



Crude Tanker Comments

This time last week a couple of late fixtures brought some optimism to the VLCC sector and provided a platform heading into week 30 for rates to make a resurgence. Today, it seems the inverse effect may be occurring. Having started the week on solid footing, with levels continuously improving on last done and TD3C pushing into the high WS 50s, a quiet Wednesday helped charterers take the steam out of it and claw back some ground, creating downward pressure. The last few fixtures have been lower than many might have expected, and it is now to be seen whether owners will have the collective resolve to resist dropping any further. It is unlikely we see levels fall back into the doldrums of mid-WS 40s, but it appears we may hang around the low-mid WS 50s for TD3C and mid-high WS 50s for TD15. USG business has been far less fluctuating, holding in the mid-USD 7 Mn levels for TD22, but has seen consistent activity throughout the week to lend some sense of stability to the market. There are still a few outstanding cargoes to carry over to week 31 and time will tell whether owners conjure back the stubbornness to dig their heels in.

Suezmax activity picked up ex-WAF as the week progressed with rates sticky in the high WS 80-90 levels. Despite the list remaining overtonnaged, owners' sentiment has shown resilience on the most part, however, with dates now pushing into the 15-20 August window, it feels as though charterers may have the ability to hold back volume, thus applying pressure as a result.

The AG continues to stagnate as volume is drip fed into the market. FOC 20T lifters are in healthy supply and ex-DD and relet presence remains. As such, owners remain likely to continue to feel the pressure.

Meanwhile, the US Gulf remains quiet with a few cargoes worked and a couple of ships fixed away off-market. For now, rates remain steady, however, with the Afra market testing down below the equivalent of 145 x WS 80 levels, we have seen most of the volume this week go on the smaller ships. If this trend sustains, it is expected that Suezmaxes will need to be more competitive on pricing to re-enter charterers' crosshairs. Additionally, at current levels in the Atlantic, it is likely that further Suezmax owners will opt to ballast TA, which may undermine back-end of the fixing window.

It has been a slow week for Med Afras. With charterers fixing off forward dates under the radar, less has been done than the conference rate of WS 130 ex-Ceyhan. And ships remain in good supply for current levels of enquiry – there are currently three FOC vessels, but five more are expected to open over the weekend.

In the North Sea, off-market fixing continued throughout the week at WS 120. However, as the week is coming to a close, the market remains sideways. The list has slimmed down to zero FOCs by Friday, as usual North Sea players got picked out after a busy start. There are five ships expected to pop up over the weekend, likely for early month dates, as earlier ships keep exploring the TA ballasting options - six vessels left the North Sea this week alone!

Product Tanker Comments

There was a very slow start to the week and this extended sluggishness led to the inevitable softness on the AG LR2s. TC1 has since slumped to WS 150 on subs, representing a 10 WS-point slip on the week but westbound has seen heavy corrections with strong rumours of USD 4.4-4.5 Mn on subs - this does need to be confirmed as it is quite the drop down from the USD 5.2 Mn that was the level last week for a jet delivery west on a modern LR2 with no Russian affiliations. There will be some justifiable cause for respite at the week's close as there has been a significant amount of fixing, mostly on a private basis, over the last 48 hours. Monday's position list should look leaner as a result, so perhaps we could see some renewed confidence from the owning fraternity should demand develop enough to make anything of it.

Regarding the LR1 sector, we saw considerable capitulation this week, where the very low demand and sheer pressure of the good tonnage building up in the area, either off the multitude of local short haul cargos or ballasters from the West via Cape or SE Asia, has led to dramatic reductions in freight levels in some areas. As per most weeks, it has been the local markets that have seen what activity there has been, but rates have dropped now to around USD 500,000-550,000 depending on what sort of voyage it might be. TC5 has not been publicly tested this week as the LR2s have held the focus over the last five days, but we would have to suggest that less than the last reported number of WS 170 would be very much there for a few owners to make sense of today.

On the South-East Asian MRs, a long tonnage list at the prompt end coupled with poor demand kept sentiment soft through the week. With poor support from the adjacent markets, owners were left with very little options, and we saw freight rates make further corrections through this week as TC7 came off another 15 WS points to go on subjects at WS 200. We expect the soft sentiment to continue with a poor outlook for demand here and in the adjacent markets for the upcoming week.

It was a positive week for MRs in the UKC, but volumes have been lacking compared to levels seen earlier this month. Rates have been ticking along fairly consistently with only a couple of anomalies, but found their natural levels around the WS 200 mark for TC2. With market conditions the way they are amid a very tight list, it would not take a big surge in cargo enquiry to really boost freight further.

In the USG, MRs saw increasing activity towards the end of the week, but a sharp deterioration in rates as charterers have eventually entered the market and pressed their advantage. USG-Caribs dropped to USD 690,000 (vs USD 825,000 level previously done) and elsewhere USG-EC Mexico was arranged at USD 450,000. As is often the case, lower freight levels create an appetite for TC14 moves and there have been a handful of enquiries, with the market initially dropping to WS 157.5 and then repeating twice at WS 155. There has been a notable absence of long-haul freights being tested, it has all seemed to be short or TC14, so the value of these routes remains somewhat theoretical.

It looks like some of the surplus tonnage hidden on the front of the list may have been mopped up, although owners might be concerned that early August stems were already working. Where rates go from here remains to be seen, but potentially there has been enough fixed to shore up confidence and provide support at these levels.

		BDTI	BCTI	
		1023	814	
Δ W-O-W		↓Softer	↓Softer	
BDA				
(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML	
This week	508.4	515.3	519.0	
Δ W-O-W	-4.5	-6.0	-5.5	
BALTIC TCE DIRTY				
	Route	Qnt	\$ / Day	W-O-W
TD3C	ME Gulf / China	270,000	32,423	↑Firmer
TD6	Black Sea / Med	135,000	33,235	↓Softer
TD8	Kuwait / Sing.	80,000	40,116	↑Firmer
TD9	Caribs / US Gulf	70,000	42,018	↓Softer
TD14	Asia / Australia	70,000	31,691	↓Softer
TD20	WAF / Cont	130,000	30,506	↓Softer
TD22	USG / China	270,000	33,504	↑Firmer
TD25	USG / Cont	70,000	33,225	↓Softer
BALTIC TCE CLEAN				
	Route	Qnt	\$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	31,458	↓Softer
TC2	Cont / USAC	37,000	24,193	↓Softer
TC5	ME Gulf / Japan	55,000	21,800	↓Softer
TC6	Algeria / EU Med	30,000	28,804	↑Firmer
TC7	Sing. / ECA	30,000	20,170	↓Softer
TC8	ME Gulf / UKC	65,000	40,859	↓Softer
TC23	ARA / UKC	30,000	27,791	↑Firmer