AFFINITY TANKER WEEKLY

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Crude Tanker Comments

VLCCs had a slow start to the week with many expecting rates to tumble further into the lower WS 40s for TD3C and TD15, but owners held their ground well at the WS 50 boundary. The week remained relatively quiet East of Suez due to holidays, whilst the Atlantic found its feet. As forecast, plenty of eastbound activity ex-USG was compounded by WAF volume extending out into the 1-5 window. The lists look tighter across the board and owners will, on the whole, be trying to hold off this side of the weekend to continue this momentum into the new week. One thing to mention is that the build up of tonnage on the UKC is something to keep an eye on, plenty of which yet to be pushed – this could dampen too much excitement in the West despite the level of activity. Plus, we shall have to see how many of these USG deals manage to get their subjects.

It has been interesting to see WAF/East paying a premium, as UKC repositioning seems to be the play most sought after. Still, it seems that most will take their chances and hold off in the high WS 60s-70 level for WAF/UKC. All eyes will be on the PBRAS Brazil/UKC this afternoon to see if a stand-off will develop with both owners and charterers willing to gamble on how early next week will play out. That said, it seems to be swinging in owners' favour for now, as we continue to see ships disappear from the list.

Weaker markets across the board on the Suezmaxes - the USG in particular has been in freefall as the struggle to sell into the UKC affected the forward window, and Afras were undermining the current one. WS 75 for USG/TA brought us to parity with Afras and pushed rates close to WS 90 ex-WAF for a UKC ballaster. TD20 itself has been sticky amidst Nigerian issues, and while there might have been some straggling cargoes to provide support, fundamentally it was overloaded with committed tonnage and in fact we did see a fairly substantial correction into the mid-WS 90s. The Med and BSEA have had firm fundamentals in previous weeks, constricted tonnage and awkward X-Med runs resulting in WS 150s being covered, but pressure has alleviated and the market is on a softening trajectory. The AG remains overloaded with FOC availabilities and, with VLCCs sponging eastbound enquiry at under 50 per cent of the cost of freight per barrel, we don't expect this dynamic to change - Basrah/West dropped to WS 55 and the overall market remains under pressure.

It was a relatively slow start of the week for Afras in the Med, with owners offering some resistance to fresh cargoes in Libya. And, while things got busier on Tuesday with four cargoes being worked in Libya and two at CPC, the market kept ticking over at last done levels. As the week is coming to an end, things haven't really changed - Ceyhan and Libya dates are now both stretched, and for how much charterers have been pushing, the vast majority of owners haven't budged by a single inch, meaning that rates remain at WS 140 and nothing less.

It was slow beginnings also in the North Sea, with limited fresh enquiry and a significant proportion of the list looking for ballasting opportunities (four ships ballasted TA this week). Still, not enough enquiry and a correcting US market managed to break the WS 135 floor and push rates down to WS 130, which is where owners have seemed happy to repeat.

Product Tanker Comments

LR2s in the AG have been piling up this week, but owners tried their best to make something from a couple of prompter stems that were outstanding on Monday. Some bluster was effective and we saw deals being secured at some premium rates with WS 130 fixed for TC1, USD 3.5 Mn and USD 3.6 Mn was also done for AG/UKC. Very soon after this though, we were aware that demand was only getting much quieter with events in Denmark as well as Eid and Singapore Holidays over the back-end of the week really leading to all demand slowing right down to a trickle. When the proper fixing window was finally tested again, then USD 3 Mn was been agreed on subs WCI/UKC. This could well be some writing on the wall for Monday and charterers are now looking to see if WS 110 would be there for the next TC1 cargo, which would represent a WS 20 point drop on the week if they are successful. While we suspect that there are a few owners that would not see the value in dropping the market at the end of a holiday-rich quiet week, it is something not to rule out when there is still a good amount of tonnage outstanding and also with westbound having so recently suffered such a pronounced correction.

The LR1 obviously missed their local short-haul chartering partners this week amid Eid celebrations. As a result, demand has weakened, but rates have in some areas managed to remain stable. However, overall 'vanilla' demand has not been all that buzzy so the main charterers are looking to take some freight off moving forward. There are some counters for AG/WMed as low at USD 2.3 Mn (when equivalent last done was USD 2.8 Mn). But with very soft LR2s bearing down on this sector, we can only see where charterers are coming from with their bearish intentions.

MRs in the North Asia have seen a decline this week after a sudden change in sentiment. Freight rates have trickled down by 20 WS points for a Korea/Australia run to get on subjects at WS 170. Owners are showing little interest in forward fixing long-haul voyages, hoping that the market will bottom sometime soon. Next week, unless we start seeing a massive boost in demand, it's doubtful that there will be any huge difference in freight trajectory. The Southeast Asia MR market has seen a few stems with a certain level of activity being conducted under the radar but the oversupply of tonnage continues to pose a big problem for owners. During the week, we have seen a number of ballasters to the AG seeking greener pastures, which aids to somewhat trim the list, but this was still not enough. The situation does not look great for owners and we can expect this atrophy to continue without fresh injections of cargoes next week.

UKC MRs had a rather slow start to the week, but activity started to pick up subsequently, consolidating TC2 in increments up to WS 140 levels at the end of the week. Meanwhile, it was a quiet end of the week for Handies in the Med. Still, tonnage has tightened somewhat off the back of a busy mid-week frenzy. Rates remain at WS 145 levels for vanilla X-Med runs, but it remains to be seen how things will evolve next week once everyone is back at their desk.

	BDTI	BCTI
	1014	620
Δ W-O-W	↓Softer	↑Firmer

BDA

(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	541.2	545.1	549.5
Δ W-O-W	-0.1	-0.6	-0.1

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	13,173	↓Softer
TD3C	ME Gulf / China	270,000	36,606	↑Firmer
TD6	Black Sea / Med	135,000	44,601	↑Firmer
TD8	Kuwait / Sing.	80,000	48,762	↑Firmer
TD9	Caribs / US Gulf	70,000	31,659	↑Firmer
TD14	Asia / Australia	70,000	32,485	↑Firmer
TD20	WAF / Cont	130,000	40,226	↓Softer

BALTIC TCE CLEAN

	Route	Qnt	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	20,885	↑Firmer
TC2	Cont / USAC	37,000	17,424	↓Softer
TC5	ME Gulf / Japan	55,000	23,110	↑Firmer
TC6	Algeria / EU Med	30,000	15,858	↑Firmer
TC7	Sing. / ECA	30,000	16,904	↓Softer
TC8	ME Gulf / UKC	65,000	22,036	↓Softer
TC23	ARA / UKC	30,000	1,558	↓Softer