

Fearnleys Weekly Report

Week 11 2020

Printer version

Tankers

Comments

VLCC

To yet again quote our brilliant analyst; supply trumps demand, and that’s true because supply has turned into demand big time - for oil tankers, and VLCCs in particular. Saudi Aramco have stated they will increase production to 13 mbpd, which is a 34% increase over the 9.7 mbpd they have been pumping. ADNOC will do the same, increasing from 3 mbpd to in excess of 4 mbpd and plan to accelerate their expansion to 5 mbpd, and everyone is scrambling for tonnage. Rates have soared, with ws152.5 being last reported MEG/China, corresponding to daily returns in the USD 150k/day region, and further upward potential evident. The Atlantic basin is being dragged up as well, as its source of tonnage has dwindled considerably with the MEG absorbing most of the tonnage.

Suezmax






After some quiet and flat weeks in the Suezmax market, the failing co-operation of the OPEC countries have increased the supply of oil dramatically. This has had a huge effect on the tanker market in general, starting with the VLCCs, continuing with Suezmax and Aframax. We already see VLCC cargoes being split in both West Africa and MEG, just adding more fuel to the fire for the Suezmaxes. West Africa/UKCM is close to three digits now, and even with sufficient amount of ships in the area, all owners are taking advantage of the situation, and putting on the breaks. We expect the peak to continue for the rest of the week, at least as long as we see this cargo activity. The only question to ask now is how far can this go?

Aframax

In the North Sea and Baltic, increased activity in the area combined with stronger surrounding markets in the Mediterranean and USG have pushed rates up a few points. Owners have more alternatives to choose from and rightfully asking for higher rates on cargoes coming out of the North Sea/Baltic to achieve similar daily earnings as they would have got fixing out of other loading areas. Moving further into the 3rd decade loading window we expect the market to remain firm, especially due to the increased uncertainty around the current oil market. In the Mediterranean and Black Sea, the market has continued its upturn this week, with rates picking up a further 20-30 ws-points across the board. We have seen a relatively active market all week, both for cargoes coming out of the Black Sea but also for cross-Mediterranean movements. Owners have made sure to take advantage of the situation keeping an upward pressure on rates, even fixing a premium for calling Italian ports due to the outbreak Coronavirus there. Also, in the Mediterranean/Black Sea we expect a firm market in the week to come.

Rates

Dirty (Spot WS)

MEG/WEST (280 000)	WS 90.0	59.0 
MEG/Japan (280 000)	WS 150.0	99.0 
MEG/Singapore (280 000)	WS 150.0	100.0 
WAF/FEAST (260 000)	WS 140.0	91.0 
WAF/USAC (130 000)	WS 87.5	15.0 

Sidi Kerir/W Med (135 000)	WS 85.0	17.5 ↑
N. Afr/Euromed (80 000)	WS 125.0	27.5 ↑
UK/Cont (80 000)	WS 105.0	10.0 ↑
Caribs/USG (70 000)	WS 165.0	10.0 ↑

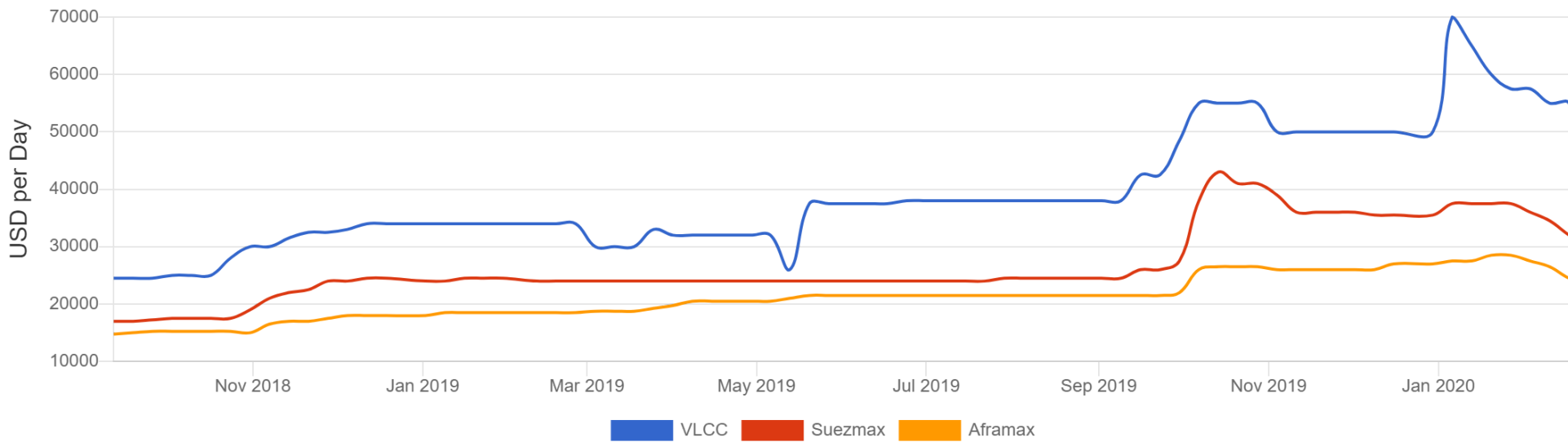
1 Year T/C (USD/Day)

VLCC (Modern)	\$42500.0	\$0 →
Suezmax (Modern)	\$31000.0	\$1,000 ↑
Aframax (Modern)	\$23000.0	\$0 →

VLCC

VLCCs fixed in all areas last week	88	30 ↑
VLCCs available in MEG next 30 days	115	-20 ↓

1 Year T/C Crude



Dry Bulk

Comments

Capesize

Still very sad times for the big ships, and merit in further trading at present levels is highly debatable for most tonnage. Spot fixtures in many cases reflect zero to negative daily income, with owners even taking on contractual risks of potential further virus-related losses. This stated, the West Australia/China iron ore conference trade presently sees increased volumes. Values for Pacific rounds are nevertheless at far below operating expenses, and best case at a nominal USD 3,300/day. Period activity is moderate and interest remains cautious, with representative recent conclusions including 174,000/2006 spot China fetching USD 12,700 basis 8-9 months and 179,000/2009, also spot China, done basis BCI AVE5TC + 3 pct.

Panamax

Slightly stronger numbers in both basins this week, with the North Atlantic having the better uptick, and a more sliding market in the East. For a transatlantic trip, Kamsarmaxes (82,500 dwt) currently earn around USD 9,000, while short front hauls from the UK/Continent-region are priced at the high USD 18,000s. From East Coast South America to China, charterers are willing to pay around USD 11,000 DOP Singapore for a roundtrip. A transpacific round voyage in the East pay shipowners around USD 7,500, and the Baltic 4TC-Index is up 96 points since last week, now at 961 points.

Supramax

Still remaining positive, with lack of tonnage in certain areas pushing rates upwards. The Continent market has been very tight, and remains firm although with bit more tonnage available compared to last week. From ECSA TA's paying around USD 16,500 to the Mediterranean, and around USD 14,000+400k gbb for front haul. In the Indian Ocean, ships fixing around USD 12,500+250k gbb to China, while further east Indonesia/China RV paying around USD 7,000 from Singapore.

Rates

Capesize (USD/Day, USD/Tonne)

TCT Cont/Far East (180 DWT)	\$15,038	-\$9,502 ↓
Australia – China	\$4.6	-\$1.8 ↓
Pacific RV	\$2,347	-\$582 ↓

Panamax (USD/Day, USD/Tonne)

Transatlantic RV	\$8,890	\$685 ↑
TCT Cont/Far East	\$18,509	\$654 ↑
TCT Far East/Cont	\$1,889	\$116 ↑
TCT Far East RV	\$7,538	\$152 ↑

Supramax (USD/Day)

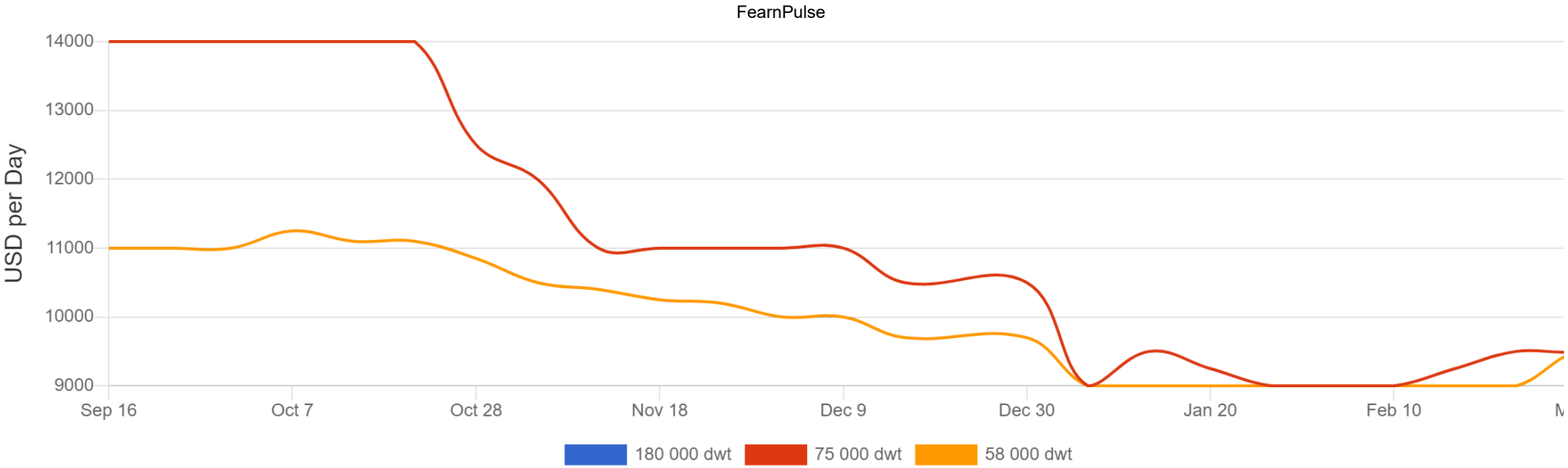
Atlantic RV	\$10,731	\$438 ↑
Pacific RV	\$6,514	\$528 ↑
TCT Cont/Far East	\$18,354	\$100 ↑

1 Year T/C (USD/Day)

Newcastlemax (208 000 dwt)	\$16,300	-\$700 ↓
Capesize (180 000 dwt)	\$12,500	-\$500 ↓
Kamsarmax (82 000 dwt)	\$11,400	\$150 ↑
Panamax (75 000 dwt)	\$9,750	\$250 ↑
Ultramax (64 000 dwt)	\$11,100	\$0 →
Supramax (58 000 dwt)	\$9,500	\$0 →

Baltic Dry Index (BDI)	\$631
------------------------	-------

1 Year T/C Dry Bulk



Gas

Chartering

WEST

Following the news that the Saudis have declared an oil price war after OPEC+ discussions at the weekend deteriorated, product and paper markets were understandably extremely bearish. For VLGC shipping in the West, the consequences were not immediately clear. On one hand, rates have continued in the same downwards trajectory they’ve travelled in in previous weeks, with around USD 90 Houston/Chiba via Panama being last done. How much of this can be attributed to events in the Middle East or length in position lists is unclear. On the other, VLSFO has come off significantly and this has meant owners’ earnings have been supported.

While it may be the case that rates have come off due to length in position lists and bearish sentiment towards the arb, there are some potential bull indicators on the horizon. A number of spot cargoes in both East and West have culled some of the length on positions lists. Chinese demand ex USG is expected to pick up in April in tandem with strong PDH margins. Finally, increased US output is expected in April. These are all factors which mean the market has the potential to tighten up in weeks to come.

EAST

In the East this week, news of increased Saudi output and the resultant sale of a number of spot cargoes has meant that some trader-owned tonnage has been programmed internally, shortening some of the length in position lists. Despite this, rates have continued to remain under some pressure while the Baltic has weakened. It will be interesting to see whether China takes advantage of cheaper product and freight rates as the Chinese workforce slowly returns to work in the coming weeks.

LPG Rates

Spot Market (USD/Month)

VLGC (84 000 cbm)	\$1,350,000	-\$50,000 ↓
LGC (60 000 cbm)	\$1,100,000	-\$100,000 ↓
MGC (38 000 cbm)	\$875,000	-\$40,000 ↓
HDY SR (20-22 000 cbm)	\$670,000	\$0 →
HDY ETH (17-22 000 cbm)	\$720,000	\$0 →
ETH (8-12 000 cbm)	\$430,000	-\$10,000 ↓
SR (6 500 cbm)	\$350,000	\$0 →
COASTER Asia	\$240,000	\$0 →

COASTER Europe	\$220,000	-\$20,000 ↓
----------------	-----------	----------------

LPG/FOB Prices - Propane (USD/Tonne)

FOB North Sea/ANSI	\$298.50	\$0.00 →
Saudi Arabia/CP	\$430.00	\$0.00 →
MT Belvieu (US Gulf)	\$164.00	-\$47.00 ↓
Sonatrach/Bethioua	\$305.00	\$0.00 →

LPG/FOB Prices - Butane (USD/Tonne)

FOB North Sea/ANSI	\$347.50	\$0.00 →
Saudi Arabia/CP	\$480.00	\$0.00 →
MT Belvieu (US Gulf)	\$162.00	-\$63.00 ↓
Sonatrach/Bethioua	\$405.00	\$0.00 →

LNG Rates

Spot Market (USD/Day)

East of Suez 155-165 000 cbm	\$35,000	\$0 →
West of Suez 155-165 000 cbm	\$37,000	\$1,000 ↑
1 Year T/C 155-160 000 cbm	\$55,000	-\$6,500 ↓

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 →

Newcastlemax	\$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	\$36.0	\$0.0 →
Kamsarmax	\$22.0	\$0.0 →
Ultramax	\$20.0	\$0.0 →

Dry (10 yr)

Capesize	\$21.0	\$0.0 →
Kamsarmax	\$15.5	\$0.0 →
Ultramax	\$12.0	\$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	\$37.0	\$0.0 →
Aframax / LR2	\$29.5	\$0.0 →
MR	\$18.0	\$0.0 →

Market Brief

Exchange Rates

USD/JPY	103.75	-3.81 ↓
USD/KRW	1193.15	-2.15 ↓

USD/NOK	9.60	0.38 ↑
EUR/USD	1.13	0.02 ↑

Interest Rates

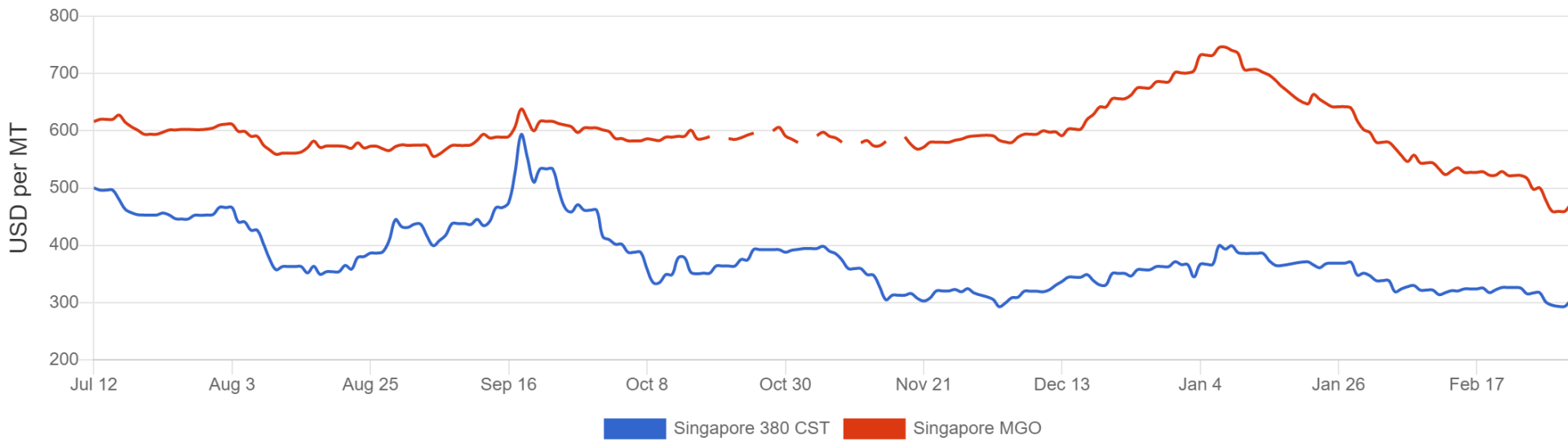
LIBOR USD (6 months)	0.74%	-0.25% ↓
NIBOR NOK (6 months)	1.59%	0.01% ↑

Commodity Prices

Brent Spot	\$63.32	\$1.20 ↑
------------	---------	-----------------------

Bunkers Prices

Singapore 380 CST	\$227.5	-\$69.5 ↓
Singapore 180 CST	\$345.0	\$0.0 →
Singapore Gasoil	\$368.0	-\$66.5 ↓
Rotterdam 380 CST	\$213.0	-\$75.0 ↓
Rotterdam 180 CST	\$320.0	\$0.0 →
Rotterdam Gasoil	\$356.0	-\$102.0 ↓



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.

[Disclaimer](#)