AFFINITY TANKER WEEKLY

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Crude Tanker Comments

For the most part, it has been a week thin in terms of circulated enquiry/info in the VLCC markets, but it is clear to see that some action is happening under the radar as boats slowly clipped off. Despite this lack of movement across the board, owners seem relatively unphased on the whole and holding for mid-high WS 60s for now on TD3C and TD15, and high USD 9 Mn basis TD22. Lists are not shifting drastically one way or another, so notable slippage has been prevented, partly due to Venezuela and Brazil exports.

The Opec+ meeting on Thursday resulted in Saudi extending their 1 Mn bpd cut through Q1 24, Russia increasing from 300K bpd to 500K bpd and then an additional 900K bpd (so 2.4 Mn bpd total) of cuts to be announced and made up by other members. It is worth noting that clearly a number of member countries are against cutting their own production and the reality may end up with some non-compliance. Brazil (appx 3.2 Mn bpd output) is now expected to join the group from January 2024, but it will unlikely agree to any cap/cuts. All things considered, right now it's hard to see the spot market shifting far away from recent ranges.

Suezmaxes had a quiet start to the week across the board, but in WAF in particular fundamentals looked rather weak, with tonnage healthy and demand questionable. The rout has carried on throughout the week, with very little in term of fresh enquiry, and owners having to adjust their freight ideas downwards. In fact, we have seen TD20 settle around WS 98 levels, earning a TCE of about USD 35,000/day – not bad at all, but without much fresh going on there, it doesn't mean much commercially. USG/TA also adjusted downwards in the low WS 80 levels. Not much going on for TD6 and TD23, as most of the AG enquiry has been for India-bound stems, as a result the routes remain largely untested at WS 137 for the former, and WS 68 for the latter. As the week is coming to an end, it looks like there might be something cooking in WAF, but elsewhere, the others seem to be sitting back and wait.

Meanwhile, Med Afras have had a very active week so far; the early side of the list is far slimmer than what we began with and, for now, rates still hover around last done of WS 150, earning owners TCEs of around USD 39,000/day. And while we haven't seen any substantial improvement so far, the market remains balanced.

The North Sea had an extremely quiet start. Lists remain significantly over-tonnaged, with most charterers pushing relets. We have seen a significant drop in rates on a Wcnor market quote earlier in the first half of the week, but not much to speak of has been done since then, as most of the action is coming in the form of market quoted cargoes. For now, TD7 is flat at WS 145 – TCEs are around USD 46,000/day for Eco ships. However, the list of willing X-Nsea owners is shrinking with many exploring the ballast out to relatively greener pastures in the Med or TA given the lack of action in the North.

Product Tanker Comments

The LR2 market has seen a dearth of demand this week . Ships have been plentiful and for the first three days we saw virtually zero demand of fresh stems. A prompt replacement for TC1 was covered at WS 120, which represented a 7.5-WS-point drop from the initial price agreed on the original vessel. Since then however, a notable drop has been witnessed with WS 107.5 agreed for a subsequent stem on an admittedly older compromised vessel, but we do feel this sets a trend for others to follow. Westbound has been very quiet but we saw USD 3.2 Mn agreed for AG/UKC yesterday on a ship free from any Russian business, which represents a USD 200K drop on the last deal performed by a Russian-history ship. Demand is very piecemeal and the loss of throughput from compromised refineries in both Kuwait and Jubail is really resonating badly with the LR2s, especially when we don't see the other refineries picking up the shortfall to any great extent.

The LR1s also started the week very quietly but, as the week has gone on, a bit more has developed, albeit more on the local AG/WCI-Red Sea markets. The long-haul stems have been very quiet or worked in the shadows, but we would imagine TC5 would be around WS 115-120 and westbound has been agreed at USD 2.725 Mn for WCI/UKC, which would suggest that Jubail-loading would settle around USD 2.8 Mn.

MR Owners in North Asia end the week on a strong foot amid plenty of fresh enquiry quoted throughout the week. The tonnage list has trimmed immensely, which has positively affected freight rates to continuously climb upwards. This has resulted in North China/Singapore getting on subjects at USD 695K, and it's looking to be a slow and steady race, with owners looking to keep up the momentum. Given the number of outstanding stems still seeking cover, it looks to be a one-way direction for freight rates to continue climbing upwards. Plenty of activity also in SE Asia, where charterers had no other choices but start paying up. As a result, Singapore/Australia firmed to get on subjects at WS 177.5 and owners are trying their best to squeeze more as we go into the next week.

UKC MRs are still firming, with TC2 assessed around WS 215-220. However, the star of the show in the West was the US, which skyrocketed in the early part of the week, and remained firm in the latter, due to a slightly slower pace of enquiry, amid tightness in positions because of bad weather in EC Mexico and the Panama Canal. USG-Brazil has been repeated at WS 365, although USG-Chile dropped a chunk to USD 4.075 Mn. This is certainly worth some discussion because Panama Canal northbound auction fees have climbed even higher – USD 1.7 Mn has been paid to transit an MR in ballast condition on Thursday, which will skew the pricing of WCSAM routes even further. Owners fixing purely to Chile will, for the most part, be well positioned to consider the longer return ballast via Magellan and therefore avoid these astronomical third period auction fees if they cannot secure a second period. The real trouble will be for owners fixing cargos into Ecuador-Peru-WCCAM, as certainly for Peru and Ecuador, turnarounds are largely unknown, so trying to guess when the ship will open can be a fool's errand and this negates the opportunity to try and book second period slots. As such, it is certainly possible that Ecuador will price the same as Chile. There is some interest for TC14 runs and last done remains WS 270, but that route could come under some pressure given the willing candidates.

	BDTI	BCTI
	1184	834
Δ W-O-W	↓Softer	↓Softer

BDA

(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	500.0	508.9	517.1
Δ W-O-W	-0.3	-0.3	-0.6

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	6,895	↑Firmer
TD3C	ME Gulf / China	270,000	46,092	↑Firmer
TD6	Black Sea / Med	135,000	63,326	↑Firmer
TD8	Kuwait / Sing.	80,000	43,925	↑Firmer
TD9	Caribs / US Gulf	70,000	41,160	↑Firmer
TD14	Asia / Australia	70,000	38,511	↑Firmer
TD20	WAF / Cont	130,000	36,195	↓Softer

BALTIC TCE CLEAN

	Route	Qnt	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	17,882	↓Softer
TC2	Cont / USAC	37,000	27,951	↑Firmer
TC5	ME Gulf / Japan	55,000	13,697	↓Softer
TC6	Algeria / EU Med	30,000	45,674	↓Softer
TC7	Sing. / ECA	30,000	16,208	↓Softer
TC8	ME Gulf / UKC	65,000	21,385	↓Softer
TC23	ARA / UKC	30,000	13,720	↑Firmer