AFFINITY TANKER WEEKLY

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Long long lists

Regarding VLCCs, after last week's incredibly worrying stats this week, deals actually started 'cleaning up' the mess of the last decade in May. In about a day and a half we went from 19 registered MEG fixtures in the 20-31 May window to 30 deals. Much of it thanks to Chinese COA deals but another few off market fixtures that surfaced late on Monday and early Tuesday.

Now this does not, by any means, constitute a change in activity and it certainly does not show a huge improvement in the market rates, even though a point or two got added to the last done by about mid-week. The small correction in rates was mainly due to a slight rise in bunker prices but thanks to this we see a tiny shift upwards in Owners sentiment. Can we spin on from this and see another couple of points in the MEG market?... doubtful, as the position list continues to work against the Owners. Currently there are just too many ships and while this week has actually proved very busy… it just fizzled by in terms of excitement from the players and a serious lack of 'umpf'.

All hope is not lost… the last two fixtures in the USG have put $200k each on last done so at least that is improving a little even though rumour has it Charterers might split onto Suezmaxes as tricky load combinations starts to chip away at the economics between VLCC & Suez.

With reference to the present Suezmax Market, all BDTI assessments are down, sentiment weak & lists healthily stocked. Whilst AFRA support on USG/TA prices seems to be there the volume is still not present, and the CONT/TA Fuel Arbitrage should continue to draw ships back into the region on the AFRA size.

On a more positive note (well, from a shipping perspective at least) conflict or threat thereof in the Middle East should drive both Fuel and Arbitrage opportunities. Given we already were touting June as a potentially monstrous MED/BSEA eastbound month this could prove significant. Contango plays could also result in a VLCC spike and draw Suezmaxes back into the WAF/EAST or USG/EAST fray should such opportunities arise. However, until now prospects of conflict don't appear to be having a positive effect on the market.

The US has instructed non-emergency staff to leave Iraq as tensions with Iran mount, albeit this could well be a power play by Trump to drive both political and commodity agendas – maybe that's far-fetched but the bloke uses Twitter to communicate with OPEC so you can't put it past him.

Levels in the Baltic and North Sea have dropped drastically throughout the week as a result of a general reduction of inquiries as well as a surplus of tonnage on the list. As of today, for natural fixing window 26-27 May, basis pushed positions only, and not taking into account fresh positions per Monday morning, there will be 15-17 firm positions of which 12 opening in Baltic/Scand area. We expect a quiet end to the week and rates should correct further next week.

The Med and Black Sea have also seen rates drop throughout the week with the equivalent of 97.5WS being paid for ex Libya. Tonnage is available, and programs are well covered. Charterers will use this rate as a benchmark and continue to test for lower than last done levels today. Surrounding regions also coming off. Particularly in the orth. Free of cargo tonnage is fairly healthy and after the weekend expect close to 10 prompt vessels.

A slow and underwhelming week for MR's in Northwest Europe with TC2 rates nailed at 37x105 WS but premiums in to West Africa grew slightly (+15 points) as most owners wanted trans-Atlantic runs off the back of an active USG market. Some owners wanted to capitalise on this and also not lock into a long-haul voyage at these kinds of levels. The Handies had an over-supplied tonnage list with a lot of short voyages confirmed which will replenish the list in due course leaving very little prospect for market rates Baltic-UKC runs trade sideways at 30x110 WS. The LR1's struggled to gain momentum due to the arb being closed for west-east voyages, we did however see some fixtures into West Africa, but overall lack of volume meant that rates slipped further ARA-WAFR pays 60x82.5 WS. The LR2's saw similar scenes with a lack lustre week, rates tick over MED – Japan paying USD 1.85million.

Another positive week for the MED, one of the only Western markets which seems to be doing so. Owners were able to capitalise on the tight list, despite some resistance from charterers at the start of the week, and rates have ticked up from 30 x 135 WS to 150-155 WS levels by weeks end. Tonnage remains tight especially on the prompt window which should keep rates firm into next week even if activity slows, sentiment remains strong. Fixing window moves forward again as charterers look to get their cargos covered, 25-27th May window for cross MED now. The Black sea has been the driving force in the market this week with numerous cargos quoted, and despite some failings vessels have quickly been snapped back up at firming rates. 30 x 172.5 WS now on subs for Black Sea-MED in the market, with owners talking 180+ WS.

MRs in the MED have been flat this week, albeit the list not littered with tonnage. However, activity slowed and rates therefore trading flat, 37 x 105 WS MED/ TA and usual +10-15ppt premium to WAFR. Given the firmer Handy market, we could quickly see MED MRs disappear on short haul business - 37 x 125 WS for cross MED not a stretch compared to TC2 cargos, which already competes with the Handy cross MED rates. Going East ticks over and remains a sought-after voyage - $800k fixed this week for MED / AG.

	BDTI	BCTI
	683	507
Δ W-O-W	↑Firmer	↓Softer

BDA (USD/LDT)	D/SUBCON	C/SUBCON
This week	444.9	442.6
Δ W-O-W	-3.1	-3.3

BALTIC TCE DIRTY

	Route	Qnt	USD / Day	Δ W-O-W
TD1	ME Gulf / US Gulf	280,000	-9,043	↑Firmer
TD3C	ME Gulf / China	270,000	11,922	↓Softer
TD6	Black Sea / Med	135,000	9,832	↑Firmer
TD8	Kuwait / Sing.	80,000	14,311	↑Firmer
TD9	Caribs / US Gulf	70,000	12,591	↑Firmer
TD14	Asia / Australia	70,000	15,332	↑Firmer
TD17	Baltic / UKC	100,000	12,426	↑Firmer
TD20	WAF / Cont	130,000	8,885	↓Softer

BALTIC TCE CLEAN

	Route	Qnt	USD / WS	Δ W-O-W
TC1	ME Gulf / Japan	75,000	15,547	↑Firmer
TC2	Cont / USAC	37,000	4,518	↓Softer
TC5	ME Gulf / Japan	55,000	12,651	↑Firmer
TC6	Algeria / EU Med	30,000	WS 145	↑Firmer
TC7	Sing. / ECA	30,000	12,914	↓Softer
TC8	ME Gulf / UKC	65,000	WS 28	↑Firmer
TC9	Baltic / UKC	30,000	WS 109	↑Firmer

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