AFFINITY TANKER WEEKLY

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Never say never

It was a very active start to the week for VLCCs in the MEG, with several ships getting tucked away. As a result, the list is much thinner than before, and rates have also inched up, reaching WS 55 for MEG/China, about five points more than last Friday! A few cargoes are still outstanding, and we could see a bit more being done come next week. WAF remains quiet with nothing major to report. WAF/East is trading in the WS 56 levels, and there is another cargo outstanding.

The WAF market remains bullish for Suezmaxes, with owners with tonnage for dates before 15 July pushing for more after each fixture. After that, it's quite a shot in the dark, and everything depends on how things pan out in the upcoming week. For now, TD20 is on subs at WS 120, and it cannot be dismissed that more will be done next, given the unassailable optimism prevailing at the moment. The AG is keeping relatively active, but nothing exciting unlike in WAF. Still, optimism is contagious, and as a result, also here rates have climbed up a bit.

The North Sea Aframax market has been quiet all week, with limited cargoes appearing, allowing more tonnage to open up and thus granting charterers the impetus to pressure rates. TD7 has tumbled and we close the week around WS 155 levels as sentiment slumps. By contrast, the Baltic Sea market has fared well this week, with a bit more activity bolstered by a lack of suitable candidates. TD17 has climbed by around 10 points over the course of the week, rising to WS 185 – 190 levels. Rates could firm further as owners push for more ground.

The Med market has softened significantly. The week began well enough, with more than 11 vessels put on subs early on. But the list had refreshed over the weekend and the mood darkened further after force majeure was declared on both Ras Lanuf and Es Sider in Libya. Four Aframax fixtures were cancelled as a result and five Libyan ports are now out of action. Rates were tested down throughout the week, with cross-Med losing around 20 points by Friday afternoon, with the biggest drops coming towards the end. We're currently calling it WS 155, its lowest level since the beginning of the month.

LR2s in the AG remained extremely quiet this week. Demand was very low across the board and, while some secret fixing has thinned the list a little bit, overall, there is a softer tone prevailing. A decent amount of ships is ballasting in, and we would expect the next week to start quite steady. However, with the differentials between MRs, LR1s and LR2s being all out of whack, we shouldn't be surprised if LR2s suddenly become fashionable on the USD/T upside. In fact, we already are in the bizarre situation where Red Sea/UKC on an LR2 is nearly USD 400,000 cheaper than last done on an MR!

The week has been soft on the LR!s, but as we have approached the end, there was a fair amount of secret fixing that should result in a slightly thinner list. With westbound LR1 rates now lower than MR rates, it should be just a matter of time before the equilibrium gets restored. Still, we can't discount the possibility of LR1s rebounding up as per what we have seen over the last few weeks since early April.

As a general trend this week, AG MRs have performed well and reversed the slide in freight, with WS 510-515 levels on subs a few times for TC17, thus giving TCE returns of about USD 40,000/day. Runs to west are on subs at USD 3.95 Mn basis ARA, which all bodes well for MRs as a standalone. The waters become muddied when taking into account the softening LRs. Given the narrow spread in pricing from MR-LR, logic suggests that charterers should look to upsize wherever possible and MRs could suffer going forward. However, only a month or so ago, we had a similar scenario where the spread across the three sectors was very narrow and, on that occasion, MRs lea the charge in recovery, so one should never say never, as the next upside could be just around the corner.

North Asia MRs had a somewhat dull week. Rates have continued to slide lower, amid cargo scarcity and plenty of tonnage sitting around. But there is still some resistance from owners. We saw Korea/Singapore on subjects at USD 1.5 Mn, and Korea/USWC is around USD 3.35 Mn. Meanwhile, it was an exceptionally quiet week in Singapore. We saw a massive drop in freight from the lack of cargoes, and expectation for more didn't materialise as the week came to an end. We are in the natural fixing window, but the cargo volumes don't add up. Some ships disappeared quietly, and we are seeing more DPP vessels looking for a clean-up. The horizon continues to look soft, and there aren't many factors that could turns things around, especially with the north market softening as well.

Also in the west, MRs had a slower pace this week. Rates were tested for TC2 with levels settling at WS 330. Tonnage availability is fairly balanced with the list more narrow on the front, and the US market remains strong, thus retaining many potential ballasters, and those that do come seem to be pointing towards the Med, which is currently paying a WS 40 premium.

The Handy market started to suffer, as the list refreshed quickly after a lot of X-Cont voyages fixed. Russian exports remain tricky, in the WS 500 levels and firm. Handies in the Med had a very slow week, with rates slumping to WS 460 levelsfor TC6. At the time of writing, there is limited cargo enquiry, and the list is already feeling longer. We should see further replenishment over the weekend as well, which will only add further pressure to rates.

	BDTI	BCTI
	1234	1566
Δ W-O-W	↑Firmer	↓Softer

BDA

(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	591.4	594.6	595.4
Δ W-O-W	-12.4	-12.0	-11.1

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	-33,391	↑Firmer
TD3C	ME Gulf / China	270,000	-10,603	↑Firmer
TD6	Black Sea / Med	135,000	23,864	↑Firmer
TD8	Kuwait / Sing.	80,000	8,614	↑Firmer
TD9	Caribs / US Gulf	70,000	19,137	↑Firmer
TD14	Asia / Australia	70,000	18,055	↑Firmer
TD17	Baltic / UKC	100,000	41,542	↑Firmer
TD20	WAF / Cont	130,000	18,399	↓Softer

BALTIC TCE CLEAN

	Route	Qnt	$ / WS	W-O-W
TC1	ME Gulf / Japan	75,000	29,802	↓Softer
TC2	Cont / USAC	37,000	28,475	↓Softer
TC5	ME Gulf / Japan	55,000	36,685	↓Softer
TC6	Algeria / EU Med	30,000	WS 468.13	↑Firmer
TC7	Sing. / ECA	30,000	44,695	↓Softer
TC8	ME Gulf / UKC	65,000	58.85	↓Softer
TC9	Baltic / UKC	30,000	WS 511.43	↑Firmer