AFFINITY TANKER WEEKLY

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Crude Tanker Comments

The week ends with a fizzle on the VLCCs, after most of the action took place on Tuesday, followed by a lacklustre few days. AG charterers have done well at holding their cards close and taking advantage of the uncertainty surrounding the extent of first decade June volume remaining. As things stand, the first decade appears covered, but owners will be hoping for a few straggler cargoes early next week, which will attract competition from the small collection of prompt ships on the list.

A more pessimistic view is that these vessels will be competing for early second decade cargoes and we could see further erosion in fixing levels out of fear of missing dates. Firm enquiry has been lacking in the AG this week, with charterers seemingly in no rush to fix, but there has also been resistance from owners to keep rates above the WS 60 level for TD3C. It should remain steady to start the week; however, if we experience a few more quiet days, such as we've seen lately, the WS 60 barrier will be under threat.

WAF and Brazil have seen just enough activity to keep things steady in the low WS 60s and high WS 50s, respectively, which bodes well for attracting eastern ballasters favouring theses returns for the summer months. Both are subject to downward testing in the current climate, but it seems unlikely there will be any significant drop in the short term. The USG is experiencing the effects of the muted activity from last week with a handful of mid-June dates coming out and pulling TD22 below the USD 8 Mn mark. Global tonnage seems well-balanced, but the dearth of volume this week has made it difficult for owners to kickstart any turnaround.

Suezmax owners' sentiment was confident on Monday in the West following all the action last week. However, it soon transpired that there were in fact more ships to still get through on the list and enquiry has been very few and far between in the Atlantic this week. Subsequently, sentiment – closely followed by rates – have nosedived this week, with CPC now at WS 100 for Med and TD20 currently pegged at WS 77.5. A Bank holiday is coming up in the UK and owners are praying for a fresh injection of enquiry into the market next week. East of Suez is also in a sorry state, and this has left owners between a rock and a hard place - stay in the overtonnaged and cargo-lacking East market, or ballast West, where conditions as mentioned above are not exactly rosy either. VLCCs above us are also looking pretty lacklustre, so there will not be the spillover this market needs to turn a corner.

After finding the floor last week, Aframax rates in Europe bounced back this. Monday marked a busy start to the week in the Med, boosting owners' sentiment. CPC was being fixed at WS 150 early on, while TD19 seemingly found its level at WS 135, which it hit mid-week. Rates appear to have stabilised at this level as we head into the long weekend, with owners seemingly satisfied by the 15-point increase over the course of the week.

Similar to the Med, the North Sea market had a very busy start to the week, which resulted in a dramatic thinning of the tonnage list. Rates on TD7 jumped by 10 points to WS 125. Despite things quietening down somewhat, vessels continued to ballast out of the region, keeping the number of options available to charterers slim through the week. As a result, TD7 remains at WS 125 as we close out the week.

Product Tanker Comments

The LR2 market has held very well and is owners are enjoying strong earnings. The tonnage list has been on the leaner side all week with many of the prompter vessels committed towards the week's end. 75,000mt naphtha Arabian Gulf/Japan has held well at WS 150, which was initially set last week, and perhaps has not moved on as much as some may have suspected. We note that there are some of the smaller owners coming into the window; when offered cargoes on vessels dates where staying east and earnings could be around USD 35,000/day for a round trip, we can understand there will be those that would choose to not push their luck too much and take what's on offer when demand has only been on the steadier side.

On other routes, we were due a re-test and this has come through very well with USD 4,100,000 (a move up of around USD 275,000) for Arabian Gulf/West Via Cape of Good Hope and WS 160 for 90,000 AG/East Africa (a WS 40 improvement on last week's publicly witnessed level), which of course is to be in line with the busier naphtha flow we saw last week. Red Sea exports have held pretty well with USD 2,600,000 being agreed for Yanbu/UKC, which represents only a USD 50,000-drop on the previous deal, which was in a tighter window. Demand towards the back end of the week has been a little steadier and there are some out there that suggest that some routes (particularly naphtha) might be under a little bit of pressure should the demand flow remain slower, but with a list this lean, we sense that owners are largely feeling pretty resolute at this time. We are aware of cleanup and Suezmaxes that are being employed for some CPP shipments quietly in the background so perhaps, should this come to full fruition, this would well have a calming effect on the vanilla CPP trade in the near term. Overall, it's been a good week in the market, but we also sense a lack of clarity in terms of direction for next week; the market could go either way!

LR1 owners have had some fun this week. Demand has been decent, but the main bullish element is the sheer lack of quality tonnage with workable itineraries, which has led to some significant pockets of tightness. Any stem with May dates has been a proper problem child for charterers and, with warm LR2s and MRs for the bulk of the week, there have been very few escape routes available. This has culminated in a very significant USD 740,000 being agreed on subs for Jubail/Fujairah off 1 June. We have not seen this level this year and represents a move up of around USD 140,000 on last done. TC5 has been worked a little into June dates with a 10-point improvement on the week, with WS 170 agreed on two occasions and early June remaining a little leaner on suitable units. Similar to the LR2s, there is decent optimism leading into next week, even with a thinner amount of surface level demand in play.

MRs have been active in NWE; a wide TA arb has been the main driver and freight soared quickly to WS 150 for TC2. UKC/WAFR was very quiet, although we assess plus 20 points. Handies have enjoyed a busy week and quickly pushed up to 30 x WS 180 for X-UKC movements and 30 x WS 170 for liftings to the Med.

The Cross-Med market has seen a notable softening, with rates slipping from WS 225 down to WS 187.5, and a further drop to around WS 185 looking likely. The list of available tonnage remains long, and with only one outstanding cargo in the market, owners are facing increasing pressure. The upcoming long weekend is also expected to dampen activity further, making it likely that the last remaining stem will be covered soon. Overall, sentiment remains bearish in the near term.

		BDTI	BCTI
		962	724
	Δ W-O-W	↓Softer	↑Firmer

BDA			
(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	455.3	458.1	459.4
Δ W-O-W	-4.8	-5.4	-5.5

BALTIC TCE DIRTY

	Route	Qty	$ / Day	W-O-W
TD3C	ME Gulf / China	270,000	41,782	↓Softer
TD7	UKC / UKC	80,000	38,759	↑Firmer
TD15	WAF / China	260,000	42,358	↓Softer
TD19	Med / Med	80,000	31,391	↑Firmer
TD20	WAF / Cont	130,000	29,752	↓Softer
TD22	USG / China	270,000	40,738	↓Softer
TD25	USG / Cont	70,000	25,429	↓Softer
TD26	EC Mex / USG	70,000	22,267	↓Softer
TD27	Guyana / UKC	130,000	28,826	↓Softer

BALTIC TCE CLEAN

	Route	Qty	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	34,696	↑Firmer
TC2	Cont / USAC	37,000	16,781	↑Firmer
TC5	ME Gulf / Japan	55,000	27,119	↑Firmer
TC6	Algeria / EU Med	30,000	23,179	↑Firmer
TC7	Sing. / ECA	30,000	21,522	↑Firmer
TC8	ME Gulf / UKC	65,000	29,047	↑Firmer
TC14	USG / UKC	38,000	8,667	↑Firmer
TC17	ME Gulf / EAFR	35,000	26,373	↓Softer
TC20	ME Gulf / UKC	90,000	38,568	↑Firmer
TC21	USG / Caribs	38,000	14,247	↑Firmer

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