Fearnleys Weekly Report

Week 3 - January 19, 2022

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Tankers

Commentary

MEG

It is still tumbling rates for the VLCC's, with the switch to 22 flat rates making the drop even more stark. As Jan is completed and we are already 20 fixtures deep in to Feb in the MEG, charterers are exploring how low they can go in the WS 30's for East, with each cargo collecting multiple offers. Owners are certainly not helped by bunker prices, with Brent at an eight year high, prices are up close to the USD 700/mt in Singapore, making voyage calculations a harrowing experience. Also, precious few cargoes working at present for owners to practice calcs on. The Atlantic is no better, with WAF/East on subs at WS 37 .

Some owners are turning to TC options, where first year return is a 3-year deal in the low USD 30,000's per day may seem attractive. But the key for owners will be the Q3 and Q4. They just need to get there!

Commentary

You'd be forgiven for thinking this year, presently at eight year highs, had parted permanent company with the physical freight market. The silver lining that may clear away the present bleakness comes from Goldman Sachs, who believe that by the next Northern Summer, oil inventories in OECD countries will fall to their lowest levels since 2000, and with it, Brent oil prices rising to USD 120 later this year. To the here and now, the Atlantic remains active with no discernible back haul market, as everything has become frontload. If this activity persists 7/20 may nudge to high WS 50's. In the East, there's been an uptick in enquiry which may add a point or two, but a fresh round of cargoes is required for it to truly push on. MEG/East trades WS 62.5 for now.

Atlantic

The Aframax market in the Nsea and Baltic has been very slow with rates for cross Nsea hovering around bottom levels. And without an increase in volumes or some support from surrounding markets, it is difficult to see how rates will firm for the next week. In the Baltic we had some excitement on a couple of fuel cargoes, but as one got fixed on a Suezmax (part cargo) it folded out. Going forward with February dates in play rates will continue moving sideways for now. In the Med/Basa from a firm last week we have seen the rates soften and drop a few points this week. This is because cargo activity has come off somewhat, and we have also seen a few Suezmaxes come into play. We expect the market to move sideways with a soft potential in the short term.

Rates

Dirty (Spot WS 2022)		
MEG/WEST (280 000)	WS 18.25	-0.3 ↓
MEG/Japan (280 000)	WS 36.0	-1.0 ↓
MEG/Singapore (280 000)	WS 36.5	-0.8 ↓
WAF/FEAST (260 000)	WS 37.0	-0.5 ↓
WAF/USAC (130 000)	WS 55.0	5.0 ↑
Sidi Kerir/W Med (135 000)	WS 65.0	7.5 ↑
N. Afr/Eurromed (80 000)	WS 92.5	15.0 ↑
UK/Cont (80 000)	WS 92.5	0.0 →
Cerba/USG (70 000)	WS 100.0	10.0 ↑

1 Year T/C (USD/Day)	
VLCC (Modern)	$24000.0
Suezmax (Modern)	$16000.0
Aframax (Modern)	$13000.0

VLCC	
VLCCs fixed in all areas last week	46
VLCCs available in MEG next 30 days	184

1 Year T/C Curve

Dry Bulk

Commentary

Capesize

Big ships still suffering from the typical January dip after a very brutal start of the year. Crucial milk route Brazil/China in limbo as Brazilian authorities are investigating a major dam burst. Meanwhile, Australian iron ore shipments have been consistently down more than 40 pct w-o-w to come in at around USD 15k. Far East activity, mostly represented by the West Australia/China trade, not sufficient to absorb tonnage as they come open – inter-pacific values consequently shaved off some 30 pct to stand at USD 8k, still better off than the much longer China-Brazil/China round which has lost almost 45 pct and come in at USD 7k. With 2021 average values coming in at USD 33,333 and fundamental outlook for 2022 remains positive, good period tonnage keeps being very much in demand – latest representative fixture appearing 181,000 dwt, built 2011, delivering Far East March for about 12 months done at USD 27k.

Panamax

The correction in the market showed still negative this week. Wide bid/offer spreads in much of the market led to a great deal of inactivity, as well as talk of Cape tonnage now competing on some of the larger voyage slots. In Asia, the lack of coal exports from Indonesia continued to impact market here, and despite something of a renaissance ex Australia this did little to affect the ever-growing tonnage list especially in the North of the region.

Supramax

Very fresh supporting the market and rates continued strengthening. Both physical and FFA continued the bear run. From Cont to Med usual scrap rounds gone at low USD 20,000. Ultra from USEC to Cont seen fixing at USD 28,000. USG-Med on Ultramax covered at USD 35,000. Some movement in Indonesia nep coal export. Coal run from CS to China done at USD 10,000. Trip from WCI via Pakistan to China with clinker discussed around USD 25,000. Period rates dropped further where 1-year TC rate now for Supra is USD 20,000 and Ultra USD 22,500. An upturn might just be a couple of weeks away, as we are approaching the Chinese New Year. Since 2010, the market rose immediately after the Chinese New Year every year except 2014.

Rates

Capesize (USD/Day, USD/Tonne)		
TCE Cont/Far East (180 DWT)	$31,050	-$6,850 ↓
Australia – China	$7.7	$0.2 ↑
Pacific RV	$8,200	-$425 ↓

Panamax (USD/Day, USD/Tonne)		
Transatlantic RV	$23,195	$1,645 ↑
TCE Cont/Far East	$34,559	$3,645 ↑
TCE Far East/Cont	$16,785	$2,727 ↑
TCE Far East RV	$20,159	$1,457 ↑

Supramax (USD/Day)	
Atlantic RV	$23,474
Pacific RV	$17,793
TCE Cont/Far East	$28,892

1 Year T/C (USD/Day)	
Newcastlemax (208 000 dwt)	$28,500
Capesize (180 000 dwt)	$23,500
Kamsarmax (82 000 dwt)	$21,500
Panamax (75 000 dwt)	$20,000
Ultramax (64 000 dwt)	$22,500
Supramax (58 000 dwt)	$20,000

Baltic Dry Index (BDI)	
Baltic Dry Index (BDI)	$1,570

1 Year T/C Dry Bulk

Gas

Commentary

EAST

A couple of deals concluded in the East this week, and seemingly each lower than the last with the latest India fixture reported below USD 70 Baltic equivalent. Saudi Aramco has maintained their acceptances and volumes are being reported to be good however with a tendency of weaker freight this has yet to trigger much more market activity. A spot FOB tender ex Qatar was also reportedly awarded to a European Trading House.

WEST

With Monday being a U.S. holiday, the week got off to a slow start. The western freight market currently finds itself at a standstill as the product market makes it impossible to entertain freight in the USD mid/high 70s on a Houston/Chiba basis. The balance of owner controlled tonnage remains more or less unchanged as USG in February however, there are rebels appearing on the horizon ex USG for February dates and signs of willingness to do lower rates are looming.

LPG Rates

East Market (USD/Month)		
VLGC (84 000 cbm)	$-450,000	-$100,000 ↓
LGC (60 000 cbm)	$-1,100,000	-$100,000 ↓
MGC (38 000 cbm)	$935,000	$0 →
HDY SR (22-22 000 cbm)	$650,000	$0 →
HDY ETH (17-22 000 cbm)	$790,000	$0 →
ETH (8-12 000 cbm)	$530,000	$0 →
SR (6 500 cbm)	$430,000	$0 →
COASTER Asia	$285,000	$0 →
COASTER Europe	$290,000	$0 →

LPG/FOB Prices (Propane, USD/Tonne)	
FOB North Sea/ARA)	$655
Saudi Arabia/CP	$740
MT Belview (US Gulf)	$575
Sonatrach/Bethioua	$700

LPG/FOB Prices (Butane, USD/Tonne)	
FOB North Sea/ARA)	$750
Saudi Arabia/CP	$710
MT Belview (US Gulf)	$692
Sonatrach/Bethioua	$715

LNG Rates

East Market (USD/Day)		
East of Suez 155-165 000 cbm	$35,000	-$17,000 ↓
West of Suez 155-165 000 cbm	$30,000	-$10,000 ↓
1 Year T/C 155-160 000 cbm	$91,000	-$1,000 ↓

Newbuilding

Activity Levels		
Tankers	Increasing	Increasing
Dry Bulkers	Increasing	Increasing
Others	Strong	Strong

Prices	
VLCC	$109.0
Suezmax	$76.0
Aframax	$61.0
Product	$61.5
Newcastlemax	$64.0
Kamsarmax	$36.0
Ultramax	$34.0
LNGC (MEGI) (cbm)	$207.0

Sale & Purchase

Prices	
Dw 5 yrs	
Capesize	$47.5
Kamsarmax	$33.0
Ultramax	$30.0
Dw 10 yrs	
Capesize	$35.0
Kamsarmax	$23.5
Ultramax	$24.0
Newbuild	
VLCC	$74.0
Suezmax	$47.5
Aframax / LR2	$42.0
MR	$30.0
Old (10 yr)	
VLCC	$30.0
Suezmax	$32.0
Aframax / LR2	$27.0
MR	$21.0

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Market Brief

Exchange Rates		
USD/JPY	115.63	0.47 ↑
USD/KRW	1201.50	12.75 ↑
USD/NOK	8.86	0.04 ↑
EUR/USD	1.13	0.00 →

Interest Rates		
LIBOR USD (6 months)	0.38%	0.03% ↑
NIBOR NOK (6 months)	1.28%	0.04% ↑

Commodity Prices	
Brent Spot	$88.50

Bunker Prices		
Singapore 380 CST	$501.0	$37.0 ↑
Singapore Gasoil	$771.5	$71.0 ↑
Rotterdam 380 CST	$486.5	$38.0 ↑
Rotterdam Gasoil	$764.0	$52.0 ↑

All rates published in this report do not necessarily reflect actual transactions occurring in the market. Certain estimates may be based on prevailing market conditions. In some circumstances, rates for certain vessel types are based on theoretical assumptions of premium or discount for particular vessel versus other vessel types.

Disclaimer