

## **Analysis: Crude oil traders in Asia remain uncertain after Saudi official selling price hikes**

Platts.com, 11th Oct 2018

Traders of Middle Eastern sour crude barrels in Asia have yet to agree on their reaction to Saudi Aramco's latest set of official selling prices, according to a survey of market participants by S&P Global Platts on Thursday.

Opinions from trading houses, oil majors, refiners and term lifters ranged from finding the OSPs acceptable all the way to expensive.

"Saudis didn't push up as much as they could have," a North Asian refiner said.

Middle Eastern crude oil traders are typically unanimous on OSP expectations, estimates, and reactions to actual prices in the context of the wider market sentiment. Platts conducts such surveys on a monthly basis.

"Not sure," was often repeated when asked to comment on November-loading Arab Medium crude OSP, which was at a premium of 50 cents/b to Oman/Dubai crude assessments.

Arab Medium, comparable to medium sour crudes such as Abu Dhabi's Upper Zakum, Oman, Iraqi Basrah Light or Qatar Marine, saw a jump of 70 cents/b month on month to its highest differential in almost five years.

It was last higher in January 2014 at a premium of \$1.10/b to Oman/Dubai crude assessments.

Saudi Aramco released the prices of its crude grades -- termed out to select lifters in various destinations around the world -- late last week. The OPEC producer raised the differentials for all its five grades to Asia by 60-75 cents/b each for cargoes loading in November.

But the hike in OSPs for crudes destined for Asia is a tad lower compared to the month-on-month change in structure in the Dubai cash curve, a probable tool in Aramco's OSP methodology.

The spread for Dubai cash M1-M3 rose 92 cents/b from August to an average of \$1.39/b in September, Platts data showed.

The market had largely expected a 90 cents/b hike for Arab Medium, in line with the structure, sources said late last month.

"[That's] fairly reasonable given what happened last month," the North Asian refiner added.

### **VOLATILITY CONCERNS**

Price volatility around Oman crude futures traded on the Dubai Mercantile Exchange is a key concern for buyers of Saudi crude, sources said.

Oman crude futures traded on DME are the latest component in Aramco's crude oil pricing formula for Asian buyers.

The DME saw uncharacteristic volatility on November Oman crude futures at the tail end of trading last month, diverging from fundamentals and settling higher than ICE Brent crude futures for several days.

"It [Oman] is a big uncertainty this time around," a market source said. The November Oman futures contract rose sharply in its final week of trading, pushing its price up several percentage points, and causing widespread concern among traders of Middle Eastern crude oil.

The DME Oman marker price at 4:30 pm Singapore time settled at \$84.86/b on the last trading day of September, a premium of \$3.06/b to ICE Brent at Singapore close on the day.

The final week's trading spike pushed the monthly average of the DME marker up by \$1.83/b for the month, and market participants had been concerned about whether Aramco would incorporate such volatile price moves into its OSP formula.

"It affects the OSP, hedging, market trading ... everything," a trader said