AFFINITY TANKER WEEKLY

23 FEBRUARY 2024

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

A week to forget for VLCC owners as the house of cards collapsed, often the case when we see spikes like the week prior. Tonnage lists have built again but are hardly flooded to the extents we've seen historically, however there were plenty of contenders willing to offer (some achieved double digit number of vessels) on natural dates cargoes and charterers leant hard on the sentiment shift and doubt which has been evident since Monday. We expect next vanilla trades for TD3C to land in the mid WS 60s, and we probably see a slight premium again on TD15 for the longer lock-in, whilst TD22 was reset at USD 8.95 Mn levels yesterday. With a quiet close as charterers have likely held back in all areas, there should still be decent volume to arrive next week, and owners will be trying to establish a clear floor; FFA trading seems to support this theory, with no huge fall-off in the forward curve (March TD3C even closed at WS 70 yesterday). There may be beacons of light in the Atlantic as well as more Europe/Far East business being touted, while talk is that USG/TA movements should be more attractive and therefore more prevalent for April fixing.

Whilst more acutely evidenced in the USG thus far, the Suezmax market is clearly collapsing West of Suez. With rates dropping to WS 80 for USG/TA, there is a vast disparity in TCEs either side of the Atlantic, one that will drive UKCM openers south. Relets were sponged to drive that USG dump, but they left a handful of understandably distressed prompt owners seeking coverage and, while Afra USG levels are far higher, activity on the smaller ships has been muted, likely in part driven by arb valuations that indicate a 30 WS-point overvaluation of freight. TD6 has rotted to the tune of over 10 WS points, and TD20 seems wildly overpriced at WS 110 last done. Expect some severe corrections unless cargo volume spikes. For WAF, this could well occur as VLCCs priced themselves out of the middle decade and Chinese appetite for overvalued and under-demanded African crudes drive barrels into Europe. Charterers and owners alike expected that fundamental to coincide with USG/TA trade and drive TD20 this week - reflected in FFAs - but in our eyes that US market was always overtonnaged and charterers had fixed sufficiently far forward in WAF to be patient. With March USG/TA runs set to be 300-400K bpd lower than January or February, Libyan cargoes pushed into March, the VLCC market collapsing and the Afra floor in the Med also dropping off, things look pretty ugly as we close out the week.

Med Afras had a slow start to the week, with only a handful of stems being worked as end-month stems have now been covered. Charterers have more breathing room for March dates, aided by a list remaining awash with tonnage - about eight owners showed at least two positions each, and some have up to four. The outlook doesn't look promising on the supply side, with 20 ships opening between 25 and 27 February alone, while 46 ships are expected to be open by 1 March. Obviously, the market has been corrected down aggressively, losing almost 50 WS points since Monday, and is now down to WS 152.5 levels.

Once again, Afras in the North Sea are ending the week in fairly flat conditions. Enquiry remained scarce throughout, but levels kept holding. Plenty of relets keep circulating and, as the neighbouring Med collapses, will we finally see further downwards pressure next week?

Product Tanker Comments

There is not much positive to say on the AG LR2s this week, with softening seen across the board. Each cargo has seen multiple offers in, and rates have corrected as a result. One TC1 stem saw 10 offers. TC1 currently is assessed at WS 190-195 levels with last done being WS 200. Westbound runs continue to route via Cape, as the Red Sea situation still shows no signs of easing. Freight levels however have eased with USD 5.50 Mn on subs, which is the lowest we have seen since the Red Sea situation began in early January. The lack of activity continues to be of concern and, as tonnage builds up, we don't rule out further softening as the one westbound cargo outstanding at present has six offers in and next done could begin with a 4 or very close to that. A softer outlook persists.

It has been piecemeal activity on the LR1s all week and, while it was marginally busier than the LR2s, the pressure from the softening larger sector meant optimism was minimal. We saw hardly any long-haul enquiry at all and the handful of ships that found work were picked off for short-haul voyages, which came under significant pressure as a result. X-AG fixed at USD 500K, which is pitiful compared to where it was before, and these rates gave the MRs a run for their money with some MR short stems taking LR1s, a small silver lining for the list. Again, while not as dire as the LR2s, the list was still well stocked with plenty of options for charterers to choose from – in tandem with the sluggish enquiry – with our mid-week list counting 30 ships over the next 15 days, three above the 12-month average. While officially last done on TC5 is WS 230, the latest Baltic Exchange assessment was at WS 208. Similarly westbound, while USD 4.75 Mn (via Cape) is last done in the market, there are rumours it is on subjects for far less. There is little to get excited about in this sector and it is a flat end to the week.

The North Asia MR market has returned to full force following the festive holidays with a noticeable increase in activity level. The trimmed tonnage list, combined with adverse weather conditions in the North, are adding further concerns for charterers as replacement jobs become more prevalent. This has resulted in freight rates able to find their footing back on a steady/firm feel as Jinshan/Singapore and Taiwan/Australia runs concluded the week with USD 1.408 Mn and WS 385, respectively. Charterers are believed to be holding additional stems closely, raising hopes for a positive replenishment of tonnage over the weekend.

USG MRs had an active start to the short week and, despite a tonnage list on the longer side, owners held onto elevated levels by sheer will. With most of the market remaining very optimistic for what March has in store for freight levels, the desire to stay short prevailed, putting down local levels. Enquiry has been slowing down as the week is ending and, while long-haul rates remain resilient, short-haul routes have faced a bit of downward pressure (USG-EC Mexico has been arranged at USD 590K on Thursday), as owners remain adamant that this region has potential for March. Caribs is last done at USD 850K, TC14 is assessed around WS 170, Brazil is at WS 260 levels and Chile is around USD 2.9-2.95 Mn.

USAC tonnage has for the past seven days ballasted to the USG despite curtailed export levels and Europe is feeling that lack of resupply. Rates on TC2 are now looking firmer at about WS 250, after a quiet start pushed freight down to WS 220 levels, so perhaps the next batch of ballasters, who don't see value in the USAC-TA numbers, will instead ballast to Europe and that will help curb the 10-day window in the USG...

		BDTI	BCTI
		1237	1044
	Δ W-O-W	↓Softer	↓Softer

BDA			
(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	503.8	512.3	518.0
Δ W-O-W	0.5	0.4	0.0

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD3C	ME Gulf / China	270,000	44,612	↓Softer
TD6	Black Sea / Med	135,000	42,666	↓Softer
TD8	Kuwait / Sing.	80,000	44,047	↑Firmer
TD9	Caribs / US Gulf	70,000	43,464	↓Softer
TD14	Asia / Australia	70,000	30,089	↓Softer
TD20	WAF / Cont	130,000	41,747	↓Softer
TD22	USG / China	270,000	47,524	↓Softer
TD25	USG / Cont	70,000	50,198	↓Softer

BALTIC TCE CLEAN

	Route	Qnt	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	44,858	↓Softer
TC2	Cont / USAC	37,000	29,035	↓Softer
TC5	ME Gulf / Japan	55,000	33,680	↓Softer
TC6	Algeria / EU Med	30,000	47,129	↑Firmer
TC7	Sing. / ECA	30,000	43,265	↑Firmer
TC8	ME Gulf / UKC	65,000	51,008	↓Softer
TC23	ARA / UKC	30,000	41,963	↓Softer