AFFINITY TANKER WEEKLY

02 AUGUST 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

The false start of recent weeks in the VLCC market was confirmed as fresh duels have ended almost unanimously in charterers' favour. Rates have ebbed lower for all voyages and confidence dialled down. AG volume was dealt with without much drama and TD3C has dipped to around the WS 47 level, although a number of owners are suggesting they'll rebuff this number and certainly any suggestion of lower.

WAF and Brazil will continue to hold a premium over the AG with the prospect of locking ships away until Q4 at TCEs below USD 30,000 per day is not that enticing for most. USG activity has moved into early September dates now but has seen a mixed week again with some failed deals and charterers able to drum up meaningful competition for TA and Far East runs. It's hard to foresee an upturn next week as volume is likely to be manageable against the list, so there is a strong chance that the dog days of summer will keep bumbling on a little longer.

Off market activity dominated the West Africa Suezmax market once again this week. Overall, owners succumbed to the pressure of a long list partnered with minimal surface activity evidenced by WS 77.5 reported on subs for WAF/ECC. There is a strong chance that the start of next week brings in more early third decade August volume, and with dates reaching even further forward, charterers are set to remain in the driving seat.

It was a tough week in the US Gulf, with Suezmax rates falling significantly, a byproduct of both a long local list and Afras crumbling under the pressure brought on by an armada of TA ballasters from the past few weeks. For the time being, it feels as though pressure will remain, and despite rates depreciating significantly, there are up to eight Afras committed to ballast TA this week.

There was however a bit more activity to end the week for Suezmaxes in the AG, with vessels encroaching on Afra and VLCC cargoes. Despite this, tonnage still remains in decent supply, but increased levels of activity might give owners some impetus to stay resilient at current levels.

Med Afras had a very active start to the week with over 14 cargoes worked on Monday alone. However, things quickly subsided on Tuesday, and owners seemed content to cover at last done of around WS 130 levels, even off very forward dates. Only past the half-week mark the very tight list finally reaped its rewards for owners with X-Med rates taking a jump up to WS 145 levels. Yet, as the week is coming to an end, charterers seem to have managed to keep a lid on rates while Suezmaxes linger in the background and, with surrounding markets all uninspiring, this seems just a short-term spike. The list remains particularly short with only one FOC at the time of writing, and another additional Afra opening prior Tuesday. This was a slow week in the North Sea, with minimal cargoes worked on the surface. The WS 120 benchmark remains firmly rooted for now, even with eight ships ballasting out the region this week.

Product Tanker Comments

There have been decent levels of activity for the LR2s in the Middle East this week. As a result, the tonnage list has thinned somewhat, and owners are now viewing the market with more positive sentiment. And while owners haven't been able to move freight rates beyond WS 150 for TC1, there have been some marginal gains for westbound cargoes. Looking forward into next week, should we see similar levels of activity as the past one, there is a strong chance that rates could firm marginally, but we are not expecting exponential gains to write home about.

The LR1s have had a disappointing week; most owners are trying to avoid long-haul cargoes given the (relatively) poor returns by recent standards – an Eco vessel at the conference rate of WS 155 could earn about USD 19,000 per day at the time of writing, while westbound runs via Cape assessed at USD 3.8 Mn could earn around USD 45,000 per day on paper. As a result, there has been some fierce competition for short-haul cargoes and local rates have suffered accordingly.

Things seemed to have improved this week for North Asia MRs, as a surge of fresh enquiries entering the market earlier prevented any further correction for freight rates. Sentiment however, remained relatively flat as the long tonnage list was able to absorb most of the increased demand resulting in freight rates repeating at last done throughout the week. The outlook now remains relatively stable with potential for positive corrections as the tonnage list now looks tighter on the prompt end and more balanced for the upcoming fixing window.

The Southeast Asia MR market remained quiet this week with poor levels of fresh enquiry reported. While ballasters heading North and towards the AG helped clear out some vessels toward the prompt end, demand still lagged supply, resulting in sentiment remaining soft throughout the week. Freight rates took a further correction with TC7 done another 15 WS points lower at WS 190. the outlook remains soft with the tonnage list still well replenished for the natural fixing windows.

UKC MRs had a busy start to the week that soon faded away with the remainder remaining very quiet. The tonnage list remains limited in northwest Europe and rates have edged up to around WS 205 for TC2 voyages. Still, there is potential for further gains if more volume arrives.

Handies in the Med started the week with a fairly lengthy position list, and this, coupled with a quiet few days, has resulted in TC6 rates tumbling from around WS 210 on Monday to WS 155-160 levels at the end of this week (though rumours of WS 145 on subjects are circulating). The positive news for owners is that, since rates have fallen, a lot of off-market deals seem to have been done, which has in turn tightened the list. Owners will therefore be hoping to establish the bottom early next week, though in order to do so volumes will have to remain steady at the very least, with tonnage still long in the prompt and five-day windows.

		BDTI	BCTI
		952	755
	Δ W-O-W	↓Softer	↓Softer

BDA			
(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	504.6	510.9	514.4
Δ W-O-W	-3.8	-4.5	-4.6

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD3C	ME Gulf / China	270,000	23,288	↓Softer
TD6	Black Sea / Med	135,000	29,668	↓Softer
TD8	Kuwait / Sing.	80,000	38,396	↓Softer
TD9	Caribs / US Gulf	70,000	17,948	↓Softer
TD14	Asia / Australia	70,000	30,164	↓Softer
TD20	WAF / Cont	130,000	24,142	↓Softer
TD22	USG / China	270,000	30,432	↓Softer
TD25	USG / Cont	70,000	24,761	↓Softer

BALTIC TCE CLEAN

	Route	Qnt	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	32,209	↑Firmer
TC2	Cont / USAC	37,000	24,520	↑Firmer
TC5	ME Gulf / Japan	55,000	21,316	↓Softer
TC6	Algeria / EU Med	30,000	12,498	↓Softer
TC7	Sing. / ECA	30,000	18,127	↓Softer
TC8	ME Gulf / UKC	65,000	38,471	↓Softer
TC23	ARA / UKC	30,000	22,381	↓Softer