AFFINITY TANKER WEEKLY

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A frenzy suddenly engulfing some markets…

It has been another relatively quiet week for VLCCs, with a few bits and bobs done in the AG, but rates keep softening inexorably – MEG/China is on subs at WS 37.5 for late Dec dates at the time of writing, 0.5 WS points less than last done for the beginning of third decade dates. It's quiet with very little to report in WAF, no fixtures bar two COAs have been reported this week. Despite the open arbitrage, Asian refiners clearly don't want African crudes, which is a shame... On the other hand, we saw a lone cargo from the UKC to Asia at USD 4.45 Mn for 25 Dec (Christmas!) dates. There is some movement also in the USG, with USG/East on subs for USD 4.6 Mn, about USD 0.05 Mn less than last done on Wednesday. Hopefully the tide turns around soon for oil demand amid optimistic news regarding the novel Omicron Covid-19 variant…

Meanwhile, the momentum for Suezmaxes in WAF kept increasing and so did market sentiment. It looks like almost everyone is trying to get as much done as possible before the Christmas holidays – although positive for the market, we can expect it to peak before late Dec dates. Djeno/UKC-Med is now on subs for 28 – 29 Dec dates at WS 77.5, and TD20 is now firm at WS 76 levels. The AG region still feels steady compared to WAF. We have seen a couple of cargoes working, but otherwise it has been relatively quiet. TD23 stays in the WS 38 levels.

There is a bit more optimism in the Med and Black Sea Aframax markets this week. Having sunk alarmingly to just WS 90 in the middle of last week, TD19 has bounced back to around WS 105. Tonnage has thinned, but the delays in the Turkish Straits are clearing and, while activity has increased, there hasn't really been enough to gift owners in the region too much optimism for further rises, but they will be keeping an eye on the northern markets, where an improvement could bring further positivity down here.

Rates in the North have moved sideways along the bottom in both the North Sea and Baltic markets through the week. TD7 is in the WS 100 – 102.5 region, while TD17 is at WS 80. While there has been nothing to shout about this week, owners will be cautiously optimistic about the future. Vessels are fleeing the weak markets, heading mostly to the USG, alleviating some of the pressure. Moreover, there is a cold snap in Russia, which is bringing ice into play. Ust-Luga has announced that vessels much follow ice breaker assistance from 21 December. As we move into the third decade fixing window, we may see an improvement in rates.

On the products side, things were a little busier for the LR2s this week after a lull. Ships are finally clearing out and as many as eight ships have been put on subs in the last 24 hours. Charterers' timing has kept freight levels in check, but there is now a distinct lack of good tonnage available in the early part of next week and, should demand materialise, rates could get a lift. A notable lift in naphtha demand has consolidated rates on TC1 at WS 105 and we would suggest that it would be more like WS 110 at the time of writing. On the LR1s, we were never going to see as much demand as last week, but there has certainly been enough to keep rates buoyant and, in some cases, on the up. Eastbound is on subs at WS 132.5 for TC5 and owners are looking optimistically into the next week.

Aided by a firming MR market, the Asian LR1 owners have managed to push rates up for backhaul cargos this week. USD 550k was put on subs for a Zhoushan/Singapore run, followed quickly by the same number being paid for a Korea/Singapore cargo, a healthy USD 100k up on last week. Charterers have been quick to use cheaper LR2 units where possible, but it won't take owners long to realise that they too can push for higher numbers. Underpinning all of this is a firm MR market driven by increases in the Chinese export quotas for the year-end. This is finite, however, and the expectation is that, if these exports taper in January, we will see a correction in the freight market. Until then, owners are content to make hay while the sun shines. With tonnage supply looking tight, owners still hold the upper hand as we head into the weekend with some remaining cargoes uncovered, mainly transpacific. Korea/Singapore was repeated at USD 500k levels. TC10 runs are between USD 1.05-1.1 Mn, depending on options needed. Korea/Oz is being repeated at WS 170. We do see charterers upsizing to LRs as a solution, which could put a temporary caps on rates.

Meanwhile, it has been another dry week in Singapore, with little to report. Vessels are getting fixed quietly, but this has barely made a dent in the number of vessels available. X-Singapore is assessed at USD 140k levels. TC7 was repeated at WS 155 levels and owners are now considering ballasting to the AG to take shelter, which might cap the gains down there.

In the West, the week opened with a tight MR market, and far fewer ballasters from the US than expected. TC2 cargoes were aplenty early on and this drove freight up throughout week. TC2 is at WS 190 at week's end. Looking ahead, the Atlantic basin remains tight on tonnage as the US has enjoyed a firm week as well. It is a positive outlook ahead.

The Med markets have gone from strength to strength this week, too. Everyone was primed for a pre-Xmas rush but this one has surpassed even the most bullish expectations. On the Handies, a combination of a dump of cargoes and terrible weather have contributed to the perfect storm, resulting in the list becoming super-tight and firm positions are almost non-existent at the time of writing. This has seen rates for TC6 shoot up to WS 320 - that's about a 180-point rise in a week! And owners are talking even higher again! There are still outstanding cargoes, so let's see where it goes.

	BDTI	BCTI
	777	784
Δ W-O-W	↑Firmer	↑Firmer

BDA

(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	601.7	604.8	606.5
Δ W-O-W	-5.1	-5.3	-4.6

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	-18,362	↓Softer
TD3C	ME Gulf / China	270,000	-1,432	↓Softer
TD6	Black Sea / Med	135,000	6,153	↑Firmer
TD8	Kuwait / Sing.	80,000	1,246	↓Softer
TD9	Caribs / US Gulf	70,000	22,138	↑Firmer
TD14	Asia / Australia	70,000	6,334	↓Softer
TD17	Baltic / UKC	100,000	7,721	↑Firmer
TD20	WAF / Cont	130,000	10,838	↑Firmer

BALTIC TCE CLEAN

	Route	Qnt	$ / WS	W-O-W
TC1	ME Gulf / Japan	75,000	7,677	↓Softer
TC2	Cont / USAC	37,000	12,245	↑Firmer
TC5	ME Gulf / Japan	55,000	9,673	↑Firmer
TC6	Algeria / EU Med	30,000	WS 270	↑Firmer
TC7	Sing. / ECA	30,000	6,454	↓Softer
TC8	ME Gulf / UKC	65,000	WS 29	↑Firmer
TC9	Baltic / UKC	30,000	WS 212.14	↑Firmer