



Finding new bottoms along which to scrape

In the VLCC markets, it's been another quiet week in fixing across most regions. With AG exports covered mostly by COAs and the large relet fleet we currently have, spot cargoes have come few and far between, causing rates to dip into the high WS 20s, after having started the week around the WS 32.5 range.

The western markets were relatively busier, with a decent amount of activity in WAFR and yet rates still fell due to downward pressure from a weakening AG market and also due to a number of ships coming back onto the spot market having been used for storage. What started as a region that could fix in the mid to high 30s ended the week rated at 32.5 for WAFR/East. The USG suffered the same fate as WAFR, with overall sentiment for the VLCC market soft due to a lengthening tonnage list and a lack of notable inquiries.

Suezmaxes continue to be very weak - cargo volume remains muted and charterers continue to drip feed the market, concluding deals at incrementally lower levels. TD20 is still around the WS 44 level, or a bit below now. It is the same story in the AG with both AG/East and AG/West at some of the lowest freight we have seen all year; TD23 is as just WS 19.3, according to the Baltic Exchange.

There is little change to Aframax rates this week, as the summer lull has truly set in and rates in the Med have managed to concede yet more ground over the course of the week.

Having remained flat at the beginning of the week, rates dropped 5 WS points on TD19 on Wednesday, sliding to just WS 55, a new low for the year. Earnings have slumped into the solid negative for the first time this year, with the Baltic Exchange assessing it at USD -1,225 per day. The market has somehow found a new bottom, with owners' resistance finally crumbling. We can't see the market giving away any more points, but there isn't much by way of light at the end of the tunnel either. Vessels are being picked off at these new, low levels and charterers are covering with very little fuss.

To the North, there was a mid-week flurry of cargoes which brought some positivity, and owners managed to pull rates back up on a few runs. TD7 climbed 2.5 WS points on the week to WS 80, although TD17 stayed flat. In truth, this week probably just managed to temporarily prevent further slippage, but judging by what is happening in the Med, owners will be glad to take what they can get, especially with earnings staying in the black. Looking ahead, the disappointing Baltic programme again is likely to prove a hinderance; there are maybe only 4 - 5 stems now left to cover before 15 September, and the month total is just 33 (versus 38 stems in August).

LRs East of Suez have managed to cling onto their gains from last week, despite a noticeable lack of activity. TC1 is still at WS 95, but the gap between owners' and charterers' ideas for where the market should be is increasingly widening. Charterers will not feel inclined to move when fresh demand has been as quiet as it has been all week.

On the LR1s, the top end of the tonnage list remains a little bit tighter, but off later dates, from around 8 September when the new fixing window opens, there are a lot more vessels. Despite the noticeable lack of cargoes here (only one in play at the time of writing), that TC5 has managed to cling to its WS 100 level.

On the smaller sizes, TC2 exploded into life as Tropical Storm Laura was officially upgraded to a hurricane and forced refineries on the Gulf coast to close, meaning a surge in demand for gasoline from Europe. On Tuesday, TC2 soared to WS 150, a 50 per cent increase overnight. However, there doesn't appear to be legs in the market, with rates soon dropping back down to around WS 125 on Thursday. Rates are likely to come off further, with the interest and activity quickly evaporating.

Conversely, the closure of refineries has hit TC14, which has dropped to around WS 90, down 28 per cent on the week, and back to its lowest level since the beginning of July.

	BDTI	BCTI
	472	492
Δ W-O-W	↓ Softer	↑ Firmer
BDA		
(USD/LDT)	TKR/LRG	TKR/MED TKR/SML
This week	341.3	341.3 315.0
Δ W-O-W	21.1	21.0 25.2

BALTIC TCE DIRTY

	Route	Qnt	USD / Day	Δ W-O-W
TD1	ME Gulf / US Gulf	280,000	1,133	↓ Softer
TD3C	ME Gulf / China	270,000	11,520	↓ Softer
TD6	Black Sea / Med	135,000	4,979	↓ Softer
TD8	Kuwait / Sing.	80,000	7,577	↓ Softer
TD9	Caribs / US Gulf	70,000	3,359	↑ Firmer
TD14	Asia / Australia	70,000	10,453	↑ Firmer
TD17	Baltic / UKC	100,000	6,279	↓ Softer
TD20	WAF / Cont	130,000	9,762	↓ Softer

BALTIC TCE CLEAN

	Route	Qnt	USD / WS	Δ W-O-W
TC1	ME Gulf / Japan	75,000	19,397	↑ Firmer
TC2	Cont / USAC	37,000	13,709	↑ Firmer
TC5	ME Gulf / Japan	55,000	14,244	↑ Firmer
TC6	Algeria / EU Med	30,000	WS 94	↑ Firmer
TC7	Sing. / ECA	30,000	7,423	↑ Firmer
TC8	ME Gulf / UKC	65,000	WS 26	↑ Firmer
TC9	Baltic / UKC	30,000	WS 113	↑ Firmer