



argusmedia.com

## Viewpoint: Americas Asphalt price resilience

**New York, 23 July 2015 (Argus)** — US asphalt continues to demonstrate resilience in a weak international crude market and shows signs of becoming a high-margin refined product in its own right through the second half of the year.

Over the past 12 months, a barrel of asphalt has often traded at a premium to heavy crude, fuel oil No 6 3pc and coker yield values, reversing perceptions of its place in the hierarchy of residual products. On multiple occasions, New Jersey barge fob pricing was even at a premium to Brent crude, the first time this has occurred in at least the past five years. And by the middle of July, NJ barge fob was at a \$17.87/bl premium to Fuel oil No 6 3pc sulphur in New York Harbor, a significant indicator of asphalt’s ascendancy in the residual marketplace.

Robust asphalt pricing has been aided by historically tight price differentials between heavy and light crude, as well as strong gasoline crack spreads during the first half of 2015. These, in tandem with longer-term trends such as the growth in shale oil crude slates, the larger geographic distribution of heavy Canadian crude in the US, and the increase in upgrading capacity at key domestic refineries, has shaped a new place for asphalt in the refined products mix.

Asphalt production began the year strong and stocks hit a five-year high before dropping within the four-year range in June, indicating strong overall demand in the first half of 2015. Unusually wet weather delayed the paving season in several parts of the country and could lead to more concentrated demand during the rest of the season, potentially putting strain on supplies and supporting prices even if crude pricing falls.

In order to circumvent a protracted stalemate over highway funding at the federal level, many US states have taken up

the mantle of raising the needed revenue through measures of their own. At least nine states have enacted legislation to raise their gasoline tax with several more states active with pending legislation, all of which should boost asphalt demand in the second half of 2015.

As the paving season winds down late in the year, asphalt markets are far more susceptible to sharp declines in underlying crude pricing, posing the potential for significant volatility. With a slowdown in the Chinese economy already impacting crude and the return of Iranian crude exports also on the horizon, an unusually sharp decline in asphalt prices remains a distinct late-2015 possibility.

**Argus Americas Asphalt**  
**An Argus market service, published weekly**

Argus Americas Asphalt provides subscribers with relevant asphalt pricing, trading activity and refinery economics to help support informed business decisions.

Market Reporting  
 Consulting  
 Events

[argusmedia.com/asphalt](http://argusmedia.com/asphalt)

### Contact Information

**Houston office:**  
2929 Allen Parkway, Suite 700  
Houston, Texas 77019  
Tel: +1 713 968 0000 Fax: +1 713 622 2991  
Email: [moreinfo@argusmedia.com](mailto:moreinfo@argusmedia.com)

**Editorial:**  
Omar Rahman  
Editor, Argus Americas Asphalt  
Email: [asphalt@argusmedia.com](mailto:asphalt@argusmedia.com)

**Commercial:**  
Email: [ussalesteam@argusmedia.com](mailto:ussalesteam@argusmedia.com)

## Petroleum

illuminating the markets

Market Reporting  
Consulting  
Events

Trademark notice:

ARGUS, ARGUS MEDIA, the ARGUS logo, DEWITT, FMB, FUNDALYTICS, METAL-PAGES, METALPRICES.COM, JIM JORDAN & ASSOCIATES, JJ&A, ARGUS publication titles and ARGUS index names are trademarks of Argus Media Limited. Visit [www.argusmedia.com/trademarks](http://www.argusmedia.com/trademarks) for more information. Recipients are free to redistribute or photocopy this document as needed. © Copyright 2015. Argus Media Ltd.