



Crude Tanker Comments

VLCCs experienced a fairly uneventful week in business terms (unlike the social side of course!) but with enough activity to keep tonnage lists from swelling, rates have eased gradually rather than been hacked at. Those openly testing the market ex-MEG didn't find it particularly easy with so many people travelling often owners chose not to participate at all. TD3C we'd expect to see next in the WS 67.5 region, whilst last done for Brazil / East at WS 63.5 means we'd expect TD15 to print around WS 65 for now. USG offered the most consistent action, but a few fix/fails chipped away at sentiment, owners so far though have held TD22 above the USD 10 Mn mark. USG/UKC last done has been cut from USD 5 Mn to USD 4.55 Mn, perhaps inevitable as Afra and Suez levels fall further. All things considered, we view the market as quite balanced and MEG should at least feel busier next week as dates get worked through to end-month, whilst the Atlantic situation is one to watch with charterers having a bit more "wiggle room" across sizes than recent times.

Suezmaxes in WAF have seen no volume to speak of this week - at least working openly on the market - while the list kept replenishing by the day. As a result, rates have been correcting heavily, with TD20 going from around WS 150 on Monday, to WS 110 at the time of writing. As a result, charterers remain firmly in control and, without substantial fresh volumes hitting the market, owners are facing a herculean task to stop freight from sliding and reversing its course.

Meanwhile, the malaise affecting WAF has slowly started to spread to the other Suezmax markets. In fact, both the Med and the MEG have softened, albeit not as drastically as WAF. TD6 dropped to WS 155 from WS 165 on Monday, while TD23 is now at WS 80, down from WS 85-87.5 at the beginning of the week. In fact, here there has been a relatively decent amount of activity; not enough to prevent a slide in freight, of course, but enough to allow owners manage the downturn.

Afras in the Med have been relatively quiet throughout the week, with improving weather and a balanced tonnage list putting some downwards pressure on freight. Disruptions at Fos caused multiple ships to be pushed back to at least 18 November (including over five Afras) and the news of two Afra berths out of action in Trieste were not enough to prevent X-Med to fall from WS 255 on Monday to WS 240 at the time of writing. While Suezmaxes have been kept at bay for now, owners might have to adjust their freight ideas in some cases, as the better economies of scale offered by the 20T lifters might be hard to overlook for charterers.

Meanwhile, the North Sea remains well stocked up with tonnage, while activity remains lacklustre. WS 195 was put on subs on Monday on TD7, and freight hasn't moved since then. In fact, owners have been done a good job to keep rates flat, especially in light of softening markets in the Med and the US. Still, it remains to be seen for how long this can hold, especially as softening in the other segments might help charterers achieve their goal and shave a few points off freight.

Product Tanker Comments

The LR2s this week have taken a turn for the worse. We counted the longest supply list this Monday since 22 January 2022, back when AG/UKC was assessed at USD 1.925 Mn with bunkers only USD 30 per T different. We won't be crashing to these levels any time soon, but the market does indeed sense a different point of view where we have changed from recently being bullish for end-2023 to being more much more bearish now. We know that the spot market can change quickly (especially when vessels are being taken into the busier West loading and DPP markets) but this level of tonnage is hard to ignore so for now our view is on the bearish side for sure. On the LR2s, TC1 has sank a further 10 WS points after last week's haircut, with WS 135 on subs twice now. Westbound also has suffered with West Med only on subs at USD 3.3 Mn and strong rumours that the same is also on subs for UKC discharge too.

Some fixing has tied some ships over on the LR1 sector and, while there are decent vessels for charterers to work with moving forward, there isn't the same abundance of tonnage to work with as there is on the LR2 market. However, with the very soft overtones from above, we are not able to be all that positive on the LR1s and the rates agreed this week play a good part in our predictions; WS 145 is on subs for TC5, down from WS 160 last week. And westbound is on subs at USD 3.15 Mn from New Mangalore loading for UKC delivery. Slow start is the expectation here for Monday.

This wasn't a bad week for the MR owners in North Asia, with activity picking up steadily. Still, this hardly had any significant upward impact on freight rates given the number of boats available. In fact, rates might have slipped off slightly from the conference rate on a Korea/Singapore run being traded at USD 560K. Still, owners remain relatively optimistic, as it looks like rates are beginning to bottom out, with the front-end of the tonnage list getting thinner and less good candidates available. Meanwhile, in SE Asia the sheer size of the list has been crushing freight rates, with little to hope in term of improvements going forward.

UKC MRs had a busy start to the week, picking up where the previous week left off, with TC2 steadily gaining ground to peak at WS 215 levels on Tuesday. However, activity started to taper off since then and, while the supply fundamentals remain supportive also thanks to an active US market, freight remains sideways at WS 210 levels, and the overall feeling remains quiet.

After a busy first half of the week in the USG, from Thursday, charterers firmly applied the brakes to working any forward dates. The position list remains tight for prompt dates, but the seven-day window looks to have some balance to it. There have been plenty of TC14 questions in the market and owners seem to be discussing rate ideas in the WS 160s which makes sense from a TCE perspective, but it seems that the arb is unsupportive here for now. USG-Caribs was last traded at USD 1.1 Mn but that increasingly looks like a high mark, and we think that a fairer rate will be closer to USD 1 Mn. Meanwhile, the situation around the Panama Canal is as clear as mud, but owners have very recently been paying USD 550-600k+ for ballast transit slots on MRs in the third period auction and they may of course also have to wait a few days for their slot. At USD 3 Mn to Chile and accounting for two canal waiting days and a USD 600K auction fee on the return leg, earnings are circa USD 36.5k/day for a round trip. If auction fees and waiting days continue to rise, pricing out WCSAM routes is obviously going to become increasingly tricky for both owners and charterers.

		BDTI	BCTI	
		1404	798	
Δ W-O-W		↓Softer	↑Firmer	
BDA				
(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML	
This week	500.6	509.3	518.4	
Δ W-O-W	-2.5	-2.2	0.3	
BALTIC TCE DIRTY				
	Route	Qnt	\$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	7,540	↓Softer
TD3C	ME Gulf / China	270,000	47,145	↑Firmer
TD6	Black Sea / Med	135,000	78,863	↑Firmer
TD8	Kuwait / Sing.	80,000	46,952	↑Firmer
TD9	Caribs / US Gulf	70,000	81,658	↑Firmer
TD14	Asia / Australia	70,000	38,197	↑Firmer
TD20	WAF / Cont	130,000	45,194	↓Softer
BALTIC TCE CLEAN				
	Route	Qnt	\$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	27,350	↓Softer
TC2	Cont / USAC	37,000	26,601	↓Softer
TC5	ME Gulf / Japan	55,000	19,849	↓Softer
TC6	Algeria / EU Med	30,000	35,086	↑Firmer
TC7	Sing. / ECA	30,000	13,993	↓Softer
TC8	ME Gulf / UKC	65,000	29,289	↓Softer
TC23	ARA / UKC	30,000	9,708	↓Softer