AFFINITY TANKER WEEKLY

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Crude Tanker Comments

On the VLCCs, the gains have kept coming this week with contributions from all regions. The Americas took the limelight with favourable eastbound pricing sparking a few busy trading sessions throughout the week, keeping a foot on the gas to drive TD22 towards the USD 9-Mn mark and helping to underpin the market. The Lunar New Year has not brought the dearth of activity many had feared and instead it appears these solid improvements have a more sustainable feel than a couple of weeks ago. With the Chinese back from holiday next week, third decade AG volume will be an important barometer as to whether this upward trajectory continues. With only eight days in the 3rd decade however, and around two weeks before March dates come out, charterers may not feel the need to rush.

Of course, there could still be some second decade volume remaining, but looking at the cargo counts, it's hard to expect too much more. A few quiet days could reveal some cracks in the foundations but, on current evidence, it seems owners are confident in what next week will bring. The tonnage outlook looks reasonably balanced accounting for the usual weekend replenishment and, with numerous ballasters committing West, AG charterers will not be inundated with options.

On the Suezmaxes, Atlantic rates have rebounded from the WS 70 basement levels after a consistently busy week, with rates now at WS 87.5 for TD20 – in terms of earnings, this translates to about USD 31,800 per day for an ECO vessel. The list has shrunk significantly owing to the activity, and with the VLCCs also looking rosy above the Suezmaxes, it would seem rates could continue to make meaningful gains as we go into the next week.

Meanwhile, East of Suez markets have remained quiet, as expected, bar the usual quoted AG/India runs. As a result, it doesn't come as a surprise that rates have softened, and as the week is coming to a close, TD23 is at around WS 91 levels. However, with everybody back at their desk after the Lunar New Year celebrations, it seems that rates might have a chance to kick on by piggybacking off the back of the firming Atlantic market.

It has been a fairly uninspiring week with limited enquiry across the board for Med Aframaxes. After a quiet start with X-Med repeating the lows of last week, sentiment has been on a rollercoaster amid the news of possible shutdowns in Es Sider and Ras Lanuf, which appear to have been eventually solved (for now). However, despite the positive news, cargo enquiry remained too slim to shake things up - even with a balanced list and poor weather, some charterers have managed to achieve less than last done. As such, we are ending the week with X-Med rates slightly lower than where last week ended – by about 6 WS points – at around WS 118. Looking into the next week, tonnage refreshes a bit but nothing drastic – the market should be looking pretty balanced and likely to tick over once more.

Like many weeks as of late, it has been a slow one in the North Sea, with only a handful of fixtures reported and rates adjusting accordingly, losing about 3 WS points and settling at around WS 107 for X-North Sea. Firm tonnage continued to be pushed by relets across the board and, as a whole, the extreme weather and tight list haven't had any positive impact on rates. The US looked an interesting alternative, but given the weather conditions, there haven't been many ballasters of which to speak. Unless something drastic happens, the upside remains limited as we go into next week.

Product Tanker Comments

Given how slow demand has been this week, with Chinese New Year celebrations in full swing, LR2 owners have not been in a position to be creative, and all the agreements that we have seen depict a slow slide in freight as the week has developed. On the westbound, the last we have seen is USD 3.4 Mn through the Suez Canal being actively advertised from Ruwais. TC1 was always going to be most affected this week, and it has been very slow - publicly we are aware of WS 135 being fully fixed, but this was agreed last week. This week the estimation here would be more around WS 125 if a charterer had to take a ship today. We should see more activity ex-AG and India next week and let's see if charterers are wily enough to keep a lid on these current levels or not. The one area that has been more promising for the second week in a row is the Red Sea loading stems. We saw a USD 150,000 lift on the last done Yanbu/UKC run with USD 3.35 Mn being agreed and subsequently fixed.

The AG LR1 sector has been far quieter than expected this week. Tonnage has been steadily building, whist fresh cargo enquiry has lacked so charterers have benefitted from a plethora of offers for any cargo that had been put in the market. Short runs have taken roughly half of the cargo volume this week, so it is difficult to suggest that tonnage supply will thin out in the next week or so. Unsurprisingly, there hasn't been a great deal of movement on rates, some softening here and there of course. TC5 has settled at WS 125-130 levels but a fresh test is required as a vanilla run has not been seen fixed for several days. Westbound enquiry has been limited yet again, but the rate closes the week at USD 2.6 Mn levels for AG/UKC. There have been reports of six UK/US vessels returning to the Red Sea without coming under attack since the ceasefire on 19 January, however it is worth noting that the JMIC has not disclosed the names or types of these vessels. Everyone will be keeping a close eye on the information that unfolds in the coming weeks as to whether any other players return to the Red Sea.

Despite the mid-week Chinese New Year holidays, North Asia MR charterers sustained their pace by covering cargoes off-market. The tonnage list has notably thinned with a growing number of vessels quietly committed on subjects. The downward pressure on freight rates has alleviated with Qingdao/Philippines and Korea/Australia runs holding flat at USD 545K and WS 180 respectively. An uptick in cargo demand from Asia is also expected alongside the commencement of some refinery turnarounds in the USG, further bolstering owners' confidence for vessels getting employed for an extended period of time. However, LR1s continue to trade near parity and multiple outstanding stems remain in play, positioning the market for a stable week ahead as most of the workforce resumes operations, except for the Chinese who are still away.

On the UKC MRs, a slow Monday saw two cargoes worked and rates falling to WS 145. Lower levels of WS 135 being done subsequently encouraged some activity, with a flurry of off-market deals being done on Wednesday, taking out around 11 ships off the top of the list. However, WAF enquiry has been the driver for rates, with the premium increasing to WS 170, dragging TC2 up to WS 140. Despite the lengthy tonnage front end of the week as we go into the weekend, the list has cleared out and we are currently looking at 10 vanilla ships availabilities in the next 10 days (20 being the average). We can expect owners to continue to push back on rates after the quick bounce-back at the bottom this week.

		BDTI	BCTI
		876	662
	Δ W-O-W	↑Firmer	↓Softer

BDA			
(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	456.6	462.3	464.5
Δ W-O-W	-1.5	-1.1	-1.8

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD3C	ME Gulf / China	270,000	38,973	↑Firmer
TD7	UKC / UKC	80,000	19,977	↓Softer
TD15	WAF / China	260,000	40,315	↑Firmer
TD19	Med / Med	80,000	27,671	↓Softer
TD20	WAF / Cont	130,000	34,455	↑Firmer
TD22	USG / China	270,000	45,316	↑Firmer
TD25	USG / Cont	70,000	26,775	↑Firmer
TD26	EC Mex / USG	70,000	20,924	↑Firmer
TD27	Guyana / UKC	130,000	28,095	↑Firmer

BALTIC TCE CLEAN

	Route	Qnt	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	23,725	↓Softer
TC2	Cont / USAC	37,000	15,349	↓Softer
TC5	ME Gulf / Japan	55,000	14,188	↓Softer
TC6	Algeria / EU Med	30,000	19,481	↓Softer
TC7	Sing. / ECA	30,000	15,034	↑Firmer
TC8	ME Gulf / UKC	65,000	17,907	↓Softer
TC14	USG / UKC	38,000	8,706	↓Softer
TC17	ME Gulf / EAFR	35,000	15,521	↑Firmer
TC20	ME Gulf / UKC	90,000	26,798	↓Softer
TC21	USG / Caribs	38,000	11,078	↓Softer