AFFINITY TANKER WEEKLY

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Little things that make the market happy…

The VLCC market seemed to be improving across the board this week, particularly in the Atlantic. Some early window cargoes appeared in the USG and WAF earlier this week and, as a result, we have seen WAF/WCI rates jump to WS 39 and up to WS 37 on Brazil/East. USG/East increased by USD 0.2 Mn to USD 4.75 Mn. Compared to WAF, the MEG is extremely low at WS 33 on modern tonnage. What were very expensive bunkers are now on board and owners seem to be starting to feel more blood draining, building up resistance to low rates. Instead of affecting only market sentiment, the Suez Canal blockage could start to show its influence on the VLCC market next week, probably after pushing WAF/East Suezmaxes to – and beyond – the WS 85 threshold.

The big piece of news for Suezmaxes this week has been the collision in the Suez Canal, which is causing all sorts of disruption in the market. An already firming Med gained extra sentiment following these events, making shipowners re-evaluate their strategies on their ballasters. For the WAF market, eastern ballasters are digging in their heels and trying to push rates up – vessels in the north would rather benefit off the action in the Med than ballasting down to WAF, restricting the tonnage availability for WAF cargoes. Overall, the blockage in the Suez Canal has improved the general sentiment across the board. Having said that, we are still unsure on when the Suez Canal is expected to open again – as we enter the weekend most owners and charterers will most likely sit back for now and see how the market reacts to these events.

At the beginning of the weak, some weather delays and consistent activity helped maintain the Med and Black Sea markets, before the Suez Canal incident helped to push rates up to their highest levels this year. TD19 was up to around WS 145 on paper, but reality now is probably more like WS 160+. Should the delays at Suez be prolonged, the chance for replacement vessels and a build of momentum has and can help to boost rates even higher. Roughly four-to-five unfixed Aframaxes and two-to-three Suezmaxes, which would have been ballast options, are for now uncertain positions.

By contrast, markets in Northern Europe have softened over the past week, with cargo volumes drying up. Rates on TD17 have slumped by around 25 points since the beginning of the week, down to WS 100. TD7, meanwhile, is currently assessed at around WS 110, which is a less dramatic drop of around 10 points since Monday.

In the Baltic, the consistently weak programmes have taken their toll and Ust-Luga will soon be ice-free, and the market will soften further as a result. Owners with ice-class ships are seeing tonnage grow further and the competition for cargoes going forward will probably apply more pressure.

AG LR2s had the busiest time of all this week, with nine vessels on subs for AG/Japan and seven vessels on subs ex-Yanbu, AG, or WCI. Rates have firmed to WS 137.5 being the last done for TC1 and USD 2.25 Mn on subs for Jubail/UKC at the time of writing. East African and Singaporean imports are priced at around WS 122.5 – 125. The view is encouraging for owners at the week's end with earnings now approaching around USD 25k/day.

AG LR1s have been rather active as well this week, albeit not to the same level of their larger sisters. AG/Japan inched up to WS 127.5 – 129 and has been repeated a few times. Singapore or East Africa has been done 3 times in the WS 130 – 132.5 area, AG/Karachi has been fixed at USD 395k and AG/Djibouti is on subs at USD 630,000. USD 1.77 Mn is on subs for Jubail/UKC, up by USD 225k from last done a week ago. The position list is fairly balanced and LRs owners seem to be waiting to see how the Suez scenario pans out early next week before choosing their next moves.

High earnings in the AG translated to higher freight for the LR2 backhaul market, USD 625k has been fixed for mid-China/Sing suggesting that perhaps USD 700k should be the number for Korea/Singapore. LR1s in North Asia are few and far between, rates have also moved up with USD 550k being paid out for mid-China to Singapore, North China/Singapore is nominally around the USD 625k level. We expect more firming next week.

North Asian and AG MRs had a quiet week, and rates remain flat for now – Korea/Singapore is paying around USD 370-380k and Korea/Oz is at WS 155. TC12 has been repeated at WS 137.5 for a replacement and Westbound is fixing in USD 1.175 - 1.2 Mn region. More of the same with the Singapore MRs, with rates trading consistently at last done levels – Singapore/S. China paying USD 375k on an IMO class vessel and Singapore/Oz assessed anywhere between WS 152.5 and WS 155. Other than the blockage of the Suez Canal, with firming LRs, MRs could become interesting again, but that is only if there are enough cargoes to be split at all. For now, we wait and see.

In the UKC, we saw slowing demand for MRs this week, leading to a longer front list. However, rates have remained supported in the WS 152.5 levels. There is a number of ships ballasting from the US and no doubt rates will be tested as we approach the long Easter weekend.

A bull market in the Med just as the clocks go forward and spring is in the air? This almost feels like 2015 all over again. Handies have had a rally with WS 195 for X-Med and WS 205 ex-Blsea. We have seen a fair few laden Handies with long-haul options exercised in this window due to the tightness of Med MR supply for Med loadings, so the natural pool of tonnage has arguably thinned out.

		BDTI	BCTI
		748	674
Δ W-O-W		↓Softer	↑Firmer

BDA (USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	465.0	466.3	462.4
Δ W-O-W	3.1	4.3	-4.1

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	-12,148	↑Firmer
TD3C	ME Gulf / China	270,000	1,371	↑Firmer
TD6	Black Sea / Med	135,000	18,474	↑Firmer
TD8	Kuwait / Sing.	80,000	8,171	↑Firmer
TD9	Caribs / US Gulf	70,000	5,274	↓Softer
TD14	Asia / Australia	70,000	11,557	↑Firmer
TD17	Baltic / UKC	100,000	20,471	↓Softer
TD20	WAF / Cont	130,000	15,489	↑Firmer

BALTIC TCE CLEAN

	Route	Qnt	$ / WS	W-O-W
TC1	ME Gulf / Japan	75,000	21,464	↑Firmer
TC2	Cont / USAC	37,000	10,765	↑Firmer
TC5	ME Gulf / Japan	55,000	13,367	↑Firmer
TC6	Algeria / EU Med	30,000	WS 194	↑Firmer
TC7	Sing. / ECA	30,000	9,336	↑Firmer
TC8	ME Gulf / UKC	65,000	WS 28	↑Firmer
TC9	Baltic / UKC	30,000	WS 160.71	↑Firmer