AFFINITY TANKER WEEKLY

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Crude Tanker Comments

It's been a week of steady downward corrections in the VLCC market, after the sharp adjustments from the week prior. Plenty of rumours have been flying around this week but with little to substantiate fact from fiction. Overall, it feels like the West has reached its natural bottom whilst the AG appears close to a parallel improvement. WAFR and Brazil had been teetering in the high WS 40s until today; we saw a Brazil/East cargo fix at WS 50 – a considerable uptick establishing a new benchmark in the Atlantic.

One would assume owners now try to improve on this and drive rates into the mid-higher WS 50s. AG has been comparatively stagnant, with WS 47 touted as the TD3C benchmark all week until WS 44 got done today on an older unit for an AG/Taiwan voyage, ratifying the fixing level as WS 47 equivalent on modern tonnage basis TD3C for the time being. There's a good chance we see a buildup of mysteries come Monday as below-radar fixing affirms 2nd decade activity is close to completion. It seems we have turned a corner whereby owners will now seek improvement.

Without pulling punches… This week has been a bitter disappointment for owners in the West – CPC rates plummeted down on the one cargo worked from there this week to WS 92.5 from WS 105 on a cargo that attracted 6 offers. WAFR has been very slow going this week and all routes point south with regards to rates as tonnage builds up amid the lack of enquiry this week. USG has also been quiet, and with Independence Day today, it's unlikely that that changes as the week draws to a close.

Turning our attentions to the East – rates for Westbound have notched upwards on replacement business with strict vetting requirements and on a cargo that went via Suez with a smaller flat rate compared to the TD23 benchmark. Eastbound has been very quiet this week, with a cargo replacing a ship with another 15 WS points lower. VLCCs, given their abysmal state, above us have so far got the Eastbound market all to themselves given that their freight still works out cheaper than taking a Suezmax.

At the beginning of the week, there was relatively little Aframax activity in the Mediterranean. The list looked balanced but was largely populated by owners who were not limited to fixing X-Med. But with dates looking covered until second decade July, and enquiry levels poor, charterers chipped off a few points, with TD19 falling to WS 130. As the week went on, things stayed quiet, and rates remained flat. More vessels were given firm itineraries, but as demand was also low, charterers had the advantage and X-Med closes the week at WS 131.

A similar power dynamic was present in the North Sea, with rates holding steady despite weak fundamentals. Mid-week, we counted seven owners with multiple positions, despite vessels continuing to ballast out. The market appears gripped by the summer lull and, with so many ships still available, rates are set to be tested down. For now, however, TD7 continues to hold at WS 120 levels.

Product Tanker Comments

The first sign of softening was an AG/West voyage agreed at USD 4.15 Mn; the same route previously exceeded USD 5 Mn. Naphtha rates have fallen sharply since the "12-day war," with some fixtures seeing a 15- to 20-point decrease. Conversely, Red Sea exports were not as widely tested, but multiple were registered on subs at USD 2.85 Mn (down from USD 2.3 Mn) because of a dearth of ships. Our list now includes more vessels on subs, and there have been 10 public deals since Wednesday morning. Many ships will be open on Monday, but tonnage supply may not rise equally, so freight levels might plateau. In the West, LR lists are tight after a busy end to last week and much enquiry at the start of this one. Still, owners struggle to push the market and hope for renewed enquiry.

Though market sentiment has calmed in recent weeks, conditions remain stable. The week began with tonnage supply in line with the six-month average, and fresh stems entered into the market steadily, thinning out tonnage lists – things are looking tight. Cargo demand volume was insufficient to pressure charterers, so rates flatlined throughout the week. A lower rate for TC5 on an older vessel was further decreased four times at WS 142.5 by well-approved tonnage, so this is clearly the TC5 conference rate this week. Many suspect that rates have bottomed out at these levels and will improve next week if demand persists.

Short-haul activity was consistent, with rates holding at similar equivalent levels; latest fixtures included Jubail/UAE at USD 475,000 basis 60KT and Kuwait/Pakistan at USD 555,000. Westbound activity was absent, but we estimate levels at USD 3 Mn via Suez and USD 3.3 Mn via COGH. LR1s owners can be more optimistic, but cargo demand will shape next week.

As far as MRs go, there was a notable decline in TC2 rates, which fell steadily from Monday's levels to WS 90. WAFR premiums remained indicated at +15-20; however, they are untested for the week. Market sentiment has remained consistently soft, with this the lowest rate observed since September 2021, when levels stood at WS 95. Multiple owners have made the call to ballast to the USG for better prospects, though despite this, European tonnage remains plentiful. Soft sentiment heading into next week with the current call for Med/TA 37 KT at WS 100, though this needs fresh testing and could fall below.

It has been a very quiet week for the Handysize market in Northwestern Europe. TC23 rates closed the week at WS 120, following the broader declining trend in the MR market and a lack of reported fixtures. With TC2 rates also falling, MRs have been taking out any available Handy-sized stems, further pressuring the Handysize market, and overall sentiment has been consistently quiet. After last week's spike, X-Med has quickly returned to the floor of 30KT at WS 130. Charterers achieved this quickly at the start of the week by holding off on quoting early July stems and letting the list populate significantly; however, in the last three days, we have seen a relatively active market, which has contracted the list considerably, especially in WMed. Owners might thus look to take advantage of this on Monday if volumes are there.

	BDTI	BCTI
	945	535
Δ W-O-W	↓Softer	↓Softer

BDA (USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	425.1	428.5	430.3
Δ W-O-W	-13.1	-13.8	-12.6

BALTIC TCE DIRTY

	Route	Qty	$ / Day	W-O-W
TD3C	ME Gulf / China	270,000	25,979	↓Softer
TD7	UKC / UKC	80,000	31,191	↓Softer
TD15	WAF / China	260,000	30,530	↓Softer
TD19	Med / Med	80,000	25,855	↓Softer
TD20	WAF / Cont	130,000	30,096	↓Softer
TD22	USG / China	270,000	33,469	↓Softer
TD25	USG / Cont	70,000	33,013	↓Softer
TD26	EC Mex / USG	70,000	27,001	↓Softer
TD27	Guyana / UKC	130,000	30,058	↓Softer

BALTIC TCE CLEAN

	Route	Qty	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	23,344	↓Softer
TC2	Cont / USAC	37,000	3,374	↓Softer
TC5	ME Gulf / Japan	55,000	18,887	↓Softer
TC6	Algeria / EU Med	30,000	6,498	↓Softer
TC7	Sing. / ECA	30,000	21,705	↓Softer
TC8	ME Gulf / UKC	65,000	20,710	↓Softer
TC14	USG / UKC	38,000	29,093	↓Softer
TC17	ME Gulf / EAFR	35,000	17,412	↓Softer
TC20	ME Gulf / UKC	90,000	28,041	↓Softer
TC21	USG / Caribs	38,000	42,949	↓Softer

Note: TD25, TD26, TD27, TC14, TC21 values as last published by the Baltic Exchange

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