Fearnleys Weekly Report

Week 13 2020

Printer version

Tankers

Comments

VLCC

From wuthering highs, VLCC rates have seen a slow but steady decline in the week gone by, with more failing than fixing. It's been more emotions than fundamentals propelling the decline, with "more to lose than to gain" being the unspoken mantra. However, at the writing moment it appears that the market has bottomed out. "Failed" cargoes have reappeared, sugared with additional requirement on top. A widening arb is spurring storage-T/C interest and adding fuel to fire. Rebated oil continues to be pumped into the market place, and although immediate demand may be dwindling, lack of on shore storage capacity dictates it has to be shipped out in one form or another. We will always have volatility, but until OPEC+ gets together and cap oil production again, we continued to see strong upside going forward.

Suezmax

After a rough week for the Suezmax owners, rates seem to have bottomed out. TD20 stopped at ws100, and now with activity picking up - this might be difficult to repeat. The supply of oil is still massive, and finding a home for all these cargoes could prove difficult. Covid-19 virus not only decrease demand, but turnaround in ports is also much slower. We expect more ships to be floating, and there has been an increase in TC/storage requests from charterers already. All these are pointers that the market could tick back up again, possibly already this week.

Aframax

So far, the week in the North Sea and Baltic have been rather quiet compared to previous weeks in March. The uncertainty around Covid-19 and how it will affect the markets still remain a big factor. Charterers efforts in trying to hold back has temporarily shown to work as rates now are under downward pressure. Despite some charterers taking a risk on very tight itineraries we expect short term that rates will continue to soften somewhat. But with more floating scenarios in the North Sea expected, we will see rates firm again on the back of less available tonnage and increased cargo activity.
Following an active and firming market in the Mediterranean and Black Sea the last couple of weeks, we have now experienced a downward correction in most segments and areas. Also here the Covid-19 is causing uncertainties with additional delays encountered in port calls and for crew changes as certain countries and ports impose further countermeasures to try and prevent further spread of the virus. We foresee the market to remain stable at best in the area with a possible softening as tonnage is stacking up with not much alternatives provided elsewhere giving much of a joyful upside.

Rates

Dirty (Spot WS)

MEG/WEST (280 000)	WS 75.0	-55.0 ↓
MEG/Japan (280 000)	WS 87.5	-87.5 ↓
MEG/Singapore (280 000)	WS 90.0	-90.0 ↓
WAF/FEAST (260 000)	WS 90.0	-65.0 ↓
WAF/USAC (130 000)	WS 97.5	-92.5 ↓

Sidi Kerir/W Med (135 000)	WS 95.0	-105.0 ↓
N. Afr/Euromed (80 000)	WS 170.0	0.0 →
UK/Cont (80 000)	WS 170.0	-20.0 ↓
Caribs/USG (70 000)	WS 145.0	-75.0 ↓

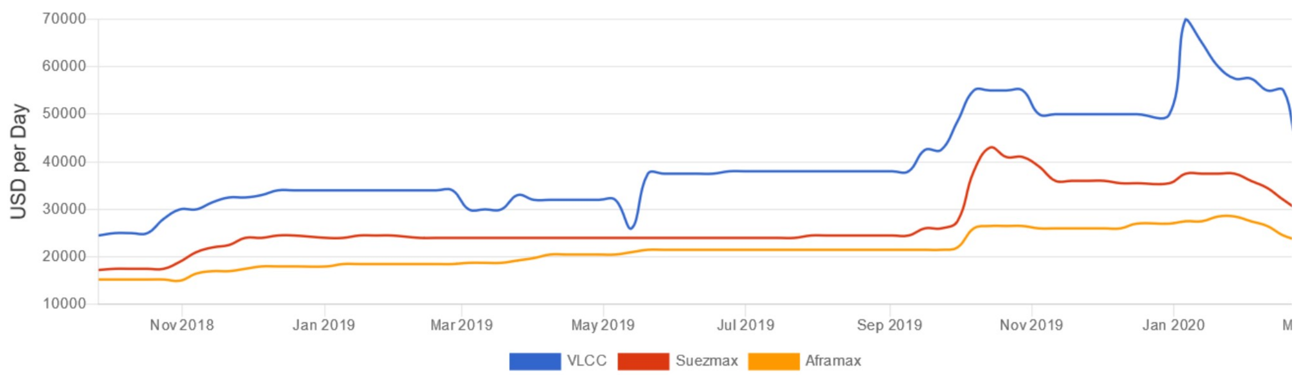
1 Year T/C (USD/Day)

VLCC (Modern)	$65000.0	$17,000 ↑
Suezmax (Modern)	$36000.0	-$1,000 ↓
Aframax (Modern)	$29000.0	$0 →

VLCC

VLCCs fixed in all areas last week	46	-40 ↓
VLCCs available in MEG next 30 days	108	-17 ↓

1 Year T/C Crude



Dry Bulk

Comments

Capesize

Still extremely challenging times for the big ships, and with present + expected virus-related restrictions on trades for major raw commodities, it would not be wise to expect any immediate recovery. India, South Africa, and possibly other relevant areas fully or partly shutting down their port operations, adding negativity to sentiment. The West Australia/China milk route remains healthy in volume, contributing to keep Pacific rounds for 180,000-tonners at a still miserable USD 3,500-4,000/day. Fronthaul activity is negligible, and the Tubarao/China reference rate has fallen below USD 10/mt. With much assistance from falling bunker prices - which de facto only benefits tonnage not yet fixed - average daily income nominally up marginally to USD 4k/day and still far below OPEX. Again, the question is for how long this situation can last before casualties will occur - counterparty exposure is already amongst topics discussed. Period activity remains focused on index-linked deals, with 176,000 dwt/built 2005 done for 3-5 months at BCI AVE5TC less 2 pct concluded, exception being 179,000 dwt/built 2013 reportedly done for 13-15 months at USD 11,250.

Panamax

With port closures in India and mines closing down in both South Africa and the US, owners have struggled to fix as per last done in most areas. A positive in the otherwise weak market has been the steady fixtures at reasonable levels from East Coast South America to China. For a transatlantic trip, Kamsarmaxes (82,500 dwt) currently earn low USD 5,000 per day, while short fronthauls from the UK/Continent-region are priced at the mid USD 14,000's. From East Coast South America to China, charterers pay around USD 8,000 DOP Singapore for a roundtrip. A transpacific round voyage in the East pay shipowners around USD 5,000, and the Baltic 4TC-Index is down 166 points since last week, now at 720 points.

Supramax

A week of negative sentiment brought rates sharply down. Especially with Corona Virus escalation made negative influence on spot and forward rate. Demand in ECSA was vanishing away. South Atlantic rates dropped rapidly. Supramax del South Brasil to Mediterranean was reported to fix USD 10,000, while TCT to WCSA from Argentina paid USD 12,500.

USG market also felt under pressure with tonnage building up and lack of fresh cargoes. TCT to Mediterranean with petcoke was paid around USD 16,000, however for clean cargoes such as grain, charterers were willing to pay much less. The Mediterranean and Continent market had decent activity with seasonal fertilizers export from Baltic and enough minerals from Black Sea and Medeternina. Ultramax was rumored to fix del Canakkale to West Africa with clinker at healthy USD 13,500. The Asian basin came under pressure, and rates fall for about USD 2,000 per day from previous week. We have seen owners accepting USD 6,000 for Indo RV and slightly more for trips to China.

The Indian Ocean is under pressure and due to South Africa shutting down, there is a big concern about near future. End of last week, Ultramax was fixing delivery Richards Bay trip to Vietnam at USD 12,000 plus USD 200,000 ballast bonus.

Rates

Capesize (USD/Day, USD/Tonne)

TCE Cont/Far East (180 DWT)	$16,059	$1,074 ↑
Australia – China	$4.0	-$1.0 ↓
Pacific RV	$3,241	$464 ↑

Panamax (USD/Day, USD/Tonne)

Transatlantic RV	$5,270	-$1,530 ↓
TCE Cont/Far East	$14,520	-$2,225 ↓
TCE Far East/Cont	$1,195	-$303 ↓
TCE Far East RV	$5,128	-$953 ↓

Supramax (USD/Day)

Atlantic RV	$11,077	-$291 ↓
Pacific RV	$6,557	-$207 ↓
TCE Cont/Far East	$17,700	-$618 ↓

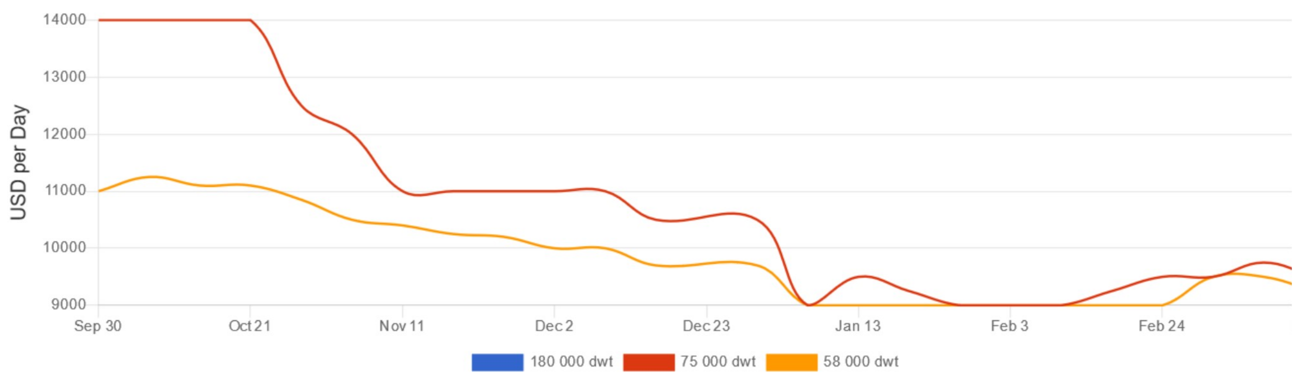
1 Year T/C (USD/Day)

Newcastlemax (208 000 dwt)	$14,500	$0 →

Capesize (180 000 dwt)	$11,500	$0
Kamsarmax (82 000 dwt)	$10,900	-$250
Panamax (75 000 dwt)	$9,250	-$250
Ultramax (64 000 dwt)	$11,000	$0
Supramax (58 000 dwt)	$9,000	-$250

Baltic Dry Index (BDI)	$582

1 Year T/C Dry Bulk



Gas

Chartering

EAST
It has been a week of many moving parts in the East. Covid-19 continues to create a lot of uncertainty, such as India on lockdown and implementation of 14-day quarantine rule from departure of last port, which could potentially create havoc for MEG to India trade. We already seeing the effects of this with delays at most Indian ports.

Activity on shipping has been limited to a couple of freight tenders, surprisingly from players who are not usually active in the freight market. One of these tenders is on the back of spot fob purchase therefore taking advantage of current low prices.

Freight rates have so far been holding up for current fixing window 1H April, but moving into 2H April we feel that freight may come under pressure again. This partly due to weakening spot demand for LPG in countries like India, as industrial demand is expected to take a big hit.

WEST
In the West, the general consensus this week has been that freight rates should be lower given a weaker outlook on the product front. However, a lack of liquidity has made it difficult to determine exactly where the market should be.

The number of fixtures beyond 10th of April has been few and given that we are now too late for cancellations in the second decade of the month there should still be a handful of uncovered cargoes for that period. With that said, the third decade looks a lot more sparse on inquiries since a handful of cancellations are rumoured in the market towards the end of April. As a result, it is difficult to find compelling arguments for why freight rates would be supported going into May, as charterers will seek lower rates to compensate for poor netbacks.

LPG Rates

Spot Market (USD/Month)

VLGC (84 000 cbm)	$1,500,000	$0

LGC (60 000 cbm)	$1,050,000	$0 →
MGC (38 000 cbm)	$875,000	$0 →
HDY SR (20-22 000 cbm)	$660,000	-$10,000 ↓
HDY ETH (17-22 000 cbm)	$720,000	$0 →
ETH (8-12 000 cbm)	$430,000	$0 →
SR (6 500 cbm)	$350,000	$0 →
COASTER Asia	$250,000	$0 →
COASTER Europe	$230,000	$5,000 ↑

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)	$114.00	-$25.00 ↓
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)	$94.00	-$43.00 ↓
Sonatrach/Bethioua	$405.00	$0.00 →

LNG Rates

Spot Market (USD/Day)

East of Suez 155-165 000 cbm	$45,000	$5,000 ↑
West of Suez 155-165 000 cbm	$53,000	$6,000 ↑
1 Year T/C 155-160 000 cbm	$51,000	$0 →

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	111.49	4.10 ↑
USD/KRW	1249.55	5.85 ↑
USD/NOK	11.09	0.66 ↑
EUR/USD	1.08	-0.02 ↓

Interest Rates

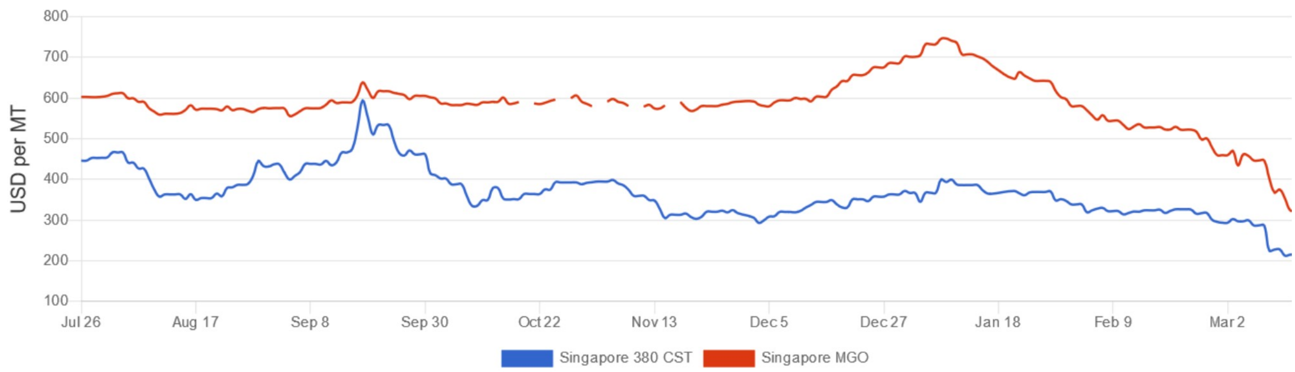
LIBOR USD (6 months)	0.97%	0.02% ↑
NIBOR NOK (6 months)	0.73%	0.00% →

Commodity Prices

Brent Spot	$29.74	-$4.11 ↓

Bunkers Prices

Singapore 380 CST	$196.0	-$14.5 ↓
Singapore Gasoil	$301.5	-$13.0 ↓
Rotterdam 380 CST	$178.0	-$6.5 ↓
Rotterdam Gasoil	$307.5	$10.0 ↑



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.

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