# 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

After a busy start to the week, VLCCs began to slow from Thursday, suggesting an impasse as to where fixing levels should be. Sentiment has held very well despite the drastic drop in published volumes, with many hopeful of extended support from the Americas and/or Suezmax stems - but so far this is yet to materialise. In fact, Suezmaxes are still holding steady, but like to VLCCs, the market is not really moving. Still, VLCC owners have some reasons to be optimistic, as many Suezmaxes are likely to face delays, thus trimming supply. That said, we count 28 mysteries this week which, above the surface, are unaccounted for. Feels we have possibly reached the top and now charterers will gun to try and see rates back down into the WS 60s for TD3C and TD15, especially as they will play off the fact that many are going to be out of the office next week. Lists have been kept well-groomed, providing owners with something to bounce off, so we don't think anything too drastic will be conducted as we press on with the new week, but owners, if shown good dates/favourable voyages, won't be too opposed to tucking something away. As mentioned earlier in the week, something to note is there are still a few owners there with more than a handful of ships to play with…

In the wake of the very busy period seen last week, we've seen the Suezmax lists in the Atlantic restock slightly over the weekend. Activity-wise, WAF remained rather sleepy throughout the week, with minimal fresh enquiry on the surface. Still, around mid-week there were rumours of some cargoes working under the radar. Meanwhile, itineraries remain at risk of cancellations, so the supply side remained relatively tight, keeping freight flat in all, with TD20 in the WS 160s levels throughout the week. Given that overall demand fundamentals remain weak, freight should remain flat as we go into the next week, unless we see numerous failings over the weekend.

On the other hand, the AG took the back seat as the Atlantic had its time in the limelight, and muted enquiry dampened any momentum from building on TD23, despite ballasters ex-East committing to WAF. Freight rates have remained sanguine, inching up to WS 90 at the time of writing and, looking ahead, limited FOC avails keeps the list tight as we draw closer to the week's end, maintaining TD23's sensitivity to enquiry for now. Some supplementation can be expected over the course of the weekend however, with as many as four advertised vessels setting sail by Monday.

Very poor weather, increasing TS delays and escalating USG market were the main market drivers for Med Aframaxes this week. Continuous active days keep rates spiralling upwards, seemingly out of control – TD19 has been put on subs at WS 255 levels, but more cannot be excluded going forward. In fact, natural candidates with safe itineraries remain in short supply and, on the weather front, forecasts remain ghastly until 7-8 November, meaning that replacements are very likely. All in all, momentum remains with the owners.

Meanwhile, in the North Sea, there have been continuous slow days since the middle of last week. Even with extremely bad weather and very firm neighbouring markets, rates are failing to take off amid very little activity to speak of – just a couple of market quotes throughout. The list continues to lengthen, but we would expect further testing down once cargoes do appear. Some owners have already given up, as we have seen five ships ballast TA.

## Product Tanker Comments

LR2s have suffered from the lack of activity this week and all parties were in acceptance that rates would soften. But, when WS 145 was agreed on TC1, a drop of 22.5 WS points, more than a few eyebrows were raised. Our understanding is that the distillate arb East to West is firmly closed and hence we have seen very little volume being traded, as at the beginning of this week, it was still being assessed around last done levels, mainly as there was no yardstick to argue otherwise. But, with TC1 heavily correcting, deliveries into UKC are now being called circa USD 3.8-3.9 Mn, although this does need testing. Owners' optimism remains for the latter part of November and into December, but markets need to starting firing soon for this to be realised and, with many travelling next week for Bahri week, there are question marks as to whether it will start next then.

LR1s have also corrected; however, they have softened and found their feet relatively quickly. TC5 dropped from WS 170 in stages and found the floor at WS 155 (TCE returns here are just over USD 25K/day) with this level being repeated a few times. Westbound, at the time of writing, is on subjects at USD 3.3 Mn. The consensus is that LR1s have stabilised. However, with the LR2s heavily correcting yesterday, some charterers are taking stock and sharpening their ideas, but thus far owners have backed away. Tonnage supply is generally balanced, but weaker LR2 and MR sectors do undermine the steadier sentiment here.

This week, MR owners in North Asia are not complaining in terms of fresh enquiry as charterers flocked together to release more cargoes in the market. Despite a Dalian/Singapore run being traded at a lower level of USD 630K, there has been a tremendous upsurge of deals being concluded privately, which aids by trimming the tonnage list, resulting in a shortage of well-approved vessels until mid-November. And while owners are in an advantageous position to stabilise freight or even push it up, struggling owners in the weak Singapore market might ballast their vessels up and cap the upside here. In fact, it has been an uninspiring week for the MRs in Southeast Asia as owners continue to struggle with the lack of employment opportunities. TC7 has taken a heavy blow, trickling down to get on subjects at WS 167.5.

In the UKC, MRs had a slippery start to the week, with enough activity to keep TC2 freight around WS 165, slightly lower than the WS 172.5 we saw go on subs at COB last Friday. Freight levels started to climb up again throughout the week, amid increasing activity and a tightening list, which pushed rates back to WS 175 at the time of writing.

USG MRs have been underwhelming so far this quarter. The tonnage list has continued to face length at the front, with continued resupply from a shorter canal transit time and the USAC ballasters all descending on the USG due to a weak TC2 market, rates have traded primarily sideways despite some owners' best efforts. However, it does appear that things soon could turn in owners' favour, as TC2 finally gets going, and the list is thinning out with resupply hindered by delays in Mexico and expected increased canal delays. The more surprising aspect this week is some owners don't seem to be considering a return to the USG when transiting the canal and rates to WCSAM have remained much lower than the majority of those with tonnage in position are willing to do. We expect that these runs will see the quickest jump once they come around to being tested again.

| | BDTI | BCTI |
|---|---|---|
| | 1462 | 768 |
| Δ W-O-W | ↑Firmer | ↓Softer |

| BDA (USD/LDT) | TKR/LRG | TKR/MED | TKR/SML |
|---|---|---|---|
| This week | 503.1 | 511.5 | 518.0 |
| Δ W-O-W | -0.3 | -0.9 | -1.2 |

**BALTIC TCE DIRTY**

| | Route | Qnt | $ / Day | W-O-W |
|---|---|---|---|---|
| TD1 | ME Gulf / US Gulf | 280,000 | 10,897 | ↑Firmer |
| TD3C | ME Gulf / China | 270,000 | 51,290 | ↑Firmer |
| TD6 | Black Sea / Med | 135,000 | 86,989 | ↑Firmer |
| TD8 | Kuwait / Sing. | 80,000 | 45,236 | ↑Firmer |
| TD9 | Caribs / US Gulf | 70,000 | 77,748 | ↑Firmer |
| TD14 | Asia / Australia | 70,000 | 38,918 | ↑Firmer |
| TD20 | WAF / Cont | 130,000 | 76,743 | ↑Firmer |

**BALTIC TCE CLEAN**

| | Route | Qnt | $ / Day | W-O-W |
|---|---|---|---|---|
| TC1 | ME Gulf / Japan | 75,000 | 29,873 | ↓Softer |
| TC2 | Cont / USAC | 37,000 | 19,052 | ↓Softer |
| TC5 | ME Gulf / Japan | 55,000 | 23,093 | ↓Softer |
| TC6 | Algeria / EU Med | 30,000 | 25,915 | ↑Firmer |
| TC7 | Sing. / ECA | 30,000 | 17,323 | ↓Softer |
| TC8 | ME Gulf / UKC | 65,000 | 31,150 | ↓Softer |
| TC23 | ARA / UKC | 30,000 | 7,857 | ↓Softer |