AFFINITY TANKER WEEKLY

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Crude Tanker Comments

Official Israeli and US comments did little to calm things down in the Middle East and reports that Iran have/are moving tonnage away from Kharg Island as a precautionary measure in case of attacks there is not helping either for tanker market sentiment in the region.

On the VLCCs, it seems inevitable now that TD3C will move above WS 60, while WAF and Brazil should be inching higher towards the mid WS 60s, despite not having been that busy this week. Perhaps unsurprisingly with the number of USG outstandings yesterday, rates kicked on. USG/East runs may move to the higher USD 8 Mn levels, and owners were pushing for high USD 3 Mn levels on TA cargoes. Eyes will be firmly set on the MEG early next week with some returning from holidays, while stems for the third decade October appear to have remained largely untouched to date. It really feels as if all is to play for and there's minimal downside across VLCC and other crude markets in the short term.

On the Suezmaxes, western markets have seen a monumental boost this week off the back of a firing USG Aframax market. Both West Africa and the US Gulf have firmed up by over 30 WS points and are showing little signs of cooling down, with tonnage extremely tight and sentiment unlikely to wane anytime soon.

The AG has also seen a large influx of volume in the second half of the week, not having seen this level of enquiry for some time. Tonnage lists are getting dangerously thin with owners very much in the driving seat to push rates further north, especially when considering that regional tensions remain on a knife's edge.

Aframaxes had a fairly steady start to the week, with reasonable action in both the Med and the Black Sea. However, around the midweek point, things started to escalate substantially, with X-Med freight levels rising to WS 130, and then higher to close the week with WS 142.5 getting paid for Ceyhan/Med and WS 155 on subs for Es Sider/Augusta. Standout X-Med candidates with safe itineraries remain in limited supply, and surrounding markets are all firm for both Suezmaxes and Aframaxes, which should lend some further support as we go into next week.

A booming post-hurricane USG market helped to boost sentiment this side of the Atlantic, with Afra rates climbing massively - a 65 WS-point jump on Wednesday alone - to WS 197 for TD25, which subsequently escalated further to close the week at WS 218 levels, which translates to earnings of about USD 59,000 per day for ECO tonnage.

North Sea levels also started to move on the back of the wild USG market. However, things have been slow towards the end of the week, with unconfirmed rumours the talk of the market. That being said, sentiment is strong with neighbouring markets as firm as they are – X-North Sea levels are now at around WS 130 levels, earnings above USD 34,600 per day. It is also worth nothing most charterers have a relet for the next window.

Product Tanker Comments

A major charterer in the AG has been consistently fixing throughout the week with cargo after cargo coming into the market and, with the sheer amount of LR2s at their disposal, rates have been coming off bit-by-bit. TC1 is now at WS 115, down from WS 145 last week, and westbound, while not traded as much this week, has sunk to USD 4.25 Mn, down from USD 4.6 Mn last week, and still with good ships willing to go that way. Red Sea exports have hovered around USD 2.6 M for a Gizan loader, but with the DPP markets warming up and a slightly shorter list of suitable candidates in the trading window, we wouldn't be surprised if that lifted a little. Overall, owners are a little more encouraged by seeing some fresh stems from other charterers on Friday, but there are still a plentiful stable of good units to work with come Monday.

LR1s have had the most desolate week that we have seen in a very long time. On Friday morning, there were three ships on subs/hold but these are the first ships to have found business since Tuesday. LR2s and MRs offering better flexibility and efficiency on USD/T and rate perspectives have naturally softened distinctly, finally leading to some public testing with USD 375,000 on subs for UAE/Kuwait - a notable change from the USD 600,000 fixed last week for Jubail/Ras Tanura! TC5 has only been tested today and to disastrous results, with WS 125 being agreed in what represents a 40-point drop on the last agreed public number and returns USD 19,000 on the daily TCE. Westbound has not been in play at all this week so we would suggest that it would be softer and potentially freight numbers of around USD 3.8 Mn for a Jubail load might be appropriate next time around. We saw more ships in the middle of the week on the updated position list than we have done in some time, so it's hard to be anything other than bearish come Monday.

MRs in North Asia remained resilient this week, with prompt replacement jobs pushing freight higher. Tonnage remained tight through the week, keeping sentiment firm for the natural fixing windows. Backhaul rates rose to USD 700,00 levels for Korea/Singapore, while owners maintained a strong preference for shorter hauls ending in mid-China or the Philippines in anticipation of greater demand to come when the Chinese market returns after Golden Week. Freight rates look slightly toppy now with the MRs now trading at parity or even higher than the LRs, but all eyes will be on China and the expected post-Golden Week demand surge next week.

The Southeast Asia MR market stayed relatively stable this week amid a slow trickle of cargoes entering the market. The surge in rates in North Asia drew some tonnage up as owners sought better opportunities there while freight rates remained steady this week with TC7 trading around the WS 185 range. The outlook remains steady for now, with the tonnage list looking well replenished for the upcoming fixing windows, but a lot will depend on the adjacent markets and if tonnage will be drawn away.

It has been another disastrous week for the MRs in Europe. A lack of volume coupled with a sufficient tonnage list has left rates grounded around WS 90 for TC2. West Africa voyages in equal measure have been quiet with rates around WS 115. With the list growing and minimal stems to choose from, some brave owners have decided to ballast ships towards the USG in the hope of better returns, as TC14 runs are currently paying WS 190-195. Many owners consider chasing a market as a risk but, with no signs of life in Europe, owners are no longer prepared to sit and wait.

	BDTI	BCTI
	1060	497
Δ W-O-W	↑Firmer	↓Softer

BDA

(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	476.6	483.7	487.4
Δ W-O-W	0.3	0.6	0.6

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD3C	ME Gulf / China	270,000	37,631	↑Firmer
TD7	UKC / UKC	80,000	32,010	↑Firmer
TD15	WAF / China	260,000	41,880	↑Firmer
TD19	Med / Med	80,000	39,029	↑Firmer
TD20	WAF / Cont	130,000	41,209	↑Firmer
TD22	USG / China	270,000	41,682	↑Firmer
TD25	USG / Cont	70,000	56,743	↑Firmer
TD26	EC Mex / USG	70,000	66,875	↑Firmer
TD27	Guyana / UKC	130,000	42,837	↑Firmer

BALTIC TCE CLEAN

	Route	Qnt	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	20,282	↓Softer
TC2	Cont / USAC	37,000	2,948	↓Softer
TC5	ME Gulf / Japan	55,000	16,812	↓Softer
TC6	Algeria / EU Med	30,000	-2,160	↓Softer
TC7	Sing. / ECA	30,000	17,710	↑Firmer
TC8	ME Gulf / UKC	65,000	36,265	↓Softer
TC14	USG / UKC	38,000	24,672	↑Firmer
TC17	ME Gulf / EAFR	35,000	14,093	↓Softer
TC20	ME Gulf / UKC	90,000	40,072	↓Softer
TC21	USG / Caribs	38,000	42,031	↑Firmer