AFFINITY TANKER WEEKLY

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Crude Tanker Comments

It's been a super positive end to the week as far as VLCC owners are concerned. It has been a very busy week from Tuesday onwards with lists being chopped right down thanks to a consistent flow of cargoes both sides of Suez. Opening the week with 21 FOC non-compromised ships a month out basis Cabinda at 12.5kts, and 25 basis Fujairah, right down to nine and 13 respectively. Of course, we will see this grow over the weekend and some may look at Chinese New Year as a worthy adversary to firming rates globally. But what a way for owners to end the week with the earlier tonnage thinned out for the first time in a while.

As always Friday, so far, has been a day of sweeping up any differences on the tonnage list. As you will see on your mail, although many ships have been fully done, there is still plenty of red that will need to be finalised (many due COB today) if we are to really plant the foundation for further growth in what threatens to be a quieter week. That said, chatter of the WTI Arb open for East would suggest more to come on top of the two firm cargoes working on the other side of the pond.

To sum up our thoughts, after a week of clarity on the direction of the market, the next week we'll be stepping into the unknown. We have seen in recent times that the Chinese have used the veil of festivities and industry conferences to play sneakily under the radar, preventing the prosperity of positive sentiment. And with Chinese MEG questions floating around for early March, some WFH will likely be needed.

On the Suezmaxes, despite rumours in WAF of four cargoes working, none seem to have leaked - either meaning they've covered without incident - which seems odd if owners want to push the market up and amidst profligate USG enquiry - or were never really there. Expectations of much volume to emerge off end-month dates are low basis counts and recent export levels from WAF, but the bulls in waiting will be hoping hikes up to WS 90-92.5 require appropriate TCE alignment on TD20 to WS 105-107.5 region. Both USG and WAF will have a dozen FOC reinforcements however by Monday, so really it comes down to nerve - will charterers keep the well dry today and hope expectations of heavy USG exports in March don't cause problems next week, or will owners build off of yesterday's USG momentum?

Aframaxes had a quiet start to the week that has seen morale depreciate. Charterers are reaching the third decade window, and those able to repeat last done are getting away with a good result. In fact, while X-Med is around WS 165 at the time of writing, the list is getting thinner - six ships ballasted to the US this week – and with poor weather forecasts for the next few days compounded by maintenance in Trieste, the future looks upbeat for owners.

After a largely lacklustre week, only Thursday saw activity spike in the North Sea, with relets and the usual players having a healthy clear-out. The list is thinner, but there were 10 ballasters going to the US, which says a lot about the current state of the market's prospects.

Product Tanker Comments

For LR2s in the AG, the hallmarks of a softer week were there from the beginning, and that is what has panned out. We started with the longest position list this year, which was not excessive in terms of available tonnage but, with demand a little lower, it was clear that the grand freight ideas of recent times would not be realised and charterers have managed to achieve some discounts to that effect. USD 7.5 Mn has been agreed for AG/UKC via Cape and TC1 has now settled to WS 260 on subs, which represents a WS 55-point slip from what was agreed this time last week. While we end the week with demand and perspective of a flatter disposition, we do note that there has been enough fixing over the last five days to slim the list down notably to the extent that, while we are not bullish, we would suggest that freight levels do not have to drop much further at this current time.

It has been similar with the LR1s, but this segment is distinct from the LR2s in that so much of the fleet is older. Finding that good modern ship that can clear all parties is that much tougher, so while it has been a softer week, the list is never quite as long as when it first meets the eye. That said, naphtha exports have softened quite a bit from WS 370 to WS 310 for TC5. Westbound, while also softer, was agreed at USD 6.5 Mn for AG/UKC vis Cape. We can all agree this is very much a high earning market so the optimism remains with owners, but they would welcome fresh demand sooner rather than later when we return next week.

It's been a subdued week in the North Asia MR market with much of the pre-fixing for Chinese New Year already concluded in preceding weeks. Although there has been a consistent influx of new stems being quoted to support freight, the diminishing confidence among owners has resulted in a decline of 10 WS points for the Quanzhou/Australia run getting on subjects at WS 380. With the expectation of a continued shortage of fresh stems, particularly Chinese cargoes in the upcoming week, we anticipate a corresponding impact on freight rates.

The Southeast Asia MR market saw robust levels of activity. Furthermore, there's noticeable congestion in Singapore as an increasing number of vessels are being released due to uncertainties in their itineraries. The outlook remains steady for now, but once congestion clears up, we may begin to see some softening in the market.

The UKC has a promising market for MRs this week as the tonnage list compressed on the front against sufficient cargo enquiry. A number of uncertain schedules and strong market sentiment only added complications, as the Med market gathered momentum, owners decided to ballast south in search of better returns. TC2 has been much of a moving target with minimal fixtures; freight levels are currently firm at WS 215. Premiums for West Africa and Brazil are stretching again to 20-30 points as owners remain reluctant to trade to WAF given the anticipation of an improving USG market as refinery maintenance comes to an end.

Med Handies had a positive week in which rates initially bottomed at WS 245, before high mid-week volumes tightened the list and drove rates up to finish at WS 270. A tight list bodes well for Monday, should fresh volumes materialise. Owners will also be keeping an eye on the bad weather set to kick in on the current fixing window, which may result in replacement jobs aiding hikes in rates.

	BDTI	BCTI
	1268	1126
Δ W-O-W	↓Softer	↓Softer

BDA (USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	503.3	511.8	517.9
Δ W-O-W	2.5	2.4	1.9

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD3C	ME Gulf / China	270,000	42,970	↓Softer
TD6	Black Sea / Med	135,000	52,162	↓Softer
TD8	Kuwait / Sing.	80,000	44,047	↓Softer
TD9	Caribs / US Gulf	70,000	49,093	↓Softer
TD14	Asia / Australia	70,000	33,575	↓Softer
TD20	WAF / Cont	130,000	39,726	↑Firmer
TD22	USG / China	270,000	47,423	↑Firmer
TD25	USG / Cont	70,000	48,801	↑Firmer

BALTIC TCE CLEAN

	Route	Qnt	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	68,237	↓Softer
TC2	Cont / USAC	37,000	26,156	↓Softer
TC5	ME Gulf / Japan	55,000	54,800	↓Softer
TC6	Algeria / EU Med	30,000	43,937	↑Firmer
TC7	Sing. / ECA	30,000	43,083	↓Softer
TC8	ME Gulf / UKC	65,000	79,236	↓Softer
TC23	ARA / UKC	30,000	28,939	↓Softer