AFFINITY TANKER WEEKLY

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Crude Tanker Comments

It was a positive week for VLCCs. Fresh volumes in Brazil took plenty of tonnage out of the list, with rates settling in the WS 43.5-44 levels. As the weekend is looming, there is very little tonnage lined up to sail from the UKC, which should alleviate pressure off the Atlantic lists. Consistent third decade activity in the MEG, took rates off the bottom. If next week's volumes are anywhere close to what we have seen this week, we could see both TD3C and TD15 climb steadily into the WS 50+ levels.

This week fell short of expectations for Suezmax owners, as the lack of expected WAF and USG volume, alongside weakened MED and USG markets, kept downward pressure on freight. With USG/TA volumes being removed by VLCCs through the first decade of July, the outlook is bleak for local Suezmaxes, aside from prevalent lightering enquiry. Much of this VLCC TA volume is leaving short-, medium- and long-term outlooks compromised, as VLCCs might reopen ex-UKC and undermine forward Suezmax windows as well as the present. Still, we estimate a floor basis for VLCC USG/TA crossover at circa 145 x WS 65 or VLCCs need to hit USD 4.6 Mn basis last done of WS 70, which should encourage charterers to prioritise Suezmaxes once more.

Looking East, we saw limited local volumes, primarily Indian enquiry, but VLCCs remain active and may become more so if the market buys into this recent bottoming in the region of WS 44.5. The list kept building up throughout the week and, although last done was a refreshing deal for owners (WS 70 on subs for AG/USG), context is king and there is logic behind such a fair rate. Russian tonnage seeking UKC/MED discharge over opening across the Atlantic is part of the story. In fact, with the Western markets on a steep downward trend and an abundance of safe, modern non-comp vessels in the AG, the pressure on this market is bound to persist.

On the Afras, the week started with a well-refreshed tonnage list after the long weekend - nine owners with two or more positions for the week (five of which focussing on non-premium business). With Ceyhan dates working from 10 June onwards and Libya well-covered, it was quite a testing start. In fact, as the week went on, levels started to correct lower. Maintenance works in Trieste coming to an end and overall calm weather throughout didn't help owners' case. As the weekend is looming, charterers remain firmly in the driving seat. The list still presents healthy options considering that Libya and Ceyhan are pretty much covered until mid-month. Also several ballasters from the North Sea (five so far this week) are adding some further downward pressure on freight.

This week started on a quiet foot for Afras in the North Sea, with very limited action reported in the market bar failures. The list has refreshed after the long weekend, and while it was fairly balanced, we saw several ships committing to ballasting either TA or to the Med. Still, a persistent lack of activity has started to be felt and rates kept getting tested with no end in sight. This rather slow week is ending on a quiet note, with the market still correcting down and, for now, there is no bottom in sight. Overall, nine vessels ballasted out this week (five to the Med and four TA).

Product Tanker Comments

Not a huge surprise that this truncated week with Europe off on Monday and Singapore off today led to a quieter market-place and that is very much what happened this week on the LRs. Demand has been a lot less and, as a result, TC1 has slipped by 5 WS points to WS 145 on subs. Westbound hasn't been tested as much but around USD 3.7 – 4 Mn for full western options would be a fair assessment in terms of price range for what could be agreed next. Ships are available on Monday so, while owners are eagerly anticipating second-half June supply to emerge, we could still see some cheaper deals being concluded with those ships at the top end of the list starting to be a little more concerned as the fixing window starts to move away from them.

The LR1 segment has also witnessed an equally uninspiring time of it. Demand has been low, but what we have seen has mainly been centred around the short-haul market. Westbound was agreed at USD 2.9 Mn from WCI for a last voyage before the ship was handed back to owners as the last voyage on a time charter and WS 135 was the last agreed for TC5 on a vessel that was looking for a one-way ticket out to Asia for the big 1-year dry dock. So, both cases we saw compromised tonnage agreeing discounts to other Owners, but it also would symbolise the softer market overall this week.

Much to owners' disappointment, it has been a quiet week for the MRs in North Asia leading to a heavy negative correction in freight rates. The Korea/Singapore run has seen USD 200K levels off its last done to USD 650K, while the untested TC10 transpacific voyage has gotten on subjects at USD 1.98 Mn levels. With a plentiful tonnage list and lacklustre activity in the market, we surely have not reached the bottom yet. Furthermore, being a long weekend in the hub of Singapore, tonnages are expected to be replenished, whereas charterers feel more relaxed to take their time and are in no hurry to fix.

It has been a rather flat start of the week in the Singapore MR market, only to suffer the pressure from the North Asia market mid-week with a prompt replacement for a Singapore/Australia run getting on subjects at WS 220. The list remains balanced with owners holding their resistance to prevent rates from sliding off too much. Come Monday, there could be a new test after an almost enquiry-free end of the week.

In many ways this week was another poor showing for the USG market, as rates dipped lower once again. Enquiry has come in dribs and drabs, which left owners feeling pretty despondent about their chances, especially as the fixing window moved out toward 6-8 June. At the same time, the position list for dates through 10 June has been significantly tightening – a combination of quiet fixing and ships being rolled into program commitments. As the market looks ahead to next week, market fortunes rest on the strength of the European market and how the build of tonnage on the USAC will react to the current status quo. With the USG so far sluggish for enquiry and low rates, ballast tonnage really ought to be heading to Europe, but inevitably there will always be different reasons for a portion of owners not doing that. For the USG to strengthen, it can't afford to collect too many USAC ballasters, but either way it should have now found its floor for the week, although the position list now suggests it needn't have gotten quite so low in any case.

Quiet days continue for the Med Handies, and rates remain rooted to the floor with TC6 at WS 135. The MRs are slightly more interesting off the back of a strong TC2 market, so owners will be looking for around WS 195-200 for Med/TA, but it remains to be seen if these are achievable.

	BDTI	BCTI
	1091	676
Δ W-O-W	↓Softer	↑Firmer

BDA

(USD/LDT)	TKR/LRG	TKR/MED	TKR/SML
This week	559.0	565.0	568.6
Δ W-O-W	-1.2	-0.8	-0.8

BALTIC TCE DIRTY

	Route	Qnt	$ / Day	W-O-W
TD1	ME Gulf / US Gulf	280,000	6,224	↓Softer
TD3C	ME Gulf / China	270,000	22,358	↑Firmer
TD6	Black Sea / Med	135,000	52,988	↑Firmer
TD8	Kuwait / Sing.	80,000	50,348	↑Firmer
TD9	Caribs / US Gulf	70,000	38,245	↑Firmer
TD14	Asia / Australia	70,000	39,011	↑Firmer
TD20	WAF / Cont	130,000	41,778	↓Softer

BALTIC TCE CLEAN

	Route	Qnt	$ / Day	W-O-W
TC1	ME Gulf / Japan	75,000	34,343	↑Firmer
TC2	Cont / USAC	37,000	26,469	↑Firmer
TC5	ME Gulf / Japan	55,000	24,586	↑Firmer
TC6	Algeria / EU Med	30,000	10,550	↓Softer
TC7	Sing. / ECA	30,000	26,824	↑Firmer
TC8	ME Gulf / UKC	65,000	27,670	↓Softer
TC23	ARA / UKC	30,000	3,503	↑Firmer