AFFINITY TANKER WEEKLY

30 SEPTEMBER 2022

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Crude Tanker Comments

September is ending on a softer note for VLCCs in the MEG. After the spectacular rise since late August, during the last days of this month, things started to soften. Much of this can be attributed to lower cargo volumes, from 165 in September (70/40/55 split by decade), to only 78 so far seen for October (49/29/0 split by decade). As a result, it doesn't come as a surprise that rates have started to soften progressively, albeit not too much, now reaching just mid-September levels. It could have been worse, especially as the list remains fairly slim, which means that, as demand picks up, rates should be fairly reactive to readjust.

WAF is also ending the month with a softer tone, after having largely piggybacked on bullish sentiment elsewhere. In fact, the cargo count remains low compared to year-ago levels, around 52 stems for September, compared to 10 more one year ago. Unfortunately from an owner's perspective, we could see this trend persist for a bit longer, as supply issues keep plaguing the region, thus leaving substantial gains to be made here largely untapped. However, hope must not be lost, as the 5 December EU ban on Russian crude is fast approaching, and WAF crudes remain among the natural candidates to partially replace the lost Ural imports.

The situation looks different in the USG, as the SPR cargoes have largely dried up, sp we could be in for a temporary hiatus between one perfect storm and the next. In fact, the uptick in eastbound fixtures to the UKC has soared in the past few months, and it shouldn't come as a surprise if rates start pumping again in a few weeks, when early December cargoes are being worked. For now, the situation remains steady, with cargoes still hitting the market and good ships getting tucked away, and rates finding support in the current ranges.

Like their bigger counterparts, sentiment on Suezmaxes in WAF remains steady/soft amid slow activity and less than optimal enquiry levels. WAF/UKCM has been put on subs at WS 137.5, 2.5 WS points less than last done, and there still is a cargo outstanding at the time of writing. Sentiment in the AG is ticking over. Basrah/Med has been put on subs at WS 67.5 for 11 October dates, and there is some activity also for eastbound. A few stems remain outstanding, and we could see the bottom of the ranges getting tested.

The list of Aframaxes in the Med remains very short (four FOC vessels plus one to become open over the weekend), as ships continue to ballast towards the Baltic markets. Libyan cargoes keep hitting the market and, as a result, owners' sentiment is getting stronger by the day, pushing freight up in the process. In the North, rates keep rising amid continued activity and limited options. The list remains extremely slim - no FOC ships at the time of writing - and just one is expected to be open by Friday COB. Pair this with on-and-off swells throughout the week and the result is likely to be further rises in freight.

Product Tanker Comments

This week was a spectacular trend reversal compared to the average week in the last six months regarding LR2 volatility. USD 3.5 Mn is on subs for AG/UKC, which is USD 2 Mn less then what was fixed last week. TC1 has been very quiet with the majority of the traders for this sector enjoying APPEC. We saw WS 265 fixed last week, but today we would be hesitant to call it above WS 205-210. The overall mood can be expected to remain quite soft in the short-term but, as the seasonal slump is past, we could see freight turn on the full afterburners once again.

The LR1s have seen sub-par demand this week, but the major concern is the sheer amount of tonnage that has started to build up. Natural tightness, contractual demand and long-haul trade had kept this sector in fine fettle up to this week, when they have not been present to the requisite extent to support freight. Westbound numbers have tumbled to USD 3.65 Mn for AG/UKC, which is a hefty slip from last week's USD 4.5 Mn. TC5 has hardly been tested, but there was one deal coming through at WS 240, which is again 75 WS points fewer than last done. As the week comes to an end, tonnage is still very much in evidence, so we would only expect softer times to extend into early next week.

North Asian MRs with any aspirations for the this week had a rude awakening, as the market corrected negatively. With ships repositioning to the Far East to compete for better earnings amidst a softening market all around,. Korea/Singapore is assessed at USD 1.45 Mn, and Korea/Oz at WS 450. And, despite Golden Week looming, we don't foresee much trading and charterers could be applying more pressure as the list get replenished next week. Singapore MRs have been softening as well this week, affected by the weaker North and AG markets. Overall, there was limited activity with a few deals under the radar. In the short-term, we could see more of the same, unless significantly more fresh cargoes hit the market.

It was a slower week for the UKC MRs, as the front-end of the list built up, amid minimal enquiry. TC2 started to fall under pressure once again and dipped down to around WS 260 levels from WS 290 on Monday. The US market is still strong and should continue to attract tonnage to the area. However, some more conservative owners have been reluctant to head transatlantic amid concerns of hurricanes and bad weather, which could inevitably make them lose time in transit.

With a quieter and tighter end to the week, the Med seems to be topping off with TC6 unable to breach WS 325. In fact, the cap was due to MRs looking to pick up Handy stems off the back of a firming market over the last couple of weeks.

	BDTI	BCTI
	1484	1184
Δ W-O-W	↓Softer	↓Softer

BDA

(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	593.7	598.2	601.3
Δ W-O-W	-1.3	-1.7	-0.9

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	12,638	↓Softer
TD3C	ME Gulf / China	270,000	50,149	↑Firmer
TD6	Black Sea / Med	135,000	77,209	↑Firmer
TD8	Kuwait / Sing.	80,000	35,661	↑Firmer
TD9	Caribs / US Gulf	70,000	39,647	↑Firmer
TD14	Asia / Australia	70,000	41,745	↑Firmer
TD17	Baltic / UKC	100,000	74,254	↑Firmer
TD20	WAF / Cont	130,000	42,518	↑Firmer

BALTIC TCE CLEAN

	Route	Qnt	$ / WS	W-O-W
TC1	ME Gulf / Japan	75,000	36,670	↓Softer
TC2	Cont / USAC	37,000	25,369	↓Softer
TC5	ME Gulf / Japan	55,000	30,823	↓Softer
TC6	Algeria / EU Med	30,000	WS 321.88	↑Firmer
TC7	Sing. / ECA	30,000	55,897	↓Softer
TC8	ME Gulf / UKC	65,000	55.26	↓Softer
TC9	Baltic / UKC	30,000	WS 351.43	↑Firmer