



Crude Tanker Comments

VLCCs in the AG started the new year on a quiet foot, with just a handful of stems in the works, a few COAs, and rates inevitably slipping as tonnage started to pile up - TD3C closed at WS 56.4 (basis 2023 flats) on Tuesday. As we reached the mid-week point, a slow drip of cargoes raised hopes for a slowdown of the slide in freight. Still, it was quite fruitless, also thanks to persistent large amounts of outstanding tonnage. As a result, TD3C is closing the week softly, at about WS 52.9 levels basis 2023 flats. While this might appear underwhelming, one should be optimistic and look at the glass half full: TCEs remain well above breakeven rates, at USD 33k/day for non eco ships, and USD 41k/day for eco vessels, not too bad considering the USD 18k/day and USD 29k/day respectively averaged last year.

It was a similar story in the West, a slow drip of cargoes testing ranges across the board. Only the USG/Brazil managed to hold relatively steady, with fresh cargoes hitting the market and halting any major slide as the week comes to an end.

It was not exactly a fast start for Suezmaxes in WAF, with TD20 starting at WS 108 levels basis 2023 flats. It was already written in the stars that the best case for owners would have been for rates to remain close to current levels and not lose more ground for the time being. Sadly, reality was different, and the week closed with TD20 at WS 92 according to the Baltic Exchange – WAF/UKC went on subs at WS 115 basis 2022 flats earlier. Market sentiment remains downbeat, and it will take something momentous to turn the tide.

Meanwhile, the AG market will have to find its feet again, as rates have corrected here too - WS 68 levels basis 2023 flats for TD23. And while nothing major happened, compared to WAF, fundamentals seem more favourable, and perhaps there is a higher chance for freight to hold onto current levels.

On the Med Aframax, owners' morale is getting stronger as fundamentals remain favourable. The latest CPC stems are getting more limited options as Turkish Straits delays are lengthening – 8-10 days for both North and Southbound. X-Med cargoes are also getting limited offers as significant tonnage is ballasting to the more attractive Baltic. TD19 jumped to WS 182 levels basis 2023 flats, from WS 160 earlier in the week and more could be done next week. Of course, such jump in rates has prompted interest on part of the Suezmaxes, which are keen to step in and offer charterers higher economies of scale at a relatively discounted price.

The North Sea remains fairly slow compared to the Med. Still, ships are vanishing quietly, while rates seem to have bottomed – TD7 is closing the week at WS 168. Meanwhile, the list is not overly long without the usual North Sea players. Russian Baltic stems keep attracting ballasters, and we could see a shift in fortunes also here, provided enquiry picks up a bit, that is.

Product Tanker Comments

With the strong finish to 2022, many LR owners felt that there had been enough forward fixing to keep the tonnage lists slim into the new year and that they would be able to avoid the traditional January fire sale on freight rates. However, things didn't really go as planned. Although the available tonnage was not plentiful, cargo volumes have also disappeared completely. LR2 rates in the Red Sea have come under pressure from vessels ballasting in from the west and, come Friday, we have seen USD 500k knocked off Yanbu/UKC. We can expect this sentiment to migrate across into the AG next week as ballasters from the Far East and WAFR start to make landfall. Generally in this scenario, owners coming off a long ballast will be chasing long-haul cargoes and, as we are coming from such a high base, they can afford a sharp correction in freight levels to secure the voyage they want at what will still be decent TCEs.

It has been a desperately quiet week for the LR1s - the crash for the MRs has meant that the LR1s no longer represent value for short-haul cross-AG business and there have been few cargoes going further afield. Much has been said of the missing cargo count for the second half of January and, if these stems do appear early next week in significant volume, then perhaps the dip in freight will be shallower and more short-lived than expected. But, in the here and now, things aren't looking great for owners.

It hasn't been a great week for MR owners in Asia. The week started off with a long tonnage list and low level of activity in the South. Owners faced the dilemma of whether to ballast to the AG/North Asia, or to leave the ships in the South and wait for the tide to turn. Around mid-week, rates started to decline - a backhaul run South China/Singapore went on subjects at USD 750K, probably the lowest seen in a month. A lot of the prompter tonnage in North Asia is on subjects with details yet to emerge. This cloak and dagger activity makes it difficult for other owners to establish market direction or have any idea on cargo volume, resulting in a negative effect on rates. And, while the tonnage list might appear tight, it doesn't take into account the amount of ballasters coming in from the South, which could result in further freight drops come next week.

Meanwhile, in the West, it was a fairly active first week of the year for MRs, with some disjointed fixtures as rates slowly converted to new flats. The front-end of the list has shrunk as more cargoes have now been covered, but there are more ships inbound, with TC2 pricing around WS 195 basis 2023 flats. Russian liftings seem to be bouncing around WS 650-700 levels as owners start to consider the implications of the new sanctions and EU embargo from 5 February. With it, there could be a surplus of tonnage unable to trade in Russia past mid-month, adding pressure to rates.

UKC Handies have been quiet this week and the list has replenished. X-UKC is at WS 250 basis 2023 flats. Russian Baltic cargoes are still as high as WS 900-950 levels. It was a quiet and disappointing start to the year for Med Handy owners, with rates falling by almost 100 WS points this week, with last done being WS 210 basis 2023 flats for TC6. Tonnage has remained plentiful and, if activity doesn't pick up next week, the market will likely drop even further.

		BDTI	BCTI
		1391	1068
Δ W-O-W		↓Softer	↓Softer
BDA			
(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	529.0	532.5	535.3
Δ W-O-W	6.3	7.4	5.3
BALTIC TCE DIRTY			
	Route	Qnt	\$/ Day
TD1	ME Gulf / US Gulf	280,000	15,162
TD3C	ME Gulf / China	270,000	30,486
TD6	Black Sea / Med	135,000	90,824
TD8	Kuwait / Sing.	80,000	71,413
TD9	Caribs / US Gulf	70,000	24,498
TD14	Asia / Australia	70,000	81,252
TD20	WAF / Cont	130,000	33,560
BALTIC TCE CLEAN			
	Route	Qnt	\$/ Day
TC1	ME Gulf / Japan	75,000	67,014
TC2	Cont / USAC	37,000	23,698
TC5	ME Gulf / Japan	55,000	62,555
TC6	Algeria / EU Med	30,000	34,165
TC7	Sing. / ECA	30,000	38,780
TC8	ME Gulf / UKC	65,000	66,473
TC23	ARA / UKC	30,000	26,266