

# NATIONAL

THE NATIONAL GROUP

**Headline:** Domestic diesel prices will remain steady this week, edging only slightly lower by 0.1cpl

**Domestic market:** The domestic diesel price was 0.6cpl (0.52%) lower week-on-week, falling short of the expected declines of over 1.0cpl. The trend in domestic prices remains to the downside and with further declines to flow through in the next two weeks I expect prices to fall another 1.5cpl in the near term. Diesel prices at the terminal are 10.6cpl or 8.5% lower than the recent highs in June but remain 8.0cpl or 7.5% higher than the lows in January. A combination of a weaker Australian dollar and soaring North Asia to Australia freight rates have helped support the domestic prices despite the weaker benchmark pricing of Singapore gasoil.



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

**International markets:** The global oil benchmarks fell heavily again last week with the same catalysts driving the market. The supply overhang reflective in global inventories continues to put pressure on oil prices and concerns about the Chinese economy the drivers. A number of analysts, including PIRA and Access Energy, have lowered the demand forecast for oil and pushed out expected recovery to 2020 and 2018 respectively and are calling for sustained lower prices to have a material impact in production. I would expect that uncertainty around Greece and the snap elections will weight on oil price as well, despite improving data surfacing out of the Eurozone.

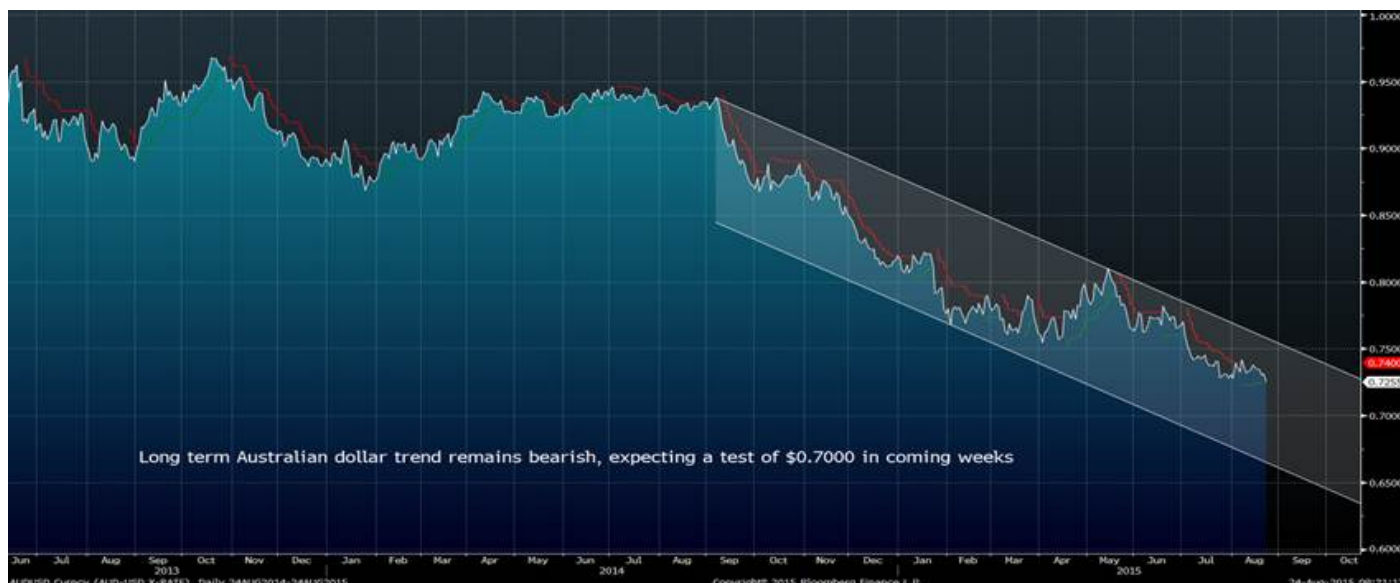


**Chart 2:** Weekly ICE gasoil

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**Currencies:** The Australian dollar continues to weaken against all its major crosses. Improved housing data in the US and strong inflation numbers in the UK, indicating that both Reserve Banks have room to move rates higher in the near term will weigh heavily on the Australian dollar which is heading in the opposite direction. The trend remains lower and I expect the market to test \$0.7000 in the medium term, which will support domestic prices for fuel.



**Chart 3:** Australian Dollar v's US Dollar

### Indicative Forward Pricing

INDICATIVE FORWARD PRICING TABLE					
	Sep-15	Oct-15	Nov-15	Q415	Q116
Ultra Low Sulphur Diesel (ACPL Incl. Excise & GST)	1.1343	1.1419	1.1485	1.1486	1.1688