

GX MIDDLE EAST CRUDE MARKET ANALYSIS

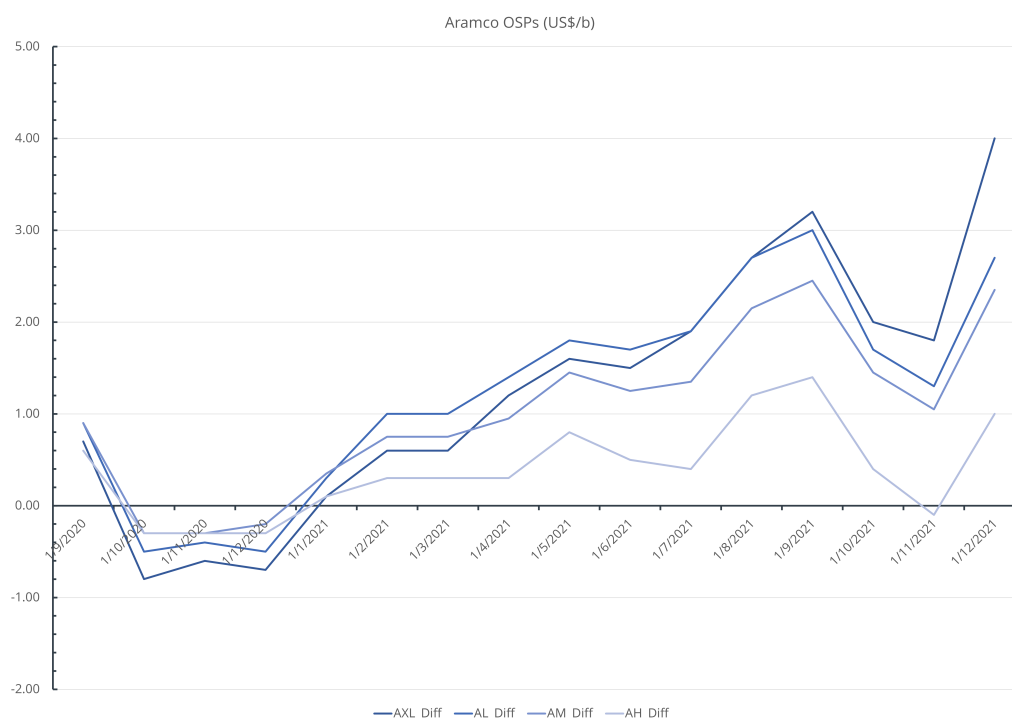
The Big Picture

- Aramco's hikes spur on Mideast market

Steeper Prices

November's trading cycle kicked off with steep OSP announcements from various National Oil Companies (NOC). After rebuffing calls for more production from US, Japan and India, de facto leader Aramco stuck to its guns, releasing higher OSPs for its various crude grades.

Grade	Basis	Dec-21	Nov-21	Change
☐ ARAMCO Far East Super Light	Oman/Dubai	5.850	3.050	+2.800
☐ ARAMCO Far East Extra Light	Oman/Dubai	4.000	1.800	+2.200
☐ ARAMCO Far East Light	Oman/Dubai	2.700	1.300	+1.400
☐ ARAMCO Far East Medium	Oman/Dubai	2.350	1.050	+1.300
☐ ARAMCO Far East Heavy	Oman/Dubai	1.000	-0.100	+1.100



Aramco OSPs, Source: GX

The producer is betting that refiners are willing to make purchases given the strong product cracks and nominations seem to support that assessment.

Nominations for Arabian crude grades were heard to range from normal to more according to various traders GX spoke to.

"I have Japan, Korea, Thailand taking more," said a source.

"Looks like normal volume to all in Asia," said another trader.

However, hikes to heavier grades did surprise some participants. While product cracks have in general been performing lately, the exception to the trend was fuel oil which "has fallen off the cliff," in the words of a trader.

Gross Product Net worth model estimated Arab Heavy crude hikes to range from negative to slightly positive for December loading cargoes, according to traders GX spoke to. Hence, the price hikes received by Arab Heavy were unwelcomed by some.

Iraq

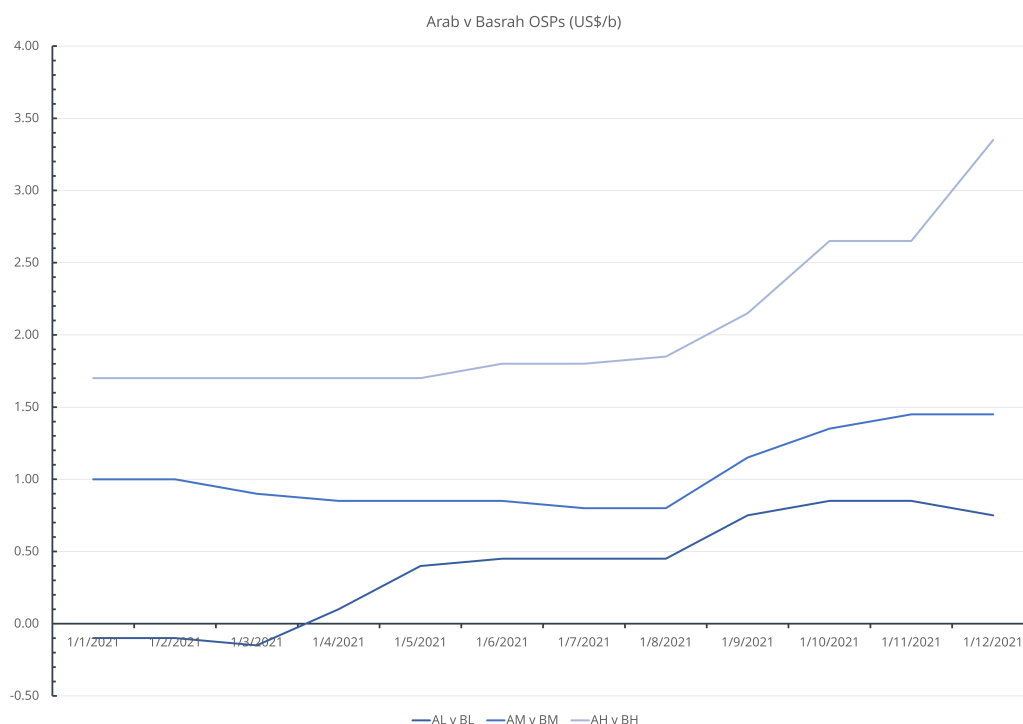
While most other Mideast NOCs have chosen to follow Aramco's lead in pricing, Iraq's State Oil Marketing Organization has chosen to make slight adjustments to its Basrah Heavy pricing.

December loading Basrah Heavy pricing increased only by US\$0.40/b, in contrast to Arab Heavy which was hiked by US\$1.10/b.

Previously, SOMO has adjusted prices to widen the Arab-Basrah OSP spread. Traders have taken notice of this, buying spot Basrah crudes at healthy premiums to OSP.

SOMO could have taken the spot trades as a sign that pricing is at an acceptable level for the market now and is choosing to maintain the Arab-Basrah spread for Light and Medium crude instead of widening it further.

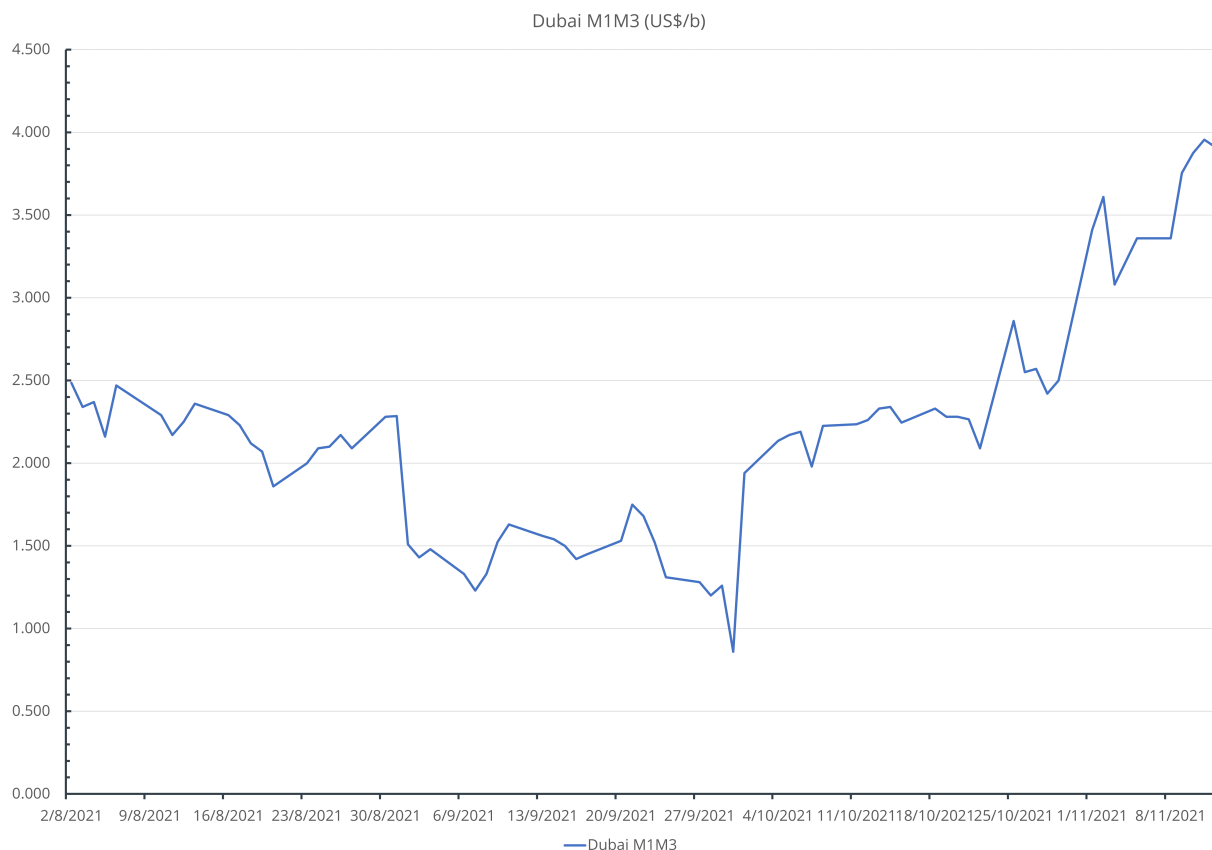
Heavy is still on track to widen, although it could be argued that it has more to do with Aramco's pricing policies because one must recall that Aramco did hike heavy crude prices more than what GPW would suggest this month.



Arab versus Basrah OSPs, Source: GX

Stronger Dubai Complex

Higher OSPs from Aramco has been treated as a bullish signal for Mideast crude. Shortly after OSPs were announced, Cash Dubai M1M3 widened to US\$3.90/b levels, which is its strongest level this year.



GX assessed Dubai M1M3, Source: GX

Traders expect differentials for spot cargoes to be affected as well with a wide Brent-Dubai EFS discouraging arbitrage barrels from entering Asia, competition for Far East Russian and Middle Eastern grades will be fierce.

Preliminary data revealed that ONGC sold its Sokol for a whopping US\$7.50/b premium to Dubai to Japan's Itochu. ESPO crude usually trades at a close range to Sokol and is expected to be as expensive in the days to come.

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