AFFINITY TANKER WEEKLY

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Crude Tanker Comments

It has been a week of sharp downward corrections in the VLCC sector with charterers successfully wrestling back control of the narrative. One could argue that last week's surge was artificially increased by bullish sentiment and geopolitical developments, while this week's drop has been somewhat artificially catalysed by Eastern relets and selective circulation of information.

The fact remains, however, that indices are down across the board and owners will need to regroup ahead of next week. On a positive note, we have seen a lot of WAF cargoes parcel down this week, instead opting for Suezmaxes and thus making that list a bit tighter, which should in theory bring some opportunities for VLCCs in Brazil and WAF. With the Lunar New Year next week, many Eastern players will be off, but we may still see some cover quietly with second decade AG fixtures looking light as well as third decade WAF and Brazil. In the hope that more volume is to come, owners will look to draw a line under a dismal week four and try to build back next week.

It has been a quiet end to a week that saw the Suezmax markets' bubble burst, with rates tumbling back towards pre-spike levels. In WAF, solid volumes were worked, but charterers managed to secure tonnage without causing any real stir, with rates repeating around WS 80. However, these were mainly achieved on the cargoes on the prompter end of the fixing window or on a voyage with a smaller flat rate loading out of the Ivory Coast. This suggests that the ticker lies closer to where BDTI has printed, around the WS 77 level. With a long tonnage list and UKCM ships unlikely to ballast to the US Gulf, given the impending rate decrease and the growing TCE delta, pressure on owners is expected to persist.

As mentioned above, the US Gulf is likely to collapse in on itself; however, as of the time of writing, there have been no cargoes knowingly worked for this softening to be realised on the Suezmaxes. However, given the Afras are now fixing at the equivalent of 145kt x WS 55 level, it is only a matter of time before their larger counterparts follow suit, especially with 70kt lifters being the preferred avenue for charterers to exploit for what seems like the majority of the first decade February volume.

The Med market saw a few cargoes worked this week, but unsurprisingly, rates slipped back down. The lowest reported level was 130kt x WS 73.75, though most owners' ideas remained closer to WS 80, at least heading into the weekend.

Afras in the Med had a fairly uninspiring week. The slow start set the tone, with replacement cargoes managing to repeat last done, and lower levels paid on Suezmax part cargo. CPC levels have corrected down and now repeat in the WS 120 area, but the X-Med market is yet to face a test given the lack of activity this week. Meanwhile, the same early tonnage continues to roll without seeing cargoes – the ball is now in charterers' court.

After a very slow start to the week, Afras in the North Sea saw activity pick up on Thursday, with over four cargoes getting covered. Still, WS 110 remains the number, even off prompt dates with limited options. Ultimately, this market has been so quiet that, if something prompt comes up, owners are just too keen to scoop it up, especially given the softer state of the neighbouring markets has lowered the ballasting-out potential.

Product Tanker Comments

This has been a disappointing week for the LR segment in the AG. The LR2 market has seen few fresh cargoes come in, which would be in part related to the optimisation of clean-up Suezmaxes that some of the charterers/traders have taken (around six-to-eight ships) over the last couple of weeks for gasoil and ULSD movements. That being said, demand its still on the lower side nonetheless and, with this week's position list showing more vessels when compared to last week, softer numbers were only going to be what charterers were going to agree on and this is how it has played out. WS 140 is now on subs for TC1, which represents a 35-point drop on what was fixed last. The westbound trade has seen very little but there is one charterer involved in a long trade and some speculators suggest that under USD 4 Mn would be a realistic target, which is quite the drop from USD 4.35 Mn fixed last week. The ship count is still inside what we have as our average, which includes newly built ships also in the window. NB vessels can't work for all trades so supply is nothing 'panic worthy' at this time but equally, with demand this low, we would have to predict further losses next week.

LR1 cargo enquiry has only trickled into the market for the duration of the week, so we have seen the tonnage list grow day by day. A large proportion of the fixtures this week have been short runs X-AG or X-Red Sea, so we can expect tonnage to replenish swiftly, extending the surplus for another week or two at least. No surprise, freight rates have taken a hit this week given the conditions at play. TC5 dropped down to WS 140 at last done, but some owners should be willing to do less, given the lack of alternative firm opportunities to look at. The hot topic this week has of course been the reports that the Houthis are now permitting safe Red Sea transit provided the ceasefire is maintained. This said, we are yet to see any shift through the Red Sea from the owners who have routed via COGH since the troubles began. All eyes will be on AG/West cargoes to see whether Red Sea routing is implemented again. For now, AG/West is priced at USD 2.85 Mn levels at most. There has been a lot of speculation and rumours of quiet cargoes throughout the week which haven't been crystalised so let's see if anything comes of it next week.

North Asia MRs experienced a relatively high demand week, but rate levels have trended downward, leading to a softer market overall. Southeast Asia MRs stayed mostly flat through the week for short hauls with demand mostly slow. Long hauls saw quite drastic corrections towards the end of the week with TC7 correcting to WS 167.5. The outlook remains soft for both markets, with most market participants expected to be away next week for the Lunar New Year holidays.

In the UKC, the average 10-day window tonnage count is at its highest of the year so far, with 35 total vessels against the lowest cargo count for the year so far, at 22 stems quoted. After a couple of weeks with the lingering diesel arb, it shutting this week has taken away that continuous possibility of prompt ships getting snapped up. After high WS 170s lifting for diesel TA early in the week, WS 180s failed, which indicated the beginning of the end. A standout fixture of WS 160, at the time 20 WS points below market, failed due to arbs not working. February TC2 paper is sitting at the WS 140 mark, suggesting that there is some way to go yet in this re-correction. But as we head to these levels, it could re-open arb moves and give the market some stability. Bad weather hitting NWE over the coming days will affect some of these itineraries, and there is some potential for late runners and replacement jobs.

	BDTI	BCTI
	845	725
Δ W-O-W	↓Softer	↓Softer

BDA			
(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	458.1	463.3	466.3
Δ W-O-W	-6.2	-5.9	-7.1

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD3C	ME Gulf / China	270,000	29,154	↓Softer
TD7	UKC / UKC	80,000	21,277	↑Firmer
TD15	WAF / China	260,000	35,639	↓Softer
TD19	Med / Med	80,000	30,392	↑Firmer
TD20	WAF / Cont	130,000	27,479	↓Softer
TD22	USG / China	270,000	44,003	↓Softer
TD25	USG / Cont	70,000	22,291	↓Softer
TD26	EC Mex / USG	70,000	17,613	↓Softer
TD27	Guyana / UKC	130,000	23,575	↓Softer

BALTIC TCE CLEAN

	Route	Qnt	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	27,776	↓Softer
TC2	Cont / USAC	37,000	17,803	↓Softer
TC5	ME Gulf / Japan	55,000	16,245	↓Softer
TC6	Algeria / EU Med	30,000	29,978	↑Firmer
TC7	Sing. / ECA	30,000	15,023	↓Softer
TC8	ME Gulf / UKC	65,000	21,749	↓Softer
TC14	USG / UKC	38,000	11,093	↓Softer
TC17	ME Gulf / EAFR	35,000	15,344	↓Softer
TC20	ME Gulf / UKC	90,000	34,643	↓Softer
TC21	USG / Caribs	38,000	12,861	↓Softer