AFFINITY TANKER WEEKLY

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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

What lies beneath the surface? An average film for sure…but for VLCC owners this week, the answer has been Atlantic Afra and Suezmax markets that have popped, bringing improved sentiment and without doubt more cargoes/crossover to the fore. Plus, the realisation that VLCC owners could do more than just be happy with beating 1-Mn-barrel pricing on certain runs (namely USG/TA and WAF/UKC) and be sure not to offer two for the price of one! A slim Atlantic list remains now offering just three-four vessels until mid-November basis USG. This is on top of a MEG market that was already very busy week-long for end-October dates and rates that accelerated throughout. We do expect that, as we roll into November dates, TD3C will be paid around the WS 60 level, especially as there are stems due over the weekend. Furthermore, we can expect the same as TD3C for TD15 runs when next tested, with the expectation most owners will just put their feet up today.

Suezmaxes had a busy first half of the week in the West. We counted seven FOC vessels off EMed/CMed positions, and as many as 15 FOC for WAF. Some serious erosion was seen both on and under the surface, wearing the tonnage down to just five FOC in the Med (three of which off Gib positions) as we entered the second half. However, muted Med volume has prevented the Suezmax market from firing substantially, while the overall market remained supported by a firming Aframax market and elimination of WMed tonnage. BSea charterers had some insurance with their own vessels covering end/early windows and local BSea openers, but they too could be sponged given TD6's valuation is exceeded by Afra levels. Considering the injection of fresh enquiry ex-USG, there is some potential for rates to rise on USG/TA runs bringing TD20 up along with it, and as a result the MED list could tighten further. But, for now, the majority of USG enquiry has been focused on prompter windows (Suezmax and VLCC windows remain relatively limited in terms of TA movements) with material impact reserved primarily for the Afra market as a result.

Afras in the Med had a booming start to the week, with over eight cargoes getting worked on Monday, and activity didn't show signs of slowing down throughout, with fresh stems rolling in continuously. X-Med levels have inched up gradually but steadily - TD19 is now at WS 130 levels, up by more than 20 points since last Friday. Owners' sentiment is through the roof, while the cap provided by Suezmaxes keeps diminishing. Also, USG Afras keep strengthening by the day (one ballaster so far at the time of writing), adding fuel to the fire...

In the North Sea, volume has lacked this week, with constant relet availability hindering progress. However, that supply has started to fade - the list remains extremely tight, with seven TA ballasters and three ships going to the Med this week. Yet, somehow rates repeated WS 110 as the week comes to an end, showing how much this market remains undervalued in comparison to the Med and the US. Still, things seem poised to spike with usual North Sea players very limited as we go into the next week.

Product Tanker Comments

Very strong parts of this week have only emboldened LR2 owners in their thinking that the end of the year; when all refineries in the region should be back up to full throughput, would only be a lucrative period. We started the week with TC1 being tested the most and a new level of WS 145 was firmly established, representing a 5-7.5 WS point move up on the week. More recently, the glare has focused on westbound movements and, with supply of decent tonnage thinning right down and then presenting a super tight list, USD 4 Mn was established on subs ex-Kuwait and then the same happened from Sikka and then an extra USD 100K was agreed from Ruwais, making the market at least USD 4.1 Mn for AG/West. With one of the tightest lists on record in front of us, owners are not going to accept any less and only explore a little more before the week closes out.

LR1 demand this week has been healthy, with a raft of cargoes coming through and rates moving as a result. The perennially thin list of good quality tonnage remains a constant theme and therefore owners have managed to gear this well, with WS 170 now on subs for TC5, which represents a move of 15 WS points up on the week and USD 3.475 Mn on subs for a modern approved unit for WCI/UKC, which symbolises a move of USD 175K on the week and owners are now asking for levels around USD 3.7 Mn for future business.

UKC MRs remained subdued this week. The tonnage list is still showing gaps and TC2 is static around WS 155-160 at best, with little enquiry left to cover, after falling from WS 180 levels recorded last Friday. Meanwhile, the USG MR market has been fairly resilient this week, all things considered, but has ultimately suffered with an oversupplied list versus what has appeared to be stuttering demand. Europe hasn't provided much of an alternative, so USAC tonnage has naturally been attracted to the USG, although not every ship has ballasted this way and those willing to load from the Baltics should head to Europe. At the same time, the delays at the Panama Canal have unwound fairly quickly – at least for the moment – dropping from what was a steady 12/14 days, down to six/eight days each way and that of course has brought more tonnage to bear in the current fixing windows than was anticipated. As such, owners have been fighting to hold the market but, as the week has progressed, it became evident that enquiry hasn't arrived with the needed volume, so levels have naturally ticked down and, on Thursday, USG-Chile covered at USD 2.5 Mn (vs last Friday's USD 2.9 Mn) and USG-Caribs perhaps around the USD 725-750K mark. Other routes could really do with being tested to see where pricing levels will settle.

Med Handies have witnessed a significant correction at the end of the week, with the market having calmed following extreme firming in the prior days. Prompt tonnage has now tightened after the active front end of the week, and the feeling is now of stabilisation around mid-200's, with WS 250 being last done. Handies are quiet in the NWE, but the Med market keeps things interesting, and some ships will choose to ballast down as X-UKC rates repeat feeble WS 170 levels.

	BDTI	BCTI
	1054	803
Δ W-O-W	↑Firmer	↑Firmer

BDA (USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	504.1	512.8	519.7
Δ W-O-W	-1.0	-0.5	0.0

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	-2,969	↑Firmer
TD3C	ME Gulf / China	270,000	27,963	↑Firmer
TD6	Black Sea / Med	135,000	23,425	↑Firmer
TD8	Kuwait / Sing.	80,000	34,963	↑Firmer
TD9	Caribs / US Gulf	70,000	48,384	↑Firmer
TD14	Asia / Australia	70,000	30,629	↑Firmer
TD20	WAF / Cont	130,000	42,487	↑Firmer

BALTIC TCE CLEAN

	Route	Qnt	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	32,948	↑Firmer
TC2	Cont / USAC	37,000	14,738	↓Softer
TC5	ME Gulf / Japan	55,000	28,448	↑Firmer
TC6	Algeria / EU Med	30,000	44,271	↑Firmer
TC7	Sing. / ECA	30,000	31,247	↑Firmer
TC8	ME Gulf / UKC	65,000	36,537	↑Firmer
TC23	ARA / UKC	30,000	9,434	↓Softer