AFFINITY TANKER WEEKLY

19 MAY 2023

Affinity Research LLP, 44th Floor,
The Leadenhall Building, 122 Leadenhall Street,
London, EC3A 8EE, United Kingdom

T. +44 203 142 0100
F. +44 203 142 0101

E. research@affinityship.com
W. affinityship.com

Crude Tanker Comments

A week where activity arrived in fits and starts including quite a lot worked “off-market”, but owners remained calm during any quiet periods and rates have been stable in the Atlantic whilst now catching up ex-MEG. With action throughout ex-USG and WAF (including 1 Mn barrels crossover with V’s pretty much on a par with TD20 Suezmax levels and likely cheaper for East runs) there is a the chance that rates could move towards higher WS 50’s basis TD15. With TD3C lagging behind what had been paid in the West and the arrival of early June stems we’ve seen numbers ex MEG steadily rise in recent days. Short runs have paid in to mid WS 50’s but we expect next TD3C could print around WS 52-53 when tested. Owners will feel there’s much more to come in the first decade ex-MEG and with good foundations in the West are likely feeling quite positive heading in to the weekend.

After a busy start to the week for Suezmaxes in the West, things started to stall. On the bearish side, there is a view that the USG bubble has popped and that VLCC dominance in June (over 20 ships reportedly supposed to load for USG/TA) will ultimately undermine Suezmaxes. Meanwhile, with hefty numbers failed on some tricky Algerian stems, it looked like charterers preferred to allow itineraries to firm up in the Med. To do so, they fixed their stems later than they are usually comfortable with, and this caused some congestion. This situation remains precarious given the firm Med market, although it has started to simmer down a little towards the end of the week. For both markets, safe itineraries have been hard to come by, so there is something in each corner's argument. For now, CPC June stems alongside growing Ceyhan exports could bolster Med activity, while Libya is covered for end-May and early June.

All these movements have started to affect the WAF market, with market participants taking a break and weighing their options. On one side, heavy VLCC interaction in the USG weakens the forward outlook, but it is also true that high rates ex-Algeria may erode early ships for WAF and maintain TD20 steady in the short-term.

On the other hand, the AG remained very active, and owners may feel they have thrown away a few points on west runs as there has been sufficient volume to suggest WS 75 could have been held earlier this week. But if the Atlantic basin falters, Singapore ballasters may instead overload AG lists instead of sailing to WAF on spec, and there is the more obvious issue of significantly cheaper Afra and VLCC markets threatening to erode AG/East volumes.

On the Aframaxes, it looked like it was going to be a very challenging week for charterers. The list of X-Med-willing was short once again, the US continued to pull vessels, poor weather was apparent throughout central and western Med, and maintenance in Trieste was expected to cause a backlog. As a result, X-Med options remained in short supply with multiple cargoes competing for the same ships, and momentum remained with the owners. Only towards the end of the week have charterers managed to keep a lid on X-Med levels, albeit by finding coverage on unsafe positions. It feels like an opportunity missed for owners, who are now settling for WS 185 despite a very challenging list. In the North Sea, dates began to stretch to end-month. The list remained slim without the usual players and with the US continuing to attract tonnage. Despite this, the market remained on the edge, with rates dramatically underperforming neighbouring markets. Considering that six ships ballasted TA this week (16 in the past three weeks), three ships went to the Med, and the list remains very tight with just one FOC focusing on Baltic business at the time of writing, very limited progress has been made.

Product Tanker Comments

We all thought last week was odd but this week is no less strange. Demand has continued to steadily trickle into the LR2 market in the AG, but last Russian ships have populated the fixtures list with various numbers on subs which do not inspire a whole heap of confidence. The week is coming to an end with USD 3.275 Mn on subs for AG/UKC on a last Russian cargo discharging in the AG. While this does not necessarily mean that all other tonnage will automatically follow this number straight away, the precedent is still set as a USD 125K drop on the last Russian deal conclude and USD 275K less then the last Non-Russian affiliated ship. Rates are slipping elsewhere with a WS 30 point chop down from last week’s well established TC1 at WS 150, to WS 120 being the last agreed figure over the last 5 days, with some suspecting that a little less might well be achievable on a couple more ships still. It is understandable for various well informed participants to suspect that we are near the bottom as a very significant amount of deals have been concluded, but we still see good ships lacking cover and we are also mindful that we heard this same point of view this time last Friday…

The LR1s have bumbled along with a decent amount of activity, but some initial hopes of a firming market were dimmed mid week with soft LR2s and demand not ramping up in this LR1 sector as much as initially thought. Charterers had to wait a little bit on some of the longer haul stems but competitive numbers were reached with WS 160 being achieved twice on TC, which represents at least a WS 10 point slip from last week and USD 3.25 Mn being agreed for a Kuwait/UKC run which is a USD 150K drop on the last done. Having said all this, we do close out the week with tonnage being not all that plentiful, so owners will be in fairly calm perspectives come Monday.

It has been an disappointing week for North Asia MR owners, amid very little fresh cargoes quoted. Furthermore, the few stems that have emerged were fixed lower than last done. With a couple of deals being covered under the radar, there was never any opportunity for owners to build any momentum and rates just languished. USD 900K is on subjects for Korea/Singapore and charterers still feel that that they can continue to put downward pressure onto freight rates. Going into next week, if demand remains lacklustre, there should be furthering softening until it reaches the floor. MRs in Southeast Asia had a steady week overall with several Singapore/Australia stems being quoted in the market. Most of the prompt tonnage disappeared mid-week with very little left for end month laycans, charterers are reaching forward with some success but any remaining cargos on the prompter side will need to pay a premium.

After trundling along flat for a while, TC2 closed Thursday with a stronger market sentiment but a lot depends on whether the fresh stems are actually going to be lifted as some seemed speculative. For now, the market is still assessed at WS 125. If TC2 closes out at that sort of level, then one would expect USAC tonnage to perhaps chase the USG, especially given the flurry of cargoes that hit the market on Thursday. The USG position list can be expected to naturally refresh for 25-30 May dates as tonnage gets pushed from the Caribs/Mexico and through the Panama canal (northbound delays projected at 5 days), so Monday will tell how is the short term outlook looking for MRs in the western Atlantic.

It was an uninspiring week for Handies in the Med. And while TC6 rates have been hovering in the WS 145 – 150 levels for most of the time, on Thursday the have finally given way. Levels settled at WS 140 but then given the long tonnage list, it wouldn’t be surprising to see it fall further before the weekend starts.

	BDTI	BCTI
	1312	587
Δ W-O-W	↑Firmer	↓Softer

BDA

(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	561.3	567.3	571.9
Δ W-O-W	-3.9	-4.8	-4.9

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	10,332	↑Firmer
TD3C	ME Gulf / China	270,000	27,535	↑Firmer
TD6	Black Sea / Med	135,000	61,688	↑Firmer
TD8	Kuwait / Sing.	80,000	45,562	↑Firmer
TD9	Caribs / US Gulf	70,000	130,981	↑Firmer
TD14	Asia / Australia	70,000	38,096	↑Firmer
TD20	WAF / Cont	130,000	59,425	↑Firmer

BALTIC TCE CLEAN

	Route	Qnt	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	22,810	↓Softer
TC2	Cont / USAC	37,000	10,113	↓Softer
TC5	ME Gulf / Japan	55,000	27,881	↓Softer
TC6	Algeria / EU Med	30,000	12,037	↓Softer
TC7	Sing. / ECA	30,000	31,452	↓Softer
TC8	ME Gulf / UKC	65,000	30,595	↓Softer
TC23	ARA / UKC	30,000	-510	↓Softer