AFFINITY TANKER WEEKLY

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Crude Tanker Comments

Despite ongoing conflict in the Middle East including very real and almost daily threats to shipping, we're still seeing freight markets react on a shorter-term basis and the undoubted effects on trade-routing and tonne-mile demand are likely to manifest over a longer timescale. Oil markets face yet another reshuffle which may initially see Suezmax trades most-affected but for now VLCC sentiment continues to be set by US Gulf business and it's been a lot less frantic this week. Afra/Suez levels slipping will also be a welcome sight for Charterers who will have felt fairly hamstrung across the board in recent times. Trades are a little more predictable now and although it's still tight for early tonnage, Far East ballasters seem a threat to current levels for end Feb fixing and beyond. Natural dates fixing ex Meg/Waf/Brazil, even with the arrival of first decade Feb stems for Meg, has also been a bit more straightforward but we expect TD3C to continue in the mid WS 60's early next week, with the longer TD15 run perhaps worth a small premium.

TD20 made small gains this week as the USG market kept WAF buoyant with the prospect of luring prompt tonnage off Gibraltar and UKC positions. However, USG volumes didn't really materialise and, as a result, TD20 yields a softer outlook for next week or so, with rates starting to soften marginally (by about 1 WS point) already from Thursday, to WS 143.4 at the time of writing. This isn't too bad in term of TCEs, which would be in the USD 51K-54K per day range for non-Eco and Eco ships, respectively. However, the outlook for next week isn't exactly rosy in terms of supply, as WAF tonnage is set to bloat, with over 25 vessels expected to set sail over the weekend, which should give charterers plenty of options to navigate TD20 come Monday.

Meanwhile, further spice has been added to the pan in the AG, as good activity levels above and below the radar throughout the week had an increasingly positive effect on rates for TD23, with last done at WS 120 for TD23 – guaranteeing earnings just shy of USD 85K/day for an Eco vessel - which is eroding down the number of FOC availabilities in the list. As a result, come next week, there could be a tighter list in terms of Basra-suitable vessels that are willing to transit the Red Sea, thus propelling premiums up to new heights.

Elsewhere, the Aframax market in the Med had a very busy start to the week, pushing rates back into life, while quoted cargoes faced increasingly high offers on Monday. However, as we sailed around the mid-week point, activity slowed down, and it feels like the market reached its climax. Enquiry has slowed down as the week ends - the list does not show an abundance of X-Med candidates but ultimately January dates are very well covered. As a result, we could see rates drop from their current WS 211 (earnings around USD 63K levels for an Eco vessel) until dates refresh and the next stems hit the market – however, we don't expect any dramatic drop to happen as broader fundamentals remain favourable. North Sea Afras had a fairly quiet week throughout, with levels repeated at WS 185 levels in the first half, but subsequently soften to WS 183 as inaction persisted. The market remains very quiet as the week ends - relets have been predominantly leading to minimal enquiry with most charterers well supplied with tonnage. And while the list is still fragmented, with very few owners having more than two FOCs, given how quiet activity is, it cannot be excluded that rates will get tested - perhaps quite significantly - given that even the US market is dropping and there is nowhere else to go.

Product Tanker Comments

Rollercoaster times in the Arabian Gulf on the LRs. The writing was on the wall last week with the Bab El Mandeb straits attacks only gathering grim momentum. Rate adjustments to deal with the fact that the majority of ships will need to have costly Cape of Good Hope routing options coupled with a very strong line of demand on both sizes has led to significant jumps up in freight levels. Lists are tight and owners sail into the weekend full of optimism of what is to come. TC1 has been tested even when considering the massive volume we have witness on the LR1s and owners have managed to move things significantly with WS 235 on subs now which represents an 85 WS point move up on what was initially agreed on Monday. Westbound has been the main talking point with a veritable smorgasbord of rates agreed over the last 5 days. The main headline that has grabbed us is actually a Ruwais/UKC via Cape of Good Hope rate at a whopping USD 6.2 Mn on subs. Passage through Suez Canal is reserved only for those that deem the risk worth taking and in that respect we identity (so far) Vessels with Arab and Greek ownership as well as those ships that have Russian ownership or cargo history as those willing to negotiate Suez routing only and (in some cases) not even discussing a Cape of Good Hope routing.

There has been a massive run on LR1 naphtha runs this week, the like of which we have not seen in a very long period of time – possibly years. We count 10 ships subs or fixed over the last 5 days. Rates started out at WS 190 on Monday but have closed out at WS 265 for TC5. Westbound has not been as actively traded but towards close of play today USD 4.5 Mn has been agreed on subs for West Coast India load representing a strong lift from last week's level or around 3.8 – 3.9 Mn levels. Differentials for Via Cape of Good Hope trading are looking likely to be set around USD 1 Mn from Monday. Earnings jumping up to USD 70K on a one way ticket westbound and all is very positive for owners moving forward.

This was a prosperous week for the MRs with a huge surge in market activity and a substantial influx of cargoes. Charterers have come out on top of one another with similar laycans against a very limited tonnage list, giving owners the opportunity to be more selective about which stems to offer boosting rates significantly. The week has seen TC2 climb to as high as around WS 200+ levels with WAF and Brazil options commanding an additional WS 30 points premium. Despite TC14 rates holding steady at WS 165 throughout the week, the prevailing sentiment in the market indicates a continued preference among owners for TA runs over WAF and Brazil/Argentina routes. Additionally, it is worth noting that extreme cold weather in the Baltics this week should boost demand in ice class ships in the region.

MR owners in the Singapore region continued to push freight levels up this week culminating with TC7 hitting WS 287.5. Rates also firmed for this sector in North Asia, albeit lagging behind Singapore for a change, and we have seen a Korea/Australia replacement going on subjects at WS 280. There is a lack of February stems in the North, particularly from Chinese exporters and many suspect we could well see more exports in the build-up to CNY, however this is just speculation at this point. We still expect rates to stay strong into next week.

	BDTI	BCTI
	1423	1039
Δ W-O-W	↓Softer	↑Firmer

BDA

(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	495.9	504.0	512.7
Δ W-O-W	0.8	0.5	0.7

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD3C	ME Gulf / China	270,000	42,682	↓Softer
TD6	Black Sea / Med	135,000	67,157	↓Softer
TD8	Kuwait / Sing.	80,000	45,065	↓Softer
TD9	Caribs / US Gulf	70,000	83,959	↓Softer
TD14	Asia / Australia	70,000	38,739	↓Softer
TD20	WAF / Cont	130,000	60,619	↑Firmer
TD22	USG / China	270,000	49,051	↓Softer
TD25	USG / Cont	70,000	59,513	↓Softer

BALTIC TCE CLEAN

	Route	Qnt	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	62,492	↑Firmer
TC2	Cont / USAC	37,000	28,396	↓Softer
TC5	ME Gulf / Japan	55,000	48,892	↑Firmer
TC6	Algeria / EU Med	30,000	28,729	↑Firmer
TC7	Sing. / ECA	30,000	35,190	↑Firmer
TC8	ME Gulf / UKC	65,000	54,584	↑Firmer
TC23	ARA / UKC	30,000	33,328	↑Firmer