AFFINITY TANKER WEEKLY

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Easing production cuts yet to translate to higher rates

In the VLCC market this week, we have heard a modern ship on subs AG/East at WS 33, with a compromised ship looking at WS 31. At the beginning of the week, the level was more WS 34-35 for a modern ship, while an Exxon cargo attracting ten offers tells you all you need to know about the market.

In WAFR, charterers are trying to squeeze a bit more out of owners, with rates dropping from last week's WS 40 to WS 38.

The difference between AG and WAFR comes down to an owner's preference over a shorter voyage in such a quiet market in order to catch the wave, should it ever materialise.

For Suezmaxes, there was a little moment for Black Sea to Med fixtures, with rates ticking up off the back of increased cargo volume but otherwise it was another week of the status quo. WS 50 and WS 60 are on subs out of WAFR for UKCM and East respectively.

For Aframaxes, promises of a busier August third decade in Northern Europe have yet to materialize. Throughout the whole of August, 54 Urals cargoes are available, significantly higher than the 36 in July and, in fact, are the most on offer since April's 85, during which the Opec+ agreement was in tatters and Russia deliberately boosted crude output.

However, it is the third decade in which most of these cargoes are due to load – 24 in total. We will hit that fixing window next week, so we may see things start to pick up early next week. As it stands, TD7 and TD17 has inched up a couple of WS points over the past week, rising by 7 and 10 per cent to WS 82.5 and WS 57.5 respectively.

Russia has said that it will raise its crude oil production by 400,000 bpd this month, in line with the easing of the coordinated production cuts, so cargo volumes are expected to be higher going forward, especially while Russian CPP demand remains weak, meaning that Russia will choose to export crude, rather than direct it towards its refineries.

Meanwhile, in the Med, there has been little change as rates continued to slide, with TD19 currently assessed at around WS 57.5, its lowest since late June. Earnings are still around OPEX levels, however, as low bunker prices are limiting the damage. It is difficult to see where any improvement can come from, with Libya remaining offline and so much available tonnage. Even if a slightly busier end-August for CPC may help, any rises are likely to be minimal.

In the Eastern LR markets, rates are still plumbing new depths, with TC1 and TC5 at WS 55 and WS 60 respectively but, with a few more LR2s going on subs over the past couple of days, and with a lot more tonnage cleared out among the larger owners than we have seen over the past fortnight, there may be a glimmer of hope.

In the West, MRs struggled this week as demand dwindled, the list showed too many ships on the front end and rates were squeezed back down to around 37 x 90 for TC2. Minimal enquiry for West Africa with premiums anywhere between 15-20 points. The US market is still looking marginally more promising despite a quiet couple of days and most owners will most likely to choose to ballast towards the USG instead of heading back to Europe with TC14 paying 38x95. Handies have seen moments of improved activity but rates have not moved for natural fixing window from 30 x 90 Baltic/UKC.

In the Med, there was at last an ounce of improvement this week, with a touch more activity ex-Black Sea and the tonnage list looking marginally thinner by the end of the week. We are still a little way off this translating to firmer levels for TC6, however one or two owners have managed to gain some premiums for one or two trickier stems, which could set an improved tone going into next week, depending on how the list replenishes over the weekend. 30 x 80 levels X-Med for the time being, and WS 90 ex-Black Sea continues to be achieved, but there is at least some hope of building momentum for owners, if the increased enquiry continues. There have been too many PPT MRs in the Med and although at the mid-week point it looked as though there were a few stems around, cargo has been easily absorbed and Med MRs have arguably traded at a slight discount to TC2, rattling any sentiment. For, TA 37x90 is deemed market, 105 for WAFR and brasil, and 750-775k for Med-AG, feeling pretty bearish.

	BDTI	BCTI
	507	350
Δ W-O-W	↑Firmer	↓Softer

BDA (USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	311.1	309.7	301.7
Δ W-O-W	3.8	2.7	11.8

BALTIC TCE DIRTY

	Route	Qnt	USD / Day	Δ W-O-W
TD1	ME Gulf / US Gulf	280,000	3,263	↓Softer
TD3C	ME Gulf / China	270,000	16,664	↓Softer
TD6	Black Sea / Med	135,000	11,359	↑Firmer
TD8	Kuwait / Sing.	80,000	6,621	↓Softer
TD9	Caribs / US Gulf	70,000	8,174	↑Firmer
TD14	Asia / Australia	70,000	8,022	↓Softer
TD17	Baltic / UKC	100,000	8,039	↑Firmer
TD20	WAF / Cont	130,000	13,270	↑Firmer

BALTIC TCE CLEAN

	Route	Qnt	USD / WS	Δ W-O-W
TC1	ME Gulf / Japan	75,000	5,222	↓Softer
TC2	Cont / USAC	37,000	6,892	↓Softer
TC5	ME Gulf / Japan	55,000	4,098	↓Softer
TC6	Algeria / EU Med	30,000	WS 82	↑Firmer
TC7	Sing. / ECA	30,000	6,526	↓Softer
TC8	ME Gulf / UKC	65,000	WS 17	↑Firmer
TC9	Baltic / UKC	30,000	WS 92	↑Firmer