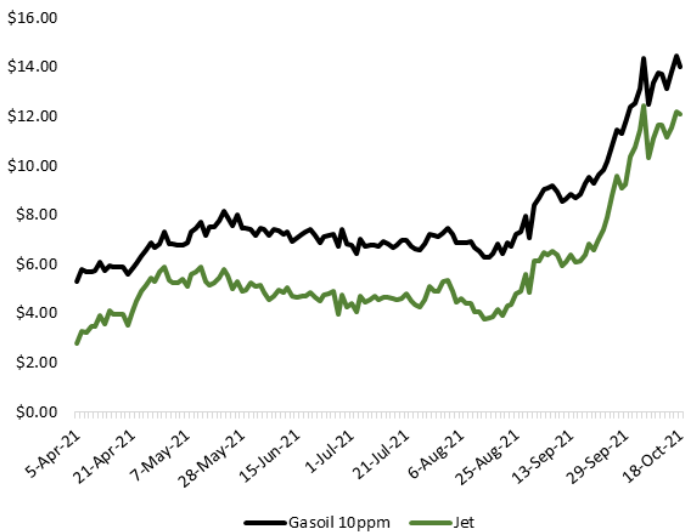
Distillates

Diesel prices have been the main beneficiary in terms of pricing over fears of energy shortages this winter, with benchmark 10ppm gasoil futures rallying to almost \$100/b on October 18 and comfortably outpacing DME Oman crude this month

In the event of power shortages from the main grid, diesel generators are used as a backup power source, including China where diesel generators are used on an industrial scale. This has sharply reduced diesel exports from China, sending 10ppm cracks versus DME to post-pandemic highs.

Gasoil 10ppm cracks futures vs DME Oman moved into double-digit premiums late September for the first time since the Covid-19 pandemic, but rallying to over +\$14/b by mid-October, which is line line with premiums prior to the pandemic.

Distillates vs DME Oman



Jet follows gasoil cracks higher in September and October

Jet/kerosene values also rallied strongly, as the distillate is used for winter home heating in Northeast Asia, although the aviation market generally remains sluggish, albeit recovering.

Jet/Kero futures for November rallied to \$96/b on October 18, also valuing the middle-distillate at a post-pandemic high of around DME Oman +\$12/b.

Europe is a major draw for Middle East and Asian distillates, also helping to lift outright and relative values to the recent highs.

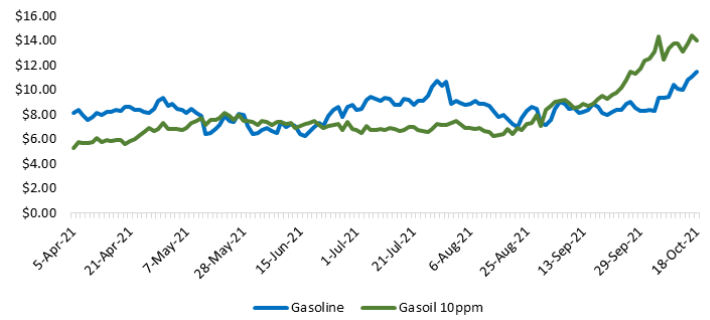
Light ends

Gasoline prices in Asia also pushed up to \$95/b for front-month November 92 RON futures, the highest of the year, while cracks versus DME Oman also surged to yearly highs.

With Covid mobility restrictions increasingly lifted, commuters are returning to private vehicles in preference to public transport, lifting gasoline demand.

92 RON cracks in Asia had topped +\$10/b in the summer on the back of soaring US gasoline demand, but the November gasoline futures crack reached DME +\$11/b by mid-October.

Road fuels vs DME Oman



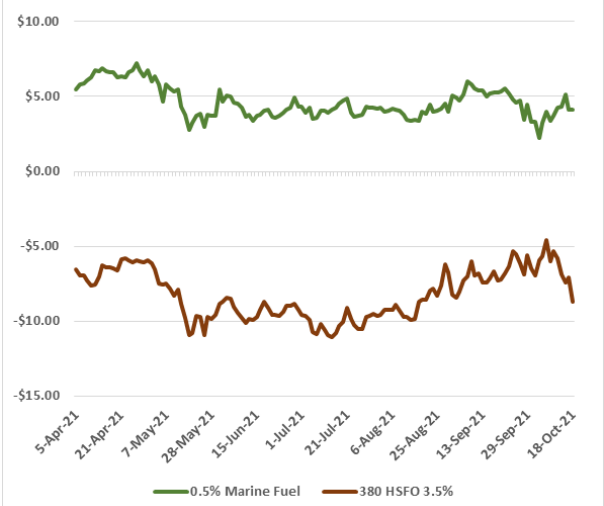
Gasoline and diesel cracks rally strongly

Asia Naphtha prices have also been trending higher with November swaps closing in on \$800 per metric ton by mid-October, but in terms of cracks versus Oman the petrochemical feedstock have also been trending higher. Naphtha futures have edged up to around \$140/mt over Oman, up around \$20/mt since the start of the month, or around \$2/b. Naphtha is also used as a blendstock for gasoline.

Residual

The HSFO market in Asia performed strongly in the third quarter, underpinned by power generation demand from the Middle East, in addition to its more common use as bunker fuel. Benchmark 380 CST bunker fuel versus DME Oman reached around -\$5.50/b in September, while the utility 180 CST grade traded up to around -\$2.50/b. However, cracks have retreated sharply in October as the OPEC+ producer group ramps up production of primarily heavy barrels, which produce more heavy fuel oil. The November 380 CST futures crack against Oman retreated to around -\$8.50 vs Oman by second-half October, while 180 CST was around -\$7.50/b. The low sulfur 0.5% Marine Fuel bunker grade has proved more resilient, with cracks against Oman recovering from lows of just above DME Oman +\$2.50/b earlier in the month to around +\$4/mt on October 18.

Fuel oil vs DME Oman



HSFO 380 CST cracks vs DME Oman retreat from highs

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