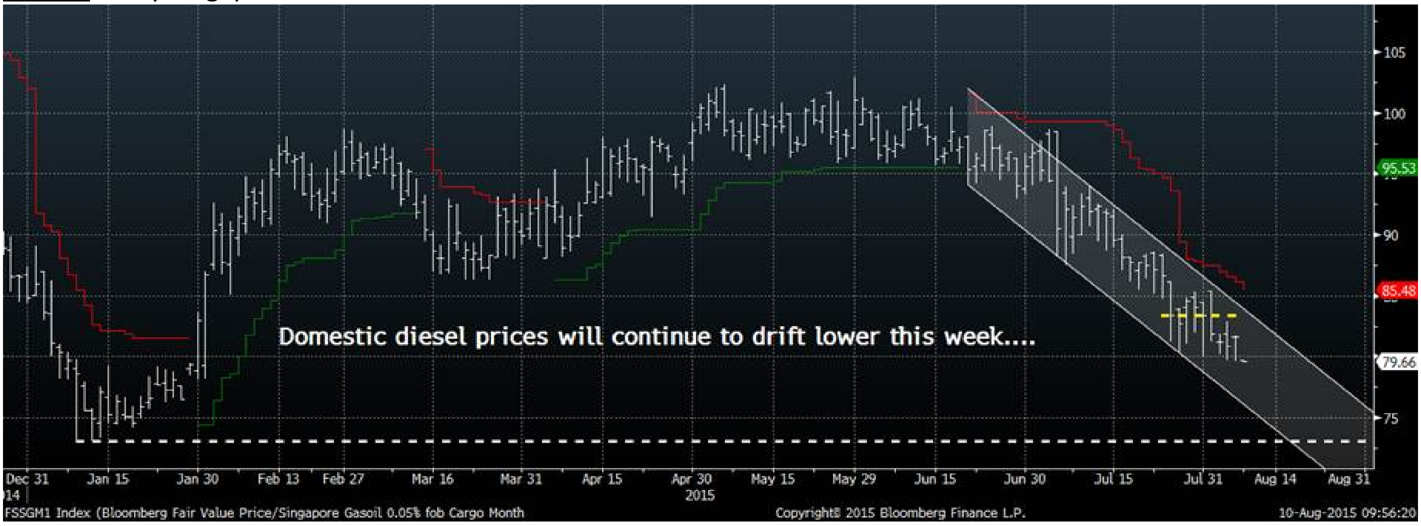
NATIONAL

THE NATIONAL GROUP

Headline: Domestic Diesel prices will continue to decline this week by 1.4cpl week-on-week.

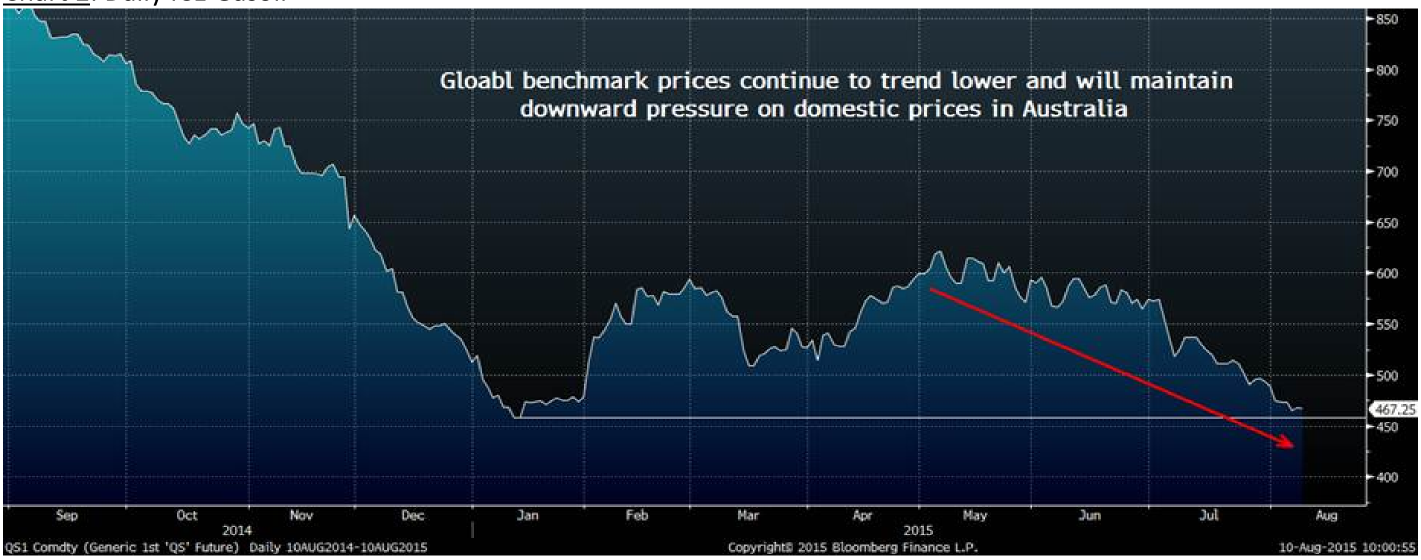
Domestic Market: The national average of diesel in Australian declined 1.6cpl week-on-week, as expected, and we are looking for further declines of 1.4cpl by the close of business this week. Last week decline means the domestic diesel price is 7.8% lower than the recent highs achieved early June of 124.7cpl. The market remains 8.4% or 8.9cpl above the lows in January of 106.1cpl. There are a number of vessels scheduled from North Asia for end of this month and early next month with clean petroleum products, which may ease the gasoline to diesel differential, however freight rates have jumped significantly in recent weeks, therefore we expect these freight increases to be passed onto the market.

Chart 1: Daily Singapore Gasoil in Australian Dollars



International Market: The global benchmarks for oil continue their downward slide as the supply overhang or glut continues to put pressure on prices. The US inventory data last week showed that stocks remain 90mln barrels above average for this time of year, despite decent refinery margins. The Baker Hughes rig count for US rigs producing oil has stabilised indicating there will be no respite in the near term of US domestic production, which is stuck around the 9mln barrels a day level. Additionally Iran still have 52.7mln barrels of crude oil in floating storage available for sale. A small light at the end of the tunnel is Chinese import data showed an increase in imports of foreign barrels to the smaller independent refineries, since the government relaxed laws about using foreign barrels. China imprted 7.3mln barrels a day last month as lower oil prices have stimulated some incremental demand.

Chart 2: Daily ICE Gasoil



NATIONAL

THE NATIONAL GROUP

Currencies: The Australian Dollar has had a mini recovery from its lows last week of 0.7249 to be back around the 0.7400 area. The RBA left rates unchanged at 2.00%, which was largely expected by the markets, however retail sales surprised to the upside, which spurred the Aussie higher, retail sales come in higher at 0.8% compared to 0.4% expected. The Peoples Bank of China are also implementing their own form of quantitative easing to support growth. The PBOC is pumping funds into regional banks, which act as state lenders, to finance government backed programmes to drive growth.

Chart 3: Daily 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	1.1525	1.1611	1.1682	1.1682	1.1888