

News Update

- INE Completes First Crude Physical Delivery
- Roll Market Update
- Conclusion

INE Completes First Round of Physical Delivery for Crude Oil

- The September contract's last trade day was August 31, with delivery period being September 3 to September 7
- Total of **601k barrels** of crude oil was physically delivered, settlement price was 488.2 RMB/barrel
- The delivery was done in three bonded warehouses, each one in the north (**Da Lian, 100k barrels**), middle (**Zhou Shan, 201k barrels**) and south (**Zhan Jiang, 300k barrels**) of China
- The September contract averaged **102.7k lots** of trades a day (**one side, all the lot numbers below are one side**), highest volume was 205k a day; OI averaged 15k a day, highest OI was 23.6k a day
- There are over 30k accounts opened for INE Crude Oil trading, of which financial institutions make up 15%. Various oil companies and oil trading firms, both domestic and overseas, have opened account at INE

Roll Market Update

- As the first contract of September expires, traders roll their position into the December contract
- The December contract is now quite liquid, trading around **150k lots** a day, with roughly **17k** OI and bid/ask spread of the minimum tick of 0.1
- On August 17, INE issued a notice asking the public opinion about **recruiting market makers** for crude oil trading. So far the criteria set by the exchange only allows for domestic professional trading institutions

Conclusion

- INE does not disclose the name of the actual delivery participants. We know from a report from PetroChina Fuel Oil that **Unipec** and **ZhenHua Oil**, both of which are subsidiaries of major Chinese state owned enterprises, participated in the delivery. We suspect that major Chinese oil importers and refiners alike only have little or no exposure so far in the INE market
- According to INE, there are some domestic and international oil companies which are already signing long term oil contracts using INE Crude as benchmark price. It remains to be seen whether this will be prevalent and whether INE Crude can truly achieve its ultimate goal of being the crude oil price setter in Asia

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