



Summertime Sadness

The VLCC markets have remained flat across the board this week. We have seen more deals reported on various routes, but rates are showing no change and remain at the bottom. TD3C is at WS 31.5, while TD15 is at WS 33.5. In the MEG, we have seen July's cargo count improve thanks to Opec, but the number of cargoes showing in the market remains relatively small, since charterers and owners are happy to cover privately. It is the same in WAFR, the USG and North Sea, with activity picking up slightly but with no change to rate levels. As the rising bunker prices draw more blood from owners, they may start to consider holding ships back until rates recover slightly.

As for Suezmaxes, there has been a bit more inquiry in WAFR, but still not enough to push rates above current levels. We see around 55 modern units open in natural ballast positions to fix WAFR over the next 30 days – just above 40 of which are already on the water. Perhaps rising bunker prices will create a bit of resistance, but so far we've seen no meaningful progress. Supply/demand data is bearish and we see the market as flat/weak for the foreseeable future. WAFR/Europe 47.5-50-ish / mid-50s for East. There are some stand-out options for both directions.

In the AG, it's been a slow week in terms of inquiry. Tonnage supply remains steady compared to previous weeks. The list is naturally tighter for third decade ships, but with such a backlog of vessels sat spot with limited options other than to take on board the waiting time, we don't think this should have any major effect on rates. There is enough Basrah-suitable tonnage out there to cover potential volumes, so we should not expect rates ex-Basrah to change. Owners have been keeping AG/West at low 30s for natural dates, with East currently in the WS 55 – 57.5 range. The market remains steady for the foreseeable future.

It's been a mixed week for European Aframax, with rates in the Med and Black Sea firming over the course of the week. TD19 has gained more than five points to settle at WS 92.5 – 95 levels as we finish the week. Activity has picked up on both the crude and fuel sides, which has tightened tonnage lists and given owners a little more pushing power. Charterers are having to be mindful to not be caught out.

There is some optimism among owners that they may be able to push rates up by a few more points, courtesy of a decent-looking third decade fixing window ex-Black Sea and the tighter tonnage. However, with rates at these levels, there is the looming threat of Suezmaxes entering play, so any significant upside is improbable.

To the North, conditions have been far less favourable for owners. Things have been very slow, with only a few vessels here and there being picked

off, leaving the markets overtonnaged. Rates on both TD7 and TD17 have lost around 5 – 10 points each, down to WS 92.5 – 97.5 and WS 60 – 62.5 levels respectively. TCE earnings on TD17 have fallen back into the negative for the first time since mid-April, with rising bunker prices playing their part.

Unless activity picks up significantly, the markets will continue to roll along the bottom.

In the product markets, LR rates East of Suez rates are largely unchanged on the week, despite a fair amount of volume on the LR2s. Despite this uptick in visible activity, the number of available ships was such that the increased demand was easily absorbed. Cargoes were quickly snapped up, with owners happy to settle for last done. TC1 remains at WS 75. Westbound rates have crept up, with USD 1,725,000 fixed ex-Kuwait, with the tonnage a little thinner. Ex-Jubail has been done at USD 1,675,000, representing a rise of USD 25,000 on the week.

On the LR1s, it has been a fairly miserable week, but towards the end, owners began to show some signs of resistance. Owners appear to have had enough of current levels, exacerbated by the rising bunker prices, and are now preferring to hold their ships back, rather than accept negative earnings. TC5 is currently assessed at WS 77.5 – 80.

It's similar for the MRs in the AG, with the market remaining overtonnaged. Charterers have an abundance of options and are squeezing every bit out of owners and TC12 has softened five points to WS 87.5 on subs. EAFR has fallen by 10 points down to WS 135, which has been repeated now a few times. Westbound is currently on subs at USD 950,000 and X-AG is at USD 130,000 – 140,000. Owners will take some comfort, however, from the increased activity levels this week, which have been consistently better than last week. There are still far too many ships, but should this level of activity be sustained, enough tonnage could be cleared to allow rates to rise.

West of Suez, MRs have had another tough week; the position list at the front end is looking exposed and TC2 has softened to WS 115. More demand will be needed to get the market moving in the right direction but, with the higher bunker prices, earnings are worse than ever. The USG market continues to underperform, with TC14 at a miserly WS 80, so there is little incentive to head for a round trip. There is little demand for voyages to WAFR with deals reported of around WS 122.5, but this will need further testing into next week.

The LR2s and LR1s in the West have had a quiet week with little to report. Rates remain flat across both, with owners reluctant to drop below what they consider to be the absolute bottom of the market. LR1s look the marginally more stable of the two, with some activity at the end of the week giving owners some relief.

			BDTI	BCTI
			588	447
	Δ W-O-W		↓Softer	↑Firmer
BDA				
(USD/LDT)		TKR/LRG	TKR/MED	TKR/SML
This week		564.4	565.8	566.5
Δ W-O-W		2.1	2.0	1.2
BALTIC TCE DIRTY				
	Route	Qnt	\$/ Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	-17,401	↓Softer
TD3C	ME Gulf / China	270,000	-4,995	↓Softer
TD6	Black Sea / Med	135,000	-6,395	↓Softer
TD8	Kuwait / Sing.	80,000	461	↓Softer
TD9	Caribs / US Gulf	70,000	-3,283	↓Softer
TD14	Asia / Australia	70,000	1,400	↓Softer
TD17	Baltic / UKC	100,000	-1,477	↓Softer
TD20	WAF / Cont	130,000	-1,782	↓Softer
BALTIC TCE CLEAN				
	Route	Qnt	\$/ WS	W-O-W
TC1	ME Gulf / Japan	75,000	357	↓Softer
TC2	Cont / USAC	37,000	2,651	↑Firmer
TC5	ME Gulf / Japan	55,000	121	↓Softer
TC6	Algeria / EU Med	30,000	WS 119.69	↑Firmer
TC7	Sing. / ECA	30,000	1,971	↓Softer
TC8	ME Gulf / UKC	65,000	WS 20	↑Firmer
TC9	Baltic / UKC	30,000	WS 120	↑Firmer



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