AFFINITY TANKER WEEKLY

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Crude Tanker Comments

This week ended firmly in VLCC charterers' favour after an erosion of rates culminated in a year-low of WS 37 being recorded for AG/China, now repeated several times. The Baltic Exchange printed TD3C at WS 43.25 on Tuesday, which has now seen a 12 per cent drop to WS 38.14 today, highlighting the bearish nature of the market. Charterers continued to apply the pressure with six market quotes in total, testing owners' resolve with detrimental effect. Many owners have simply decided to bite the bullet and target shorter voyages with the expectation that rates will bounce back when winter hits the northern hemisphere. Opec+ cuts and questions around the strength of the Chinese economy have caused increased activity west of Suez, however owners are not finding much respite there either. This week began with four ships failing ex-USG for TA and East runs, creating softer sentiment and cutting USD 1 Mn off TD22 earnings on subsequent deals to around USD 7.5 Mn levels. Looking at the tonnage list, it doesn't feel like there will be any dramatic upticks immediately – east of Suez has remained fairly flat with 30 marketed non-compromised ships FOC for the natural fixing window. Vessel supply for WAF has been trimmed a touch more, a contributing factor for the region's slower fall in rates, with 24 pushed FOC vessels before the end of September. Despite numerous ships getting tucked away privately, more trimming of tonnage is needed to turn the tide for owners. Perhaps the typhoons in the East could help kickstart things, although the effect is believed to be negligible on VLCCs.

Much akin to a week ago, there was no committed Suezmax in WAF, and FOC avails remained limited overall. The feeling was that the market remained capped given some of the muted FOC avails in WAF are down to ships ballasting across the Atlantic on spec and reducing the chance of USG/TA moves hiking further. Meanwhile, in the US, local FOC avails have rebuilt, primarily due to half a dozen ballasting TA on spec and likely capping progress. In the AG, westbound remained under pressure with 12 non-compromised ships before 12 September; however, compromised have cleaned out a little... In the Med, the fundamentals remained geared towards charterers this week. Support from Afras dropped as they softened beneath Suezmaxes, and West Med owners failed to find any respite in an increasingly oversaturated Atlantic basin. Since daily earnings rule out a substantial decline in rates, owners will argue we are bottoming, but without a heavy influx of fresh enquiry, the scope for upside remains minimal.

Med Afras started the week on a quiet foot, with charterers working a few stems under the radar, with most achieving around last done, in the low WS 100s, bar a couple of market quotes achieving below that. On Wednesday we saw over six cargoes being worked, yet rates for both X-Med and Bsea tested further down much to owners' despair. As the week is coming to an end, things haven't improved, rates continue to repeat basement levels amid poor sentiment, and despite the short list.

It was a slow start also in the North Sea, with an increasing number of ships firming up for the natural window after the long weekend. On Thursday, Eni rolled with many offers for their Med run, and those leaving the list have been due to TA ballast with five total this week. Overall sentiment has eased, and it is still worth noticing that there isn't any owner with over two positions in the list.

Product Tanker Comments

It was difficult to feel very inspired by the LR2s this week and the assertion that there is still some buoyancy in the sector is rather unconvincing given the lack of activity. The party line that 'the list is tight so the market will firm' was pushed fervently by owners but enquiry was simply not there to test this theory. TC1 went on subs four times at WS 135, a slight tick up from last week, but repetition would only suggest flatness. Westbound levels danced around the USD 3.9 Mn mark, but the outstanding Sikka/UKC stem off 12-14 September dates could well see this number correct down as owners start to come round to the fact that the LR2s are little more than listless.

From the vantage point of the LR2s, the LR1s do look in better nick. They have certainly been more active and, while momentum is not quite as significant as owners would suggest when tested, they are reactive and as such some incremental firming has happened on some routes this week. AG/EAFR on subs this morning at WS 157.5 is a hallmark of this, up 2.5 points since last done. Elsewhere though, the sector looks a little less healthy, WS 142.5 was done twice on TC5 and despite protests that these were outliers and WS 150 was the correct number, WS 142.5 has remained unchallenged since. A few bits remain outstanding as we enter the weekend, but with forward dates charterers will take their time in covering, banking on a quiet day today with Singapore off to chip away at some resolve so that we go into next week a little less positive.

It has been a week filled with action for the MRs in North Asia with supplementary fresh cargoes continuously introduced to the market. As a result, the tonnage list is thinner, which positively impacted freight rates to further climb on a Korea/Australia run being traded at WS 210. To make the situation even more gloomy for charterers, the announcement of increased Chinese export quotas for the month of September is expected to cause a blow to the market. The overall feeling is that rates might keep rising until earnings reach parity with the larger units, which then should start cooling down the market. Similarly, Southeast Asian MRs had a positive week with consistent inflow of new stems being quoted in the market. Among these were long-haul voyages, which suggests that tonnage will be plucked off the thin list for a longer period of employment. With certain number of refineries in Southeast Asia (Sriracha, Port Dickson) back online, there is no doubt that it will continue to bring in more positivity onto freight rates.

It was a busy start to the week in the UKC, with a long list of cargoes helping cover a good amount of the tonnage list, pushing TC2 to around WS 220. The US market is looking promising and, after the hurricane in Florida, some ships had to make the difficult decision on which way to head, and thus Europe can expect some ballasters to arrive in the coming days. Russian liftings continue to operate in the shadows and premiums are pricing somewhere around 50 WS points over TC2 but only applicable to certain owners willing to call there. On the whole, the MRs look supported in the short-term and it is a pleasant surprise for what effectively is the end of summer.

	BDTI	BCTI
	740	837
Δ W-O-W	↓Softer	↑Firmer

BDA

(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	501.2	508.0	512.7
Δ W-O-W	-0.1	0.4	0.3

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	-10,802	↓Softer
TD3C	ME Gulf / China	270,000	8,055	↑Firmer
TD6	Black Sea / Med	135,000	8,366	↑Firmer
TD8	Kuwait / Sing.	80,000		↑Firmer
TD9	Caribs / US Gulf	70,000	11,542	↑Firmer
TD14	Asia / Australia	70,000		↑Firmer
TD20	WAF / Cont	130,000	15,878	↓Softer

BALTIC TCE CLEAN

	Route	Qnt	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	27,423	↓Softer
TC2	Cont / USAC	37,000	27,481	↓Softer
TC5	ME Gulf / Japan	55,000	22,180	↓Softer
TC6	Algeria / EU Med	30,000	43,810	↑Firmer
TC7	Sing. / ECA	30,000	21,357	↓Softer
TC8	ME Gulf / UKC	65,000	30,977	↑Firmer
TC23	ARA / UKC	30,000	13,554	↑Firmer