AFFINITY TANKER WEEKLY

10 JUNE 2022

Affinity Research LLP, 44th Floor,
The Leadenhall Building, 122 Leadenhall Street,
London, EC3A 8EE, United Kingdom

T. +44 203 142 0100
F. +44 203 142 0101

E. research@affinityship.com
W. affinityship.com

Product Tankers soar despite Posidonia's return

Posidonia has finally returned after a four-year, Covid-induced hiatus, and that has inevitably resulted in a quiet week, as revellers let loose to make up for lost time. VLCCs have ticked along, with TD3C flatlining at WS 45 levels. TD15 is around the same, but the higher bunker prices have squeezed the returns a little more.

We're up to around 118 MEG cargoes done for June now, so another 20-or-so are yet to be covered, Tonnage continues to build, however, and owners will be hoping that Opec's slightly loosening of the taps from next month will provide a bit of impetus.

Suezmaxes have followed a similar pattern to that of the VLCCs, with a quiet market remaining relatively steady. In WAFR, there has been no movement, but rates on TD20 have shifted up a couple of points to WS 92.5 – 95 levels on the back of higher bunker prices. Total has been seen going on subs for a Yoho/UKCM run at WS 92.5, while a couple of cargoes are still working.

TD6 has remained flat, too, at WS 112.5 – 115 levels, and there's been a bit more activity in the Middle East, which has translated to slightly higher rates of around WS 55, an increase of a few points since the start of the week – the outlook remains steady/firm for now.

Over recent weeks, the Med Aframax market has been steadily weakening. A little over a month ago, rates on TD19 were holding at WS 160 levels, but they have slipped since. At the beginning of this week, rates had slumped to WS 120, its lowest level since Russia launched its illegal invasion of Ukraine.

However, towards the end of the week, there was a surge of enquiry, coinciding with a winding down of Posidonia, and owners have managed to press for significant increases in rates, despite there still being ample tonnage. TD19 shot up by more than 10 points, up to WS 130 – 135 levels, and its rapid rise has continued today, with last done Algeria/Spain reported at WS 195. Sentiment is very bullish from owners at the moment, all of whom are hoping to fix at the top of the market, and it will be interesting to see where it tops out.

To the North, it has been a similar, if otherwise less encouraging, pattern this week. A slow start and soft sentiment has given way to increased enquiry and an improvement in owners' mood, albeit without any real push in rates. Both the Baltic and North Sea markets can best currently be described as steady, with rates assessed at WS 160 and WS 140 for both TD17 and TD7 respectively.

There is a strong contrast between the crude and product tanker markets. While the former continues to struggle, the latter flew this week, despite it being Posidonia week. A couple of quiet weeks was emphatically reversed at the end of this on the LR2s in the Middle East. At the beginning of this week, TC1 had slid to just WS 190, its lowest level since late April. AG/UKC had sunk to as low as USD 3.7 Mn. However, on Thursday, all of a sudden, activity re-appeared and TC1 was suddenly put on subs at WS 215, while AG/UKC climbed to USD 4.5 Mn. Owners have turned bullish once more and are afraid of offering on cargoes for fear of calling beneath the market in only a couple of days' time. Ideas are all over the place and it is now proving difficult to call the market accurately.

It has been a similar story on the LR1s, where rates were also softening, albeit less dramatically. Now, too, rates have kicked up and, on TC5, WS 260 equivalent is on subs for a non-approved 15-year-old+ vessel, and AG/UKC is up at USD 4 Mn. It is similarly difficult to call the market at the moment, but charterers are in for a tough week next week as owners look to seize the upper hand and push rates higher.

It's been a good week all-round for product tankers in the AG, with the MR market also having a good time of it. Tonnage has tightened sharply as ships are ballasting from Chittagong over to Korea because of the strength of the Asian markets. Charterers are covering further and further forward, clearly concerned by how things are shaping up, and last done on TC12 is WS 290, but we anticipate next done to be over WS 300.

A healthy dose of cargoes towards the end of the week has buoyed TC17, with each successive fixture being done higher than the last. The week began with a fixture being done at WS 355 but, at the time of writing, we end the week at WS 415 on subs.

The contrast with the crude oil tanker markets could hardly be more emphatic, with the West of Suez product tanker markets also having a largely strong week. TC2, having had a poor week last week (at least by its own recent high standards), bounced back strongly. At the start of the week, it was trading around WS 325, but by the end, is up at WS 400. The tonnage list will remain tight up until the 20th, while healthy demand has fanned the flames even more. Premiums to West Africa are around five points, and it still appears an attractive proposition in light of the underwhelming US market.

Inevitably, the red-hot TC2 market has dragged the Med markets up. At the beginning of the week, Med/TA was around WS 320 – 330, but WS 390 is now on subs. The Handy market has been quiet by contrast, with rates on cross-Med softening over the course of the week down to WS 410, but it is expected to bounce back next week on the back of the strong MRs.

	BDTI	BCTI
	1093	1473
Δ W-O-W	↓Softer	↑Firmer

BDA (USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	617.5	619.5	619.3
Δ W-O-W	-13.9	-12.8	-12.8

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	-43,671	↑Firmer
TD3C	ME Gulf / China	270,000	-22,296	↑Firmer
TD6	Black Sea / Med	135,000	10,730	↑Firmer
TD8	Kuwait / Sing.	80,000	8,906	↑Firmer
TD9	Caribs / US Gulf	70,000	12,545	↑Firmer
TD14	Asia / Australia	70,000	10,737	↑Firmer
TD17	Baltic / UKC	100,000	28,585	↑Firmer
TD20	WAF / Cont	130,000	1,736	↓Softer

BALTIC TCE CLEAN

	Route	Qnt	$ / WS	W-O-W
TC1	ME Gulf / Japan	75,000	26,019	↑Firmer
TC2	Cont / USAC	37,000	38,398	↑Firmer
TC5	ME Gulf / Japan	55,000	27,525	↑Firmer
TC6	Algeria / EU Med	30,000	WS 408.75	↑Firmer
TC7	Sing. / ECA	30,000	45,232	↑Firmer
TC8	ME Gulf / UKC	65,000	62.29	↓Softer
TC9	Baltic / UKC	30,000	WS 429.29	↑Firmer

AFFINITY

Disclaimer

The information contained in this report is the property of Affinity (Shipping) LLP, and may not be reproduced in any format by anyone without prior written approval from Affinity (Shipping) LLP. None of the information contained in this document constitutes or forms, and should not be construed as constituting or forming an invitation or inducement to engage in investment activity.

This document should not be relied upon as being an impartial or objective assessment of the subject matter and is not deemed to be "objective research" for the purposes of the FSA rules. This document has been issued by Affinity (Shipping) LLP for information purposes only and should not be construed in any circumstances as an offer to sell or solicitation of any offer to buy any security or other financial instrument, nor shall it, or the fact of its distribution, form the basis of, or be relied upon in connection with, any contract relating to such action.

The information, including projections, contained herein is based on publicly available materials and sources that have been obtained and compiled in good faith from sources Affinity (Shipping) LLP believes to be reliable. Any opinions expressed are Affinity (Shipping) LLP's current opinions as of the date appearing on this document only. Any opinions expressed are subject to change without notice and Affinity (Shipping) LLP is under no obligation to update the information contained herein.

Affinity (Shipping) LLP makes no representation or warranty, either express or implied, in relation to the accuracy, adequacy, completeness, fairness or reliability of the information contained herein and expressly disclaims any liability for any errors or omissions. As such, any person acting upon or in reliance of this document does so entirely at his or her own risk. Any projections or other forward-looking statements regarding future events are not necessarily indicative of, and may differ from actual events.

To the fullest extent allowed by law, Affinity (Shipping) LLP, its members, officers and employees shall not be liable, whether in tort (including negligence), breach of contract or otherwise, for any direct, indirect or consequential losses, damages, costs or expenses of whatever nature (including, without limitation, any consequential, indirect or unforeseeable loss or loss of opportunity or profit or damage of any kind, even if foreseeable) incurred or suffered by you or any third party arising out of or in connection with the information in this document.

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons unto whose possession this document comes should before proceeding inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdictions.

Affinity (Shipping) LLP, 44th Floor,
The Leadenhall Building, 122 Leadenhall Street,
London, EC3A 8EE, United Kingdom

T. +44 (0) 20 3696 7110
F. +44 (0) 20 3696 7111

E. affinity@affinityship.com
W. affinityship.com