

NATIONAL

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Headline: We will see further increases in domestic diesel prices at the terminal gate this week of approximately 2.0cpl

Domestic Market: The domestic diesel price closed last week up 1.5cpl week-on-week and 6.0cpl higher than the end of August as the local market has reacted to the 25% increase in global oil prices two weeks ago. The market remains 10.65% higher than the lows in January and now only 5.40% off the recent highs. Expectations are for the domestic market start to stabilise and gradually start to move lower again in the coming weeks. The freight rate from North Asia to East Coast Australia has eased back after a temporary spike, which will have a small impact on pricing but may encourage a few more fixture to head our way.

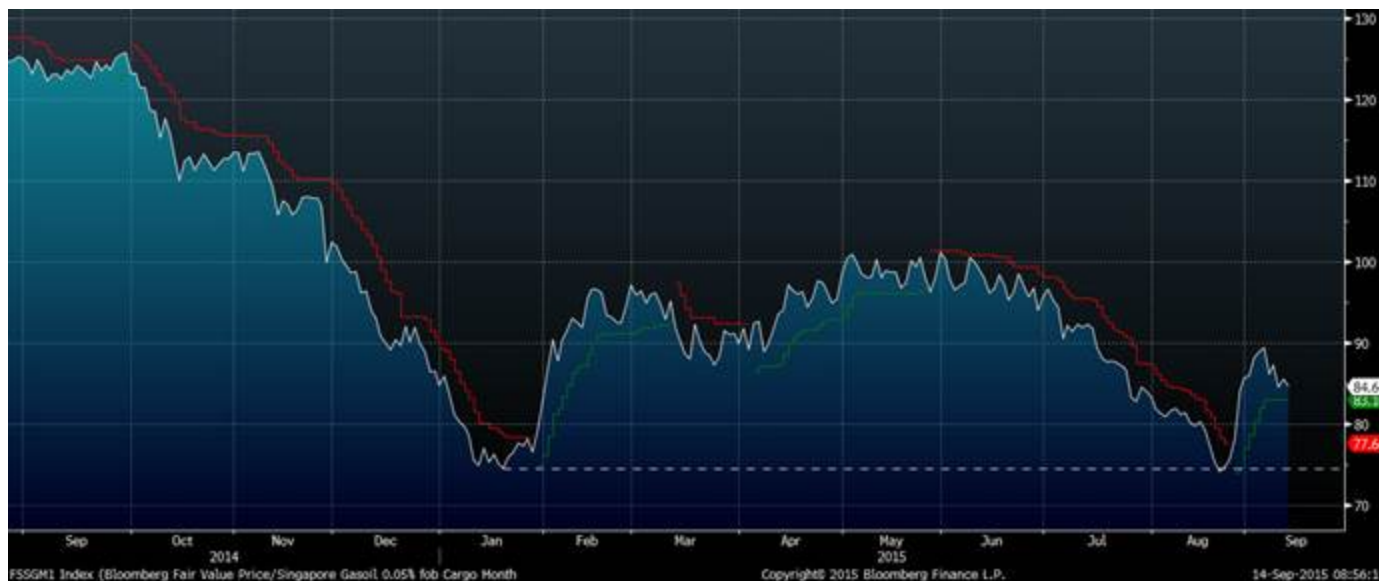


Chart 1: Daily Singapore Gasoil in AUD

International Market: It will be an interesting week for markets global with the US Federal Reserve interest rate decision due on Thursday. The volatility in the global equity markets, led by China, has some Fed watchers calling for no change, however with unemployment back in the 5/5.2% range of natural unemployment level a key target for the Fed, which could lead to wage growth & inflation, may mean the Fed will be comfortable raising rates this week. The oil data out of China on the weekend, continues on the same trend of strong refinery throughput to meet gasoline demand. Chinese refineries processed 10.48mln barrels per day in August, up 6.5% y-o-y, as summer driving demand for gasoline kicks in, however the excess of diesel & fuel oil has been pushed into the international markets. Therefore we expect a short to medium term increase in refined product inventories in the region.

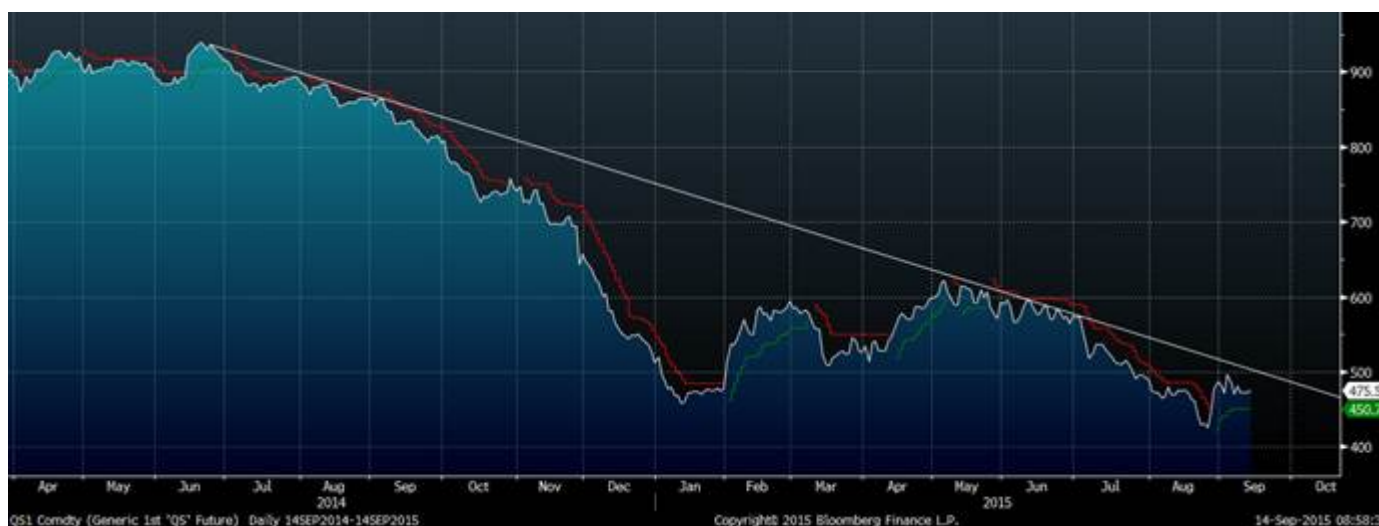


Chart 2: Daily ICE Gasoil

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Currency: All eyes will be on the US Federal Reserve this week with the FOMC rate announcement on Thursday. The question is whether the Fed will increase interest rates by 25bp on Thursday or leave rates unchanged. The Australian dollar has experienced a brief rally back above 0.7000 to 0.7080 this morning, as we have seen some profit taking ahead of the announcement. The trend remains lower and will be re-established with a US rate increase on Thursday. The major risk the Federal Reserve faces is raising rates too early and stifling economic growth, not just domestically but on a global scale.

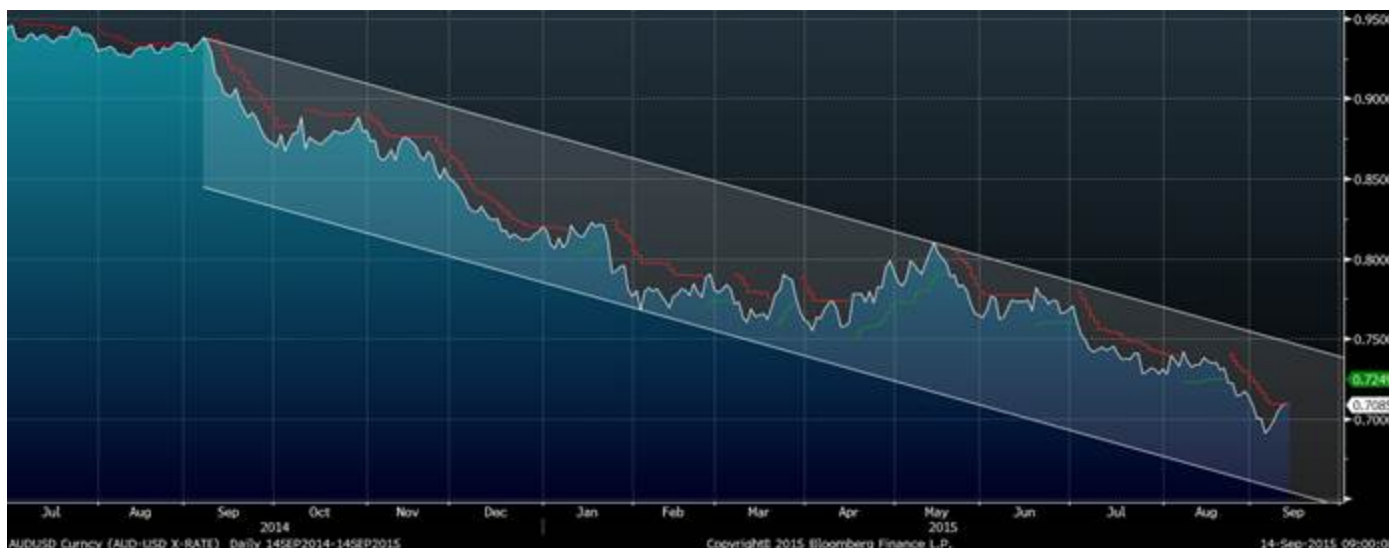


Chart 3: Australian Dollar v's US Dollar