AFFINITY TANKER WEEKLY

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Crude Tanker Comments

Firming Afra and Suez markets have forced extended VLCC enquiry into the market in the USG and to an extent in WAF. This has led to a rise of around USD 1.75 Mn on USG/TA runs, with still two cargoes that we know of working in the market. Initially it felt the enquiry wasn't going to be enough to see any drastic change in rates, but it has remained consistent and has only built on an already strengthening sentiment. Momentum is very much in owners' favour, and they will be willing for more to come over the remainder of the day and to hit the ground running come Monday. Back to full-length weeks in the UK now, so things will feel less disjointed. Many of the Continent VLCCs have now been tucked away, the factor that was looming over owners over the past few weeks preventing any traction. Now only around five/six vessels FOC with ETA prior to 15 June basis USG. So, we shall see how things develop. One thing to keep an eye on however is how many of the ships taken over the last day or two get their subs; it is hard to get a grasp on what is firm in the USG (having already seen two fail ex-Americas) and whether all will find their co-load partner in WAF - of course this will become clear come Monday. But, for now, it's onwards and upwards for owners, with TD15 soon to be pressing on toward the WS 50 level. TD3C will be climbing steadily up toward low-mid 40s off the back of this turn in events in the West; charterers are clearly looking to cover quietly of course to prevent adding too much fuel to the fire. But this demand on the Vs needs to remain consistent (at least one side of the Suez) to see anything like what we were seeing paid in March. For now, if anything, owners can use this rate discrepancy between Suezmaxes and Vs to keep the ball rolling.

On the Suezmaxes, this week we saw an aggressive erosion of the list in WAF. With the Americas firm, the AG eroding modern ballasters, the Med equally tight, and safe itineraries a scarcity, Suezmaxes had fundamentals in their favour. VLCCs showed some sign of reacting in the Atlantic basin as they grazed on the offcuts for USG/TA and prompt WAF inquiry. And creativity in terms of utilising VLCCs, taking older and compromised tonnage and enticing unnatural ballasters, were the only tools at charterers' disposal in the short-term. As the week is coming to an end, despite a quieter Thursday in the West, the list remains tight. The replenishment of safe itineraries is muted – only four further non-compromised logical WAF players will be FOC by Monday, and only two of those are earlier than 5 June basis Nigeria. The ball remains firmly in owners' court for the time being, but we can expect muted activity given that charterers are playing "square peg, round hole" with VLCCs. Still, even here charterers' bargaining power could be limited, as there were at least a dozen VLCC deals reported from the Atlantic basin in the past 36 hours alone.

It was a slow start to the week for Aframaxes in the Med, with tonnage steadily building up in the background and X-Med cargoes paying less than previous done while dates seemed fairly stretched. However, around Thursday, sentiment started to improve on the back of a spiking Americas market. The brief downward test has halted with WS 160+ on TD19 once again, amid limited X-Med candidates. As the weekend looms, rates have kept floating around last done. The list of natural willing candidates is thin and, with the added pull from the spiralling USG, definite caution is required even though dates seem forward. In the North Sea, the week started with a relatively slim tonnage list, as seven ships ballasted TA and three ships ballasted to the Med in the previous week. And, while there were still some natural Nsea options on the list to clear out, rates remained near the bottom. Things started to change on Tuesday, as after an action-packed day with over five fresh cargoes, rates saw a 2.5-point rise. By mid-week, the list was looking very short - only two owners with two+ ships, both intending to ballast TA. And the absence of the usual Nsea players meant that there was significant potential to escalate very quickly while the USG pulls vessels. With the end of the week in sight, the USG excitement continues to drive Nsea sentiment. The short list is finally resulting in rates lifting, with TC7 gaining over 5 WS points on Thursday, settling above WS 135 at the time of writing, from WS 128 at COB last Friday.

Product Tanker Comments

We began the week on Tuesday with the market flying on the AG LR2s. Around 14-16 ships went on subs, many off-market, but these levels of activity were matched by an extremely lengthy list (42 ships over the next 20 days, while the historical average is 27) and, while sentiment went through the roof, rates stayed relatively steady. The hope among owners was that this level of enquiry would continue, and higher freight could be chased, but this was not the case, and by Thursday the list had not shifted and stems – while still trickling in – were no match against the mega-list. The week is ending on a quiet note and with some incremental softening starting to creep in. This is by no means a cause of panic, but this was not quite the week of plenty that it seemed on Tuesday…

After a lengthy sabbatical, the LR1s have finally gotten in on the action, and we saw a bit of movement on tonnage – nothing to write home about, but enough to keep owners' sentiment above the water. AG/UKC fixed at USD 3.4 Mn gives us a little steer on where the market is long-haul, but chiefly we saw short-haul voyages – the pragmatic option that keeps them in the money and in the AG. We ended the week with a very slim list, but demand is also flat and charterers could well look to the swamped LR2 list for some possible discounts.

MR market activity in North Asia has been declining this week and, as a result, charterers have begun to cherry-pick owners, chipping away near last done levels, and with most owners still content to fix at a discount in order to secure cargo. Korea/Singapore got on subjects at USD 915K on a replacement vessel which shows how owners really feel about this market. Lacklustre demand resulted in a replenishment of tonnage where the list is looking relatively balanced with several vessels still not cleared for the current fixing window. As we head into a new week, freight rates seem to continue move sideways, but we could see a decline there if a shortage of cargoes remains.

A steady start for Singapore MRs, activity slowly petering out, especially towards the end of the week. Owners tried their best to hold freight rates within current levels with multiple TC7 stems on subjects at WS 250. There is a feeling that that there will be some softening given the ample tonnage available and, as a result, owners are left with the options to ballast either towards the skyrocketing AG market, or elsewhere in southeast Asia where freight levels are still good.

Another short week did not help the MRs in northwest Europe, as the lack of volume and build-up of tonnage kept rates restrained. TC2 voyages secured WS 125 levels and West Africa runs achieved plus 10 WS points on top. With the USG market also on its knees, some owners are deciding to head to Europe in the hope of a recovery some time soon. And as the East markets continue to firm, there is a notable number of ships now ballasting through the Suez Canal to secure better returns which may help compress the current tonnage list.

It has been a quiet week overall for Med Handies with enquiries few and far between. A replacement done at WS 175 for a jet-suitable unit yesterday may have given owners the confidence to push higher than the stubborn WS 150 mark, however the low activity levels we've witnessed haven't allowed it. Last done therefore remains at WS 150 for TC6, and any hope of this being beaten before the weekend seems to have faded.

	BDTI	BCTI
	1218	637
Δ W-O-W	↑Firmer	↓Softer

BDA

(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	565.2	572.1	576.8
Δ W-O-W	-4.8	-5.0	-5.5

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	5,774	↓Softer
TD3C	ME Gulf / China	270,000	15,513	↑Firmer
TD6	Black Sea / Med	135,000	55,782	↑Firmer
TD8	Kuwait / Sing.	80,000	44,599	↑Firmer
TD9	Caribs / US Gulf	70,000	120,864	↑Firmer
TD14	Asia / Australia	70,000	38,417	↑Firmer
TD20	WAF / Cont	130,000	50,608	↑Firmer

BALTIC TCE CLEAN

	Route	Qnt	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	37,616	↓Softer
TC2	Cont / USAC	37,000	10,156	↓Softer
TC5	ME Gulf / Japan	55,000	32,510	↓Softer
TC6	Algeria / EU Med	30,000	14,371	↑Firmer
TC7	Sing. / ECA	30,000	32,706	↓Softer
TC8	ME Gulf / UKC	65,000	35,141	↓Softer
TC23	ARA / UKC	30,000	226	↓Softer