AFFINITY TANKER WEEKLY

23 DECEMBER 2022

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Crude Tanker Comments

With VLCC charterers in the MEG working forwards dates last week, this one had a rather sluggish start. Given the lack of fresh enquiry, rates started to get increasingly softer – on Tuesday and Wednesday, WS 83 failed twice for MEG/China, while the Baltic Exchange was assessing TD3C at WS 77 levels. Fundamentals slightly changed on Thursday, with a few fresh cargoes hitting the market and some under the radar fixing. Despite this bout of activity, rates remained largely sideways in the mid-to-low WS 70s levels. While this might seem disappointing, it could be much worse; earnings remain healthy - USD 50,000 per day for an Eco ship, well above the YTD-average of USD 29,600 per day. And we are also a far cry from the USD 8,000 per day earned on average in 2021 for the same.

In the Atlantic Basin, WAF exports were largely steady in the first half - WAF/China went on subs on Tuesday at WS 82 on a replacement for 19-21 Jan dates. However, activity started to peter out since, with only a COA and nothing else being done. Meanwhile, in the Western Atlantic, the week started on a steady foot amid Brazil exports hitting the market. However, sentiment there started to soften a bit before the mid-week point, with rates adjusting accordingly. Some under the radar activity in the USG kept rates in check, preventing them from sliding around Wednesday but, as the week is coming to a close, rates keep holding around last done, with no momentum on the enquiry side of things.

There was some action in WAF for the Suezmaxes early this week. However, there were still decent tonnage options on the list, giving a feeling that rates could soften a bit further, especially on the longer runs. In fact, TD20 lost over 17 WS points between Monday and Tuesday and, at the time of writing, is at WS 141 – about 30 WS points less than last Friday!

Still, with earnings in the WS 40,000 per day levels, one must not despair as things could be worse – the YTD average is about USD 10,000 per day less than current TCEs and, as we have seen for VLCCs, we are a far cry from last year's below breakeven average annual earnings of USD 7,000 per day. Owners might argue not that much has changed in the MEG, and rates should not follow the Atlantic corrections. Voyages to "re-position" west are never as lucrative anyway and so further losses to fixing levels should not be as drastic. In fact, TD23 remains in the WS 84 levels, which is less than 8 WS points below last Friday's assessment.

On the Aframaxes, rates have begun to sharply decline both ex-Blsea and X-Med. Although cargoes are beginning to quote, the list is severely overtonnaged and, as a result, rates are have been testing down after each fixture – TD19 is now at WS 241, about 116 WS points down on the week! The Nsea remains very quiet & significantly over-tonnaged; levels continue to test down in a similar trajectory to the Med. TD7 plunged to WS 237, about 81 WS points less than last Friday.

Product Tanker Comments

The LR2 position list has remained very slim throughout the week and, considering that charterers in the MEG have been busy, we have seen ships being taken very forward to compensate for the lack of good vessel options on the prompt. Demand has remained strong enough for charterers to gratefully accept tonnage even if that meant paying well above last done. As a result, we have seen TC1 climb from WS 305 last week to WS 325 being consistently agreed this week and Westbound has moved up in lockstep from USD 6.1 Mn last week to USD 6.3 Mn basis Ruwais-Jubail loading and USD 6.45 Mn for Kuwait loading this week. Even though there will be many of us getting involved with Christmas celebrations and time away from the desk over the next few days, one gets the sense that this only represents a vague smokescreen to the strength of this market, and we can expect owners to come back in very robust form at the beginning of 2023.

LR1 demand has not been overly extensive but there has certainly been more than enough to only enhance freight levels to YTD highs. Eastbound has steadily climbed to WS 380 last on subs for TC5 and westbound, while being quieter, would still be assessed around the USD 5.5 Mn marker. Next week looks promising, regardless of the fact there are national holidays, as the number of good quality ships in position remain very small in number.

It has been a quiet week for the MRs in the Asia market with slightly poorer levels agreed compared to last week amid low activity levels and a lack of cargoes. Rates have been pushed down from USD 1.55 Mn to USD 1.3 Mn for Korea/Singapore, and from WS 455 to WS 405 for Singapore/Australia. With Christmas celebrations starting next week, it could be a slower start for the Asian markets. Sentiment remains the driving factor here, and charterers will likely take this opportunity to hold back as long as they can to fully take advantage of the softer freight, at least until more cargoes start being released into the market.

It has been a disastrous week for the MRs in the North as the lack of cargo enquiry and the increased number of ballasters put some real pressure on rates, with TC2 nosediving to as low as around WS 285-290 levels, down nearly 100 WS points in a week. Sadly, the much anticipated pre-Christmas rush did not arrive and owners are hoping for a revival next week. With the US market also suffering, further ships have decided to head to Europe. A fair bit of clearing of the list will be needed before owners can see signs of a recovery. There have been pockets of enquiry for West Africa, with rates securing 10 WS points above transatlantic runs and Brazil paying similar. With ice continuing to build in the Baltics, MRs are securing as much as WS 700 for Baltic/UKC runs ex-Russia. Handies have also slowed down this week with the list starting to swell and rates are trading WS 370 for cross-UKC. However the Baltic/UKC market has hit a record high of WS 1,000 for liftings ex Russia!

The Med Handies have quietened right down towards the end of the week, as we wind down towards the Christmas period. Last done for TC6 is WS 450, but next done is more likely be around the WS 430 level as owners look to cover their boats over Christmas.

		BDTI	BCTI
		1887	2143
	Δ W-O-W	↓Softer	↑Firmer

BDA			
(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	516.5	520.1	524.2
Δ W-O-W	0.1	0.6	2.3

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	22,636	↓Softer
TD3C	ME Gulf / China	270,000	39,356	↑Firmer
TD6	Black Sea / Med	135,000	122,896	↑Firmer
TD8	Kuwait / Sing.	80,000	75,586	↑Firmer
TD9	Caribs / US Gulf	70,000	46,888	↑Firmer
TD14	Asia / Australia	70,000	82,765	↑Firmer
TD20	WAF / Cont	130,000	48,253	↓Softer

BALTIC TCE CLEAN

	Route	Qnt	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	82,128	↑Firmer
TC2	Cont / USAC	37,000	34,179	↓Softer
TC5	ME Gulf / Japan	55,000	69,916	↓Softer
TC6	Algeria / EU Med	30,000	85,115	↑Firmer
TC7	Sing. / ECA	30,000	49,317	↓Softer
TC8	ME Gulf / UKC	65,000	75,884	↑Firmer
TC23	ARA / UKC	30,000	56,576	↓Softer