NWE naphtha slumps to weakest level of 2017 on ample supply, lack of spot buying
Platts.com, 19th May 2017

The Northwest European naphtha cargo price weakened to a five-month low versus naphtha swaps Thursday, while the paper structure flipped into contango after more than four months in backwardation, as a lack of spot buying interest weighed on sentiment amid healthy supply.

The CIF NWE naphtha physical cargo was assessed at $438.25/mt Thursday, $2.50/mt down on the day, and at a $3.75/mt discount to the front-month CIF NWE naphtha swap, down from a $1.50/mt premium the previous day. This represents the lowest physical value versus the front-month swap since December 16, S&P Global Platts data shows.

The Northwest European naphtha complex has been weakening this week on longer supply due to limited spot buying interest, a closed arbitrage to Asia and a lack of pull from the US for blending grades of naphtha. Only rather steady demand for Light Virgin naphtha to use for West African-grade gasoline blending was bringing some support.

"The Asian naphtha market is weak and weakening...the arb [to Asia] is completely shut," a market participant said Thursday. "There are offers in NWE for any size of naphtha cargoes, from LR1 to small barges, prompt to end month delivery or early next month," he added.

In the paper market, the front-month CIF NWE naphtha crack swap slumped to a near five-month low of minus $3.05/b at the market close Thursday from minus $3/b Wednesday, while the front-month/second-month CIF NWE naphtha swap spread switched to a 50 cents/mt contango from a 50 cents/mt backwardation.

The front-month/second-month structure hadn't been in contango since January 3, while the last time the front-month crack was weaker was December 20, according to Platts data.

At noon London time Friday, the June naphtha crack was trading at minus $3.15/b, while the June/July spread was trading at minus 50 cents/mt.