

Fearnleys Weekly Report

Week 3 2020

Printer version

Tankers

Comments

VLCC

From the dog house to the outhouse. The VLCC market showed signs of weakness at the end of last week, although things have gone from bad to worse in last 24 hours. This time last week owners were logging earnings well north of USD 100k/day, but with last done for the benchmark MEG/China run now standing at ws85, TCE's have shed USD 30-40k depending on the vessel's specs. Sentiment plays a large part, but tallying up the month of January, OPEC's additional 500' bpd cut has resulted in a considerable lower MEG fixture count then the previous months, and with that February has kicked off with a tonnage surplus. The US-Iran conflict camouflaged the fundamentals as oil supply fears spurred charterers to ramp up the fixing activity. However, as tensions have eased reality has hit home, and greed and fear have swapped sides. As the saying goes; the market takes the stairs up, but the lift coming down. All said and done, however, earnings are still pretty good in a historic perspective, and we don't see the bottom dropping out of the market - fundamentally we remain bullish for the balance of the year.

Suezmax

Following last week's fixing frenzy, things have calmed down considerably this week. Gains made from last week have so far vanished, and owners are thus back to square one. Activity level over-all still looking good, right now it is a case of sentiment trumping fundamentals. Atlantic market is coming off, not a collapse, but a downward correction was bound to happen. Some of the reason is ballasters from the east - looking to West Africa instead of going into MEG with the political uncertainty we have there now. This also causing the east-market to remain at decent levels.

Aframax

In the Baltic and North Sea market, rates have continued to come down this week. This has much to do with re-lets being in position to cover the cargoes coming into the market, leaving less activity for independent owners. We have also seen Suezmaxes come into play and take out Baltic stems. We expect the downward pressure on rates to continue into early February, unless something drastic happens. In the Mediterranean and Black Sea, we have seen benchmark routes drop 20-30 points on world scale this week, with TD19 currently trading around ws150. Although we have seen cargo activity pick up somewhat on intra-regional movements, and also a few ships fixing fuel stems and leaving the market heading East, the recent increase in cargo activity has not been sufficient to satisfy tonnage piling up in the area. We still need a few more prompt ships off the tonnage list before we can see an upward correcting in rate levels. One to keep in mind this time of year, is how the current delays in the Bosphorus develop going forwards.

Rates

Dirty (Spot WS)

MEG/WEST (280 000)	WS 63.0	0.0 →
MEG/Japan (280 000)	WS 125.0	0.0 →
MEG/Singapore (280 000)	WS 125.0	0.0 →
WAF/FEAST (260 000)	WS 112.5	0.0 →

WAF/USAC (130 000)	WS 135.0	-17.5 ↓
Sidi Kerir/W Med (135 000)	WS 145.0	-2.5 ↓
N. Afr/Euromed (80 000)	WS 150.0	-25.0 ↓
UK/Cont (80 000)	WS 135.0	-15.0 ↓
Caribs/USG (70 000)	WS 390.0	-10.0 ↓

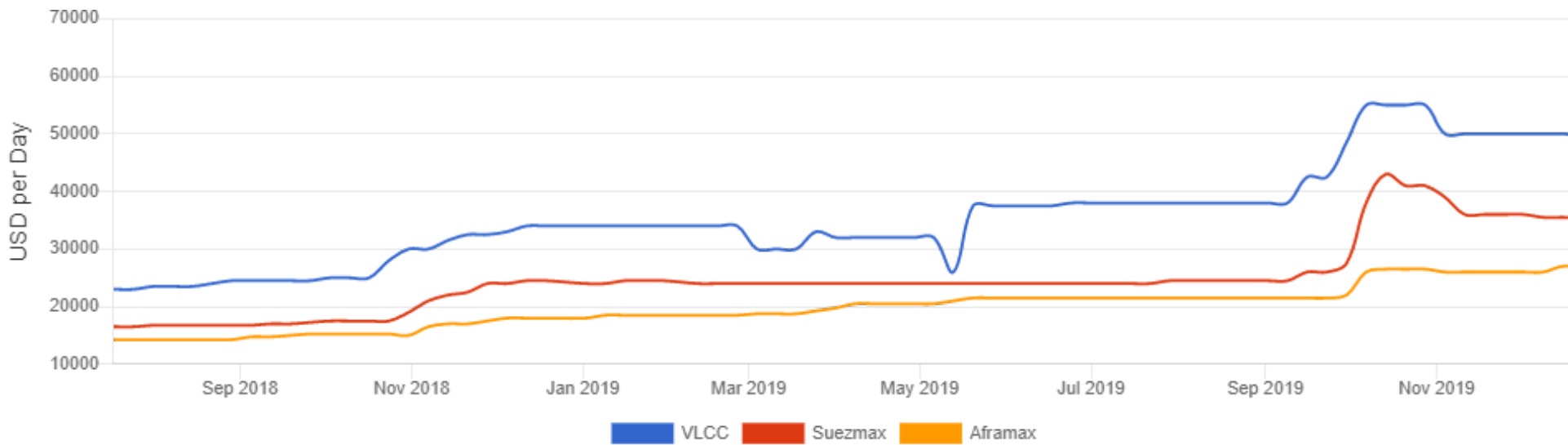
1 Year T/C (USD/Day)

VLCC (Modern)	\$65000.0	-\$5,000 ↓
Suezmax (Modern)	\$37500.0	\$0 →
Aframax (Modern)	\$27500.0	\$0 →

VLCC

VLCCs fixed in all areas last week	61	21 ↑
VLCCs available in MEG next 30 days	144	22 ↑

1 Year T/C Crude



Dry Bulk

Comments

Capesize

Still very rough seas for the big ships, with the majority of the fleet trading Far East or fronthaul and consequently earning far less than the mathematical average - same being stable w-o-w at USD 9000/day. Vintage, non-eco, non-scrubber units suffering by far the most. With historically high bunker prices, scrubber-fitted ships presently earn an extra USD 8-10k/day in comparison. Far East iron ore and coal volumes are fair but not sufficient to change a nervous spot sentiment. Atlantic and fronthaul minerals outlook is better, but still remains to be seen if live up to expectations next few weeks. Healthy period interest, but actual activity limited and much focused on index-linked levels view poor spot and forward values - representative fixtures including spot 180,000 dwt, built 2010, for about 12 months at ave5tc plus 10 pct.

Panamax

This week started in the red with limited activity, but picked up during the next days as usual. Positive sentiment, especially from ECSA, has turned the index green again with new cargoes entering the market mid-week. A TA round voyage pays owners around the mid USD 7,000 per day. A fronthaul from the Continent yields around the

low USD 15,000’s. In the Pacific basin, a round voyage pays owners around USD 4,500 per day, while a kmx fetches around 10,000 DOP Singapore for a grain run via ECSA. The BPI 4TC-index is currently at 825 points, 22 up since last week.

Supramax

The market flattening out and some more resistance from owners in the East, although still at low levels. Indo/China rv fixing around low/mid USD 6,000 bss aps Indo, while Cis rv to China talking around USD 4,500 aps. Nopac rv fixing around USD 7500 + 250k gbb aps nopac, while Aussie rv talking around low 6k dop China delivery. In the Atlantic, ECSA fh are paying around 13,000+300k gbb, while to TA to Med around USD 12,000. From Med to Wafr it is paying around USD 7,500, while fh ex Continent is paying around USD 20,000. There has been some period activity where Ultras covered short period around USD 9,500 in the Far East, while for longer periods close to 1 year, split rates are discussed roughly around 5,000 first 30 days and in the 8k’s for the balance.

Rates

Capesize (USD/Day, USD/Tonne)

TCT Cont/Far East (180 DWT)	\$26,130	\$550 ↑
Australia – China	\$7.0	-\$0.2 ↓
Pacific RV	\$4,421	-\$579 ↓

Panamax (USD/Day, USD/Tonne)

Transatlantic RV	\$7,065	-\$1,210 ↓
TCT Cont/Far East	\$15,148	\$62 ↑
TCT Far East/Cont	\$1,058	-\$1,123 ↓
TCT Far East RV	\$4,320	-\$302 ↓

Supramax (USD/Day)

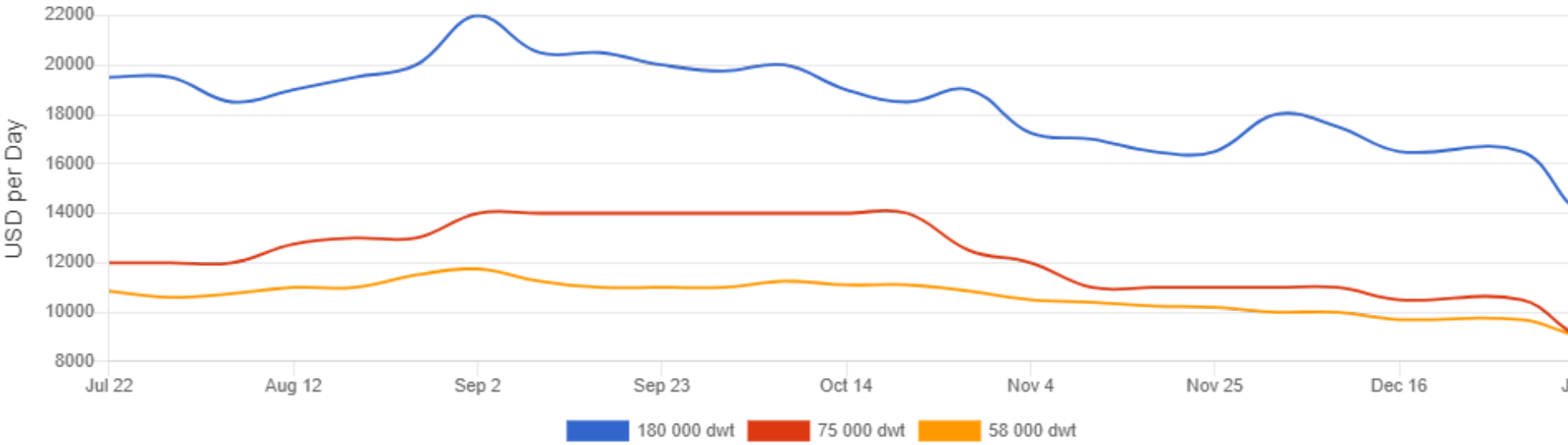
Atlantic RV	\$10,302	-\$166 ↓
Pacific RV	\$4,386	-\$164 ↓
TCT Cont/Far East	\$13,664	-\$354 ↓

1 Year T/C (USD/Day)

Capesize (180 000 dwt)	\$14,500	\$500 ↑
Panamax (75 000 dwt)	\$9,500	\$500 ↑
Supramax (58 000 dwt)	\$9,000	\$0 →

Baltic Dry Index (BDI)	\$768
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1 Year T/C Dry Bulk



Gas

Chartering

WEST

This week saw a continuation of last week’s bullish sentiment, albeit with fewer fixtures. The reduced rate of transactions has been a consequence of limited supply of freight rather than a shortage of inquiries, which have remained relatively prolific. Positions lists are looking very short, and some players who came into the market this week to fix were unable to find ships to cover their cargoes. As a result, rates have strengthened rapidly, and owners are now looking for around 130 Houston/Chiba depending on where in 2H Feb the laycan lies. This has also been aided by the composition of the available tonnage, with the majority of it being controlled by the main shipowners.

Going forward, it is difficult to find reasons why the market will not remain strong. However, two possible speed bumps could be an influx of trader-owned tonnage as higher rates provide more of an incentive to relet and a weakening picture on the product side; netbacks have already come off a considerable amount since the highs seen in the first few days of 2020. Otherwise, all else being equal, freight looks incredibly strong as we approach prime fog season in the US Gulf - something which could turn the market into a perfect storm.

EAST

The East also showed signs of increasing strength this week, as rates took a turn upwards towards 70 Ras Tanura/Chiba. A few candidates which had been open in the prompt and were thought to be ‘cheaper’ options are now fixed (at high rates relative to where the Baltic has been printing) or moved West, and trader relets are limited. Saudi acceptances are due tomorrow and it will be interesting to see what this means for freight moving forward; although it is thought that there will be cutbacks and delays given the situation with other Middle Eastern suppliers lately.

LPG Rates

Spot Market (USD/Month)

VLGC (84 000 cbm)	\$1,300,000	\$200,000 ↑
LGC (60 000 cbm)	\$1,050,000	\$50,000 ↑
MGC (38 000 cbm)	\$950,000	\$0 →
HDY SR (20-22 000 cbm)	\$650,000	\$0 →
HDY ETH (17-22 000 cbm)	\$720,000	\$0 →
ETH (8-12 000 cbm)	\$440,000	\$0 →
SR (6 500 cbm)	\$350,000	-\$20,000 ↓
COASTER Asia	\$250,000	\$0 →

COASTER Europe	\$250,000	-\$10,000 ↓
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LPG/FOB Prices - Propane (USD/Tonne)

FOB North Sea/ANSI	\$464.50	\$0.00 →
Saudi Arabia/CP	\$565.00	\$0.00 →
MT Belvieu (US Gulf)	\$232.50	-\$9.00 ↓
Sonatrach/Bethioua	\$467.00	\$0.00 →

LPG/FOB Prices - Butane (USD/Tonne)

FOB North Sea/ANSI	\$429.50	\$0.00 →
Saudi Arabia/CP	\$470.00	\$0.00 →
MT Belvieu (US Gulf)	\$327.00	\$3.50 ↑
Sonatrach/Bethioua	\$470.00	\$0.00 →

LNG Rates

Spot Market (USD/Day)

East of Suez 155-165 000 cbm	\$80,000	-\$4,000 ↓
West of Suez 155-165 000 cbm	\$91,000	-\$1,000 ↓
1 Year T/C 155-160 000 cbm	\$75,000	-\$500 ↓

Newbuilding

Activity Levels

Tankers	Slow	Slow
Dry Bulkers	Slow	Slow
Others	Slow	Slow

Prices

VLCC	\$91.0	\$0.0 →
Suezmax	\$61.0	\$0.0 →
Aframax	\$49.5	\$0.0 →
Product	\$36.0	\$0.0 →
Capesize	\$51.0	\$0.0 →

Kamsarmax	\$28.0	\$0.0 →
Ultramax	\$26.0	\$0.0 →
LNGC (MEGI) (cbm)	\$188.5	\$0.0 →

Sale & Purchase

Prices

Dry (5 yr)

Capesize	\$36.5	\$0.0 →
Kamsarmax	\$23.5	\$0.0 →
Ultramax	\$21.5	\$0.0 →

Dry (10 yr)

Capesize	\$22.5	\$0.0 →
Kamsarmax	\$15.5	\$0.0 →
Ultramax	\$12.5	\$0.0 →

Wet (5 yr)

VLCC	\$77.0	\$0.0 →
Suezmax	\$53.0	\$0.0 →
Aframax / LR2	\$41.0	\$0.0 →
MR	\$29.0	\$0.0 →

Wet (10 yr)

VLCC	\$51.5	\$0.0 →
Suezmax	\$37.5	\$0.0 →
Aframax / LR2	\$29.5	\$0.0 →
MR	\$18.0	\$0.0 →

Market Brief

Exchange Rates

USD/JPY	110.04	1.42 ↑
USD/KRW	1156.10	-10.30 ↓
USD/NOK	8.88	0.02 ↑

EUR/USD	1.11	0.00 ↓
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Interest Rates

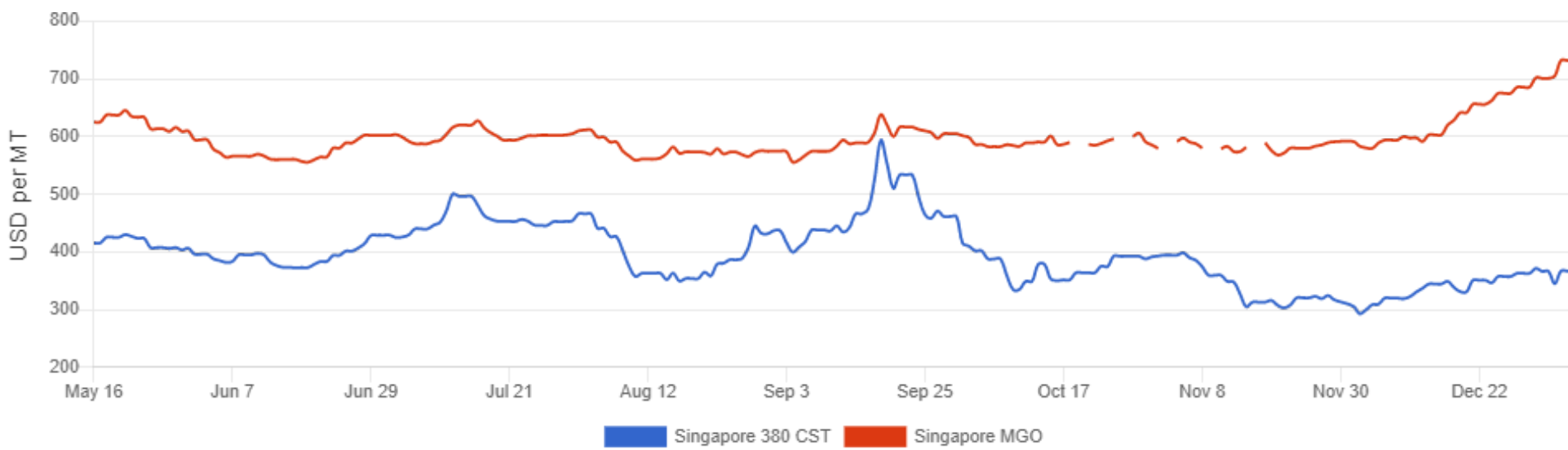
LIBOR USD (6 months)	1.87%	0.00% ↓
NIBOR NOK (6 months)	1.84%	0.00% →

Commodity Prices

Brent Spot	\$64.49	-\$4.11 ↓
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Bunkers Prices

Singapore 380 CST	\$373.0	-\$20.5 ↓
Singapore 180 CST	\$389.0	-\$20.0 ↓
Singapore Gasoil	\$697.0	-\$49.0 ↓
Rotterdam 380 CST	\$305.5	\$4.0 ↑
Rotterdam 180 CST	\$335.0	\$13.5 ↑
Rotterdam Gasoil	\$555.5	-\$47.5 ↓



All rates published in this report do not necessarily reflect actual transactions occurring in the market. Certain estimates may be based on prevailing market conditions. In some circumstances, rates for certain vessel types are based on theoretical assumptions of premium or discount for particular vessel versus other vessel types.

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