AFFINITY TANKER WEEKLY

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A widening divide between crude and product tankers

There was some enquiry for VLCCs in the AG towards the beginning of the week as first decade cargoes started to hit the market. However, as the weekend approaches, movement has started to slow down. And while rates can be expected to soften slightly, owners should offer some resistance, especially as the list has been cleared a bit. On the other hand, the West remains quiet despite the slow drip of cargoes seen mid-week. Also here rates are likely to be tested downwards come Monday, should things not improve.

A longer list, supply disruptions and weaker sentiment towards the end of the week have dampened Suezmax rates in WAFR. Not that the baseline was much higher – this week started very slowly with little to nothing in the woodworks. For now, TD20 remains in the WS 122 levels and we foresee some testing going forward. Meanwhile, the AG remains active, but with overall market sentiment where it is now, rates can't be expected to be able to hold here either. The Med remains split between Blsea and Med loaders. In the former, rates are softening by the day as four Libyan ports remain closed, effectively preventing around 400k bpd, or 40 per cent of total production, to reach the market. Sentiment is weaker overall and tonnage remains plentiful.

Sentiment has swiftly turned bearish in the Med Aframax market. A slow day on Thursday led to cross-Med rates being tested down significantly and the Baltic Exchange is now calling TD19 at WS 170 levels, a drop of 50 points on the day. Further testing is expected over the coming days, with further activity anticipated to be limited.

Up North, the North Sea market climbed last week courtesy of consistently solid action, with the greater focus on the Baltic. However, this week has been a contrast, with little activity resulting in rates being tested down. At the end of last week and the beginning of this, TD7 was assessed at around WS 180 – 182.5, but by Thursday close was down to WS 165 – 170. Further softening is expected over the coming days as sentiment continues to weaken. Similarly, in the Baltic markets, after the stellar previous week, rates have been tested down through this. Ice class Russian business, at one point, hit over WS 700 last week. However, rates have since come crashing down, with tonnage building significantly and cargoes thinning. We call the market at WS 400 – 450 now, with further testing to come.

On the product tankers, LR2s in the AG remained rather subdued in terms of fixing, but as they say that happiness is contagious, we definitely saw a positive spill-over of good vibes from the LR1s. In addition, we have seen that this bumper week in the Asian markets has taken many Asian positions, which should cause a hole to appear in ballasting tonnage back to the AG and WCI, which can only lead to tighter markets ahead. While there is recognition that we will be moving up on freight levels, WS 137.5 has been put on subs for TC1.

We have seen a staggering amount of LR1 fixing this week, with swathes of tonnage mopped up for all types of voyages. What is perhaps most noteworthy is the long-haul trades to America in this segment, as the US energy shortfall from Russian oil and products is leading to CPP moving from further afield. Should this trend continue, then the tonne-mileage could bounce up, which will can only lead to firmer global product tanker markets. TC5 has jumped from WS 160 to WS 190 on subs yesterday, and the list is very short of good positions as Iraq and Pakistan are the regional leaders in tying up a lot of tonnage with uncertain itineraries.

MRs have been basking in the sunshine and frankly we haven't seen a position list look this tight in quite some time. TC17 has firmed all week, moving on from conference levels of WS 310 to now reports of just over WS 330 on subs. Looking towards next week, the outlook is firm and, although there may not be lots of activity, mainly due to tightness of ships, firm rates are likely to hold and, as LRs improve, the MRs should follow suit.

In North Asia, MRs have continued to firm, pushing more and more stems onto the LRs, which has caused a ripple effect on the freight rates and the market is now on a roll. LR1s are in such short supply that it makes trying to assess freight very difficult as there aren't enough owners in play to gain the consensus. MRs have hit the USD 1.15 Mn mark for a Korea/Singapore backhaul (USD 60k/day in TCE earnings), and Korea/Oz has moved up to WS 350, up by WS 50 from last week.

Singapore had a spectacular week as well. With ships ballasting up north to ease the cargo load, whatever's left will command higher numbers going into the next week. Owners are simply not in the rush and waiting for the tonnage list to further thin out before offering in. Singapore/Oz closed off at WS 312.5. all in all, more of the same can be expected next week.

In the UKC, the shorter week started with a rather longer list of prompt tonnage than expected - TC2 has traded fairly flat all week at around WS 200 - 205. Meanwhile, the US markets have fallen very quickly, which has swiftly stopped all the vessels ballasting that way.

Handies remained steady, as enquiry was maintained with intercontinental fixing at WS 207.5 and WS 185 on Med options. Russian exports were slower whilst we await May volumes, and WS 310 is our assessment for non-Russian counterparts.

In the Med it was a fairly quiet week overall, as we saw considerably less cargo volume quoted when compared to the previous week. As a result, rates have dropped slightly, with the latest number for X-Med on subs at the time of writing is WS 350. We also expect things to soften going forward, given that a few more firm ships have started to appear on the list. Russian Blsea runs have been tested a few times this week at WS 530, still commanding a considerable premium compared to the rest.

	BDTI	BCTI
	1518	1065
Δ W-O-W	↓Softer	↑Firmer

BDA

(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	684.2	689.0	688.2
Δ W-O-W	5.7	6.5	4.8

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	-20,484	↓Softer
TD3C	ME Gulf / China	270,000	-1,846	↑Firmer
TD6	Black Sea / Med	135,000	127,111	↑Firmer
TD8	Kuwait / Sing.	80,000	22,327	↑Firmer
TD9	Caribs / US Gulf	70,000	35,410	↑Firmer
TD14	Asia / Australia	70,000	19,939	↑Firmer
TD17	Baltic / UKC	100,000	261,413	↑Firmer
TD20	WAF / Cont	130,000	22,025	↓Softer

BALTIC TCE CLEAN

	Route	Qnt	$ / WS	W-O-W
TC1	ME Gulf / Japan	75,000	14,583	↑Firmer
TC2	Cont / USAC	37,000	7,306	↓Softer
TC5	ME Gulf / Japan	55,000	19,859	↑Firmer
TC6	Algeria / EU Med	30,000	WS 371.88	↑Firmer
TC7	Sing. / ECA	30,000	27,849	↑Firmer
TC8	ME Gulf / UKC	65,000	49.35	↓Softer
TC9	Baltic / UKC	30,000	WS 313.57	↑Firmer