



NAPHTHA

INSIGHT@ONYXCAPITALADVISORY.COM
ONYX CAPITAL ADVISORY

05 JUNE 2025



NAPHTHA MARKETS OVERVIEW

Unbearably Bearish would aptly describe the naphtha market of late, as sentiment deteriorated while weakness filtered into the cracks. There is an expectation of more supply coming online as refineries come out of maintenance, while petrochemical demand remains weak. The front NWE crack capitulated and fell below -\$5/bbl, while the Bal-Jun/Jul NWE spread fell to \$2.50/mt amid intense selling flows from trade houses and majors. Even BP's CDU outage at its Rotterdam refinery failed to spark bullish appetite, as buying was easily sold into. bearish momentum is accelerating in the naphtha cracks. Here, short positioned players are comfortably in the money, with an average entry level of around -\$4/bbl. Nonetheless, we suggest caution with open interest levels above 5-year highs, and an overcrowded short market could be vulnerable to bullish catalysts.

Cheaper Murban crude and Ruwais shifting to use more of it should lead to increased naphtha supply from the AG, which adds to the **looser supply environment**. We also saw C5 cargoes arriving in Europe from the US Gulf Coast, instead of Asia, which supports the E/W and will likely encourage better cargo flow into the East. In Japan, Cosmo Oil shut its 102 kb/d No.2 CDU at the Chiba refinery on May 22, but Maruzen Petrochemical, which takes naphtha from the site, isn't looking for extra supply. Meanwhile, Lotte Chemical Indonesia is starting up its new naphtha cracker and expects on-spec ethylene by this weekend—about a week behind schedule. First-half July CFR Japan open-spec naphtha prices firmed as spot buying interest remained strong. YNCC in South Korea picked up one 25kt cargo for early July at a \$8/mt premium, plus three more for late July via tender. Lotte Chemical and China's UNIPEC also issued tenders for early July deliveries to Tianjin and Yangshan. Propylene prices fell on oversupply and weak demand. Northeast Asia saw surplus cargoes and low Chinese buying; SE Asia had healthy supply but sluggish derivative demand. Butadiene softened due to weak tire demand, lower China prices, and added pressure from a shutdown at a Chinese styrene-butadiene latex plant after a nearby explosion.

The East/West (Mean of Platts-Japan naphtha vs NWE naphtha) came off over the week as July'25 fell from \$24 to \$22/mt, with Asian sentiment weak. Initially, the E/W was elevated as US naphtha (C5) cargoes were directed to the NWE, while a rally in the TC5 freight rate and Eastern import tenders supported prices. Open interest is heavily concentrated in Jul'25, where levels are 65% above their 5-year high. Market positioning is getting shorter here, however, buying flows have arrested further bearish action. This is attributed to nervous shorts exiting their position.

Open interest (OI) across the naphtha complex indicated strong increases over the fortnight. There is significant risk appetite in the front East/West tenors. OI in the Jul'25 NWE naphtha crack breached the 5-year high over the week. The Q1'26 MOPJ crack is also seeing significant interest, with levels 500% above the 5-year average.

Both the Jul/Aug '25 NWE and MOPJ naphtha spreads have weakened notably in the past two weeks. The NWE spread dropped from \$4.50/mt to \$3.00/mt, nearing key support around \$2.20/mt. Positioning flipped from net short to net long against Onyx, with trade houses buying nearly 1mb, though they remain overall short. The MOPJ spread followed a similar path—steady near \$5.00/mt, briefly spiking to \$6.75/mt on 02 June, then sliding to \$3.50/mt by 05 June. Trade houses sold over 1.6mb on 03 June but bought some back the next day. They're still net long here. Hedge funds have added and held modest long positions in both markets.

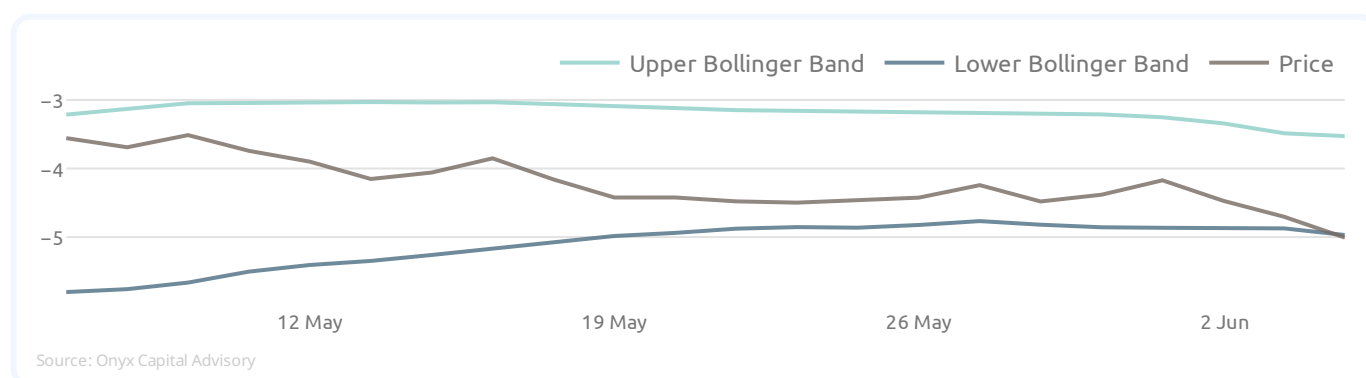
The M1 TC5 freight rate (Middle East to Japan) hit resistance at \$33.00/mt again this week and softened to just under \$31.90/mt on June 4. That's down roughly \$17.50/mt compared to the same time last year.



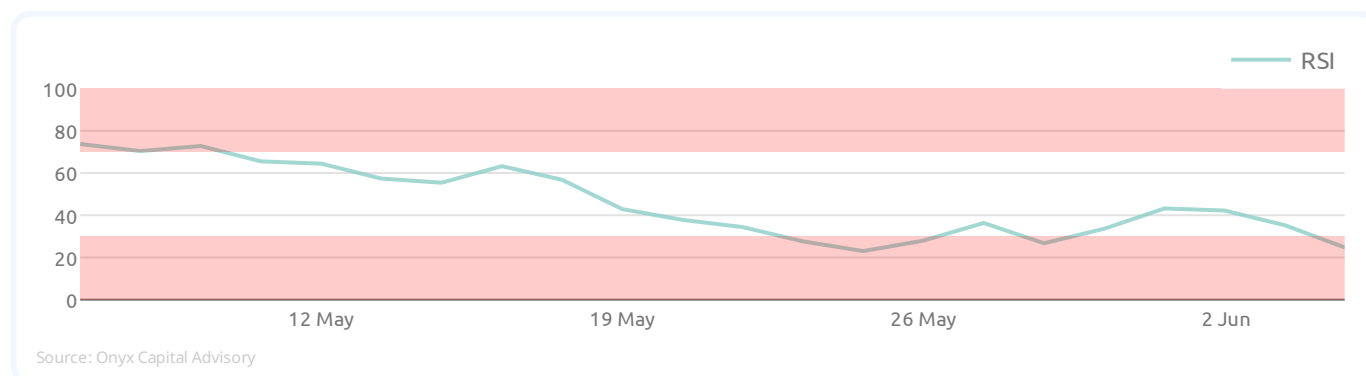
SHORT Q3'25 NWE NAPHTHA CRACK (\$/BBL)

The naphtha complex has seen incredibly bearish sentiment as price action capitulated, especially in the cracks. There is expectation of greater naphtha supply coming online. As refineries return from maintenance, we anticipate higher utilisation rates especially as gasoline and distillate cracks hold up. Prompt spreads are relatively depressed, but there could be further downside in the cracks, where Q3 has fallen to -\$5/bbl levels. From a seasonal basis, price action is relatively high, only surpassed by 2021 levels. Daily candlesticks reveal a bearish 'three black crows' pattern, while momentum indicators reveal a strengthening bearish trend. We caveat that the short-positioned market could be prone to a reversal in the event of a bullish catalyst, such as intensified drone strikes on Russian refineries or easing of trade tensions between China and the US.

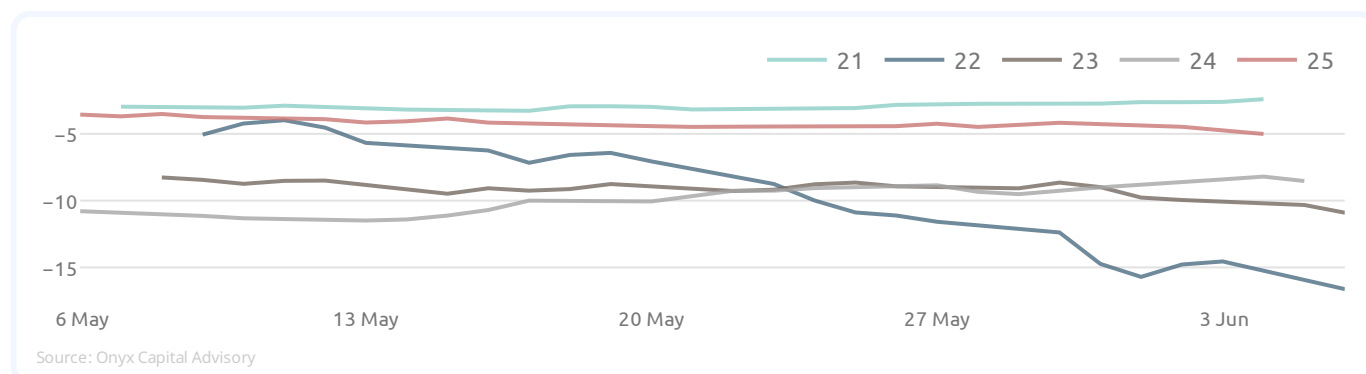
SHORT Q3'25 NWE NAPHTHA CRACK (\$/BBL)



14D RSI MARKER



HISTORICAL Q3 NWE NAPHTHA CRACK (\$/BBL)

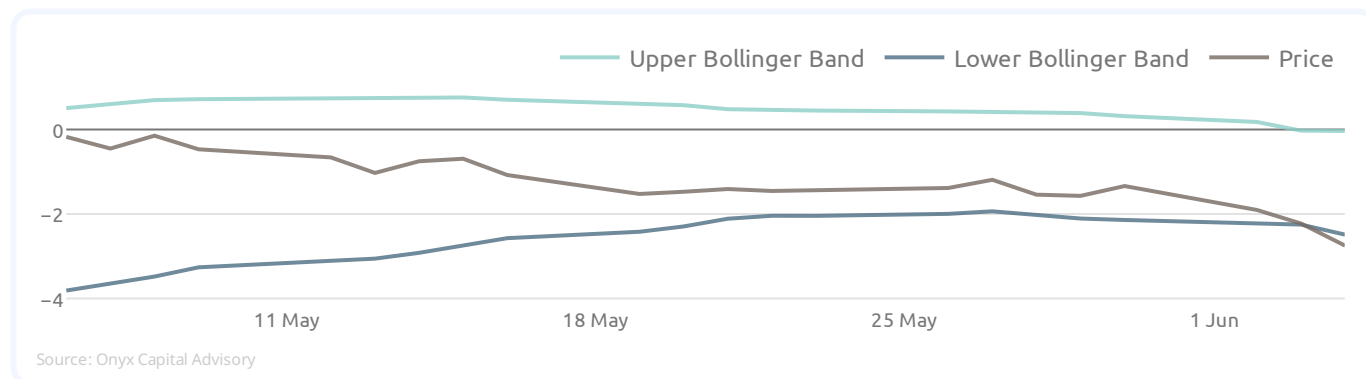




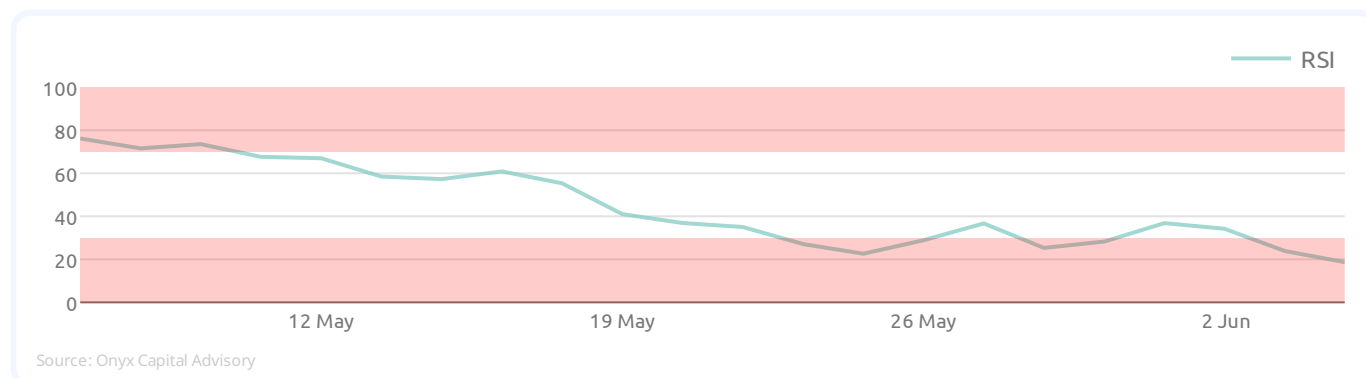
SHORT JUN'25 MOPJ CRACK (\$/BBL)

Our previous report recommended selling the Jun'25 MOPJ crack as OI was extremely high and net positioning against Onyx was dropping. From the intraday high of around -\$1.00/bbl on 22 May, our last report, the contract has dropped to around -\$2.80/bbl at the time of writing on 05 Jun amid wide weakness in naphtha.

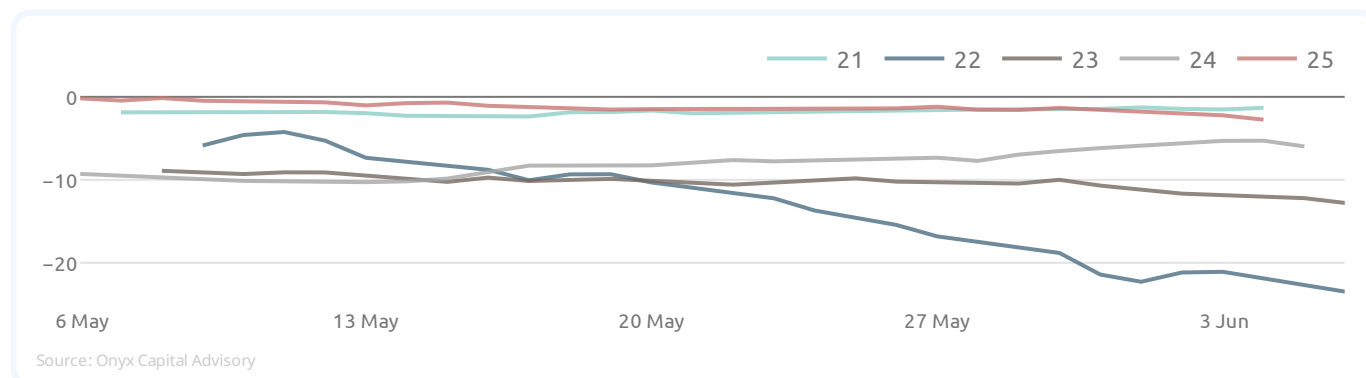
SHORT JUN'25 MOPJ CRACK (\$/BBL)



14D RSI MARKER



HISTORICAL JUNE MOPJ CRACK (\$/BBL)

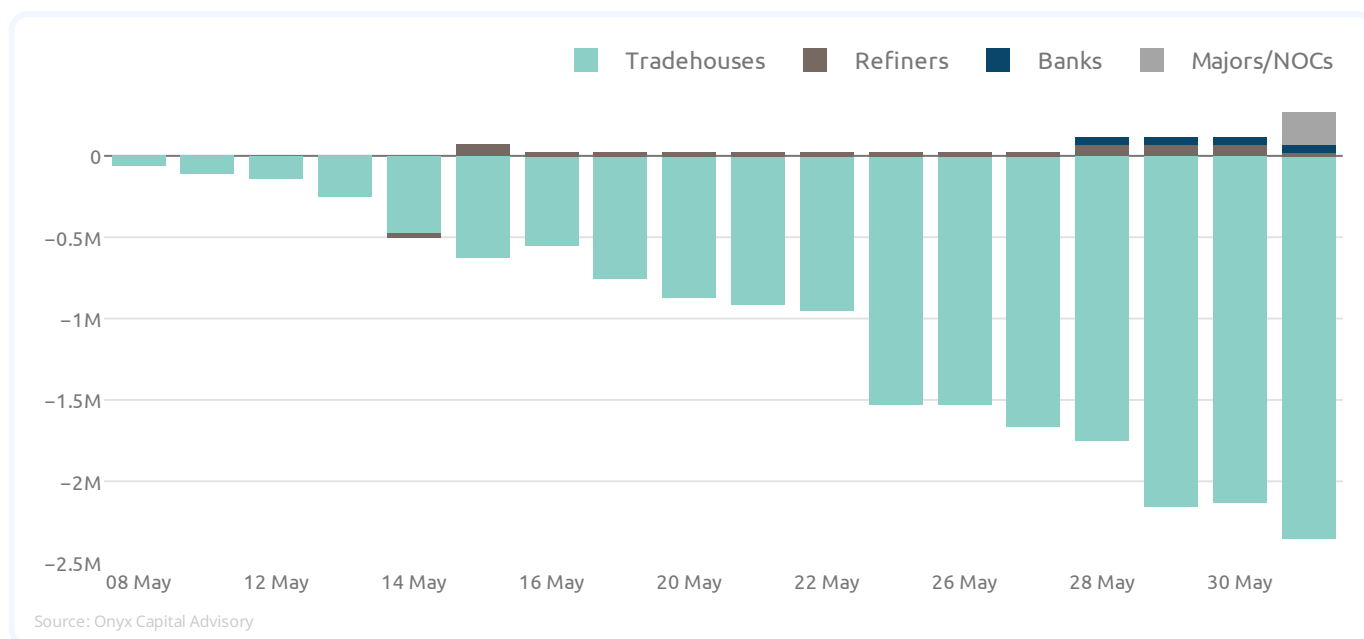




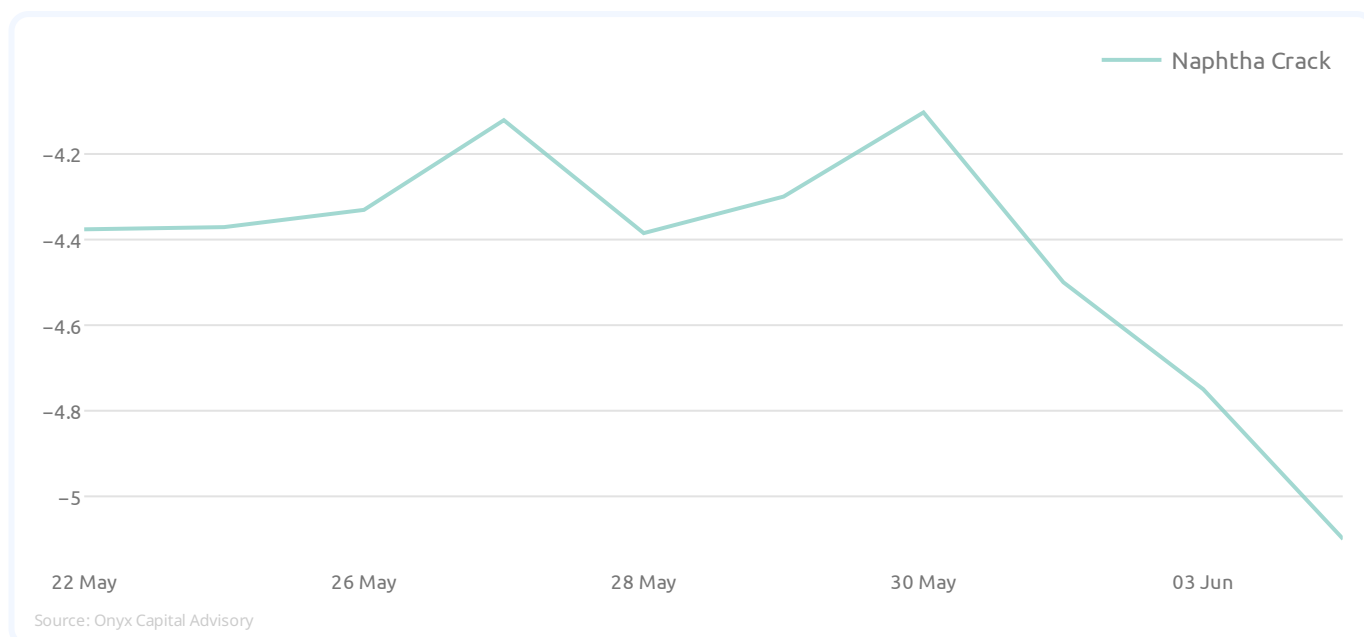
PRICE ACTION & POSITIONING

The Jul'25 NWE naphtha has been on a downward trajectory, falling from -\$4.10/bbl on 30 May to -\$5.10/bbl by 4 June. Cracks are seeing strong bearish pressure as sentiment deteriorates on expectations of higher supply, with refiners coming out of maintenance and the Ruwais refinery's switch to run the lighter Murban crude. Participants have been getting shorter against Onyx, with net positioning since contract inception down from -2.35mb on 21 May to -4.0mb by 4 June. Shorts are now comfortably in the money, with the 90-day average entry price around -\$4.05/bbl. Trade houses have driven this selling flow, but refiners were seen on the buy side this week.

JUL25 NAPHTHA CRACK COUNTERPARTY NET POSITIONS IN THE LAST MONTH (BBLs)



JUL25 NAPHTHA CRACK PRICE ACTION (\$/BBL)

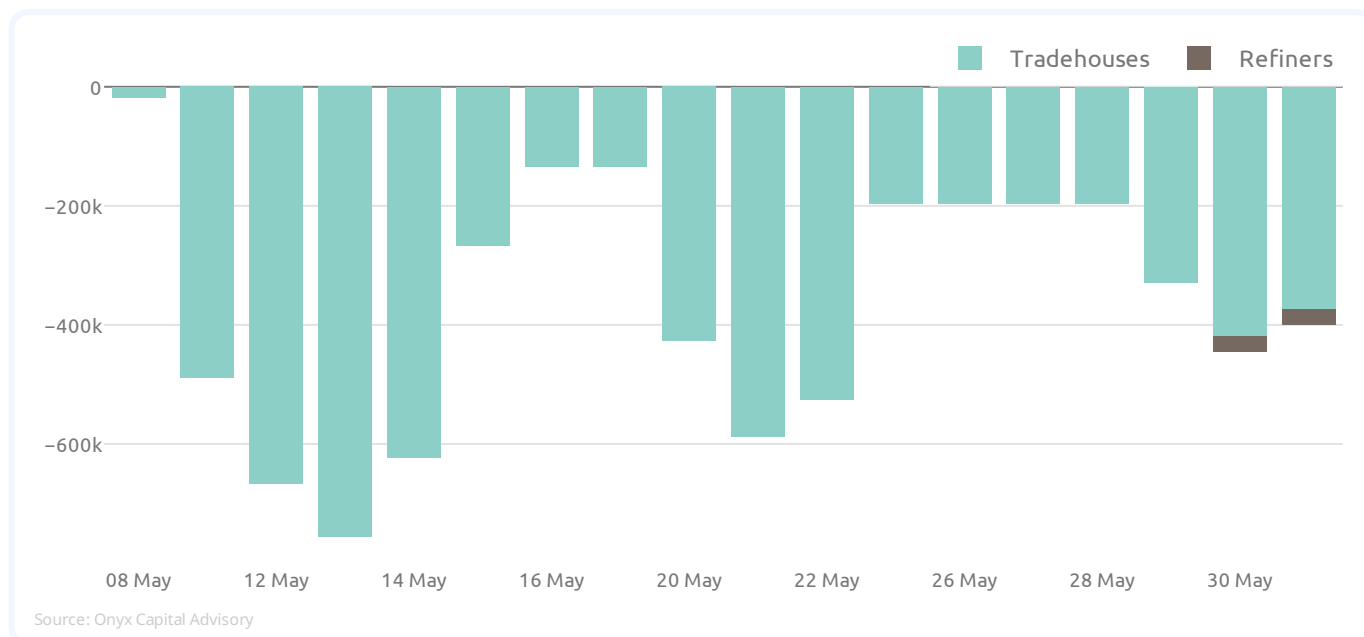




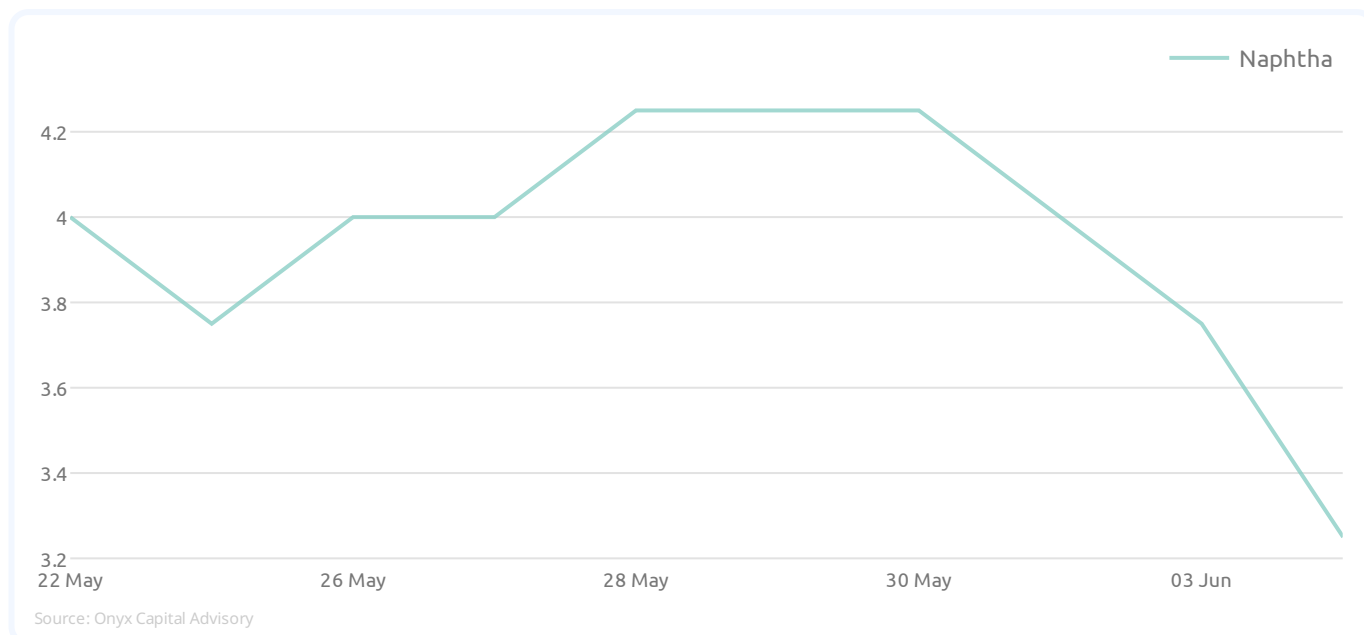
PRICE ACTION & POSITIONING

The Jul/Aug'25 NWE naphtha spread has seen significant weakness this fortnight, with prices declining from \$4.50/mt on 22 May to \$3.00/mt at the time of writing on 05 Jun. Prices for this M1/M2 spread are now trending towards the 2025 lows of \$2.20/bbl, which acted as support on 08 Jan and 04 Apr. Net positioning against Onyx has risen into positive territory this week, from a low of -845kb on 21 May to +312kb on 04 Jun. Trade houses have bought well in the past week, adding over 975kb of length in the Jul/Aug'25 spread 30-04 Jun. Trade houses remain short, overall, having sold a total of 295kb to Onyx. Prop traders bought 178kb on 02 Jun, but they are also short overall.

JUL25\AUG25 NWE NAPHTHA COUNTERPARTY NET POSITIONS IN THE LAST MONTH (BBLs)



JUL25\AUG25 NWE NAPHTHA PRICE ACTION (\$/BBL)

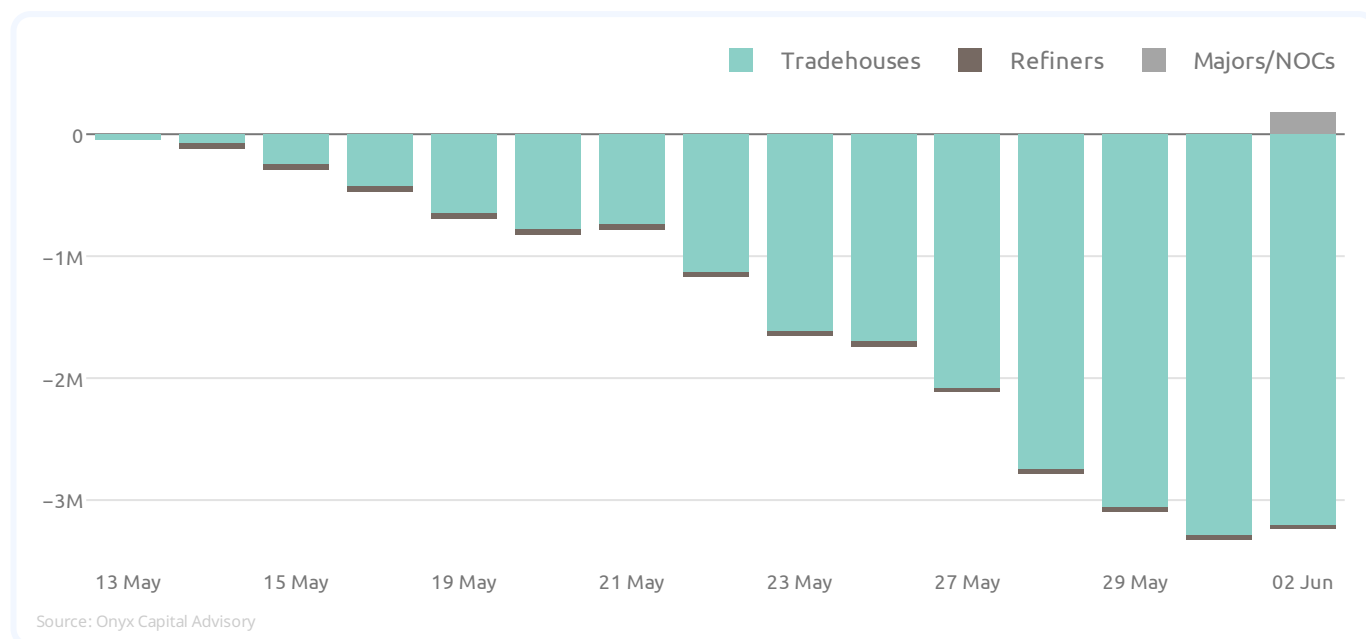




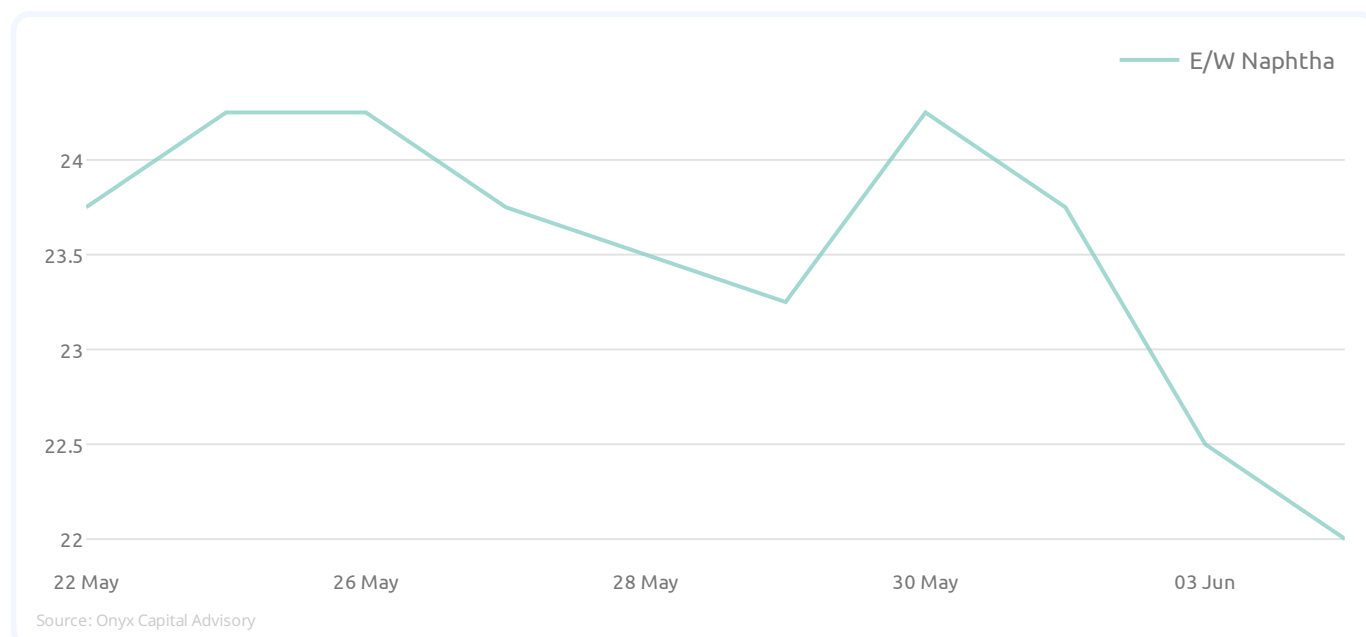
PRICE ACTION & POSITIONING

The Jul'25 differential between the Mean of Platts-Japan (MOPJ) naphtha and NWE naphtha (East/West) has come off at the start of June, from \$24 to \$22/mt, retreating to pre-rally levels. With US cargos making their way into Asia, this has pressured the differential. Open interest is concentrated in Jul'25, and levels are 65% above the 5-year maximum. Market positioning has been getting increasingly shorter, with net positions in Jul'25 falling to -4mb by 30 May. However, recent days saw better buying flows, including from majors. There is support at the \$22/mt level, and part of this buying is attributed to nervous shorts exiting their position.

JUL25 NAPHTHA E/W COUNTERPARTY NET POSITIONS IN THE LAST MONTH (BBLs)



JUL25 EAST/WEST PRICE ACTION (\$/MT)

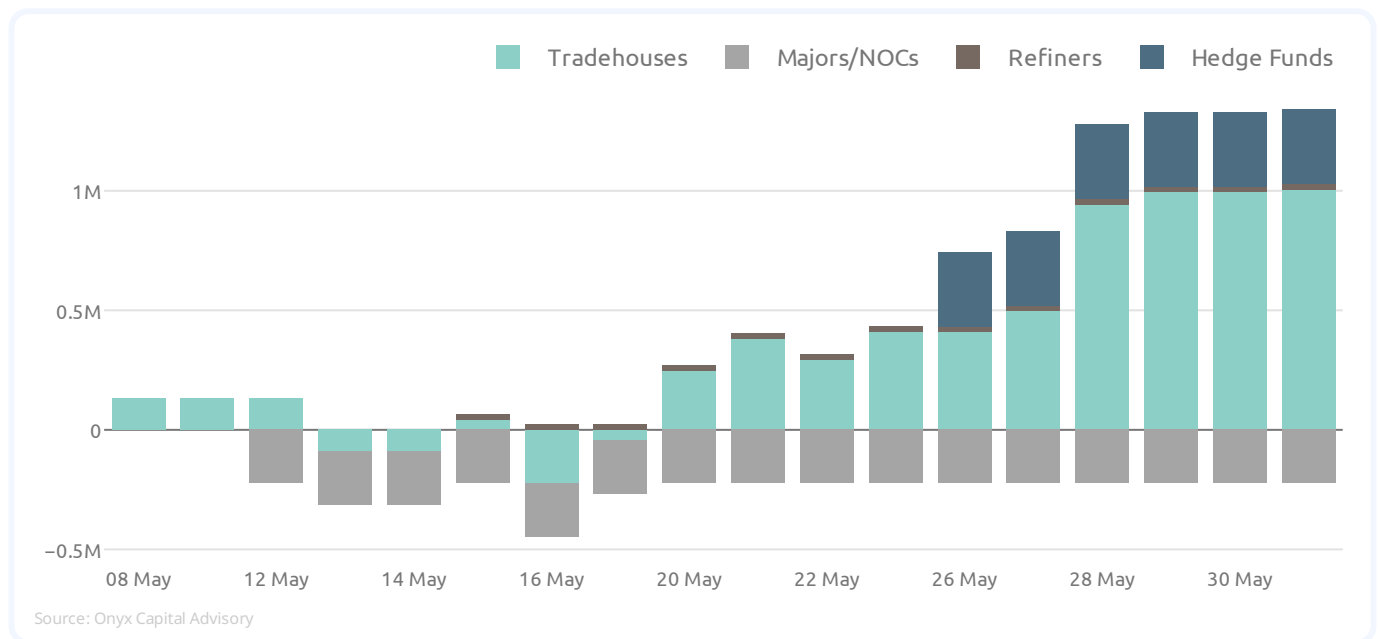




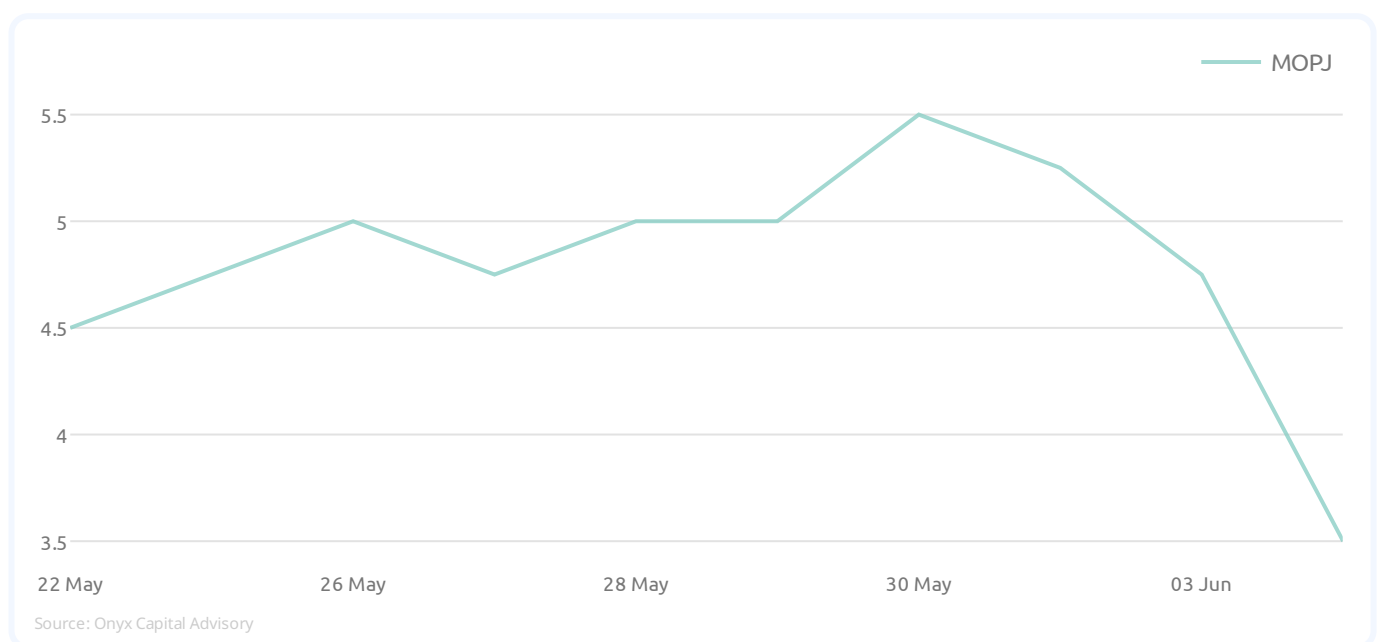
PRICE ACTION & POSITIONING

Like the NWE naphtha spread, the Jul/Aug'25 MOPJ spread has also fallen this fortnight, with price action under pressure from quite stable around \$5.00/mt 26-30 May to see a fleeting high of \$6.75/mt on 02 Jun before dropping to \$3.50/mt on 05 Jun at the time of writing. Trade houses initially added length in the contract but were heavy sellers, selling over 1.6mb of the front MOPJ spread on 03 Jun, buying back around 550kb the next day. Trade houses remain net long against Onyx in the front spread. Hedge funds bought 311kb of the spread on 26 May and continue to hold the length.

JUL25\AUG25 MOPJ COUNTERPARTY NET POSITIONS IN THE LAST MONTH (BBLs)



JUL25\AUG25 MOPJ PRICE ACTION (\$/MT)

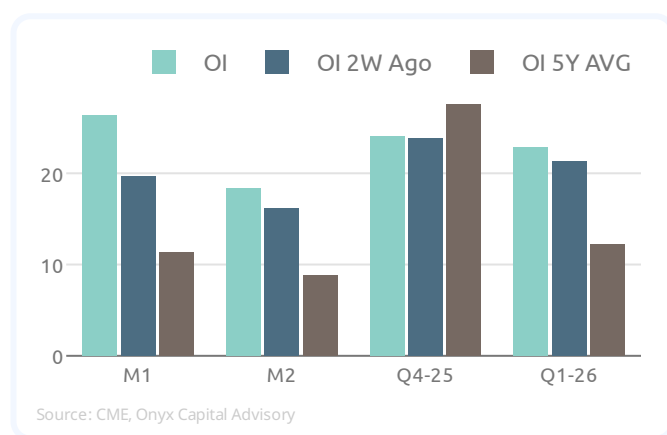




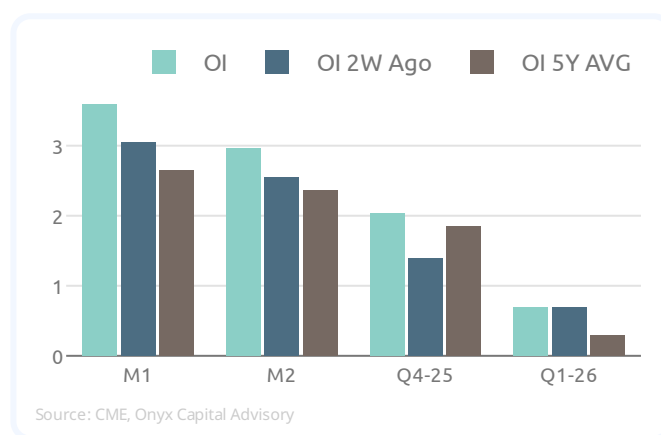
NAPHTHA COMPLEX

Open interest (OI) in the naphtha complex increased across all selected M1 contracts over the past fortnight. Notably, market risk is concentrated in the M1 Jul'25 East/West, with OI levels 65% above the 5-year high. A similar trend is seen in the M2 Aug'25 E/W. The Q1'26 MOPJ crack is also seeing significant interest, with levels 500% above the 5-year average, indicating strong interest in winter tenors very early on in the cycle. OI in the Jul'25 NWE naphtha crack also breached the 5-year high over the week. However, OI in Q4'25 is lagging behind the 5-year average by 10%.

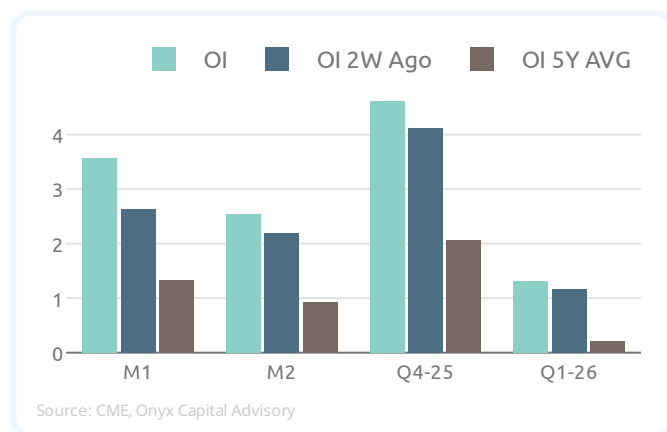
NAPHTHA CRACK (MB)



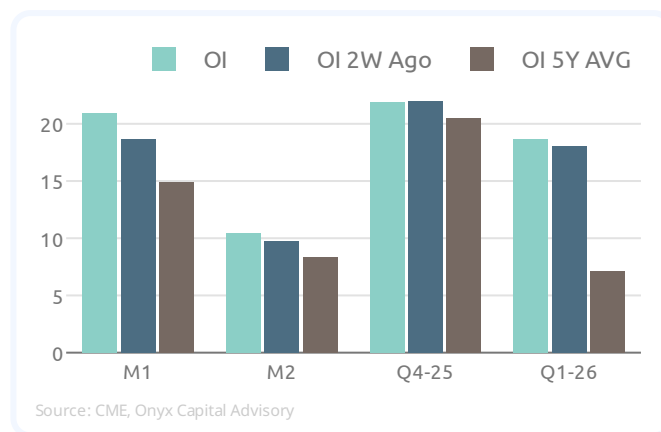
GASNAPH (MB)



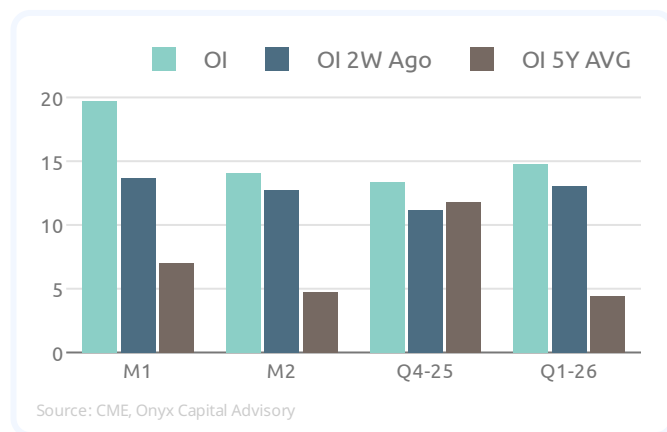
MOPJ CRACK (MB)



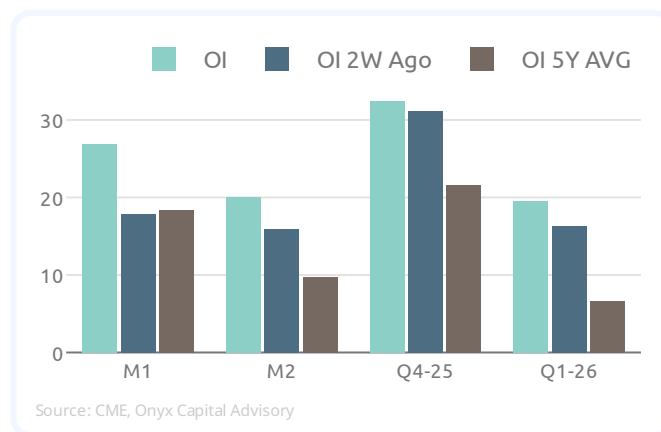
NWE NAPHTHA (MB)



E/W NAPHTHA (MB)



MOPJ (MB)

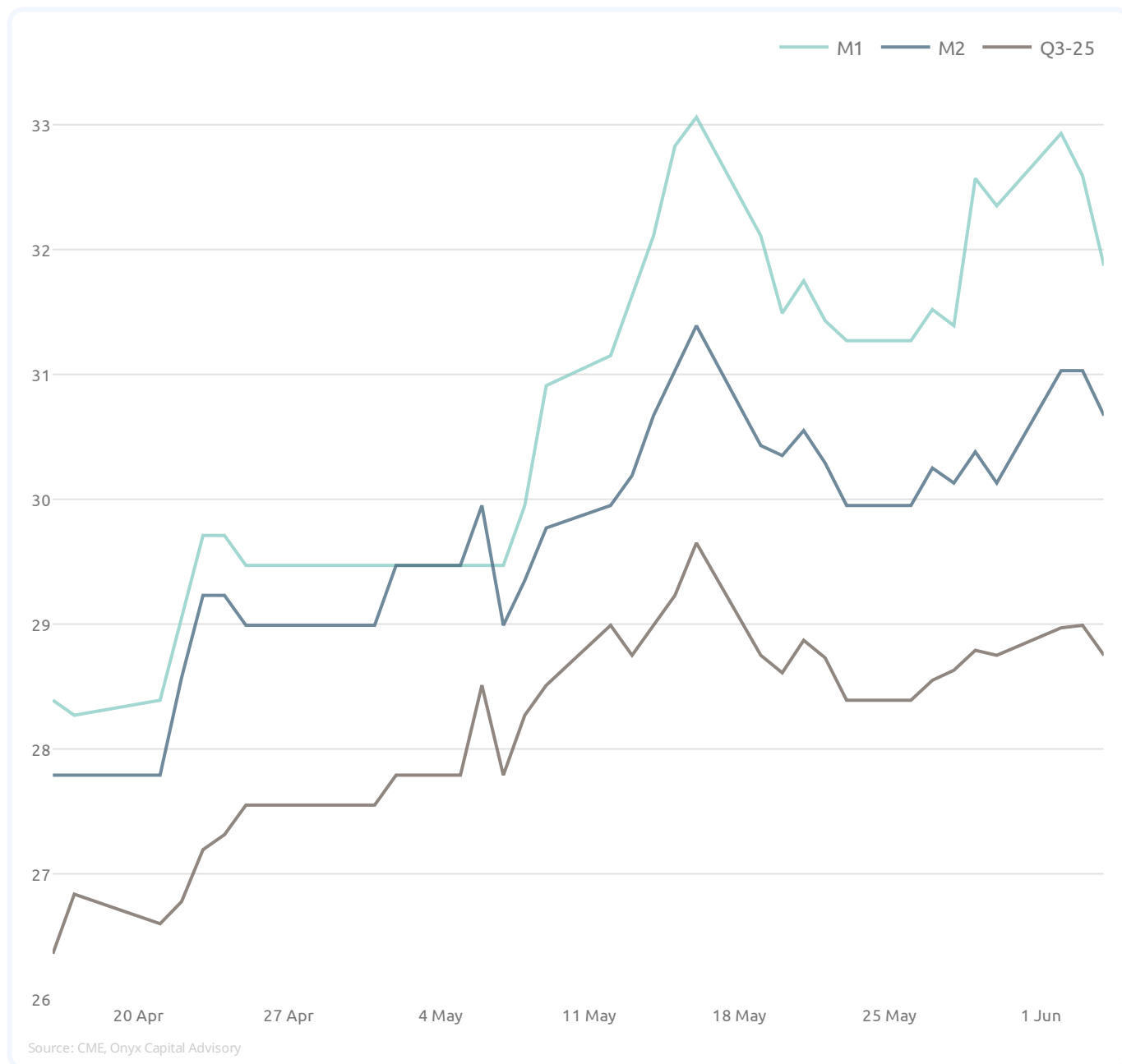




FREIGHT STRUCTURE

The M1 TC5 freight (from the Middle East to Japan) reached resistance at \$33.00/mt again this week, before softening to below \$31.90/mt on 04 Jun. Levels are significantly lower than this time last year, by around \$17.50/mt. The Suez Canal Authority aims to increase traffic through the Red Sea and has recently offered discounts on various transit fees to do the same, thereby easing freight rates.

TC5 MIDDLE EAST TO JAPAN (\$/MT)



CORRELATION ANALYSIS

10/15



30D CORRELATION MATRIX

BRT	1.00	0.00	0.00	0.00	0.00	0.00	0.00
DUB	0.69	1.00	0.00	0.00	0.00	0.00	0.00
NAP EW	0.39	0.15	1.00	0.00	0.00	0.00	0.00
GASNAP	0.02	0.16	0.22	1.00	0.00	0.00	0.00
MOPJ CRK	-0.36	-0.35	0.13	-0.37	1.00	0.00	0.00
NWE NAP CRK	-0.01	0.17	0.36	0.12	0.21	1.00	0.00
WTI	0.62	0.71	0.29	0.14	-0.16	0.17	1.00
	BRT	DUB	NAP EW	GASNAP	MOPJ CRK	NWE NAP CRK	WTI

Source: Onyx Capital Advisory

PREVIOUS REPORT 30D CORRELATION MATRIX

BRT	1.00	0.00	0.00	0.00	0.00	0.00	0.00
DUB	0.67	1.00	0.00	0.00	0.00	0.00	0.00
NAP EW	0.50	0.48	1.00	0.00	0.00	0.00	0.00
GASNAP	0.17	0.28	0.04	1.00	0.00	0.00	0.00
MOPJ CRK	-0.39	-0.44	-0.25	-0.43	1.00	0.00	0.00
NWE NAP CRK	-0.63	-0.62	-0.43	-0.36	0.57	1.00	0.00
WTI	0.18	-0.02	0.14	-0.28	0.38	0.43	1.00
	BRT	DUB	NAP EW	GASNAP	MOPJ CRK	NWE NAP CRK	WTI

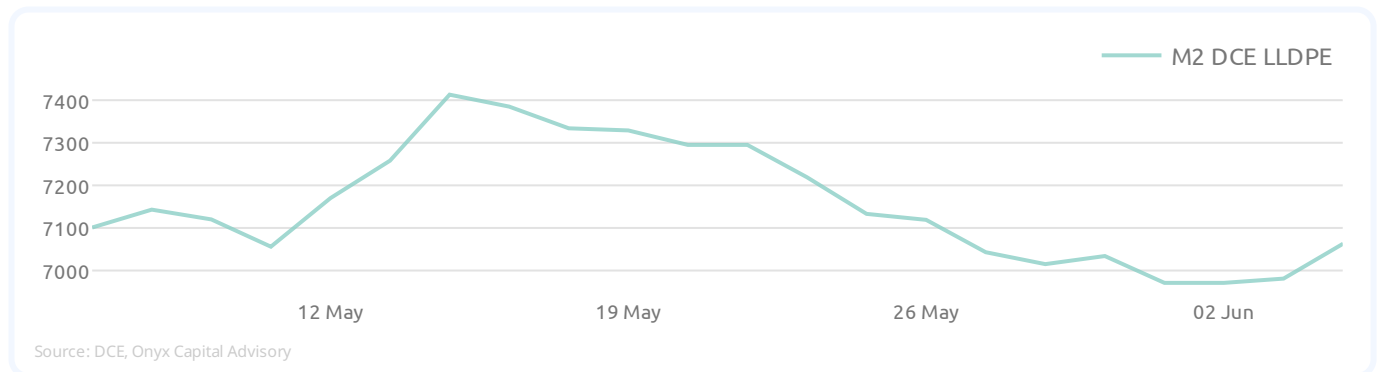
Source: Onyx Capital Advisory



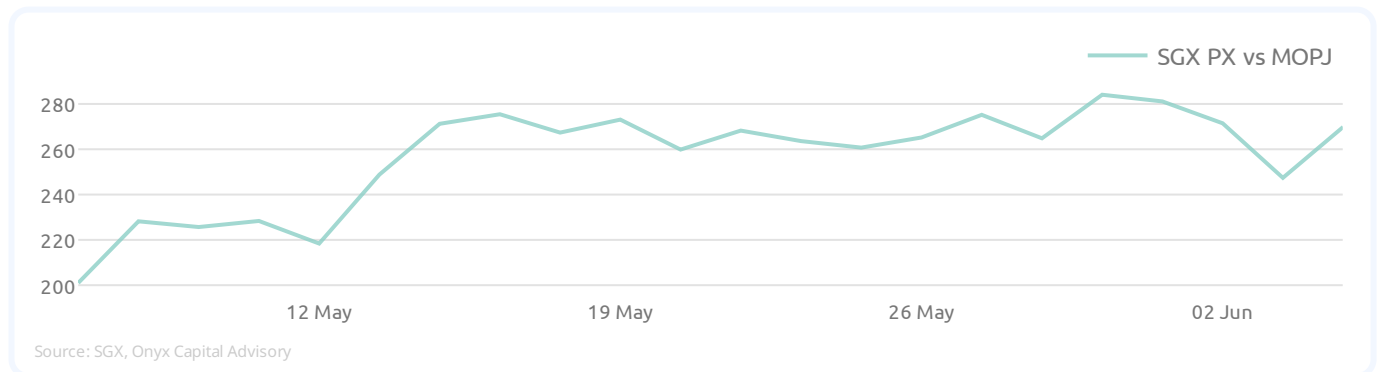
M2 ZCE METHANOL FUTURES (\$/MT)



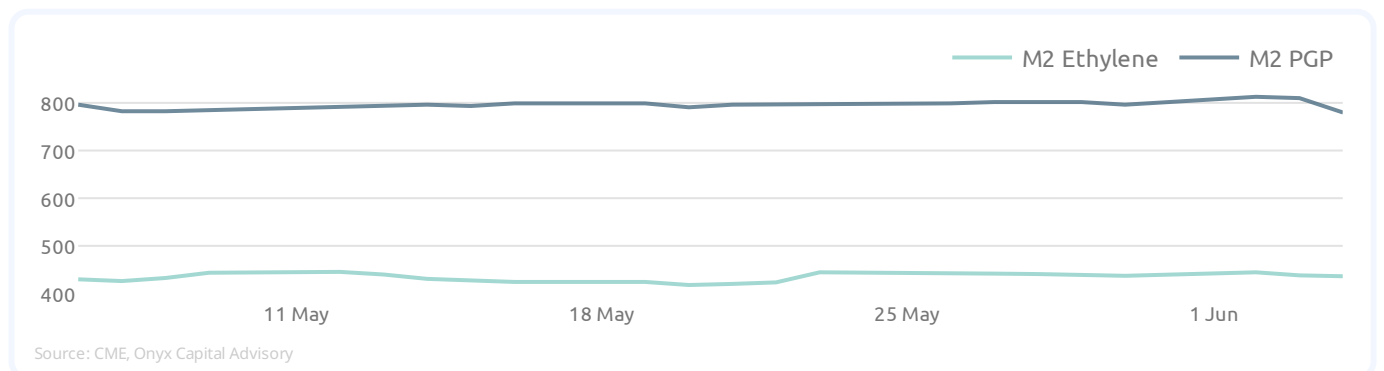
M2 DCE LLDPE FUTURES (CNY/MT)



M2 SGX PX FUTURES VS MOPJ (\$/MT)



M2 MONT BELVIEU ETHYLENE AND PGP FUTURES (\$/MT)

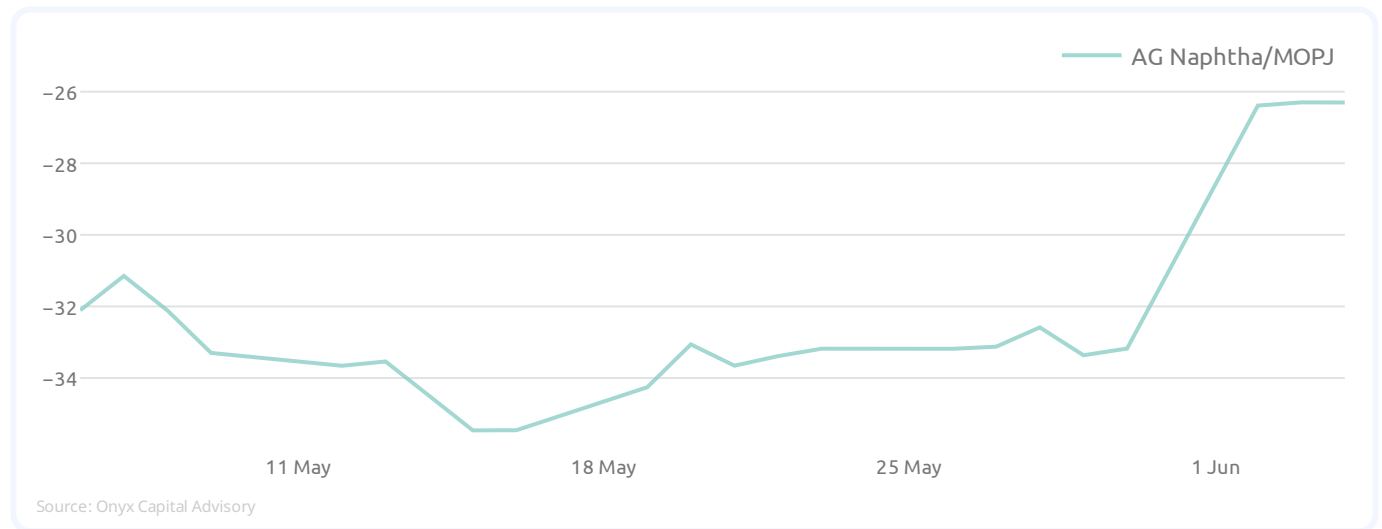


REGIONAL BENCHMARKS

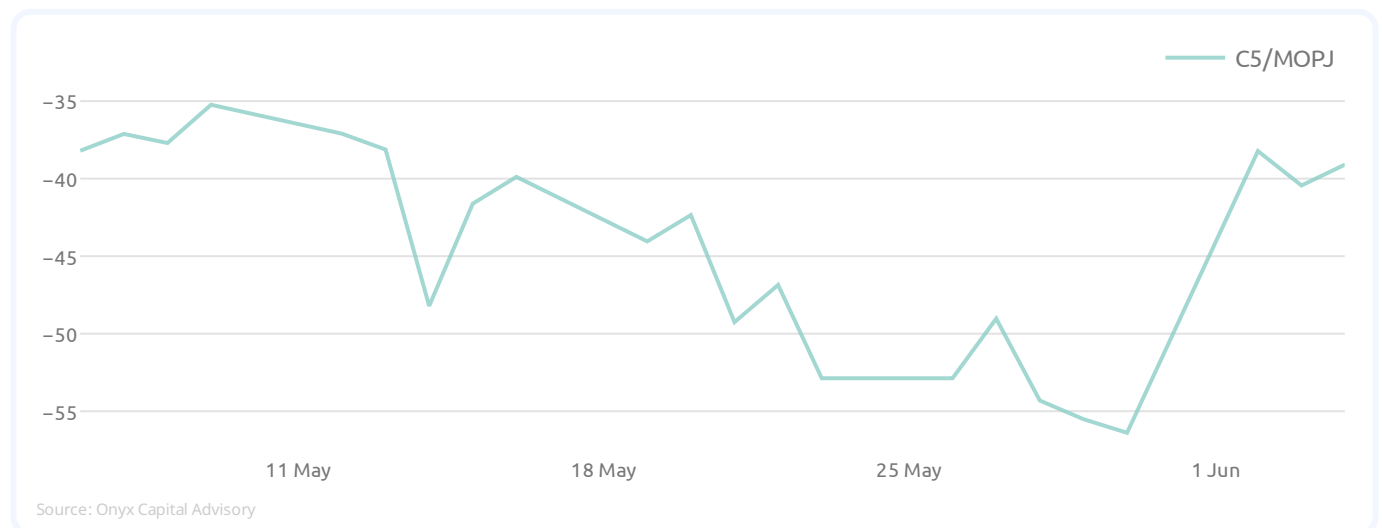
12/15



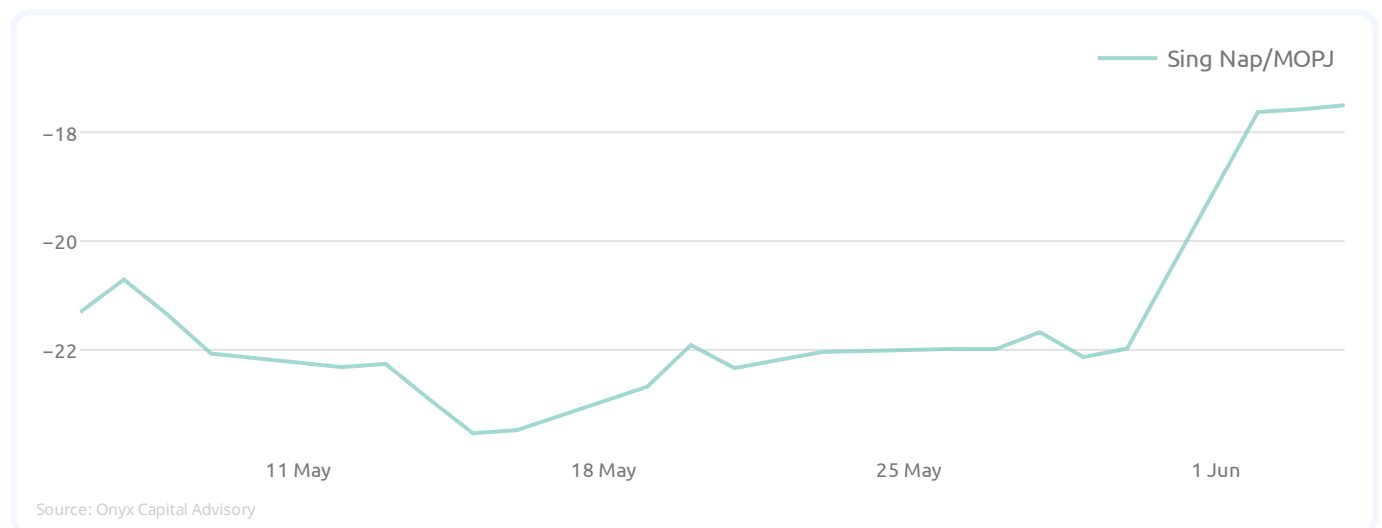
JUL25 AG NAPHTHA VS MOPJ (\$/MT)



JUL25 C5 VS MOPJ (\$/MT)

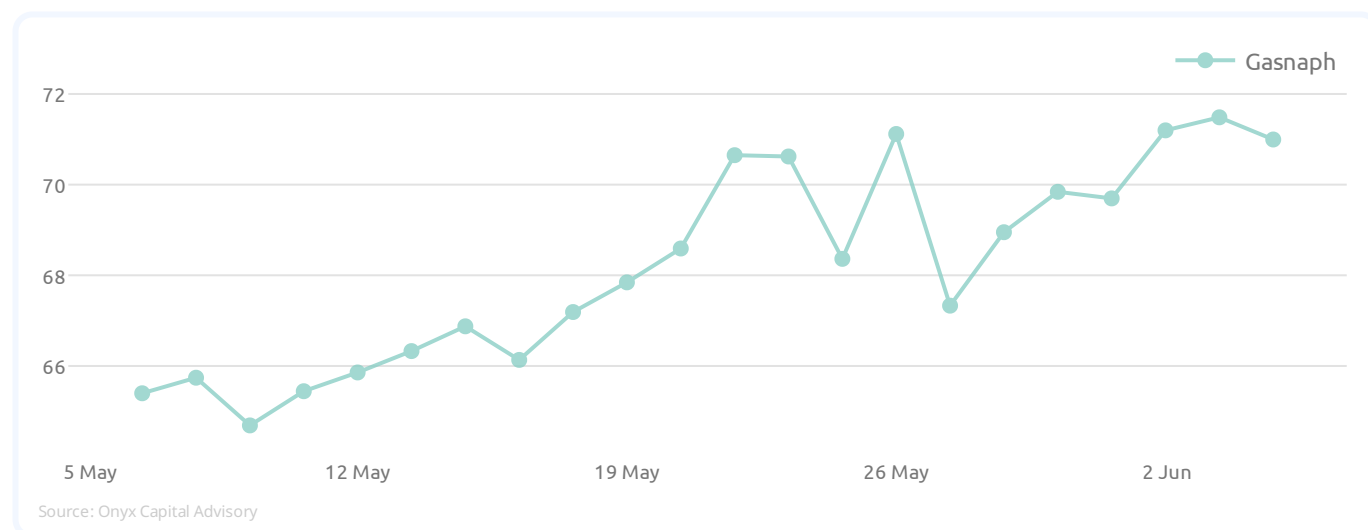


JUL25 SINGAPORE NAPHTHA VS MOPJ (\$/MT)

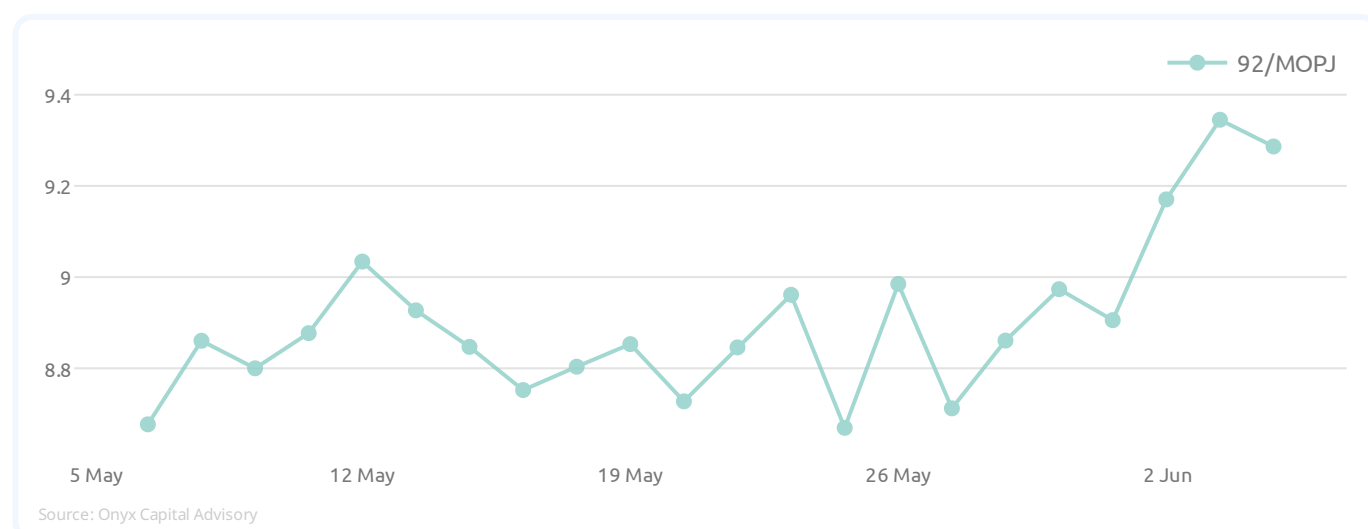




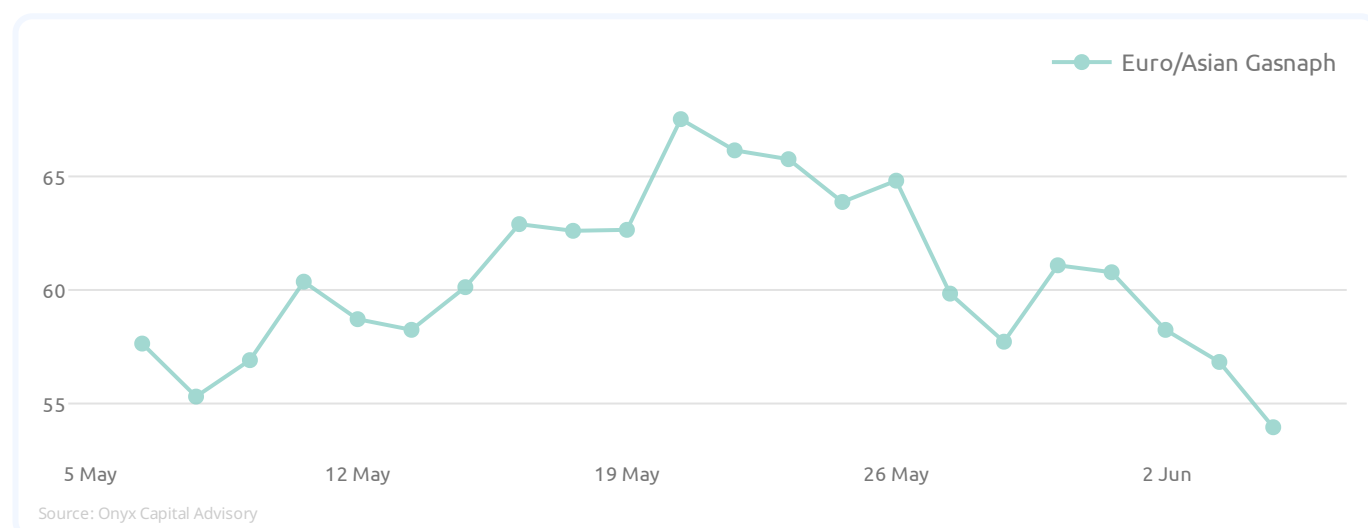
JUL25 EBOB VS NWE NAPHTHA (\$/MT)



JUL25 RON92 VS MOPJ (\$/BBL)

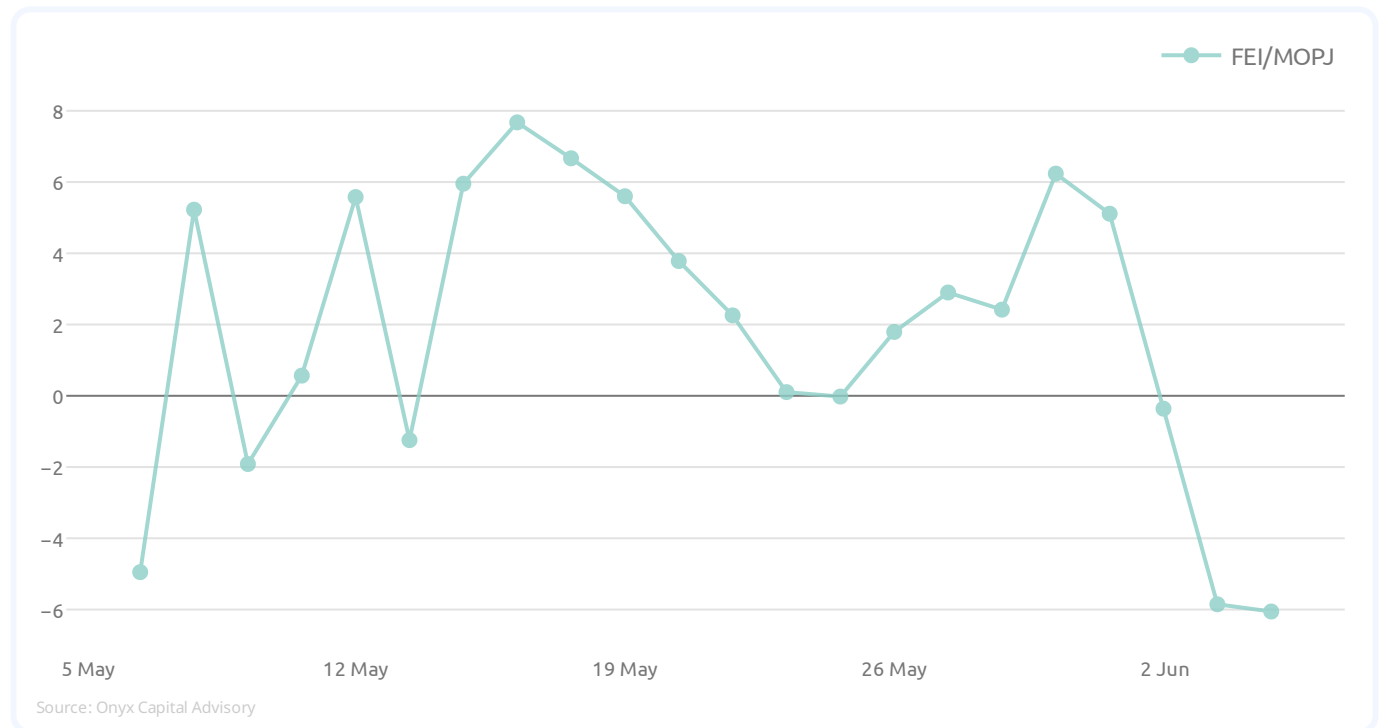


JUL25 EURO VS ASIA GASNAPH (\$/MT)

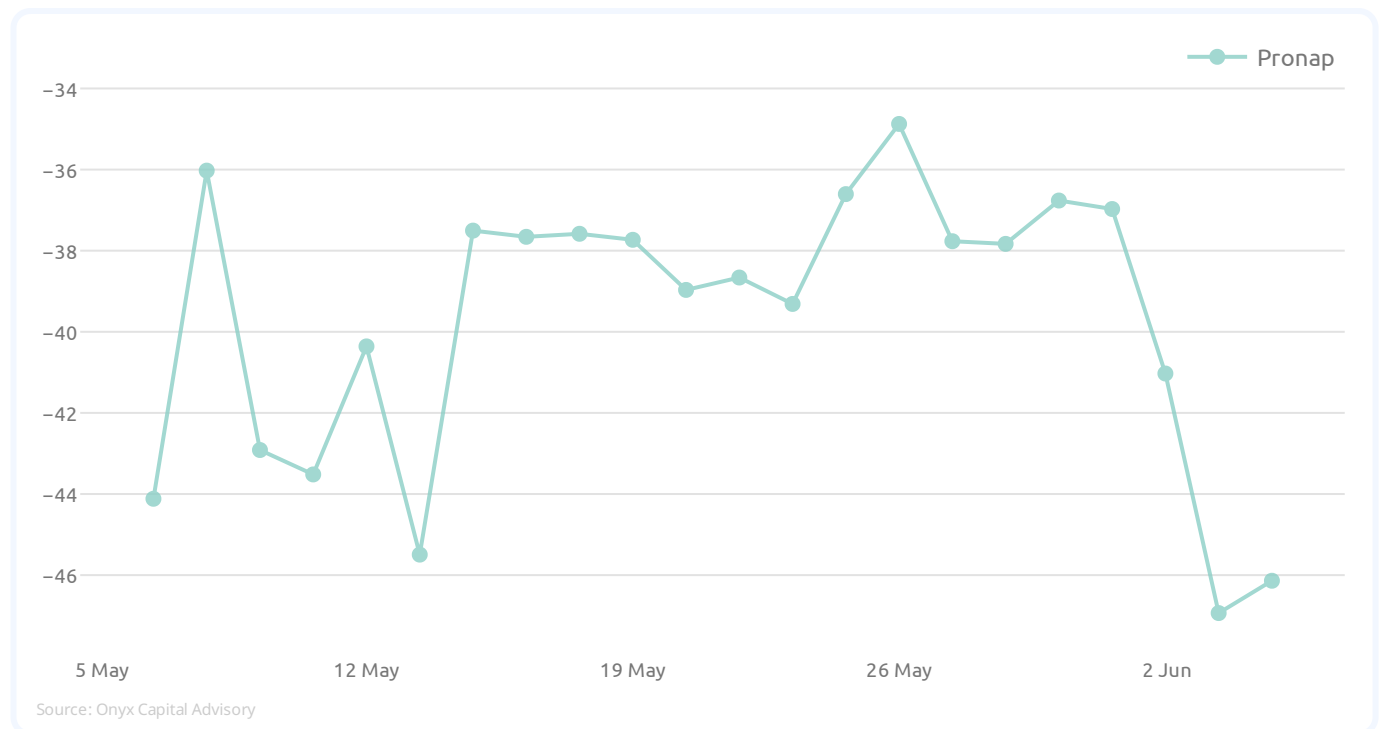




JUL25 FEI/MOPJ (\$/MT)



JUL25 EURO PRONAP (\$/MT)





Disclaimer Notice: This report contains proprietary information and is solely intended for subscribed users in accordance with our terms and conditions. It is unlawful for you to forward this report to unauthorized persons or for them to otherwise access this report.

Any recommendation, prediction, or suggestion as to an investment strategy has been prepared by Onyx Capital Advisory Limited ("Onyx") in accordance with legal requirements designed to promote the independence of investment research ("Research"). This research is directed at, and therefore should only be relied upon by, clients who have professional experience in matters relating to investments. Onyx's Research is not directed at retail clients or those in a jurisdiction in which this distribution may be restricted by local regulation or law. Onyx's publications are prepared without taking into account your specific investment objectives and financial situation, therefore before acting on any information, you should consider its appropriateness. Onyx's Research should not be regarded as a substitute for obtaining independent professional advice, including investment, tax and legal advice. Onyx's policy is to only publish Research that is impartial, independent, clear, fair, and not misleading. Any views expressed are those of Onyx's at the time the Research was prepared. No assurances or guarantees are given as to the reliability, accuracy, or completeness of any such information or any matter contained in Onyx's Research and such Research may contain statements which are matters of judgement and which are subject to change at any time without notice. Onyx accepts no duty or liability, whatsoever, to any party in respect of its Research. Under no circumstances will Onyx be responsible for any losses incurred (whatever their nature) by its clients resulting directly or indirectly from the use or interpretation of any information contained in its Research. Such Research is solely produced and published by employees of Onyx and based on publicly available information. Past performance is not indicative of future performance. Analysts are required to ensure that they have a reasonable basis for their analysis, predictions, and recommendations. Onyx maintains strict regulatory controls to mitigate any conflicts of interest including information barriers and restrictions on the undertaking of personal transactions in financial instruments. Onyx is registered in England & Wales (company number 11472304) with its registered address at 95 Cromwell Road, Second Floor, London, United Kingdom, SW7 4DL. Onyx is authorised and regulated by the Financial Conduct Authority (FCA no. 822509).