AFFINITY TANKER WEEKLY

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Crude Tanker Comments

It is difficult to draw many positives from the performance of the VLCC sector this week. Rates have continued to slide across all regions and the USG lays dormant. The US and UK were off on Monday, and Tuesday opened with confirmation that the first decade AG stems had been rounded off, having concluded with an AG/China run at WS 59. From there, charterers needed no invitation to turn the screw and with each new fixture came a lower rate. Last done for AG/S. East stands at WS 48 for a vessel opening in India, equivalent to around WS 49 for TD3C, with the BITR indices shedding over 10 points from this time last week. The OPEC production increase has yet to make an impact, but some are tipping the third decade to have higher volume, which will be welcomed by owners should it materialise.

On the subject of anticipated volume, third decade WAF has been touted as plentiful, but we have yet to see much cover thus far. With Suezmaxes appearing to bounce back a touch, there's a strong chance VLCC demand will increase for these dates given current fixing levels. Tonnage lists have been trimmed across the board but a lot more activity will be needed to turn the tide as things stand.

After the long weekend, the Med Aframax tonnage list was unsurprisingly refreshed at the start of this week, supported by a tame close to the previous one. Charterers took advantage by sitting back and starving the market of enquiry, with only a handful of stems worked in the early part of the week. Inevitably rates were tested down, with TD19 sliding to WS 120 at close on Thursday evening. Although the list has slimmed a bit, there are still standout options on the list and, with dates covered further ahead, there is further room for softening.

The North Sea market has been equally underwhelming. With very limited activity at both the end of last week and the beginning of this, rates on TD7 inevitably fell under pressure. Charterers haven't really tested rates, which have shed five points down to WS 120 levels, but with fewer ballasters leaving the market than usual, any charterer with a cargo would be able to chip away more points, should they wish.

It's been a hell of a week on the Suezmaxes, with yet another topsy turvy affair for Suezmaxes in the West! Rates have fluctuated ex-WAFR and you could have argued it was anywhere from WS 72.5 – 82.5 for TD20 on Tuesday. But the fact was that all measurable fundamentals pointed to the Atlantic market firming, and with WS 93.75 now on subs for an Angola/East – if you are willing to indulge this analogy of a car – the engine is now finally revving up after misfiring for most of this week.

The USG also looks like it will rebound; the workhorse Aframaxes have rebounded and Suezmax rates now equate to Aframaxes, but are much tighter owing to a lack of committed ballasters over the past week.

Now for the East of Suez; if the West is a misfiring engine, then the East is pretty much a disassembled one on the shop floor with the mechanic scratching his head about how to reassemble it. Reasons behind this being a combination of a lack of enquiry, softening VLCCs, Softening Aframaxes, and too many ships currently looking for employment. But to end on a happier note – expect a few more ballasters west over the weekend now that it has picked up in the Atlantic, which should help trim the list down.

Product Tanker Comments

It hasn't been the most impressive of weeks for the LR2s, but it is not all doom and gloom. Volumes are noticeably down owing to an influx of clean Suezmax fixtures, which have taken a lot of product away from regular LR2 fixing. That said, ships have been fixed away (whether it be done quietly or out in the market), so the list has gradually thinned out as the week progressed, but not quite enough to combat the incremental softening that has been seen so far. With the few cargoes out in the market, charterers have enjoyed the luxury of sitting on a range of offers from owners, so it is no surprise to see the rates ease off. TC1 closes the week at WS 135 and perhaps this may be the bottom given the shape of the tonnage list, although it entirely depends on the volume of cargoes that are put into the market next week. Westbound enquiry has been limited, and rates have also suffered as a result, with the latest subs agreed at USD 3,750,000 for a Kuwait loading jet cargo. Despite the minor softening, it would be fair to argue that the market is in a better state going into next week with a much leaner tonnage list, but let's see if cargo enquiry can support any form of progression.

Meanwhile, it has been a fairly strong week on the LR1s, with most of the action happening towards the back end of the week. Largely being propped up by short-haul enquiry, tonnage has now thinned out and we have seen some strong rates being paid out after a surge in enquiry. The latest X-AG was paid out at USD 575,000, but fresh TC5 needs to be tested as this hasn't been a prominent feature this week; we would suggest that it has firmed slightly to WS 175. Westbound enquiry has also been limited but the expectation is that rates remain buoyant and trading in the region of USD 3,200,000, provided general market enquiry maintains at current levels and the tonnage count doesn't rapidly replenish. Owners should approach next week with a sense of optimism as the list is poised and the benchmark for decent rates has been lifted by the strong short-haul rates being agreed throughout the week.

In the West, there is weak sentiment on the MRs, with WAF subbed late in the day at 37KT x WS 150, which represents a big chunk being taken out of freight, TA runs will follow suit, although the 20-point differential will probably decrease. WS 140 should be next done on TC2. On the Handies, tonnage has tightened and sentiment is firmer, with X-Med moving towards WS 185.

In the Med, it is quiet out there on the surface today for the MRs, with nothing fresh reported and the latest on subs sitting at WS 140 Sines/TA. looking forward to next week, a few more ships are set to open in the 05 – 10 window and a few more ballasters are set to arrive in Europe for next week's fixing. Expect we could see pressure build here next week.

On the Handies, it has been a quiet day out there to close out the week, with one cargo withdrawing from the market and just one stem left uncovered, which is reported to be waiting until next week. WS 200 is the latest reported on subs basis 30KT X-Med but, looking forward to next week, we expect this to come under pressure with the cargo window expected to be looking nearer end-first decade June dates come Monday – and tonnage should be better supplied for this window.

		BDTI	BCTI
		922	698
	Δ W-O-W	↓Softer	↓Softer

BDA			
(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	452.4	455.2	456.1
Δ W-O-W	-4.8	-5.2	-5.4

BALTIC TCE DIRTY

	Route	Qty	$ / Day	W-O-W
TD3C	ME Gulf / China	270,000	31,812	↓Softer
TD7	UKC / UKC	80,000	36,052	↓Softer
TD15	WAF / China	260,000	33,704	↓Softer
TD19	Med / Med	80,000	24,638	↓Softer
TD20	WAF / Cont	130,000	31,758	↑Firmer
TD22	USG / China	270,000	35,977	↓Softer
TD25	USG / Cont	70,000	36,255	↑Firmer
TD26	EC Mex / USG	70,000	25,751	↑Firmer
TD27	Guyana / UKC	130,000	29,790	↑Firmer

BALTIC TCE CLEAN

	Route	Qty	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	29,414	↓Softer
TC2	Cont / USAC	37,000	15,624	↓Softer
TC5	ME Gulf / Japan	55,000	24,216	↓Softer
TC6	Algeria / EU Med	30,000	24,125	↑Firmer
TC7	Sing. / ECA	30,000	22,962	↑Firmer
TC8	ME Gulf / UKC	65,000	25,023	↓Softer
TC14	USG / UKC	38,000	13,631	↑Firmer
TC17	ME Gulf / EAFR	35,000	18,504	↓Softer
TC20	ME Gulf / UKC	90,000	33,056	↓Softer
TC21	USG / Caribs	38,000	24,210	↑Firmer

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