AFFINITY TANKER WEEKLY

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Crude Tanker Comments

Having come out the other side of a very tough window for MEG fixing, which dragged up levels across all areas, VLCC charterers had more confidence this week that they could seek downwards corrections and, if not achieving them immediately, just wait for the cracks to appear. WCI positions have begun turning round again after the cyclone passed, so some early options for MEG, plus the increase in ballast tonnage, was too great to ignore. So, although some felt the mid-week drops were too drastic, there was solid logic behind them. Atlantic activity has also petered out, with quite a few USG stems failing and withdrawing, plus WAF and Brazil not being overly busy. It is worth noting that moves by the Nigerian authorities to clarify/delay the possible historical tax penalties to owners probably means that, for now, the potential of a two-tier market in WAF has subsided. Unless we see an uptick in market action next week in the Atlantic, the tonnage picture as we see it should be more than enough to swallow what the MEG throws at it and rates may come under further pressure.

On the Suezmaxes, in the wake of Nigerian guidance that vessels will not be detained, in the short-term, premiums have started to deflate, but we don't expect them to disappear completely. In fact, owners understandably will seek some indemnity against future taxes, and charterers might similarly be wary to take on liability for a vessel's prior history. And, while freight premiums may be the simplest solution for now, wordings/clauses seem a far more logical one that will probably gain popularity as things become clearer. For now, the overall WAF market felt overinflated this week, especially given that tonnage remained well supplemented from Gibraltar and the UKC. The Med remained Afra-sensitive, repeating WS 140 several times as owners were reluctant to drop further given Sarroch closures & sensitivity to any uptick in USG volumes. Meanwhile, the AG was the most active region this week, with numerous eastbound moves, cross-size interaction & prompt enquiry/failings driving sentiment, particularly eastbound.

On the Aframaxes, the week started on a quiet foot, with rates flat from Friday's levels. A prompt replacement subsequently lifted X-Med by 15 WS points to WS 155. However, by mid-week, the market once again stalled, with WS 140 levels being repeated multiple times. And, while owners remained hopeful for the tide to turn, dates kept shifting, leaving very little momentum to shift rates from their bottoms. As the week is coming to an end, the list is on the thinner side - the majority of the early end is focussing on premium Russian business. This, and upcoming maintenance in Trieste, are adding uncertainty on itineraries as we enter the weekend and, overall, we expect last done to be difficult to repeat.

It was another uninspiring week in the North Sea. Rates kept repeating at basement levels - some charterers have tried to push lower, albeit unsuccessfully, and WS 135 was the conference level throughout the week. The list of willing Nsea tonnage is limited. Ballasters kept leaving for TA – we counted at least six this week. Dates have shifted on as the weekend looms, and to some degree the list opens up off 2 July onwards, leaving some potential for rates to lift a bit in the next week.

Product Tanker Comments

The LR2s are starting to get a little more animated this week, in part thanks to the smaller segments pushing up from underneath. A strong LR1 market led to traders looking to optimise the longer LR2 list and, as a result, freight for TC1 lifted from the WS 105s of last week to WS 112.5 at the time of writing, and owners are now aiming more towards the WS 135-140 mark. Westbound has been calmer on the LR2s but, while last done is around USD 3.175 Mn for a WCI load, we wouldn't be surprised if we move more towards USD 3.3 Mn in the future. While these numbers won't be agreed today, we will be in a place where a thinner list and firm LR1s are only emboldening the LR2 owners for Monday.

The LR1s stepped up a gear this week with the list remaining tight and both long- and short-haul cargo continuing to flow in. The combination of busy demand and the hangover of last week's weather running amok with the itineraries of local ports, the list was tight for any June laycans which led to rates only lifting as a result. This optimism has breathed into those July stems that have been worked so far at this point. If we start by looking at the westbound trade, then we have moved up from USD 2.6 Mn levels from last week, to USD 2.85 Mn last confirmed. TC5 has also moved up by 10 WS points, with last agreed being WS 155 and owners feeling strong. While we are only due to start next week with good optimism, we are also aware of Eid starting next week as well as much more availability of tonnage as we go into July dates. So, while the feeling is very much warm, there might be more options for charterers next week than what they were offered this week.

It has been a steady week for the MRs in North Asia, with stems getting covered quietly below the radar. The lack of market information has caused parties to suffer the loss of the ideas on the market direction and freight rates, which has resulted in fixing activities continuously getting done at last done levels. Next week, the Chinese market will be resuming operations after a long weekend, so we expect a potential increase in cargoes there. Nevertheless, replenishment of tonnage has been done and freight rates seem to remain steady.

Sluggish days continue in the Southeast Asia MR market, where the list stays plentiful and expanding progressively as days go by. Activity has remained low and charterers are in no hurry to quote cargoes, further putting downward pressure onto freight rates.

It was a flat week for the MRs in the UKC. Cargo enquiry was minimal, leaving rates steady at around WS 125 for TC2. The US market has improved and the majority of ballasters in the Atlantic are now heading to the USG, which should help support rates in Europe going forward.

		BDTI	BCTI
		1070	604
	Δ W-O-W	↓Softer	↑Firmer

BDA

	(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
	This week	541.4	545.7	549.7
	Δ W-O-W	0.9	1.0	1.2

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	11,394	↓Softer
TD3C	ME Gulf / China	270,000	32,092	↑Firmer
TD6	Black Sea / Med	135,000	51,345	↑Firmer
TD8	Kuwait / Sing.	80,000	48,648	↑Firmer
TD9	Caribs / US Gulf	70,000	46,580	↑Firmer
TD14	Asia / Australia	70,000	33,300	↑Firmer
TD20	WAF / Cont	130,000	52,808	↑Firmer

BALTIC TCE CLEAN

	Route	Qnt	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	21,403	↑Firmer
TC2	Cont / USAC	37,000	9,496	↓Softer
TC5	ME Gulf / Japan	55,000	25,443	↑Firmer
TC6	Algeria / EU Med	30,000	12,543	↑Firmer
TC7	Sing. / ECA	30,000	19,365	↑Firmer
TC8	ME Gulf / UKC	65,000	25,438	↑Firmer
TC23	ARA / UKC	30,000	3,491	↓Softer