



Summer lull

MEG cargoes for VLCCs have started to work for the first decade of July. As a result, we have seen quite a few MEG/East modern ships fixed at WS 31.5 levels, which we believe would be the owners' bottom line given the rising bunker prices. WAF has been quiet on cargo enquiries, and WS 32.5 has been reported. A few Brazil deals are in line with WAF levels, at around WS 31. Charterers seem to find it easier to repeat last done since there aren't many signs of market improvements. On the owners' side, the main thought seems to be whether to move the ship or not, rather than argue for higher rates in a depressing market.

It's been a relatively quiet week on the Suezmaxes, although we are now seeing some more resistance from owners as bunker prices keep increasing and tonnage supply lists are getting tighter across most markets. Rates have been ticking up slightly this week but nothing drastic. Hopefully more of the 1st decade July volumes can play a role in adjusting these current levels.

Rates have inched up in the North European markets, with owners' spirits raised somewhat by end-month fixing. For now, though, there is still plenty of tonnage available and, although there has been more fixing activity, should charterers tread carefully, they will be able to avoid any significant increase in rates.

In the Med and Black Sea, it has been a similar story, yet (somehow) a little less exciting. Vessels are being picked off as the wheels of the market continue to turn, yet there are still too many ships around for this to have any real impact on rates. TD19 is at around WS 90 levels. Should the level of activity be sustained, rates could inch higher, but doubts remain over whether this is possible.

It has been a 'tale of two halves' on the AG LR2s this week. On one side of the coin, we have seen gentle momentum building on the westbound fixtures with a USD 100k lift on the week, with USD 1.65 Mn on subs. Eastbound voyages remain at WS 75. Tonnage is a little thinner but not to the extent that would really cause too much consternation to charterers. We see only one cargo still in evidence at the time of writing, so we predict a muted start to next week.

AG LR1 activity has been pretty average, and rates have been stuck well to the floor as a result. Owners have also been looking to see if they can muster up a little bit more for westbound, but ship supply has been a little more prolific and we have seen a few deals repeated at USD 1.3 Mn for WCI/UKC. AG/Japan was last fixed at WS 90 but, with a recent testing of this route, the interest gathered suggests that perhaps under WS 90 might be achievable again after this particularly lackluster week.

On the MRS, this week there were paltry enquiry levels, a long position list and rates subsequently softening. Eastbound runs remains quiet, and TC12 last done has been very slow, but is assessed around WS 105-110 levels. Given the length of the position list, next week is expected to follow a similar vein as this week.

It has been a rather lackluster week as far as the LRs in North Asia are concerned, with meagre demand for tonnage and rates suffering accordingly. Korea/Singapore has been fixed at USD 340k on a newbuild, putting approved tonnage around the USD 375k marker. Despite the short position list, LR1 freight remains flat, USD 337.5k is on subjects for Korea/Singapore, which is on par with last week but, given that bunker prices have risen, it can be seen as a step backwards. There have not been any indicators to suggest we can expect more export volumes next week so we can assume that the markets will stay around these levels.

On the MRs, Korea/Oz was seen on subjects at WS 130. With higher bunker prices, earning are looking towards the low-four figures for most runs. Similarly, for the Singapore MRs, minimal activity has been seen this week, resulting in rates dropping away. TC7 is untested, but can be assessed at WS 130 to match what North Asia is paying - all very uninspiring.

In the West, there is a pocket of tightness in the end June/early July position list in the East Med and Black Sea that has strengthened rates in the LR2 market. There are, however, plenty of vessels that can make the first decade of July, which should keep the market steady as we move into that fixing window.

LR1s had a quiet week. Weakening MRs and a long position list have put market rates under pressure, but they seem to have bottomed for now. A busy USG market is giving owners some hope and, if the activity levels there are sustained, it may well tighten positions in the future, but in the short - mid-term outlook for owners with tonnage on this side of the Atlantic the conditions are weak.

The MRs have ticked over steadily this week at WS 110 levels, with most of the activity seen ex-Med with a premium of about 10 points. The US market saw more action than previous weeks, which meant owners were reluctant to ballast across to the UKC.

A subdued TC6 market continued into this week, with ample tonnage and limited enquiry letting rates slip further to WS 120 for X-Med and 130 ex Blsea. The list is looking more balanced going forwards, but we are yet to see any real end-month spike in enquiry and expect rates to be bouncing along the bottom now at WS 120-130 for the usual summer doldrums.

| | | BDTI | BCTI | |
|------------------|-------------------|---------|-----------|---------|
| | | 592 | 452 | |
| Δ W-O-W | | ↑Firmer | ↓Softer | |
| BDA | | | | |
| (USD/LDT) | TKR/LRG | TKR/MED | TKR/SML | |
| This week | 549.5 | 552.8 | 552.3 | |
| Δ W-O-W | 2.8 | 1.4 | 0.6 | |
| BALTIC TCE DIRTY | | | | |
| | Route | Qnt | \$ / Day | W-O-W |
| TD1 | ME Gulf / US Gulf | 280,000 | -17,038 | ↓Softer |
| TD3C | ME Gulf / China | 270,000 | -4,445 | ↓Softer |
| TD6 | Black Sea / Med | 135,000 | -5,247 | ↑Firmer |
| TD8 | Kuwait / Sing. | 80,000 | 1,432 | ↓Softer |
| TD9 | Caribs / US Gulf | 70,000 | -2,682 | ↓Softer |
| TD14 | Asia / Australia | 70,000 | 3,252 | ↓Softer |
| TD17 | Baltic / UKC | 100,000 | 1,104 | ↑Firmer |
| TD20 | WAF / Cont | 130,000 | -1,191 | ↑Firmer |
| BALTIC TCE CLEAN | | | | |
| | Route | Qnt | \$ / WS | W-O-W |
| TC1 | ME Gulf / Japan | 75,000 | 831 | ↓Softer |
| TC2 | Cont / USAC | 37,000 | 2,275 | ↑Firmer |
| TC5 | ME Gulf / Japan | 55,000 | 2,570 | ↓Softer |
| TC6 | Algeria / EU Med | 30,000 | WS 121.88 | ↑Firmer |
| TC7 | Sing. / ECA | 30,000 | 4,712 | ↓Softer |
| TC8 | ME Gulf / UKC | 65,000 | WS 21 | ↑Firmer |
| TC9 | Baltic / UKC | 30,000 | WS 120 | ↑Firmer |