AFFINITY TANKER WEEKLY

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Crude Tanker Comments

This week, the VLCC market was anything but ordinary. The beginning was used as a cool-off period, with charterers limiting enquiry to subdue sentiment. This paid off for some; low WS 70s rates were reported on a few AG-East cargoes. Midweek, however, the market began to recover as the limited tonnage was laid bare and bullish sentiment took over. The AG market bounced back with a long East run fixing at WS 75 on Wednesday, culminating in Friday's AG-South Korea fixture at WS 90 – highlighting the sharp rise. Owners are now firmly back in control and, with October dates looming next week, charterers look to secure what workable units remain.

The WAFR and Brazil markets followed suit on Thursday with notable gains posted off natural dates. WS 92.5 was concluded for a WAFR-East run – a WS 19-point improvement on the WS 73.5 paid on Tuesday – and WS 90 was done twice for Brazil-East runs, another significant uptick from the WS 71.5 deals on Monday. The USG continues to showcase ample enquiry, helping to underpin the Atlantic and keep things looking firm going into next week. With sentiment now firmly in owners' favour and more stems expected to surface, the market is poised for further upside. If next week kicks off with volume, some standout numbers could present themselves, and with the way things are moving, it would not be a surprise.

This week, WAFR Suezmaxes had the last of third decade dates covered, and rates inched up to WS 112.5 for TD20 on a few replacements. For now, rates seem stable here as owners are making healthy returns and charterers are happy not to be paying up. There were a few CPC deals printed at the WS 142.5 mark, but it was quiet in the market overall this week; there is the chance that some more of the 39 Suezmax stems will need covering next week. Guyana continued its barnstorming pace and enticed more ships across ex-Europe. Turning to the East of Suez, demand was lacking on the bread and butter of the AG Suezmax market, the local India business, and, coupled with the buildup of tonnage, rates were thus under pressure. One cargo drew in nine offers and rates fell to WS 112.5 for East. To finish on an analogy, if one wants a sandwich for lunch and does not have the bread and butter, he will go hungry, as the AG market shows.

The Med Aframax market started slowly this week, with minimal enquiry across the board. X-Med dates are shifting on in the third decade, and many owners lost hope and ballasted TA. As days passed, X-Med dates continued to push on, with Heritage covering up to end-of-September. Libya was also making tracks with little left prior to the 26th and X-Med levels were largely stable, with some cheaper Ceyhans paid at WS 125. TA ballasters provided some relief to the list, but charterers had options. The week ended busily, with more than six cargoes worked on Thursday. Higher rates have been paid off short minimum flats, ships continue to ballast to the lucrative USG market, and there is slightly more positivity in the air. TD19 ends the week at WS 135.

As in the past few weeks, the North Sea Aframax market was quiet this week. Local players were prominent at the beginning, but things did not pick up, and the midweek list remained populated with natural options. Of course, those able to ballast out explored the US market, but too many local options existed for a change in sentiment. As in the Med, there was a busy end to the week, with a few vessels being picked off quietly on Thursday at below WS 120, the level around which TD7 now sits. The list looks tighter at the front end now and, considering that ships are likely to ballast to the US, charterers will probably sit back and let positions repopulate.

Product Tanker Comments

It was overall a subdued week for AG LR2s with APPEC in full force and demand at a low ebb. While the previous few months had enjoyed thin supply even when enquiry was minimal, this week, one has begun to see significant tonnage levels on the horizon, with the midweek list counting as many as 35 to 39 ships over the next 20 days. Sentiment has softened as a result, with owners feeling the pressure of low supply and cargoes starting to attract multiple offers. Westbound saw the initial hit, with the latest agreed at USD 4.05 Mn via CoGH. Eastbound showed weaker signs too, with WS 140 currently on subjects, but we expect more pressure here too.

It is a different story for the LR1s in the area, with a healthy level of enquiry all throughout the week. Monday's list was sufficient to contain rates on vanilla business despite some demand off the bat; however, a continued flow across the week has seen a decent dent to tonnage levels, and the picture today is of a thinner list and positive sentiment. With LR1s beholden to the health of the MR and LR2 segment, how long this sentiment will last is unclear, but owners will be pleased, at least, to see a slim list moving into the weekend. Westbound demand has lifted, with more flow coming out of West Coast India, and rates have been agreed in the region of USD 2.85 Mn for UKC via Cape of Good Hope. TC5 flow has been a little lower, with the very cheap MRs picking up more slack in this area, but WS 150 – WS 155 is an accurate market level.

The fortune of the Far East and Southeast Asian LR1 market is intrinsically linked to that of the region's MRs as far as back-haul rates are concerned. To this end, we have seen rates slip off the highs, and theoretically, a Korea-Singapore run should be pricing at USD 725,000 – 750,000. The LR2 rates in the Middle East look significantly under strain, and this could well reverberate, as it normally does, into the North Asia markets. LR2 freight levels will likely track down next week.

The Southeast Asia MR market was more subdued than that of its LR counterparts. Despite occasional fixtures, including TC7s around WS 210 levels, enquiry failed to build into meaningful momentum. Ample ship availability and weaker support from the AG weighed on sentiment, leaving rates soft and activity levels uninspiring at the close.

It was a busy start to the week on UKC MRs, with TC2 firming up to WS 130. As a number of stems were covered and only one remains outstanding, activity has since slowed, and the market has gone quiet. The latest fixture for TC2 was reported at WS 110, with Med runs paying WS 125. Overall, market sentiment is quiet and the WAFR premium continues to pay +20 basis 37KT. Handysize rates for TC23 are holding at WS 162.5.

A decent week of Med MR activity has given this market some stability on rates. WS 120 has been subbed and repeated basis Med-TA despite one sharper number on an ex-DD vessel. It was a quiet end to the week with little fresh seen over Thursday and Friday, and looking forward to next week, rates could come under some pressure if there is not a busy start. The Med Handysize market began with a quick start on Monday, which gave a slight glimpse of hope for the week ahead. However, activity since then has mostly trickled in, and the market has traded sideways for another week at WS 135, with tonnage in ample supply to cope with current demand levels. The cargo window is looking up to 20 September at the time of writing.

	BDTI	BCTI
	1114	614
Δ W-O-W	↑Firmer	↓Softer

BDA (USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	419.5	424.8	426.9
Δ W-O-W	0.2	-0.8	-0.9

BALTIC TCE DIRTY

	Route	Qty	$ / Day	W-O-W
TD3C	ME Gulf / China	270,000	82,674	↑Firmer
TD7	UKC / UKC	80,000	31,877	↓Softer
TD15	WAF / China	260,000	82,833	↑Firmer
TD19	Med / Med	80,000	29,977	↑Firmer
TD20	WAF / Cont	130,000	51,721	↑Firmer
TD22	USG / China	270,000	64,742	↑Firmer
TD25	USG / Cont	70,000	46,324	↑Firmer
TD26	EC Mex / USG	70,000	44,312	↑Firmer
TD27	Guyana / UKC	130,000	50,783	↑Firmer

BALTIC TCE CLEAN

	Route	Qty	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	32,171	↓Softer
TC2	Cont / USAC	37,000	8,090	↓Softer
TC5	ME Gulf / Japan	55,000	23,812	↓Softer
TC6	Algeria / EU Med	30,000	8,027	↓Softer
TC7	Sing. / ECA	30,000	23,870	↓Softer
TC8	ME Gulf / UKC	65,000	26,019	↑Firmer
TC14	USG / UKC	38,000	18,431	↑Firmer
TC17	ME Gulf / EAFR	35,000	16,841	↓Softer
TC20	ME Gulf / UKC	90,000	35,706	↓Softer
TC21	USG / Caribs	38,000	23,937	↑Firmer

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