AFFINITY TANKER WEEKLY

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Crude Tanker Comments

The VLCC market found its floor mid-week, with AG/East rates dipping to the low WS 40s before sentiment began to turn. Scales have started to tip more in owners' favour with ideas now seeming much more achievable in mid-WS 40s for TD3C. There is only a slight increase of cargoes circulating, but a lot of fixing has been done under the radar, with rates and fixtures kept off the market, leaving the mysteries list looking vast. The lack of information has hurt the speed with which owners can turn the tide. But it feels it is indeed turning, globally, albeit rather slowly.

The Suezmax market pumping West of Suez has grabbed some VLCC owners' interest, snapping up part-cargoes on occasion to reposition whilst returns have been bumbling along the floor. This has given the VLCC market the helping hand that was needed. Next week's volume needs to stick to build a foundation prior to the release of September MEG dates in order to bridge the gap; otherwise, we may see owners' attempts to drive rates higher fall short should there be another quiet stint.

The USG has been the talk of the town for Suezmaxes this week, with the Aframaxes rocketing up to WS 175 for TA, thus raising the Suezmax floor. A couple of cargoes moved on Suez from the USG, but rates lagged behind those of the Aframaxes. WAFR had been very slow going all week, but it finally exploded into life on Thursday, with WS 80 paid on a TD20 options cargo, followed by WS 87.5 ex-Kribi.

For third decade dates, the list remains a headache, and with CPC working similar dates, we should see the market firm further. The Middle East market has been a bit quieter this week, with the usual fuel oil tenders remaining the main source of enquiry out there. VLCCs continue to undercut the Suezmaxes for crude oil into the East, and on the westbound, they have also capped on a few cargoes, mainly on relets which are looking to reposition.

Aframax owners failed to take advantage of the short list for the weeks preceding the beginning of this one, and after a long period, TD19 sat at circa WS 130 until Wednesday, when the rate jumped by about ten points. Representative of this leap was a WS 142.5 fixture for Trieste ex-Libya, and the rate has since risen further to 150. X-Med dates on the whole are shifting into the second decade. X-Med options remained slim as the week continued, and even though dates are further forward, further scope is definitely there – Azeri cargoes on the water remain uncertain. On Friday, the combination of a short list, the Azeri uncertainty, and the US bubbling meant that owners finally had all the ammo they needed, and it was eventually impossible for them not to achieve higher rates; WS 150 was the highest-paid X-Med. Dates are now very far forwards, but owners' sentiment remains firmer.

In the North Sea, it was yet another uninspiring start to the week. Natural candidates existed on the front end along with relets pushed from the main charterers. The Med continued to attract significant ballasters, with eight ships making the move last week. In the following days, rates in the North Sea remained glued to the bottom. With the US escalating and the Med finally on the rise, it was unsurprising that owners began asking for more, particularly Lundqvist, who has far higher numbers on subs in the Med. TD25 jumped 55 points this week, but the headline is the fact that TD7 currently sits at 120 for the first time since early July. It is truly a thrilling time for the North Sea, and a significant proportion of the list is set to ballast out.

Product Tanker Comments

Tuesday held most of the public action this week on AG LR2s, with naphtha exports leading the charge. From Monday there was a leaner position list, which presented the opportunity to nudge freight on a little bit. Last week's level of WS 132.5 for a 75,000 MT naphtha shipment was there to be bettered, and five deals went through at between WS 137.5 and WS 145 as demand increased; a WS 147.5 deal was agreed Wednesday. The list is much thinner now with little workable tonnage for all routes.

Demand has also shrunk, but there should be more flow to work with next week. Westbound trade and arbitrage have not been working, but our sense is that levels towards USD 4 Mn would be entertained to match the improved earnings generated from the eastern cargo trade. East African imports have been publicly tested once with 90,000 MT at WS 137.5 being the number agreed mid-week. Conversely, Red Sea exports have softened a bit, with USD 2.55 Mn fixed (down from USD 2.7 Mn) for Yanbu/UKC at the beginning of the week, but some sniping of quiet cover on the western open tonnage has thinned down supply a little for next week.

LR1 owners in the AG have taken advantage of incremental gains all week. Activity has not been through the roof, but sentiment remains strong, and the top of the list has long been lean. TC5 crept up to WS 155 as the latest fixture, but private activity today suggests that this rate may improve by five points. Westbound volumes have been reasonable this week, but not as busy as recent levels – rates have held at just over USD 3 Mn for AG/UKC (via COGH). Short-haul agreements have not been as straightforward – MR rates have been very strong, with AG/Pakistan paying USD 550,000 for well approved/blue chip tonnage, whereas LR1 rates have lagged and need to correct upwards, especially as markets firm elsewhere. All in all, it has been a positive week in the AG, but a wave of tonnage will replenish starting 5 August. There is not enough to have major negative impacts on freight, but current levels can only be supported if demand continues at this pace.

LR1s have been busy lately in North Asia, mostly due to charterers taking larger units for MR-sized parcels. LR1 owners have typically been willing to undercut MR rates for cargoes loading mid-China and Taiwan into Singapore; however, freight levels will likely hold at around USD 625,000 – USD 650,000 for backhauls into Singapore from the North. LR2 owners' freight ideas for North Asia to Australia have increased with the AG moving up. 75,000 MT at WS 155 has been shown for open cargoes in this direction, suggesting that perhaps WS 150 is on the cards for a run into Australia.

MRs In the UKC started the week busily, with a tight position list at the front end and rates reaching WS 160. However, as days passed, tonnage lengthened, and rates declined; TC2 latest subbed is WS 105. By week's end, market sentiment remains soft, but rates are likely nearing the bottom. In the Med, it was an active week, but with a good amount of tonnage to clear through, rates have faced pressure. With NWE under pressure and little left to cover, the market should be strained there next week.

It was a steady week for the Handies in the UKC, with the list remaining consistent and TC23 rates remaining steady at WS 155. As the week closes out, market sentiment stays quiet with tonnage left available. In the Med, off the back of last week's activity and a decent week seen out there, rates have held stable at WS 180-185. There is little activity in the West today, with most waiting until next week now to cover. There is a stable front end and a softer outlook for next week.

	BDTI	BCTI
	956	652
Δ W-O-W	↑Firmer	↑Firmer

BDA

(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	417.0	422.0	423.5
Δ W-O-W	-0.1	0.8	1.9

BALTIC TCE DIRTY

	Route	Qty	$ / Day	W-O-W
TD3C	ME Gulf / China	270,000	23,582	↓Softer
TD7	UKC / UKC	80,000	28,370	↑Firmer
TD15	WAF / China	260,000	30,269	↑Firmer
TD19	Med / Med	80,000	37,148	↑Firmer
TD20	WAF / Cont	130,000	33,209	↑Firmer
TD22	USG / China	270,000	30,383	↓Softer
TD25	USG / Cont	70,000	43,827	↑Firmer
TD26	EC Mex / USG	70,000	44,259	↑Firmer
TD27	Guyana / UKC	130,000	30,399	↑Firmer

BALTIC TCE CLEAN

	Route	Qty	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	33,183	↑Firmer
TC2	Cont / USAC	37,000	6,482	↓Softer
TC5	ME Gulf / Japan	55,000	23,528	↑Firmer
TC6	Algeria / EU Med	30,000	20,848	↑Firmer
TC7	Sing. / ECA	30,000	19,542	↓Softer
TC8	ME Gulf / UKC	65,000	27,409	↑Firmer
TC14	USG / UKC	38,000	20,057	↑Firmer
TC17	ME Gulf / EAFR	35,000	25,838	↑Firmer
TC20	ME Gulf / UKC	90,000	34,929	↑Firmer
TC21	USG / Caribs	38,000	25,273	↑Firmer

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