AFFINITY TANKER WEEKLY

08 AUGUST 2025

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Crude Tanker Comments

The VLCC market performed this week, with AG/East rates climbing over WS 10 since last Friday, now reportedly trading above WS 56. Early week fixing was rife, driven by a wave of market quotes and the threat of tightening lists, which gave owners the confidence to hang back unless posting a decent gain. As the week progressed, the pace of fixing gradually slowed on the surface, but the market remains firm.

Again this week, we saw a noticeable build-up of mysteries and, again, a decent leg up from the Suezmax market as owners' resolve managed to strengthen rates, thereby keeping the door open for VLCCs to be snapped off of more prompt dates. With mid-month stems due to be released by the very end of next week, it seems that owners have managed to create a solid foundation upon which to build when charterers start to fix September cargoes.

Things escalated quickly in the Suezmax market. To start with, TD6 rates were at WS 105 on Monday, but a surge of enquiry and a tight tonnage list in the Mediterranean lifted rates to WS 130. This tight list also had its effect in West Africa, where rates' potential was finally realised as they soared to WS 137.5 at time of writing on a Brazil run, putting TD20 at the WS 135 mark. Charterers have held back on working any later 3rd decade stems as the market right now remains explosive. The USG did see gains on a Suezmax TA run this week, but rates only climbed slightly to WS 80, and, right on cue, the Aframax USG market is going to hell in a hand cart, so we expect volume to be minimal on the larger size for any TA moves. Guyana, however, did follow the rest of the Atlantic with WS 109.5 on subs for TA.

I recite the popular idiom "always the bridesmaid, never the bride" when comparing the situation in the AG to the Western markets, as it has been another dull affair on that side of the world. Whilst our larger cousins the VLCCs are firming up, they are not at levels at which charterers would consider parcelling down on a Suezmax, so the latter vessels are stuck with the scraps and fuel oil tenders. Rates remain steady to flat at WS 52.5 for UKC/Med and WS 95 for the East on non-ex dry dock tonnage.

At the beginning of the week, Aframax sentiment in the Med remained robust. Cargo dates in the area were well-covered in advance, but the list stayed short. The US continued to escalate – only one ship in the Med had ballasted in the preceding three weeks. As the week went on, it felt like owners were missing opportunities; cargoes focused around short flats, and there were limited options. Still, owners were happy to roll over even with Suezmax firing. The USG started settling, and there were no more ballasters. The Med list closed the week very short, especially considering that two of the early ships will ballast TA over the weekend. That said, dates are well-covered in advance, and the US market has softened. However, coming in Monday for 3rd decade laycans does not present many options. TD19 now sits at WS 149, roughly the same as the rate seven days ago after a few days just above WS 150.

In the North Sea, the Aframax list seemed healthy at week's opening, but Med and US TCEs meant that any ship able to ballast was likely to leave the area. Local players Neste and Lundqvist continued to push tonnage, and it looked like rates would be escalating. Local ships unwilling to ballast indeed dominated the list through the end of the week, and action was slow and steady. TD7 rose by a bit under two points to WS 120, and players have continued to flee to the Gulf, even as rates correct there; cargo enquiry has been too slim to affect rates off natural dates.

Product Tanker Comments

This week's East LR2 market has been strange. The position list only started off tight, and the gains from last week implied that there was still some momentum to follow through. Monday saw only one fresh cargo from the AG, and then from Tuesday onwards there was precious little more to talk about. What has been clear, though, is that even with very low demand, rates are holding very well with WS 152.5 on subs for 75,000 MT AG/Japan followed by a quiet WS 153. Earnings were very good – around USD 37,000 to 39,000 for eco scrubber-fitted tonnage – which backs up the narrative that even with lower cargo demand, there are not many vessels which can do all options, so levels have only held when intermittently tested.

Westbound LR2s have seen only one public test, rising to USD 4.15 Mn. East African importing has also improved, with 90,000 MT at WS 150 fixed, a 15-point w-o-w rise. Red Sea export rates from Yanbu have also jumped USD 300,000 to 2.85 Mn; firming here is partly a result of the USG naphtha demand appearing again and taking three ships off the list. Outlook for remains positive, but fresh cargoes early next week are needed to prevent softer ideas creeping in.

All in all, it was a strong week for LR1s out East. In 24 hours, over ten cargoes were quoted into the market, and suddenly it looked tighter for tonnage. The tonnage count itself has not been too low, but given the volume of cargo in the market, any tightness was amplified as there were now more stems than vessels in the market.

Unsurprisingly, LR1 rates firmed by the day; TC5 improved continuously, and latest levels were agreed at WS 177.5. Westbound enquiry has been average, but there are some tenders which may boost next week's cargo count when won. This week, AG/West is trading from USD 3.2 Mn to 3.3 Mn via COGH. Short-haul business has been as busy as usual, but rates finally caught up to appropriate levels of comparison to MR short-haul trading levels. If demand stays at these current levels, it would not be surprising if owners successfully pushed for higher rates. North Asian LR markets did not meet expectations set out by this week's rate advances in the Middle East. There was limited activity for LR1s, but rates were stuck around USD 675,000 to 700,000 for Korea/Singapore backhauls, and Australia runs were untested. There has been some interest in LR2-sized cargoes for North Asia/Australia runs where deals have been struck at 75,000 at WS 147.5, about five points shy of where TC1 rates are.

This week, TC2 opened at WS 105, with a tight MR tonnage list of prompt dates. Fresh enquiries for UKC/WAFR voyages kept the list tight, and TC2 rates improved, ending the week at WS 120. The WAFR premium held at +20. Overall, market sentiment remains tight on the front end. It was a steady week for UKC Handies, with rates for TC23 opening at WS 150. TC2 freights on the MRs at the start of the week were trailing downwards, leading to rates on TC23 falling to WS 145. As the list has tightened over the course of the week, freights have risen, settling at WS 152.5.

In the Med, two MR cargoes were seen on the surface of Friday morning, but with most seemingly waiting until next week to cover, activity is quiet. A mix of rates was reported, and the market needs a fresh test here. Deals for 37,000 MT at WS 125 and 130 were seen at the close of the week. As for Handysizes, there was little new tonnage seen on Friday in the Med, with a few X-Med cargoes working and covering at WS 175 levels. There is little left carrying over into next week, but there should be more to come in the 13 – 16 window. Sentiment is softer due to inactivity in the area at the end of the week, but there is the possibility of stabilisation early next week.

	BDTI	BCTI
	1011	671
Δ W-O-W	↑Firmer	↑Firmer

BDA

(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	416.5	422.1	423.7
Δ W-O-W	1.1	2.1	3.3

BALTIC TCE DIRTY

	Route	Qty	$ / Day	W-O-W
TD3C	ME Gulf / China	270,000	37,481	↑Firmer
TD7	UKC / UKC	80,000	32,476	↑Firmer
TD15	WAF / China	260,000	37,929	↑Firmer
TD19	Med / Med	80,000	37,316	↑Firmer
TD20	WAF / Cont	130,000	57,250	↑Firmer
TD22	USG / China	270,000	34,112	↑Firmer
TD25	USG / Cont	70,000	35,983	↓Softer
TD26	EC Mex / USG	70,000	38,859	↓Softer
TD27	Guyana / UKC	130,000	54,506	↑Firmer

BALTIC TCE CLEAN

	Route	Qty	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	34,962	↑Firmer
TC2	Cont / USAC	37,000	9,560	↑Firmer
TC5	ME Gulf / Japan	55,000	28,649	↑Firmer
TC6	Algeria / EU Med	30,000	19,669	↓Softer
TC7	Sing. / ECA	30,000	18,926	↓Softer
TC8	ME Gulf / UKC	65,000	31,268	↑Firmer
TC14	USG / UKC	38,000	25,084	↑Firmer
TC17	ME Gulf / EAFR	35,000	26,917	↑Firmer
TC20	ME Gulf / UKC	90,000	39,688	↑Firmer
TC21	USG / Caribs	38,000	39,991	↑Firmer

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