AFFINITY TANKER WEEKLY

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Crude Tanker Comments

The week had been underwhelming for VLCCs until a dramatic turn of events this morning, with news of escalating tensions in the Middle East. This development, combined with a sparse third decade and upcoming July stems set to release over the weekend or early next week, has abruptly shifted the market in favour of owners. The combination of oil majors' hesitation to call in the MEG, and the emergence of eight-nine reported cargoes has given owners a sense of momentum. With the weekend ahead, owners are poised to maintain their leverage and ride the wave into Monday, signing off with ships still to fix; however, on this occasion, owners' excitement is outweighing scepticism. As further cargoes are likely to be revealed, owners will aim to tighten their grip on the market, potentially driving TD3C rates toward the higher WS 50s – and possibly beyond – by close of play on Monday.

On the Suezmaxes, the USG market, after its unsustainable surge last week, has now seen gains wiped out by a combination of lacklustre activity, preference for VLCCs, and a tonnage list outsized for the cargo volume in the market. WS 60 is now on subs for USG/TA and WS 62.5 on subs from Guyana... The WAFR list looked longer at the start of the week, but activity has now cleared away a good portion of it and dates have seemingly still been stuck in third decade June. CPC rates have also reset to WS 95 for basis Med, which was a lower-than-anticipated drop after one trade saw seven offers, but which only had two workable offers in the end, which set the tone rate wise thereafter, which often is the case for CPC.

Regarding the AG market, which is what most people reading this will be most interested in given the events overnight. The market was already looking healthier after a lot of Basrah cargoes came out end-June dates and tonnage wise, it was already looking tighter than usual. But following the recent events between Israel and Iran, owners' ideas for rates will now soar as owners weigh up the safety risks vs financial rewards of any further escalations in the Middle East. We are already seeing some owners saying they will now ballast eastern ships west rather than look at AG business, whereas others are still weighing up the options. The VLCCs are bustling above us today, and it won't be long until Suezmaxes ride on the VLCC coattails. Keeping with my storytelling theme from last week, perhaps the ugly duckling of the global Suezmax market could well finally become a beautiful swan after all!

The steam came out of the Med Aframax market towards the end of last week and it was a slow start to this week, too, with various countries on holiday. Even after returning to the office, activity failed to pick up and rates were tested down. But there was a reversal of fortunes on Tuesday, with over 10 cargoes worked and the feeling that rates on TD19 had bottomed at WS 125 levels. Tonnage had tightened and, as we close out the week, it feels as though rates are poised to move upward, after being flat for the past few days.

The North Sea market had a similarly quiet end to last week and start to this. It comes as little surprise that vessels have continued to ballast across the Atlantic, and, as a result, the front end of the list has thinned, also supported by some under-the-radar fixing. As we close out the week, activity on the surface remains lacklustre, but TD7 has held at around WS 125, which is still a marked improvement on just over a week ago.

Product Tanker Comments

The LR2 segment started to wake up from Tuesday on, which was when all pertinent national holidays in our market had finished after six days. Charterers had the longest position list with which to work since the end of February, so some softening took place. 75,000mt naphtha initially slipped 10 points to WS 125 before a further slip to WS 117.5. Enough activity has ensued over the last three days to then slow this rate of decline to only 2.5 WS points, with WS 115 now on subs from Thursday afternoon. Westbound voyages were also subjected to re-corrections, with USD 3.3 Mn on subs for Kuwait/UKC via Suez and USD 100k more (3,400,000) being the number via Cape.

This route hasn't been tested for many days but for comparative basis: USD 3.4 Mn represents a USD 350,000-drop from the last agreed number. East African imports also dropped towards the YTD lowest, with WS 105 on subs for 90,000mt but Yanbu/UKC has held steady, with USD 2.5 Mn being repeated twice this week with a slightly shorter list of suitable ships in the Med. At close of business this week, we note the very threatening actions undertaken last night in the Middle East conflict and would not be surpassed at all if this largest sector sees a few more owners pulling back and/or increasing freight ideas to match the threat as well as the 6 per cent overall lift on the Brent oil price so far today.

LR1s have not had an ecxiting time of it. Demand has been at the lower end this week as the bbl/mt upside of the LR2s has dragged a few more long-haul stems away from this segment. We have seen 55,000mt x WS 160 being fixed for AG/Japan but this was three days back – the more bearish members of our community would suggest that next done would be in the WS 140-145 range as and when next tested. East African imports are rarely seen on the LR1s, but was agreed on subs this week at 60,000mt x WS 135. The trickier Red Sea imports have also suffered, with USD 1,000,000 on subs for Kuwait/Djibouti that represents USD 150,000 less than last done. There have been some quieter deals agreed over the back end of the week and we are of course mindful how quickly this fundamentally lean sector of CPP shipping can thin down, but going into Monday next week, we could only really describe the market as steady at best.

In the West of Suez, it hasn't been the busiest of weeks for MRs in the UKC. Vanilla TC2 runs remained around 37kt x WS 135 throughout. There were some slight exceptions, which saw slightly higher being paid, while liftings to West Africa were non-existent – we assess the premium at +20 WS points over TA. Short-haul runs were paying the usual +10 WS points over TA.

On the Handies, the week started off with a few cargoes in the market, with X-UKC Handies trading around WS 155 – 160. However, the volume did not come and, with the lack of cargoes in the market, rates stagnated.

In the Med, it has been a steady week on the MRs, which have fixed between 37kt x WS 135 – 140 for standard Med-TA runs. Tonnage is thin heading into next week and there are some grounds for higher numbers should activity pick up.

For the Med Handies, it has been an uncharacteristically steady week, which has seen X-Med runs hold at around 30kt x WS 130. A steady flow of on- and off-market volume has reduced the list below average counts, so owners have cause to be optimistic for next week.

		BDTI	BCTI
		928	604
	Δ W-O-W	↓Softer	↓Softer

BDA			
(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	444.1	447.4	447.7
Δ W-O-W	-8.3	-7.8	-8.4

BALTIC TCE DIRTY

	Route	Qty	$ / Day	W-O-W
TD3C	ME Gulf / China	270,000	33,489	↑Firmer
TD7	UKC / UKC	80,000	35,086	↓Softer
TD15	WAF / China	260,000	32,668	↑Firmer
TD19	Med / Med	80,000	29,674	↓Softer
TD20	WAF / Cont	130,000	28,502	↓Softer
TD22	USG / China	270,000	26,370	↓Softer
TD25	USG / Cont	70,000	31,470	↓Softer
TD26	EC Mex / USG	70,000	27,648	↓Softer
TD27	Guyana / UKC	130,000	24,940	↓Softer

BALTIC TCE CLEAN

	Route	Qty	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	23,448	↓Softer
TC2	Cont / USAC	37,000	12,435	↓Softer
TC5	ME Gulf / Japan	55,000	20,048	↓Softer
TC6	Algeria / EU Med	30,000	7,300	↓Softer
TC7	Sing. / ECA	30,000	20,558	↓Softer
TC8	ME Gulf / UKC	65,000	22,052	↓Softer
TC14	USG / UKC	38,000	9,602	↓Softer
TC17	ME Gulf / EAFR	35,000	24,390	↑Firmer
TC20	ME Gulf / UKC	90,000	28,956	↓Softer
TC21	USG / Caribs	38,000	17,685	↑Firmer

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