AFFINITY TANKER WEEKLY

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

T. +44 203 142 0100
F. +44 203 142 0101

E. research@affinityship.com
W. affinityship.com

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There is no offer that owners can't refuse

Compared to last week, the current VLCC market is still trying to hold, but owners are under a lot of pressure to keep last done levels when there are limited cargoes around and plenty of ships on the list. Overall, we saw about a 0.5 - 1 point drop across the board in the AG, WAF and Brazil markets. In the AG, the market is moving into the third decade of March and, even though owners are reluctant to do lower or even repeat last done, however the reality makes it hard to reject the chance to move ships. In Brazil, market quotes reveal how depressed the situation is, down to WS 31 from WS 33.25 last week. The NSea and USG markets, on the other hand, seem to be flat. A quieter crude and refining market could be keeping rates subdued for a while, brace yourselves!

Meanwhile, on Suezmaxes, there was bit of movement towards the end of the week in WAF, with TD20 firming in the WS 60 levels. Little tonnage available at the moment for pre-25th March dates could potentially see the remaining cargoes in WAF for 23-Mar dates fix in the WS 62.5 region as well. However, rates are expected to correct down after that. The AG was quiet on the other hand, with rates remaining sideways in the WS 18 region for TD23 and overall, nothing major to report. Still, with bunkers climbing once again amid crude production cuts and refinery maintenance season, earnings levels could still be a disappointment for some.

As for Aframaxes, after the surge that saw rates on TD19 climb by around 60 WS points in little over a week, a correction seemed inevitable. Delays in the Turkish straits have cleared, and charterers once again find themselves faced with ample tonnage from which to pick. As rates are being continually tested down, sentiment has softened and we are assessing TD19 close to WS 100 as of Friday morning. Black Sea runs are about 10 points higher. To the North, it has been a more steady and, generally, positive week. In the Baltic Sea, the tonnage list has tightened as vessels have slipped away quietly, resulting in the remaining few owners and relets being able to push rates higher on earlier dates. TD17 has climbed closer to WS 90 levels, up by around 10 points on the week, while TD7 has held steady at WS 95, largely unchanged on the week. Looking ahead, dates appear quite well covered for now and we don't anticipate the markets really kicking off in the short-term.

In the product markets, AG LR2s had a rather volatile week, with demand managing to bump up rates marginally and not everywhere. Jubail/UKC started out the week with USD 1.3 Mn on subs but have lifted a little to USD 1.375 Mn on subs at this time of writing. On AG/Japan, we have seen one publicly quoted stem which has led to WS 73.5 on subs, quite a drop from last week's WS 75. Earnings on the ships are between USD 3,500 – 8,000 for eco, scrubber-fitted ships for West and East respectively. Still, with cheap NB VLCCs lifting most ULSD westbound, the traditional LR2 market is well below what we would consider "normal" volume levels. All in all, we can't see enough demand to push up rates much further in the short-term.

The smaller LRs in the AG have remained quite calm, the list is tight but there is not quite enough demand to make anything from it just yet. Owners too seem reluctant to pursue the longer voyages with bunkers climbing up again and such a tight list. For this reason, westbound could move up a little from USD 1.225 Mn for Jubail/UKC to USD 1.25 Mn for the next done deal. AG/Japan has been very quiet all week, but we would suggest that there are slim enough suitable candidates for this run that WS 90 would be the level. West Coast India/Fujairah has been confirmed between the USD 230k – 240k levels, cross-Arabian Gulf at USD 190k and cross-Red Sea USD 337.5 k. Middling outlook at the week's end.

North Asian LR2s have firmed this week, although it should be noted that the tonnage list shows significantly more ships available, firming here is more based on sentiment and driven by the smaller units. North China/Singapore is on subjects at USD 460k. The NA LR1 tonnage list is very tight and delays due to ullage problems at several ports have complicated matters. Korea/Singapore should be around USD 430-440k, and there has been a lot of draw for refined products into WAF and most charterers want this option included in their charter parties. Freight has hit USD 1.4 Mn for this option, up from USD 1.125 Mn a week ago.

It's been very busy on the Asian MRs too, with N.China/Singapore repeatedly on subjects at USD 410k and Korea/Oz remains at WS 145, but next done is likely to be at WS 150 levels. Charterers in need of IMO2 vessels or special requirements seem to be paying up – Singapore/S.China, at the time of writing, was seen on subjects at USD 370k (with rumours of USD 410k being put on subjects). TC7 is currently around WS 142.5. The list is tight on the front end and we wouldn't be surprised if owners continue to push.

It was an active week for West MRs too with an improved level of cargo enquiry, the tonnage list needed some clearing through after the majority of the ships from the States ballasted to Europe. Freight rates came under pressure early on and then found some support with rates in the WS 112.5 – 115 levels.

In the Med, rates experienced a major correction at the beginning of the week to WS 140. From there owners have been on the back foot all week, a long tonnage list chasing the levels down with soft sentiment and, despite a relatively active week, rates have slipped to WS 120 at the time of writing. On the plus side, activity wasn't as slow as expected this week, which should give the optimistic owners some hope at least. Next week, only stable demand can counteract a lengthening list and, even in this best-case scenario, rates are expected to stay flat at current levels.

	BDTI	BCTI
	666	488
Δ W-O-W	↓Softer	↓Softer

BDA (USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	435.8	436.6	429.7
Δ W-O-W	4.6	5.3	-5.8

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	-14,765	↑Firmer
TD3C	ME Gulf / China	270,000	-3,843	↓Softer
TD6	Black Sea / Med	135,000	7,820	↑Firmer
TD8	Kuwait / Sing.	80,000	1,960	↑Firmer
TD9	Caribs / US Gulf	70,000	20,799	↓Softer
TD14	Asia / Australia	70,000	3,027	↑Firmer
TD17	Baltic / UKC	100,000	13,647	↑Firmer
TD20	WAF / Cont	130,000	6,840	↑Firmer

BALTIC TCE CLEAN

	Route	Qnt	$ / WS	W-O-W
TC1	ME Gulf / Japan	75,000	1,780	↑Firmer
TC2	Cont / USAC	37,000	4,003	↑Firmer
TC5	ME Gulf / Japan	55,000	4,574	↑Firmer
TC6	Algeria / EU Med	30,000	WS 120.88	↑Firmer
TC7	Sing. / ECA	30,000	7,013	↑Firmer
TC8	ME Gulf / UKC	65,000	WS 20	↑Firmer
TC9	Baltic / UKC	30,000	WS 144.64	↑Firmer