AFFINITY TANKER WEEKLY

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Crude Tanker Comments

Wednesday afternoon onwards was when the action kicked in with the MEG finally turning up. Owners will try to utilise this momentum to carry rates beyond last done, with most of the list today setting their sights on next week and what it may bring. The BITR falling yesterday was a bit of a shock given the strengthening state of owners' resolve, but WS 60 should be the limit on TD3C, backed up by the chopping away of the list from 21 FOC non compromised vessels bss ETA Fuj 30 days out, to now around 10 give or take. Vessels are still disappearing and there is talk of five+ cargoes working still today in the MEG, on a Friday, which always injects a little excitement and optimism naturally for what lays ahead in week 10.

There has been very little assistance from the Atlantic volume-wise, with only two cargoes working firm on the surface in Americas, but with owners having in mind not to lock in the longest runs at the "bottom", it's a boost to hear rumours of USD 9.1 Mn bss 1:1 USG/F.East, with owners willing to ask for more. USG for April dates should indeed proceed to pick up as we say goodbye to a very light month in March, refinery maintenance in F.East does mean we won't see Eastbound runs catch up to where they once were, but TA should see a slight rebound in volume, at least assisting East of Suez in keeping a lid on the list. IE week is over, and we expect this positivity on the owners' side to carry over to Monday. Don't think by any means rates will run away, but resistance is evident. The list on Monday will give us an accurate picture, and this increased volume has to stick to have any lasting impact.

On the Suezmaxes, the expectations as we move into next week are that we will experience some tightness on lists this side of the Atlantic as there is a real hole in terms of tonnage opening prior 6-7 March, rendering safe itineraries a premium option. For now, TD6 and TD20 continue to hover at around WS 110 and WS 105 levels, respectively. Across the Atlantic, things are a little more nuanced, with ships delaying in Chiriquí probably keeping the market flat/firm, independent of Aframaxes, and it is unlikely that there will be TA ballaster supplements, although the opposite is the case on the Aframaxes, with 11 ballasters heading TA. East of Suez cannibalisation of Suezmax stems by VLCCs and muted activity (even accounting for off-market fixing) should take its toll on TD23 amidst a list characterised by relet presences, hidden tonnage and an FOC build, so expect rates to fall from current WS 105 – 110 levels.

Aframax rates have collapsed over the past week, with TD19 languishing at WS 105 levels, a long way off the WS 200 of just over a week ago. However, a flurry of activity on Thursday signalled that the bottom has been reached and tonnage has tightened sharply. Those owners that are left have signalled firmer ideas, with some choosing to hold back altogether on the expectation of rates to climb. Charterers will find it difficult to cover at current levels as owners' sentiment in the market has firmed.

By contrast, the North Sea markets has continued to slump. Owners are taking their vessels out of the market and ballasting TA, with 11 vessels escaping so far this week. The current list still provides plenty of options and, even with many choosing not to fix local, the market has yet to find the bottom. TD7 is currently assessed at around WS 130, a drop of around 30 points on the week.

Product Tanker Comments

Although a meaningful number of cargoes finally hit the market on Thursday, it was not enough to halt the slide in rates for LR2s in the AG. TC1 has slid down to around WS 145, reaching the sort of levels at which it ended last year. Despite the influx of volumes, the extent of available tonnage meant that charterers were able to cover while still lowering rates.

Nevertheless, owners will be encouraged by the healthy volume and, while it wasn't enough to halt the slide, a few days like yesterday in a row should show us the bottom of the market quite quickly. Owners' optimism should be boosted by the fact that the extremely long list has been hacked away at, as well as the number of LR2s going on subjects in the North Asian market, which should reduce the number of ballasters further down the road.

The slide on the LR1s has been less harsh, but they have not seen the same injection of volume as on the LR2s, so the mood hasn't turned. Short-hauls have dominated the outstanding requirements, with an AG/ECI run put on subjects at WS 175, which is a weaker number when compared to recent equivalents. TC5 is down to around WS 175 – 180 levels, which are again at their weakest since the end of last year. There is a pocket of tightness in the Red Sea but, other than this, there is little to get excited about on the LR1s.

The MRs in the AG have fared a little better, but demand has failed to live up to expectations. TC17 has been volatile, falling to WS 310 before rebounding to WS 335, before shedding another 10 points to end the week at WS 325. The outlook for next week is overall positive, with the uptick on the LR2s and the short list.

MRs in North Asia have had a good week, however. Thursday was yet another good day for owners, with more cargoes hitting the market, supplementing the growing list of outstanding stems. The supply of vessels is unable to keep up with demand and the inevitable result is an increase in rates. A Japan/USWC run has been put on subs for USD 3.5 Mn.

In the South, there was less activity with very few fresh quoted cargoes. But such is the strength of the sentiment in the North, rates have remained steady, and some owners have chosen to ballast up to seek more lucrative employment.

In the European markets, IE week has kept a lid on activity, particularly towards the end of the week. In the Med, the prompt Handies list remains extremely tight, despite the lack of activity, so rates have managed to remain buoyant, with vanilla cross-Med runs fixing at around 30 x WS 320 levels.

On the MRs, rates are little over-pumped when compared to the TC2 market. A Med/TA run should fetch around 37 x WS 290 but, with this being a roughly 50-point differential with TC2, that could soon be squeezed. If little activity follows before the week closes out, Med MR rates may come off slightly.

	BDTI	BCTI
	1145	1014
Δ W-O-W	↓Softer	↓Softer

BDA

(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	503.1	512.1	517.1
Δ W-O-W	-0.8	-0.2	-0.9

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD3C	ME Gulf / China	270,000	36,270	↓Softer
TD6	Black Sea / Med	135,000	38,761	↓Softer
TD8	Kuwait / Sing.	80,000	45,181	↑Firmer
TD9	Caribs / US Gulf	70,000	40,270	↓Softer
TD14	Asia / Australia	70,000	31,863	↑Firmer
TD20	WAF / Cont	130,000	38,963	↓Softer
TD22	USG / China	270,000	43,299	↓Softer
TD25	USG / Cont	70,000	46,607	↓Softer

BALTIC TCE CLEAN

	Route	Qnt	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	29,241	↓Softer
TC2	Cont / USAC	37,000	33,183	↑Firmer
TC5	ME Gulf / Japan	55,000	25,353	↓Softer
TC6	Algeria / EU Med	30,000	58,371	↑Firmer
TC7	Sing. / ECA	30,000	43,552	↑Firmer
TC8	ME Gulf / UKC	65,000	41,621	↓Softer
TC23	ARA / UKC	30,000	46,251	↑Firmer

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