



27 AUGUST 2021

## Some win, some lose

VLCC freight rates advanced a bit this week as demand for late September loading crudes gets more sanguine. MEG/China is now firmer at WS 32, and we have finally seen some stems ex-WAF, albeit flat at WS 33, the same levels as two weeks ago. With WTI differentials on the floor, US crudes are starting to become increasingly appealing, especially for Chinese independent refiners, and USG/Ningbo is on subs for USD 3.95 Mn.

WAF remains the most active region on the Suezmaxes. Although we're seeing a couple more cargoes surging in the market, the tonnage list remains adequate – it is hard to see how these elevated levels will remain and how long owners can push it. We have seen Egina/Mai Liao for 18-20 September dates at WS 55. TD20 is firm at WS 58.

On the other hand, the AG remains quiet – not much to report this week apart from Saras working Basrah/Med for 14 September dates. All in all, TD23 is steady at WS 25.

A few more cargoes have entered play this week in the Baltic/North Sea Aframax markets, which has been enough for rates to move off the bottom, albeit only by a couple of points. TD17 is steady at WS 57.5 – 60, while TD7 is the same at WS 90 – 95. Last done is being repeated consistently now, with not quite enough going on to gift rates much more impetus and hopes that any rush before the long weekend in London would materialise are fast fading.

The Med and Black Sea markets started the week slowly, with vessels being quietly taken out of the market and the tonnage picture being altered little. However, as the week persisted, things got a little busier, enough to push rates up by a couple of points or so. TD19 is up to around WS 85 – 90, with returns of around USD 6,600 per day. However, the long weekend will allow tonnage to replenish and, when the four berths at Trieste currently closed for maintenance reopen on the 28th, tonnage lists will grow further.

LR2s in the AG have rebounded this week with WS 105 on subjects for TC1 and many owners are talking WS 115 levels as their next done ideas. Westbound has firmed to USD 2 Mn but, given that USD 2.2 Mn is on subjects for Korea/UKC, most owners are now setting this as the benchmark rate ex-AG as well. LR1s aren't quite as clear cut, activity levels have been low but the diversification on the list suggests that a lot of the low hanging fruit has been picked and those owners remaining are trying to push up freight levels. This said, the lack of cargoes could well become a concern to some owners if it persists but, at the moment, owners' nerves seem to be holding.

There has been a flurry of LR2 activity in North Asia at the end of the week;

this, combined with a firm Middle East market, has sharpened owners' resolve and USD 2.2 Mn is on subjects for Korea/UKC, which is USD 250k up on the last done. Backhaul rates vary according to what options are required, USD 500k is on subjects for Korea/Singapore on a +15 unit and other owners are talking USD 575k-600k; looking at the outstanding cargoes, we expect to see rates firm next week. The LR1s have also been active but activity has dropped off towards the end of the week, delays at discharge have caused chaos and enabled some owners to get a premium for vessels with firm itineraries. Korea/Singapore is USD 575k but could be more for a prompt requirement. In all, it has been a positive week for both sizes, but it should be noted that the MRs have been quiet and should we see rates drop, we might as well see some of the LR1 stems downsize.

Having seen a pretty quiet week for the Far East MRs, a slight correction was expected. Cargoes have been sparse and cargo flow have been slow. Korea/USWC, at the time of writing, was put on subjects at USD 1.175 Mn. Korea/Singapore was untested, but with a drop seen on the longer hauls, close to USD 500k will be in charterers' sights while expecting North/Oz to adjust down to WS 195 levels. Singapore MRs have been relatively flat this week, with the tonnage situation remaining balanced. TC7 was on subs for a prompt replacement at WS 215, but next done should be around the WS 200 mark whilst X-Singapore is at USD 220k.

It has been a stellar week for MR owners in the Middle East, TC17 has moved up from a low of WS 170 to WS 192.5 as we go into the weekend. The tonnage list is extremely tight for September loading dates and owners are looking to push the needle on. TC12 hasn't really been tested and we have seen some cheaper deals done on ships that want to go in that direction, theoretically rates should be WS 135–140 levels. The only cloud on the horizon for the MRs is that the Singapore market has cooled off, which could well encourage prompt ships to ballast to the more lucrative AG market.

This was a week of two halves for MRs in the UKC. First, a very dreary start as cargo volume severely lacked and prompt ships plagued the top of the list. TC2 traded at WS 100 consistently and this was regarded as the bottom. The hurricane heading to the USG has potentially opened the ULSD TA arbitrage causing great excitement towards the back end of the week, and it got tight quickly, driving freight up to WS 115.

The Med Handy market has remained flat as a pancake this week with a steady tick over of cargoes and Cross-Med repeated at WS 115. There are unsolicited rumours of WS 112.5 on subjects at the time of writing, which, given the amount of available tonnage on show, is not implausible – but most owners I think would almost rather sit spot than drop it another couple of points given that earnings are already on the very low side.

		BDTI	BCTI	
		604	495	
	Δ W-O-W	↓Softer	↑Firmer	
BDA				
(USD/LDT)		TKR/LRG	TKR/MED	TKR/SML
	This week	595.4	599.2	598.1
	Δ W-O-W	-3.9	-4.2	-5.0
BALTIC TCE DIRTY				
	Route	Qnt	\$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	-16,471	↓Softer
TD3C	ME Gulf / China	270,000	-3,241	↓Softer
TD6	Black Sea / Med	135,000	-2,869	↑Firmer
TD8	Kuwait / Sing.	80,000	4,041	↓Softer
TD9	Caribs / US Gulf	70,000	-1,848	↓Softer
TD14	Asia / Australia	70,000	8,570	↓Softer
TD17	Baltic / UKC	100,000	-1,747	↑Firmer
TD20	WAF / Cont	130,000	3,742	↑Firmer
BALTIC TCE CLEAN				
	Route	Qnt	\$ / WS	W-O-W
TC1	ME Gulf / Japan	75,000	8,640	↑Firmer
TC2	Cont / USAC	37,000	1,740	↑Firmer
TC5	ME Gulf / Japan	55,000	11,872	↓Softer
TC6	Algeria / EU Med	30,000	WS 114.69	↑Firmer
TC7	Sing. / ECA	30,000	14,651	↓Softer
TC8	ME Gulf / UKC	65,000	WS 29	↑Firmer
TC9	Baltic / UKC	30,000	WS 120	↑Firmer