AFFINITY TANKER WEEKLY

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The ballad of a slower market

This week ended with nothing concretely done for VLCCs. AG activity remains stalled, with rates bouncing along the bottom. MEG/China has been repeated several times at WS 36.5, just in line with the latest Baltic assessment at the time of writing, and there are no cargoes outstanding. Looking at the Atlantic basin, there is a steadier feeling, with a few cargoes outstanding, and rising bunker prices, which in turn kept rates from falling, like we have seen in the AG. WAF/China is on subs at WS 38 for 13 – 15 Feb dates. In the US, USG/Ningbo for 20 – 25 Feb dates is on subs for USD 4.9 Mn.

Rates for Suezmaxes in WAF remain under pressure and, as the week comes to an end, we saw a dip below range lows. Gabon/East for 1 – 3 Feb dates has been seen on subs for WS 59.5. Looking ahead, things cannot get much worse and, as regional activity is expected to pick up, we expect rates to remain steady. The AG remains quiet amid very little cargoes of which to speak and rates remain steady. Basrah/UKCM is on subs at WS 30 + 7.5 France for 29 -31 Jan dates.

Aframaxes had a rather mixed week, with the Med and northern Europe moving in opposite directions. Looking north, the market softened as cargoes dried up and tonnage started the customary build up in these conditions. TD7 slumped by a few points to WS 95, and earning only at a couple of thousand USD/day. TD17 shed over 20 points to WS 87.5. And generally speaking, rates on non-ice routes appear to have bottomed, while ice markets may be tested down a touch further.

The Med and Black Sea markets have been more positive. More cargoes hit the market and activity firmed, lending some much-needed support to rates. Having hit the doldrums at the end of last week at WS 80 – 82.5, rates on TD19 have increased by around 15 points to WS 97.5. Last done on a replacement Black Sea run is now WS 107.5. Charterers appear to have sprung into action to lock in at the bottom and cover as much as possible before Libyan volumes fully returned. CPC's preliminary February program shows healthy first and second decade volumes, so rates could improve further, although Suezmaxes may prevent large gains.

LR2s in the AG had an extremely quiet week plagued by non-existent demand and the inevitable tonnage pileup. TC1 was last recorded at WS 90, but we would assess it at WS 87.5 levels given the non-happenings of this past week. And, with earnings in the USD 3,900 per day levels, the incentive for moving a ship for a long voyage is not enticing at all. Westbound has been relatively more active but AG/UKC slipped to USD 1.85 Mn on subs today, from the USD 2.475 Mn we saw last week. All in all, there is a high chance that the malaise will continue into the next week, especially given the long list we need to chew through.

Similarly, the LR1s were quite busy, albeit only for westbound voyages. This kept rates steady in the USD 1.625 Mn levels for AG/UKC, while TC5 slipped to WS 96. The list looks thinner, and good candidates are starting to thin, but there wasn't just isn't enough for owners to build momentum and do anything more than last done. A flat outlook overall.

With a poor AG LR2 market, owners in north Asia are trying everything they can to avoid ballasting back to the MEG, with a resulting discount building up compared to LR1s. Korea/Sing is at USD 425-450k levels, while an LR1 on the same route is expected to pay around USD 500k. Also, LR1s remain In short supply, which in theory should make rates hold.

Looking at Asian MRs, negative sentiment and rising bunker prices put a serious dent in earnings, making owners' mood rather sombre. Tonnage availability remains plentiful and, coupled with scarce demand, made rates fall. Korea/Singapore is trading at USD 420k, Korea/Oz at WS 154.5. Sing/Oz is assessed at WS 152.5, and X-Singapore is at USD 160k levels. Looking ahead, given the cut in Chinese CPP export quotas, we could see a negative knock on-effect, especially on MRs for N. Asian backhauls, and subsequently on LR1s.

In the West, MRs had a steady week, with rates coming under pressure due to a build-up of tonnage and slowing demand. Still, delays caused by heavy weather and port congestion turned the tables, and now TC2 is paying WS 140. Meanwhile, Handies have suffered as LRs mopped up a good amount of Handy stems available, and inevitably rates slipped a bit. Baltic/UKC slipped to WS 195 for an ice class vessel, but we foresee lower levels for next done.

On the other hand, Handies in the Med have been really quiet this week, with a very slow drip of stems taking some ships off the list. Bad weather in the Med, which was much talked about of, proved to be the proverbial mountain out of a molehill, as it never really made any impact. For now, TC6 has softened slightly to WS 170 and seems to be holding at these levels.

	BDTI	BCTI
	698	596
Δ W-O-W	↓Softer	↓Softer

BDA (USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	592.2	595.2	596.4
Δ W-O-W	1.2	1.9	1.9

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	-23,264	↓Softer
TD3C	ME Gulf / China	270,000	-4,278	↑Firmer
TD6	Black Sea / Med	135,000	-5,439	↑Firmer
TD8	Kuwait / Sing.	80,000	1,416	↑Firmer
TD9	Caribs / US Gulf	70,000	890	↑Firmer
TD14	Asia / Australia	70,000	4,720	↑Firmer
TD17	Baltic / UKC	100,000	20,155	↑Firmer
TD20	WAF / Cont	130,000	-1,338	↓Softer

BALTIC TCE CLEAN

	Route	Qnt	$ / WS	W-O-W
TC1	ME Gulf / Japan	75,000	2,129	↓Softer
TC2	Cont / USAC	37,000	5,571	↓Softer
TC5	ME Gulf / Japan	55,000	2,407	↓Softer
TC6	Algeria / EU Med	30,000	WS 170.63	↑Firmer
TC7	Sing. / ECA	30,000	7,156	↑Firmer
TC8	ME Gulf / UKC	65,000	25.00	↓Softer
TC9	Baltic / UKC	30,000	WS 191.79	↑Firmer