

## Asia Market Spotlight

**China's refinery runs slide; Hormuz tensions threaten Asia's supply**

# Key Takeaway

This week's report focuses on oil transit through the Strait of Hormuz and the potential impact on Asia if Israel-Iran tensions escalate

We also review China's refinery performance in September and provide an outlook for Q4

On the product side, China continues prioritising jet fuel exports, with Australia emerging as the second-largest market

Japan's refined product exports have rebounded as refineries ramp up operations, with the majority of supplies heading to storage hubs

→ In the Northeast Asia MR market, short-haul trade dominates, though pockets of strength are expected to be short-lived

We also see rising Middle East gasoline exports to Asia largely offsetting lower regional supplies, keeping a lid on regional cracks

In the tanker market, Northeast Asia's demand for Atlantic Basin crude remains weak, limiting global supertanker mileage

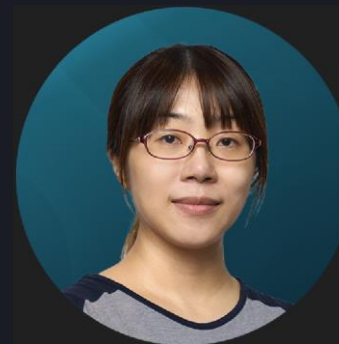
→ We also examine the age profile of VLCCs carrying CPP, noting more operators switching back to dirty after just one clean cargo

Lastly in the fuel oil market, Singapore's fuel oil supplies are tightening, with onshore inventories sinking to six-year lows in September

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where we present our key views in 15min  
(every Tuesday SGT 15:45 for EoS markets &  
ET 12:00 / GMT 17:00 for Atlantic Basin)

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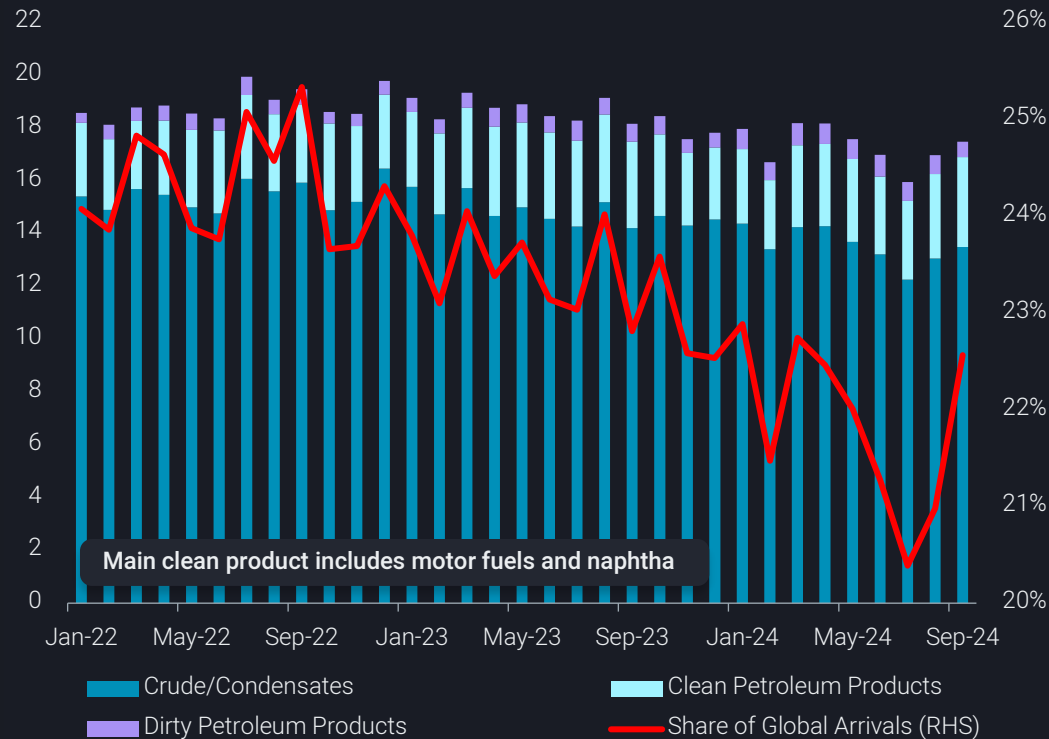


**Emma Li**

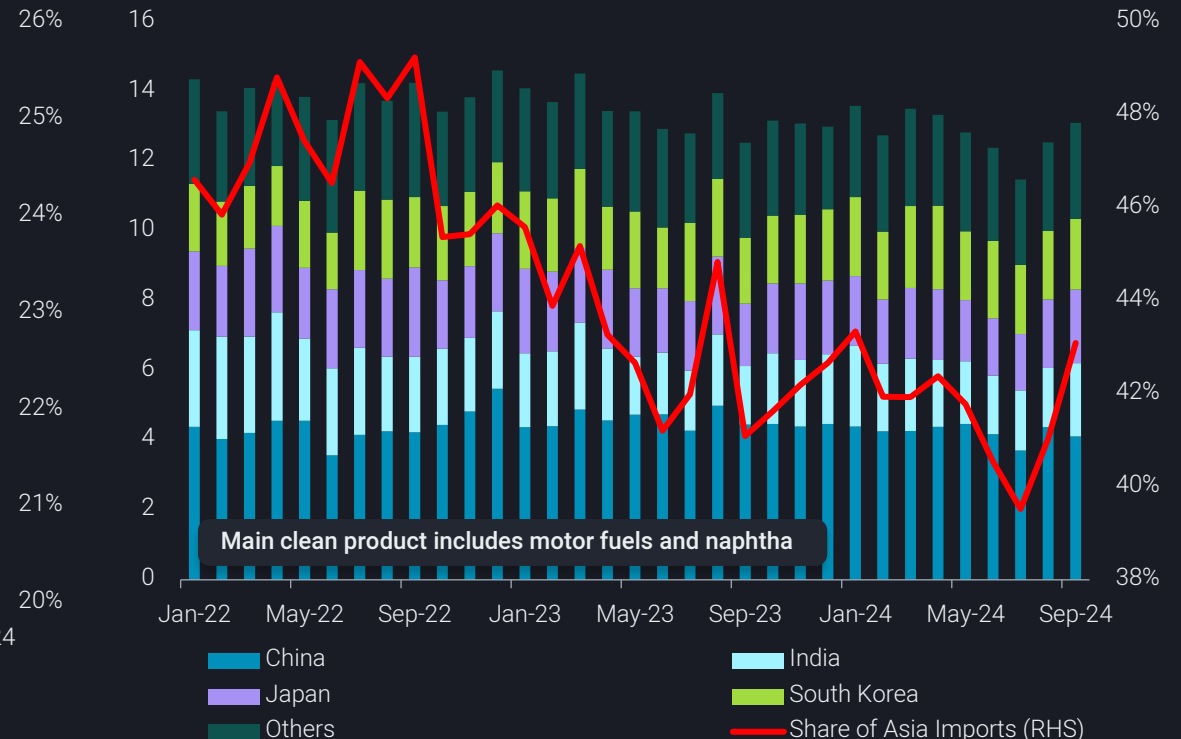
Senior China market analyst

# 17.5mbd of oil flows could be curtailed if Straits of Hormuz were to shut, with 74% of these flows destined for Asia

Crude, main CPP and DPP arrivals via Straits of Hormuz by product group (mbd, LHS) and share of global arrivals (% , RHS)



Asia crude, main CPP and DPP imports via Straits of Hormuz by destination country (mbd, LHS) and share of Asia imports (% , RHS)



# China's implied refinery runs continue to show a 5% YoY decline for September, even during the peak season

China's implied refinery runs remained above the 15mbd mark in September, reaching 15.3 mbd, just below August's YTD high, driven by stronger domestic fuel demand during the autumn season

→ This still represents an 800kbd or 5% y-o-y decline, at the lower end of the 1-5.5% range of y-o-y declines over Feb-Aug

[Seaborne crude imports](#) dropped to 9.7mbd in September, down from August's peak, as refiners scaled back purchases in July following a surge in oil prices above \$85/b

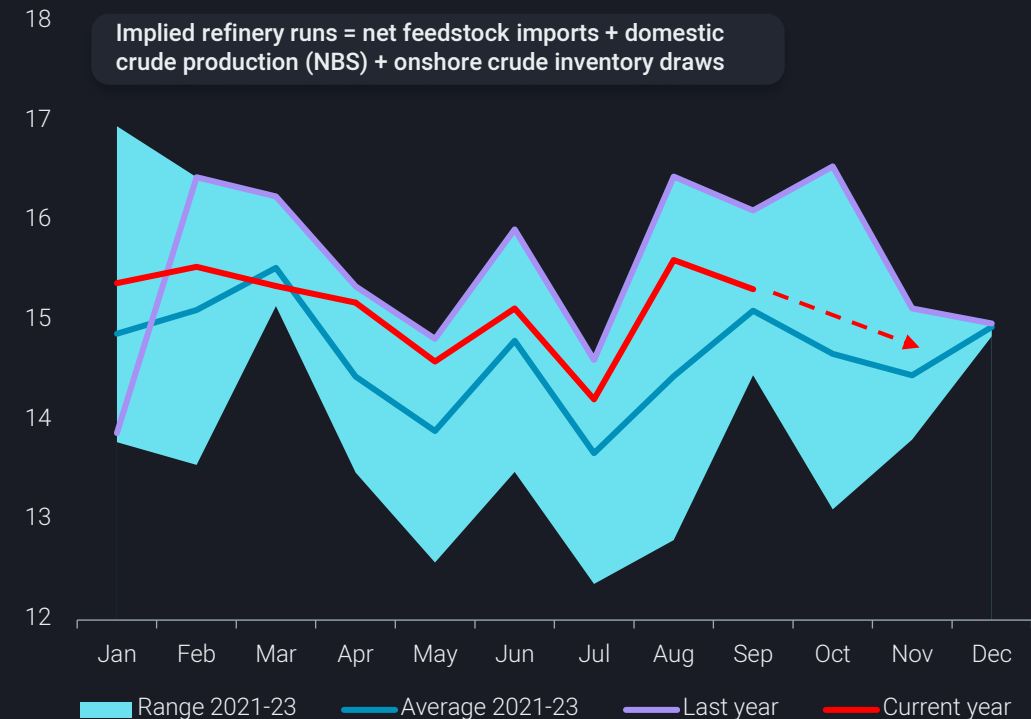
→ In addition, [RFO imports into East China](#) also slowed to 130kbd, as new tax enforcement effective from October 1 dampened the appetite of teapots for non-crude feedstocks

To sustain refining runs, more refiners tapped on crude stockpiles in the month, resulting in an average stock draw of 510kbd

→ [Crude stored in aboveground tanks](#) stood at 982mb as of Sep 30, with tank utilisation at 55%

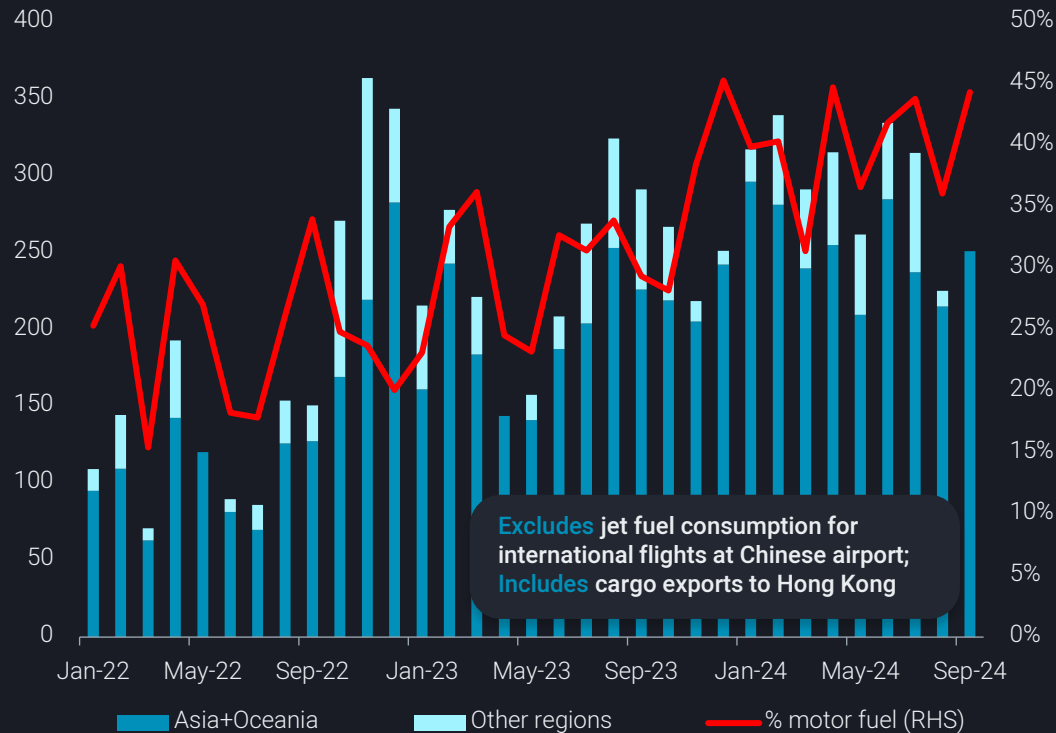
China's refinery runs are expected to decline to below 15mbd in Q4, due to cooling domestic demand and tight clean fuel export quotas

China's implied refinery runs (mbd)

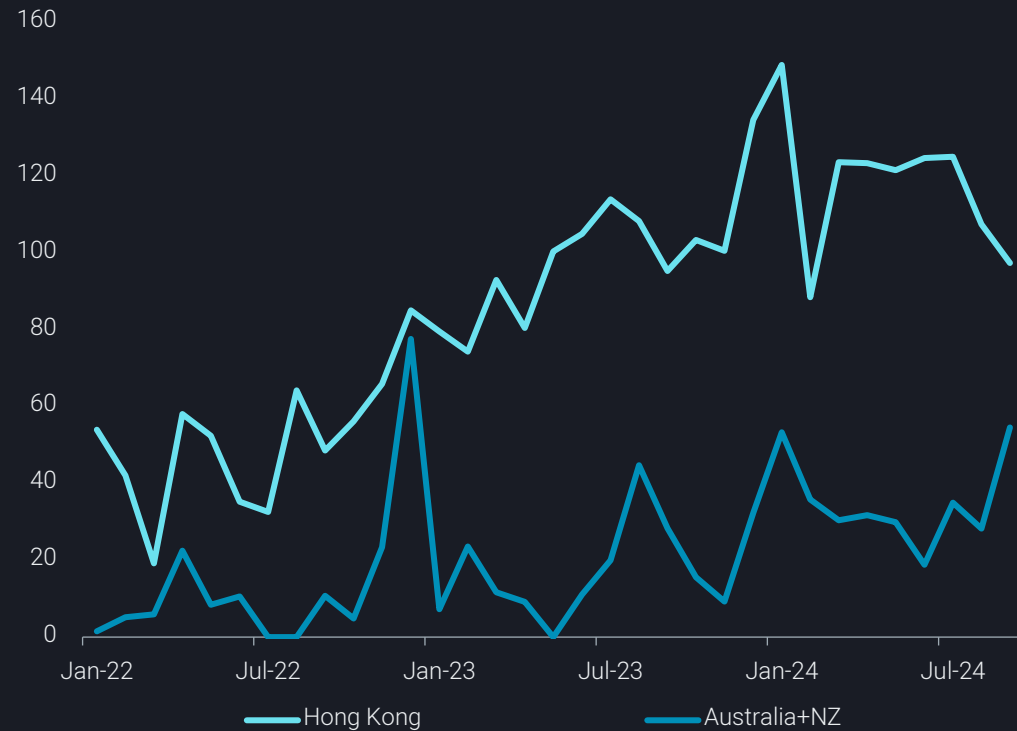


# China prioritised jet fuel exports, with Australia emerging as the second-largest market

China's jet/kero exports by destination region (kbd, LHS) and share in its motor fuel exports (% , RHS)

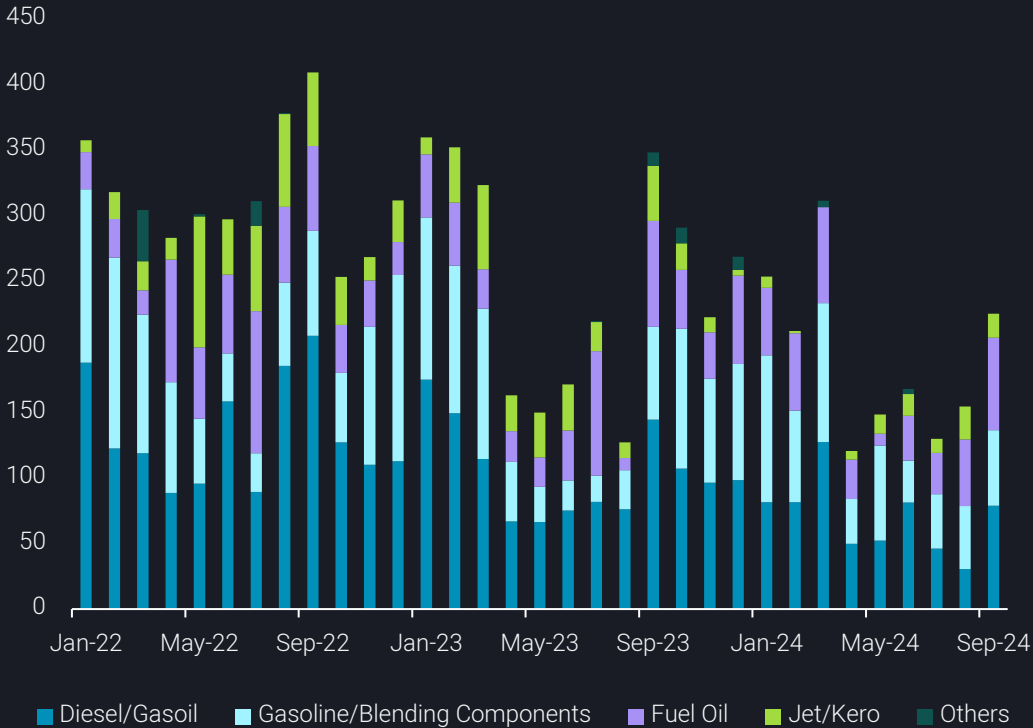


China's jet/kero exports to Hong Kong vs. Oceania (kbd)

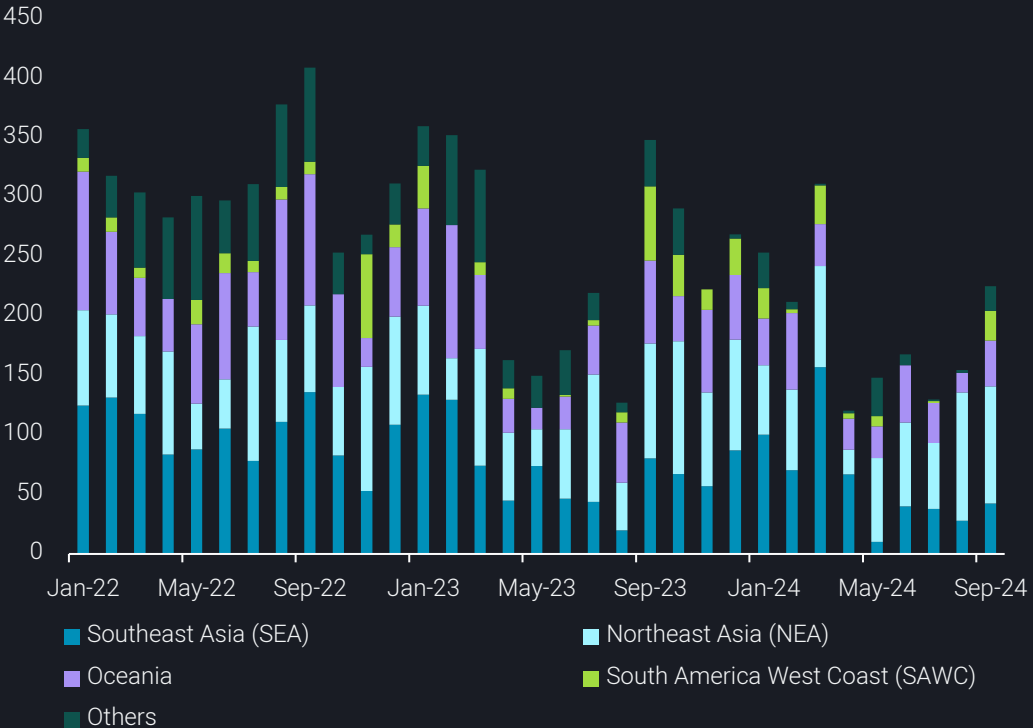


# Japan's refined product exports rebound as refineries ramp up runs, with substantial volumes heading for storage hubs

Japan refined product exports by product (kbd)



Japan refined product exports by destination shipping region (kbd)



# Rising Middle East gasoline exports to Asia partially offset lower regional supplies, keeping a lid on regional cracks

Middle East gasoline/blending component exports to Asia reached 250kbd in Sep, the highest since June 2020

→ The softening of seasonal demand from the Western hemisphere have led traders in the Middle East to look to Asia for placement opportunities

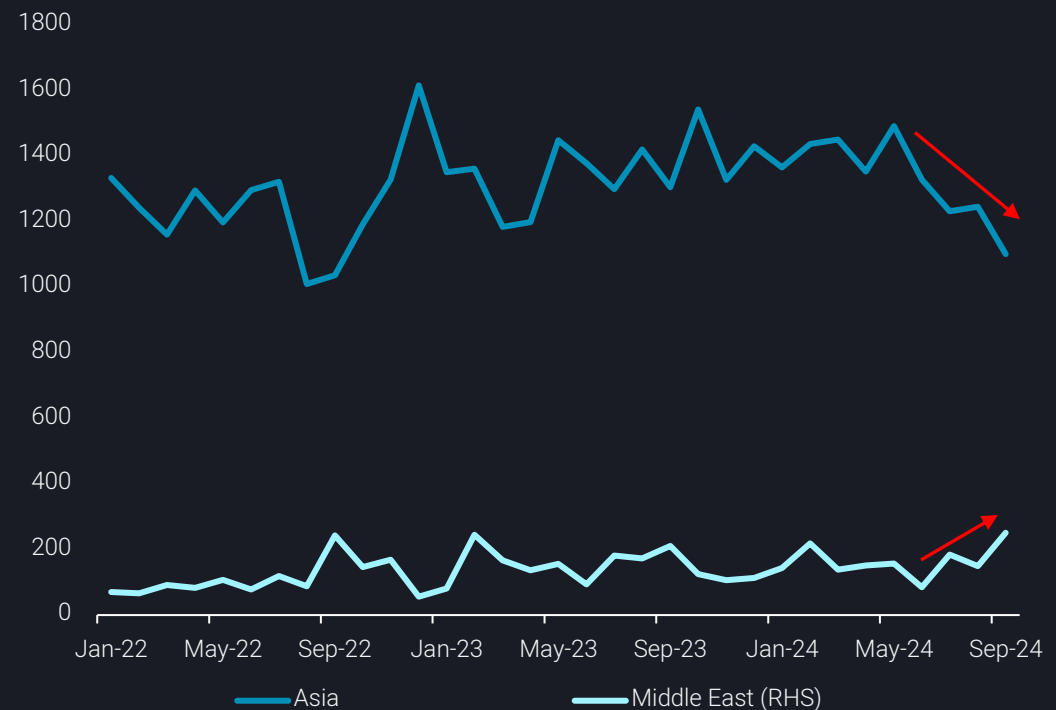
Lower gasoline/blending exports from China, Taiwan and Singapore have seen Asia's intra-regional flows falling to the lowest since September 2022

→ Lacklustre gasoline cracks have likely prompted refiners to cut gasoline yields and refinery runs

However, stronger inflows from the Middle East have offset lower Asian regional supplies to some extent, capping upsides on gasoline cracks

The rise in Middle East gasoline exports to Asia is likely to see limited growth amidst weakness in Asia's cracks. With several Middle East refiners expected to shut down for planned maintenance, gasoline supplies are expected to tighten, limiting flows to Asia

Asia intra-region gasoline/ blending component loadings (kbd, LHS) and Middle East exports to Asia (kbd, RHS)



# Northeast Asia's demand for Atlantic Basin crude remains weak, capping global VLCC mileage

[Global VLCC mileage](#) continues to hover near YTD lows as [Northeast Asia's crude imports from key Atlantic Basin VLCC hubs](#) (Gulf of Mexico, Waf, South America East Coast) reached a 17-month low in September

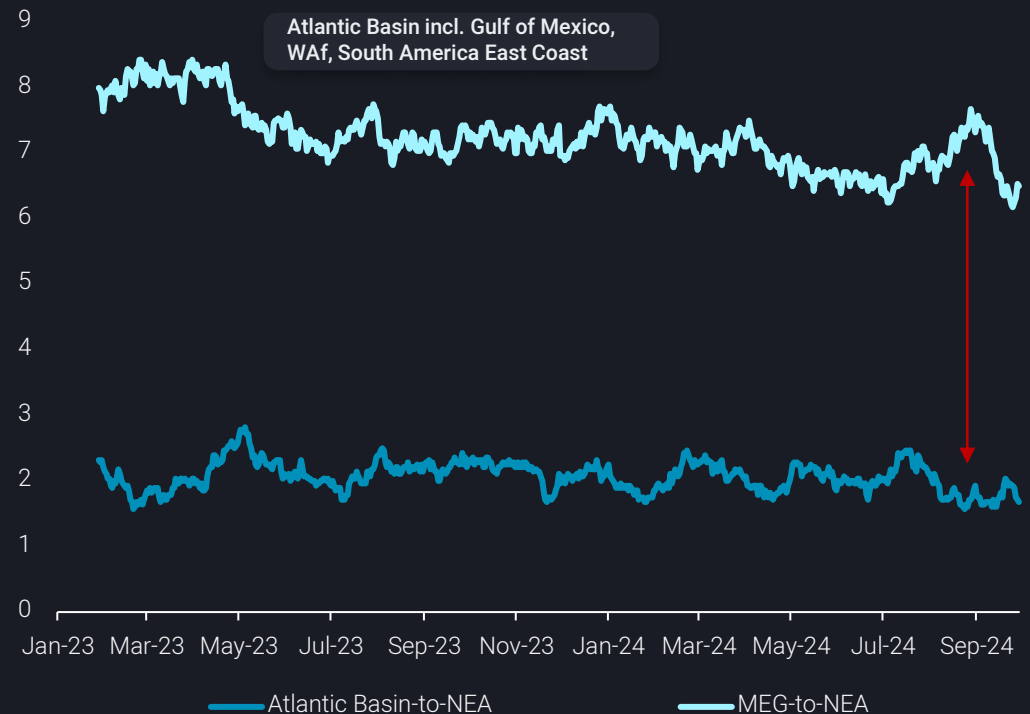
→ Mileage will likely continue to be suppressed, as [VLCC departures to NE Asia from the Atlantic Basin](#) also reached multi-year lows in September

The Middle East Gulf was preferred for increased loadings in August, which widened the divergence in VLCC demand between the MEG and the Atlantic Basin

Because of this increasing market share of MEG-origin VLCCs for voyages to NE Asia and no clear signs of increased NE Asian demand for Atlantic Basin crudes, tonne-mile demand for the global VLCC segment is likely to remain capped

- This will likely continue to push VLCCs in the Atlantic Basin to compete on intra-Atlantic Basin routes usually undertaken by Suezmaxes and Aframaxes
- Even if China decides to rebuild stocks, this will likely occur with baseload volumes from the MEG instead of Atlantic Basin crude

**Daily VLCC departures to NE Asia, Atlantic Basin vs MEG (28-day moving average, no. of vessels)**



Get live data on platform ([Atlantic Basin](#), [MEG](#))

[vortexa.com](https://vortexa.com)



# Northeast Asia MR market swings heavily to short-haul trade, and pockets of strength are likely short-lived

Asian MR voyages continue to be heavily skewed towards the short-haul, with [average voyage mileage out of NE Asia](#) falling for the fourth month, and market share for voyages from NE Asia staying within NE/SE Asia climbing to 75%

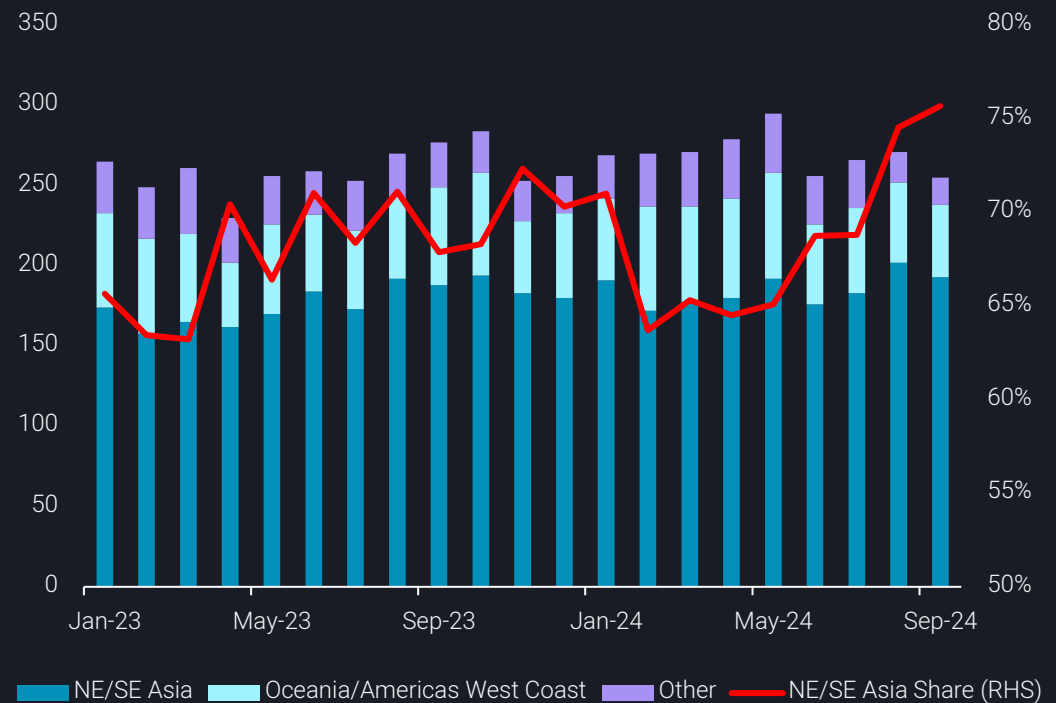
[Transpacific voyages to the Americas West Coast](#) have increased m-o-m, but account for such a small market share that they fail to counteract high short-haul employment and offset the decrease in longer voyages from NE Asia-to-Oceania

- A softly opening arbitrage for jet cargoes on TC10 (Argus) could boost transpacific utilisation, but high jet stocks in PADD 5 (EIA) mean demand on this route will likely be fleeting

Generally, high short-haul employment in NE Asia points to product oversupply, as poor refining margins and lower domestic consumption push volumes to storage hubs

- The exception has been naphtha margins, which have been performing well recently as cracker demand has been robust
- This boosted [voyage counts for naphtha cargoes](#) originating in NE Asia, but this strength is unlikely to be maintained

**MR departures from NE Asia by destination (no. of voyages, LHS) vs share to NE/SE Asia (% , RHS)**



# Asia's fuel oil tightness is unwinding but inventories remain below historical averages

Onshore and floating storage in Singapore rebounded w-o-w

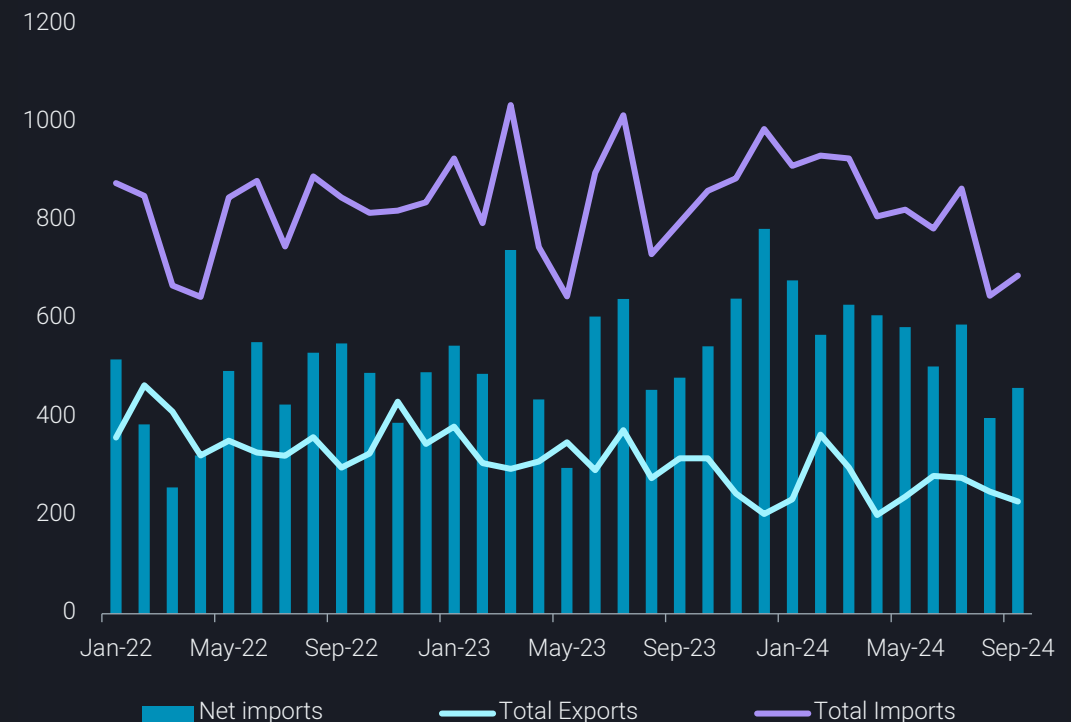
- Onshore fuel oil stocks recovered by 8% w-o-w to 16.8mb as of 2 Oct, after 6-year lows in late Sep (Enterprise Singapore)
- Singapore fuel oil floating storage increased 33% w-o-w to 1.4mb

Fuel oil supplies in other regions are shrinking

- [Northeast Asia fuel oil exports](#) have fallen by 29% m-o-m in Sep
- A reduction in transatlantic [European fuel oil imports from North America East Coast](#) has restricted HSFO supplies
- [European LSFO exports to Asia](#) increased in Sep due to the open arbitrage, but these flows could be capped in October amidst narrowing West-East VLSFO spreads
- [Dangote fuel oil exports](#) came to a halt in Sep, amidst the potential start-up of secondary units
- EIA reported that USGC fuel oil stocks fell to a 24-year low at 24.5mb in the week to 27 Sep

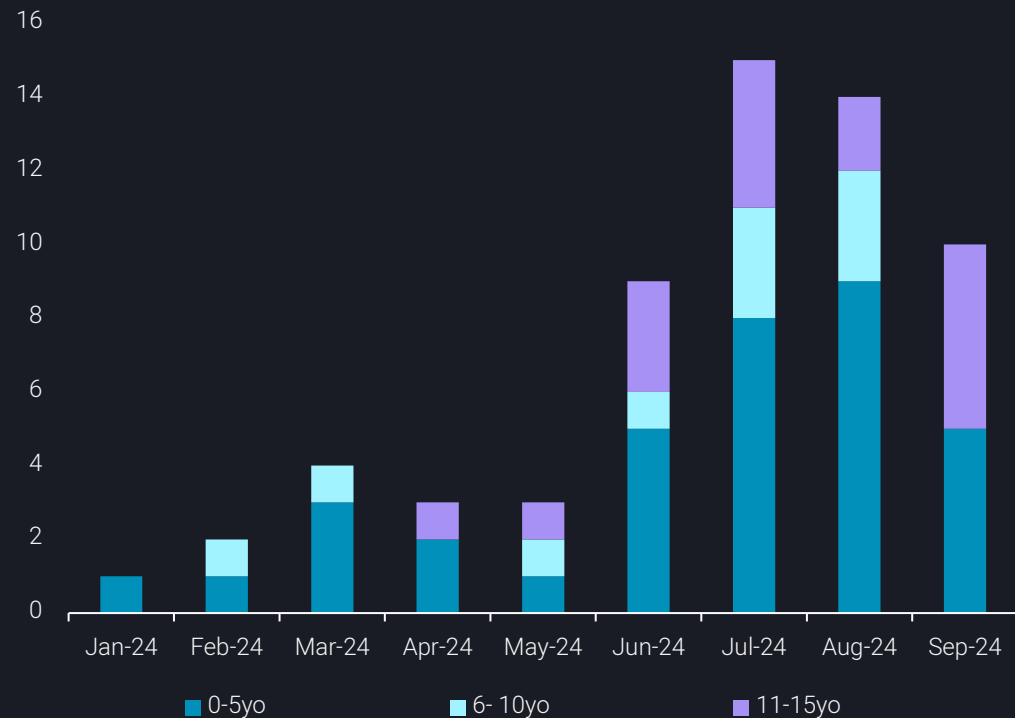
However, [Russian fuel oil exports](#) are increasing as refineries return from their planned maintenance, potentially alleviating tightness in Asia

Singapore fuel oil net imports, total exports and total imports (kbd)

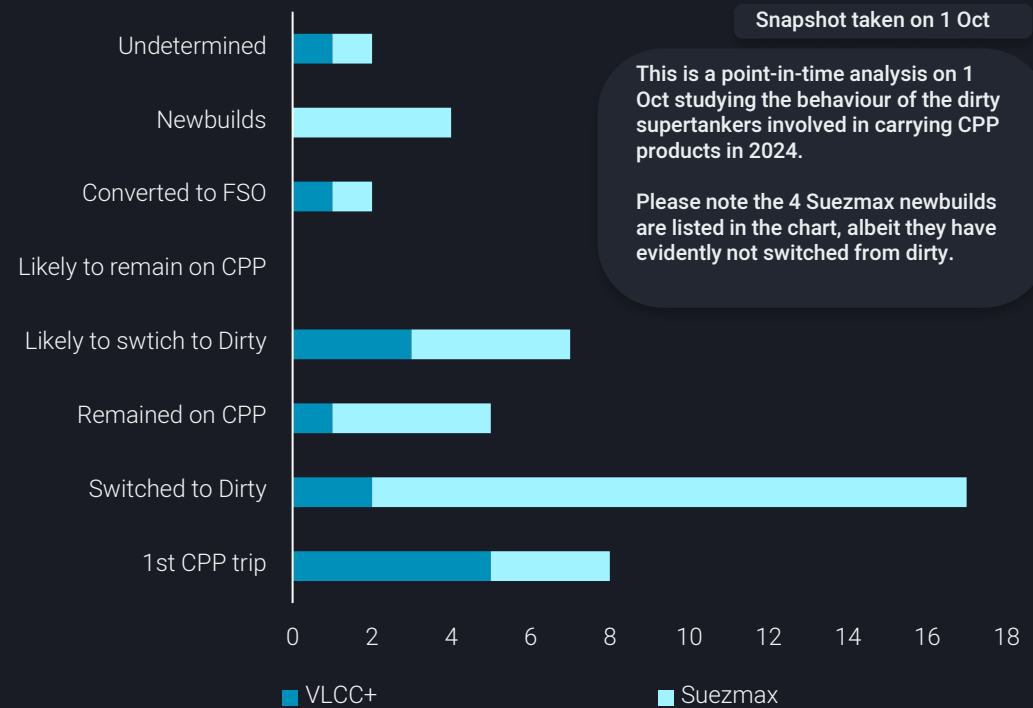


# Age profile of supertankers carrying CPP is flexible (up to 15 years old); more operators switch back to dirty after one cargo

No. of supertanker voyages cleaned up by age profiles (no. of voyages)



VLCC and Suezmax tankers carrying CPP and their respective behaviour after discharging their first CPP cargo (no. of vessels)



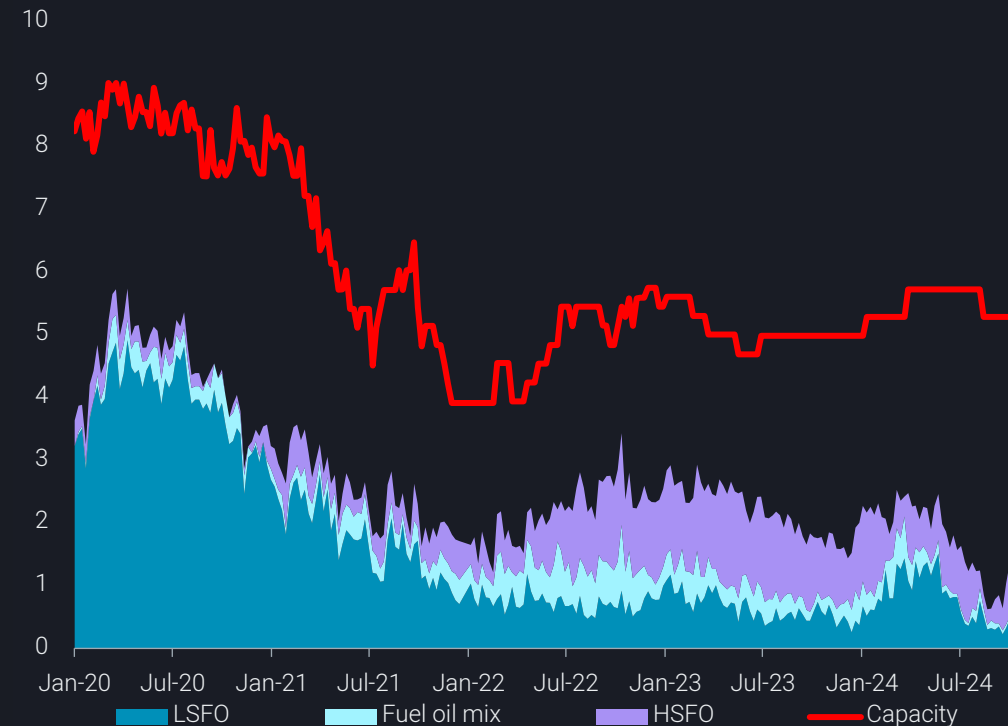
# Singapore fuel oil floating storage highlights

Singapore fuel oil floating inventories increased by 33% week-on-week

- LSFO inventories picked up 47% w-o-w to 483kt
- Mixed fuel oil inventories fell 38% w-o-w to 36kt
- HSFO inventories grew 32% w-o-w to 867kt

Singapore weekly fuel oil flows: [imports](#), [exports](#), [net flows](#)

Floating storage levels (mt, excluding Linggi)



# Singapore floating storage inventory (excluding Linggi)

Asia Market Spotlight  
October 2024

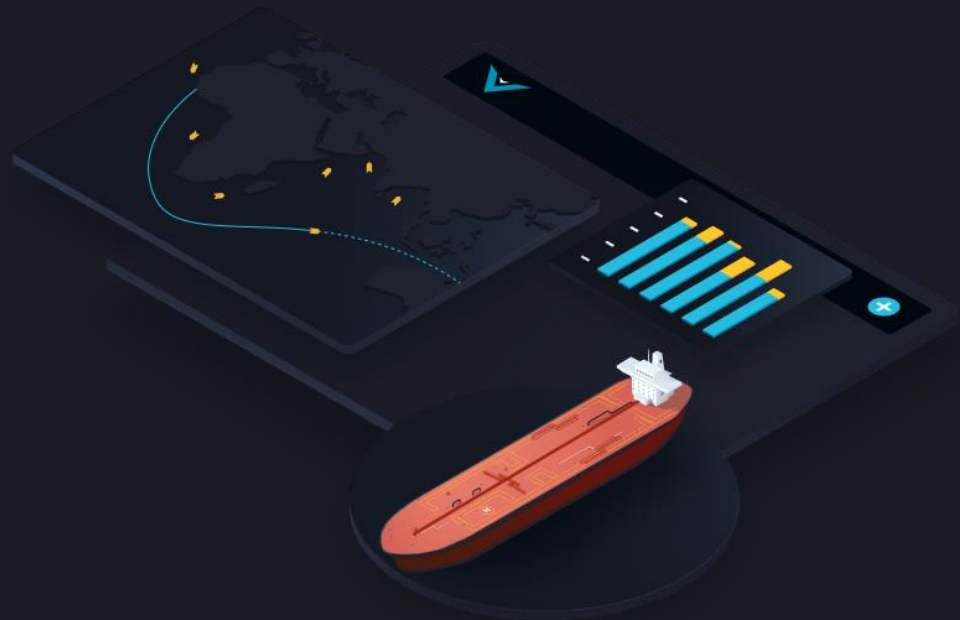
| Vessel         | Product      | Charterer          | Capacity (kt) | Fill (kt) | last week (kt) | Change (kt) | Fill % |
|----------------|--------------|--------------------|---------------|-----------|----------------|-------------|--------|
| A JEWEL        | HSFO         | Sinopec FO         | 305           | 227       | 209            | 17          | 74%    |
| AQUARIUS STAR  | LSFO         | Mitsui             | 299           | 35        | 37             | -2          | 12%    |
| CS BRILLIANCE  | -            | Nestwise Petroleum | 300           | 0         | 0              | 0           | 0%     |
| CS DEVELOPMENT | HSFO         | -                  | 301           | 87        | 0              | 87          | 29%    |
| CS INNOVATION  | HSFO         | Chimbusco          | 300           | 133       | 0              | 133         | 44%    |
| CS PROSPERITY  | -            | BB Energy          | 311           | 0         | 0              | 0           | 0%     |
| EM SPLENDOUR   | LSFO         | P66 / Coral Energy | 282           | 86        | 0              | 86          | 31%    |
| FORTUNE STAR   | LSFO         | Chimbusco          | 298           | 150       | 162            | -12         | 50%    |
| GRACE STAR     | -            | Chimbusco          | 313           | 0         | 0              | 0           | 0%     |
| HARMONY STAR   | HSFO         | -                  | 300           | 154       | 273            | -118        | 51%    |
| ITG AMOY       | -            | P66                | 319           | 0         | 0              | 0           | 0%     |
| PHOENIX STAR   | LSFO         | Eneos              | 307           | 132       | 84             | 48          | 43%    |
| SA CAPRICORN   | -            | Glencore           | 319           | 0         | 0              | 0           | 0%     |
| SA CRYSTAL     | LSFO         | Gunvor             | 299           | 53        | 45             | 8           | 18%    |
| SA EQUATORIAL  | LSFO         | Gunvor             | 300           | 26        | 0              | 26          | 9%     |
| SA HORIZON     | FUEL OIL MIX | Vitol              | 298           | 36        | 59             | -23         | 12%    |
| SA OCEANIA     | HSFO         | Trafigura          | 442           | 266       | 176            | 90          | 60%    |
| Total:         |              |                    | 5292          | 1386      | 1045           | 341         | 26%    |

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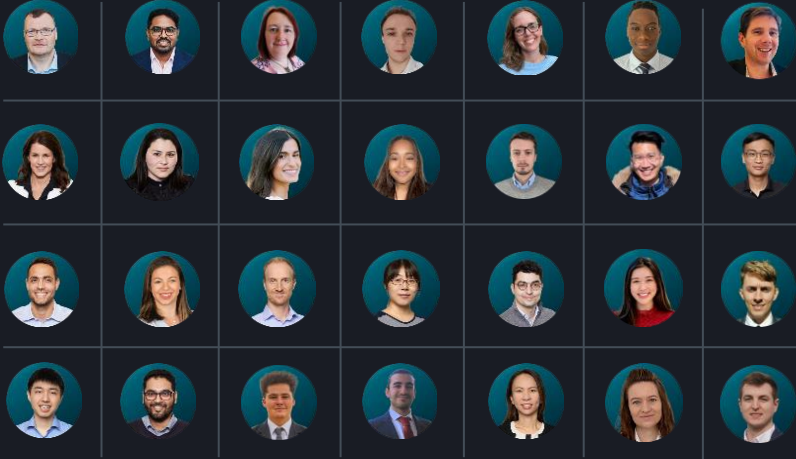
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