

**Headline: Diesel prices in Australia will remain steady for the 3<sup>rd</sup> consecutive week**

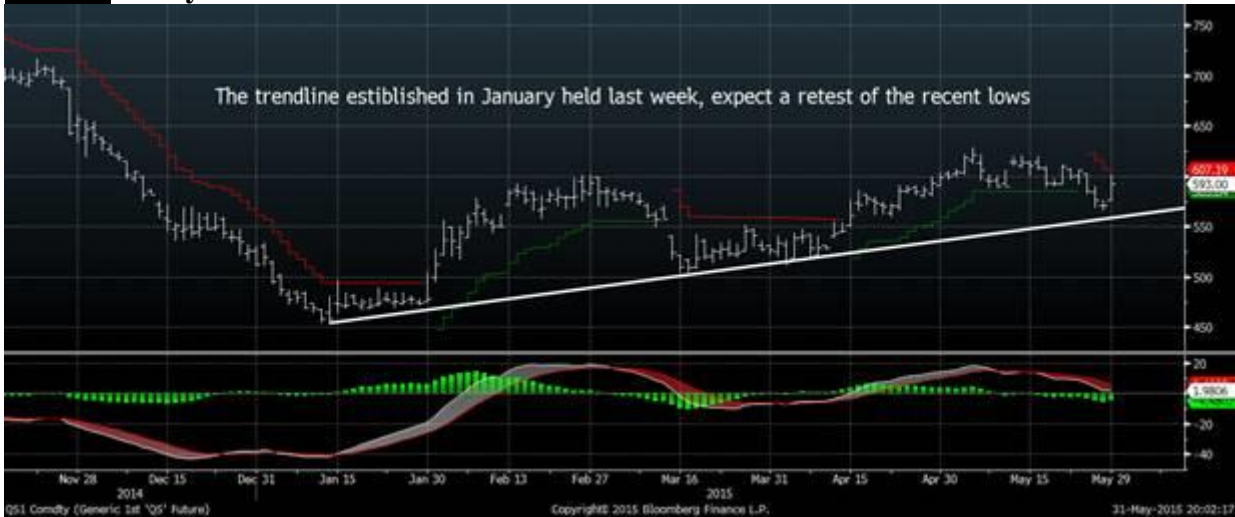
**Domestic Market:** The domestic diesel price was steady last week as expected. Nationally the price at the terminal gate increased 0.2cpl week-on-week, which was largely in line with expectations. The prices remain 18.0cpl above the lows in January and we expect prices to hold steady again this week. There has been some downward pressure on global oil prices, however the rapid decline in the Australian Dollar has eroded any beneficial impact on domestic prices. The Australian dollar looks set to remain weak and therefore will hold domestic fuel prices higher in the near term.

**Chart 1: Singapore Gasoil in Australian Dollars**



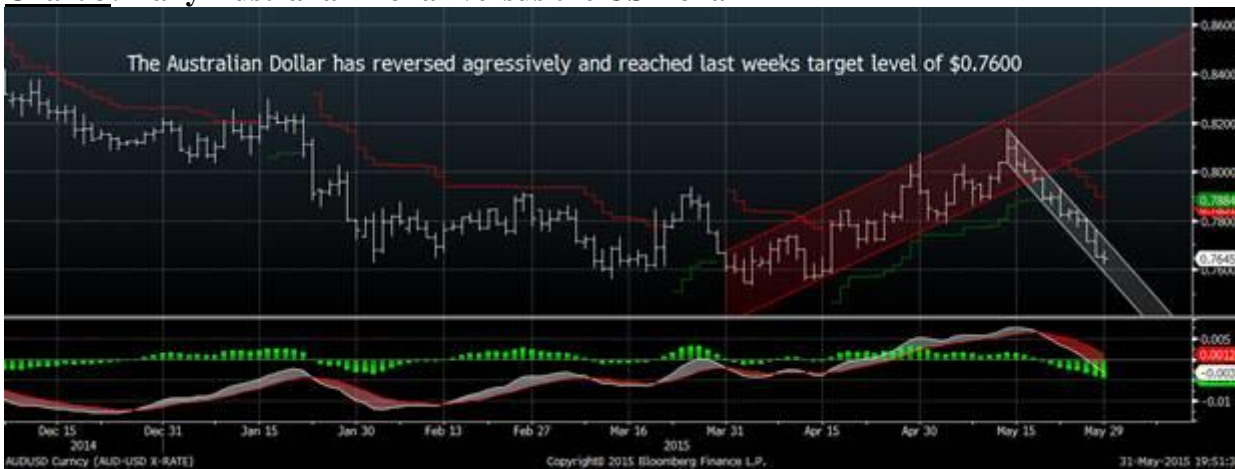
**International Market:** OPEC has again insisted that oil demand will increase in the second half of 2015 in their latest statement and ahead of this week's meeting in Vienna. OPEC production remains high, at over 31mln barrels a day, which Saudi Arabia contributing 10.25mln barrels a day, as strong Asian demand pulls barrels to meet electricity demand in the summer hot season. This indicates, as we expect, that there will be no change to the OPEC quotas at this week's meeting. Despite OPEC being upbeat on demand we are seeing West African and North Sea cargoes yet to be sold in June, which is putting downward pressure on these regional grades. We expect to see a little more downside in global prices in Q3 2015, before picking up again into year end.

**Chart 2: Daily ICE Gasoil**



**Australian Dollar:** As we expected last week, with the Australian Dollar breaking out of the uptrend channel, we saw a period of sustained weakness in the local currency. This may actually be a US Dollar strength story rather than an AUD weakness story, however the short term trend remains bearish and we think the AUD will retest the lows in early April. The Reserve Bank of Australia meets on Tuesday to decide on the cash rate, current sitting at 2%, expectations are for no change and I believe the market has already priced that into current levels. All eyes will be on US data and any indication of monetary tightening from the UD Federal Reserve. More AUD weakness to come!!!!

**Chart 3: Daily Australian Dollar versus the US Dollar**



INDICATIVE FORWARD PRICING TABLE				
	Jun-15	Jul-15	Q315	Q415
Ultra Low Sulphur Diesel (ACPL Incl. Excise & GST	1.2743	1.2779	1.2827	1.2964