

Argus Base Oils Outlook : Executive Summary



The month ahead:

Global base oil prices are forecast to extend their rise in the month ahead amid supportive fundamentals.

Demand has held firm in all the major markets. The price impact of rising demand is compounded by scarce availability, especially for heavy-grade base oils. Buyers continue to compete for limited spot volumes to meet customer requirements. At the same time, a series of ongoing and upcoming shutdowns will likely keep supplies limited.

High prices in the export market are likely to provide additional support to domestic prices. High export prices reflect strong demand in markets like Asia-Pacific, India, Africa and Latin America. Domestic prices in US and Europe are likely to rise faster than export prices to keep more supplies within those regions. Even so, they will remain unusually weak relative to export prices.

The next 3-6 months:

Global base oil prices in September are largely forecast to be lower than prices in April next month.

Prices are set to face some downward price pressure from mid-year amid ebbing seasonal demand and as a series of plant shutdowns for maintenance come to an end. An expected rise in refinery run rates is also expected to add to supply, capping further any price upside.

A seasonal shift in demand towards more light-grade base oils, and rising supply of heavy grades, is set to ease some of the price pressure on higher-viscosity grades. Demand for light-grade supplies typically rises in the second half of each year as these base oils are better suited for the cooler climate. At the same time, regulatory changes implemented in 2020 are set to boost usage of light-grade base oils as they are better suited to meet the more stringent requirements.

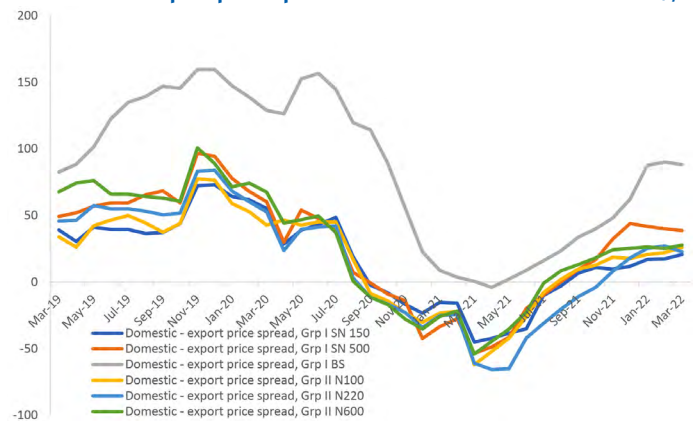
Longer term:

Global base oil prices at the end of the forecast horizon in March next year are largely forecast to be lower compared with prices at the start of the period in April next month in response to an improvement in supply.

Supply availability in the global market has been tight amid a heavier-than-usual round of plant maintenance work. Refinery run rates have been lower as producers sought to manage fuel inventory levels in response to muted fuels demand. The moves limited the availability of feedstock for base oils production. That trend is set to reverse as the roll-out of more vaccines raises the prospect of a recovery in land and air travel.

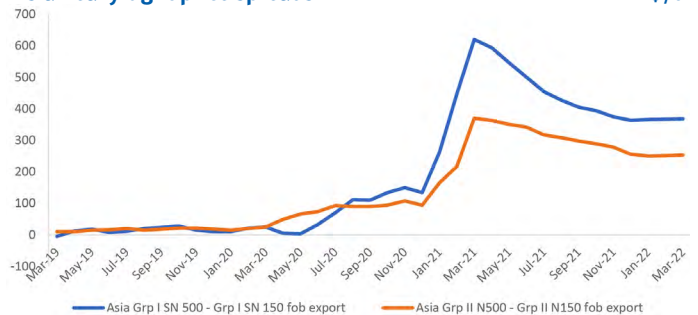
US domestic-export price spreads

\$/t



Asia heavy-light price spreads

\$/t



To learn more about the **Argus Base Oils Outlook**, and to get access to the full report from which this executive summary was taken, you can request more information; <https://view.argusmedia.com/base-oils-outlook-2020>