AFFINITY TANKER WEEKLY

Friday, 27 November 2020

Affinity Research LLP,
44th Floor,
The Leadenhall Building
122 Leadenhall Street, London,
EC3A 8EE

T. +44 203 142 0100
F. +44 203 142 0101
E. research@affinityship.com
W. affinityship.com

"Gobble gobble" – TD25 on Thanksgiving

This week seemed to be a turning point for the end-of-the-year, winter VLCC market. At the start of this week AG/East fixtures were at WS 26.5 and WAF/East at WS 29.5. Now the market seems to be left with less modern tonnage, with UNIPEC hoovering up a few ships from the mid-2010s. This, in turn, could reduce the overhang of vessels and newer tonnage. Still, this would only be a start for rates' recovery and, with more cargo to show for mid-decade AG laycans, rates can be expected to favour owners and pick up.

For a week that started relatively quiet on the Suezmaxes, things changed very quickly! We witnessed high levels of activity earlier this week, with a large number of vessels going on subs in a short space of time. This excitement did not seem to have any effect on rates, which have remained mostly flat all week. As the week went on, activity started dying out with most cargoes already fixed before the weekend/Thanksgiving celebrations. Rates in WAF are remaining steady at WS 37.5-40 – the same goes for the quiet AG market at around WS 17.5-20.

On the Aframax front, rates to the North have again been the better performers in Europe this week. Fuel inquiry has been steady throughout the week, with owners pouncing on the opportunity to push rates higher. TD7 has inched up towards WS 80, while TD17 is up to WS 47.5. Both routes are at their highest levels since early September. According to the Baltic Exchange's TCE numbers, earnings on TD7 have climbed out of the negative for the first time this month, up to a dizzying USD 1,112 per day. Earnings on TD17, meanwhile, are at around USD 2,400 per day.

Owners will also be a slightly encouraged by December's Urals programme, which contains 49 Afra cargoes, compared to November's 45. December's programme is also heavily skewed towards the final decade of the month, so owners will be hoping that will provide them with extra momentum to push rates up further.

In the Med, however, rates are unchanged on the week, with TD19 continuing to languish at WS 60. However, the list looks a little tidier towards the end of the week and those owners who remain may attempt to push rates higher.

Despite Libya's return to the market, it appears that Suezmaxes have been the greater beneficiary in the Med.

In the product markets, it's been a busy week for West LR2s, which leaves the tonnage list looking tighter and owners feeling more confident. However, with more tonnage slated to come into a workable position in the first decade of December and, with much of the first half of December's programme already covered, we still have to see some more enquiry in order for the market to move on further.

Support for the larger units is lacking in the smaller sizes, with LR1s having had a rather quiet week. The collapse of the MR market has LR1s, leaving the tonnage list increasingly long with a few owners being left with multiple positions to cover. Rates might come under pressure next week if the lack of demand continues.

AG LRs have witnessed an extremely quiet week. The combination of a large slug of naphtha being moved over previous weeks on LR1s and LR2s, which naturally has sated that market for the short-term, as well as the utilisation of NB VLCCs and Suezmaxes to take ULSD West at cheaper USD/T has left the vanilla LR2 market very bereft this week.

Similarly, East LR2s have had another quiet spell; the one cargo that was floated at the beginning of the week has disappeared without trace. Backhauls should be trading in the USD 425k-435k range.

AG MRs have been active this week and have firmed overall, with East Africa repeatedly fixed at WS 135 and WS 117.5 for South Africa. The X-AG market is at USD 210–220k, but volumes have been low this week and Red Sea is fixing at USD 375-400k. The position list is balanced and more cargoes next week could see owners try to push. The overall outlook is stable.

Elsewhere, East MRs have now firmed to close to parity with the LR1s, and this should stop rates falling and could push more LR1 stems into the market. LR1s are fixing Korea/Singapore at USD 350k and should hold at these levels next week.

North Asian MRs picked up a bit towards the end of the week, with cargoes quoted in the first decade of December and rates look set to firm. Korea/Australia is last done at WS 105 but owners are now offering WS 120 levels, hence next done levels might be closer to WS 110.

To the West, an active start to the week against a tightening MR list left a number of prompter cargos struggling to cover ex-Spanish and French Med, with WS 85 and even WS 95 paid for X-Med. Central and East Med stems have more tonnage options but quickly followed suit to WS 85 where they remain for now. Blsea remains fairly quiet at around WS 85.

Thanksgiving celebrations left many MR owners ballasting to Europe in search of luck, making the market crash quickly, with TC2 now at WS 75. Still, Handies have remained steady at WS 85 in Baltic/UKC thanks to an equilibrium of cargoes and tonnage.

	BDTI	BCTI
	457	360
Δ W-O-W	↑Firmer	↓Softer

BDA

(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	381.3	381.5	375.5
Δ W-O-W	3.4	3.2	-1.2

BALTIC TCE DIRTY

	Route	Qnt	USD / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	-6,389	↓Softer
TD3C	ME Gulf / China	270,000	7,439	↑Firmer
TD6	Black Sea / Med	135,000	1,727	↓Softer
TD8	Kuwait / Sing.	80,000	954	↓Softer
TD9	Caribs / US Gulf	70,000	17,032	↑Firmer
TD14	Asia / Australia	70,000	2,911	↓Softer
TD17	Baltic / UKC	100,000	2,416	↑Firmer
TD20	WAF / Cont	130,000	5,070	↑Firmer

BALTIC TCE CLEAN

	Route	Qnt	USD / WS	W-O-W
TC1	ME Gulf / Japan	75,000	11,084	↓Softer
TC2	Cont / USAC	37,000	3,759	↑Firmer
TC5	ME Gulf / Japan	55,000	7,867	↓Softer
TC6	Algeria / EU Med	30,000	WS 84.88	↑Firmer
TC7	Sing. / ECA	30,000	7,519	↑Firmer
TC8	ME Gulf / UKC	65,000	WS 21	↑Firmer
TC9	Baltic / UKC	30,000	WS 85.36	↑Firmer