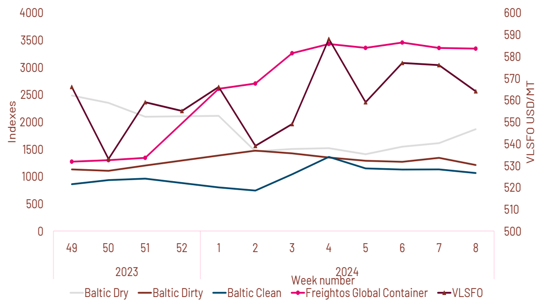
Dan-Bunkering
Ride the Next Wave

Weekly Market Report

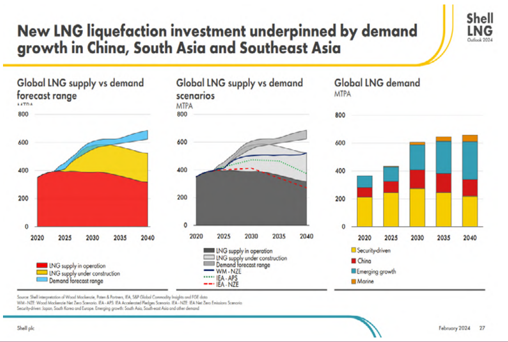
Week 9
February 26, 2024

Latitude
N 55°30'23.8458"
Longitude
E 9°43'44.7468"

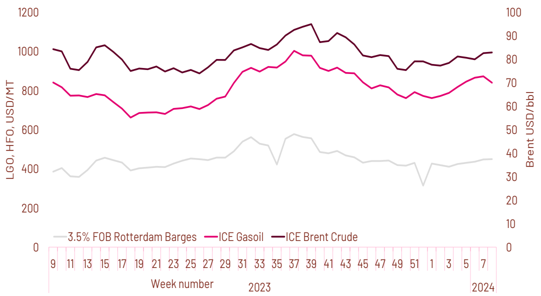
FREIGHT INDEXES AND VLSFO R'DAM



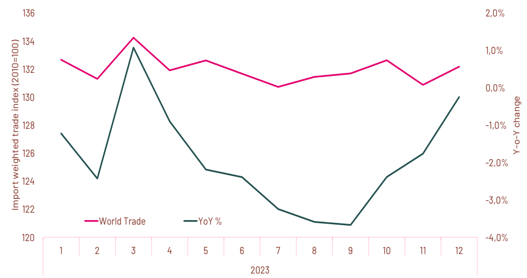
SHELL 2024 LNG OUTLOOK



BRENT, HFO AND LGO WEEKLY AVERAGE PRICES



WORLD TRADE INDEX



Sources: EIA.gov, ECB, investing.com, Baltic Exchange, Freightos Baltic Index, Refinitiv, Clarksons Research, U.S. Bureau of Economic Analysis, fred.stlouisfed.org, AtlantaFed, OPEC, OECD, Wolfstreet.com, Eurostat, IEA, Dan Bunkering analysis

01. ECONOMIC DATA CALENDAR

Date	Area	Topic	Expect	Prev.	Impact
27/02 14:30	USA	Durable goods orders January (MoM)	-4%	0%	Economic activity
16:00	USA	CB Consumer confidence (Feb)	115	114.8	Economic health
22:00	USA	API Crude oil stock change)		7.2 mb	Oil market balance
28/02 11:00	Euro area	Economic sentiment (Feb)	96.8	96.2	Economic health
11:00	Euro area	Consumer confidence (Feb)	-15.5	-16.1	Economic health
11:00	Euro area	Industrial sentiment (Feb)	-9	-9.4	Economic health
14:30	USA	GDP growth rate Q4 2nd est. (QoQ)	3.3%	4.9%	Economic activity
14:30	USA	GDP price index Q4 2nd est. (QoQ)	1.5%	3.3%	Economic activity
14:30	USA	Goods trade balance adv. (Jan)	-$87 bn	-$88.5 bn	Economic health
16:30	USA	EIA Crude oil stocks		3.5 mb	Oil market balance
16:30	USA	EIA Distillate stocks		-4 mb	Oil market balance
	Russia	GDP growth December (YoY)	4%	4.4%	Economic activity
29/02 00:50	Japan	Industrial production January (YoY)	-1.1%	-0.7%	Economic activity
06:00	Japan	Construction orders January (YoY0	4%	0.4%	Economic activity
06:00	Singapore	PPI January (YoY)	0.3%	-1.1%	Economic health
08:00	Turkey	GDP growth rate Q4 (YoY)	4.4%	5.9%	Economic activity
08:45	France	GDP growth rate Q4 (YoY)	0.7%	0.6%	Economic activity
11:00	France	Inflation rate February (YoY)	3.1%	3.4%	Economic health
13:00	India	GDP growth rate Q4 (YoY)	7.3%	7.6%	Economic activity
13:00	India	GDP growth rate fiscal year 2022-23 (YoY)	7.2%	9.1%	Economic activity
17:00	USA	PCE price index January (YoY)	2.4%	2.6%	Economic health
01/03 01:00	Korea	Imports February (YoY)	-12.7%	-7.8%	Economic activity
01:00	Korea	Exports February (YoY)	0.9%	18%	Economic activity
01:00	Korea	Balance of trade (Feb)	$2.2 bn	$0.3 bn	Economic health
11:00	Euro area	Inflation rate flash February (YoY)	2.5%	2.8%	Economic health
11:00	Euro area	Inflation rate flash February (MoM)	0.5%	-0.4%	Economic health
13:00	Brazil	GDP growth rate Q4 (YoY)	2.2%	2%	Economic activity
19:00	USA	Baker Hughes rig count		503	Oil market balance
04/03 00:00	Korea	Industrial production January (YoY)	5.8%	6.2%	Economic activity
10:00	World	UN FAO Food price index (Feb)		118	Economic health

Sources: Economic Calendar (tradingeconomics.com) selection of topics based on main market movers for the week, times CET (UTC+2); definitions can be found here

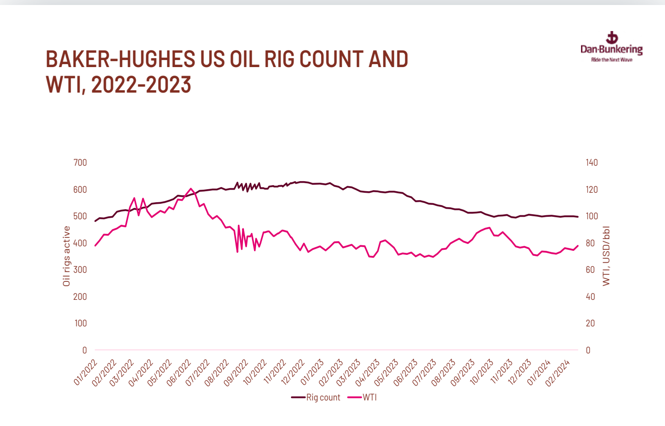
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The week **sees** a number of GDP growth figures published as well as the accompanying inflation data. US 2nd estimate of Q4 GDP growth is projected at an annualised 3.3%, down from the 4.9% recorded in Q3. The GDP price index is seen at 1.5% annualized. The goods trade balance, which when negative is a reduction of GDP, is estimated at a negative $87 bln in January. For 2023 the balance is around $1060 bln negative. The January number is close to the monthly average of 2023. In 2022, the monthly average was close to $100 bln. Total US GDP is around $27.4 trillion. Turkish GDP is expected to have increase 4.4% in Q4, down from 5.9% in Q3, while French GDP growth is up 0.7% in Q4, slightly higher than the 0.6% recorded in Q3. Brazil's economy is estimated to have increased by 2.2% in Q4, a little bit faster than in Q3. India's GDP growth continues at elevated levels. For the fourth quarter, the estimate is 7.3%, slightly down on the 7.6% in the third quarter. The Indian economy expanded 7.3% in the 2023-24 fiscal year ending in March, higher than 7.2% in the previous year, according to preliminary government estimates, with state spending on infrastructure projects offering a boost. The figure is higher than a 7% growth forecasted by the Reserve Bank of India in December. Government spending surged 4.1%, much higher than a 0.1% rise in the previous fiscal year, while a slowdown was seen in consumer spending (4.4% vs 7.5%), gross fixed capital formation (1.1% vs 11.4%), exports (1.4% vs 13.6%) and imports (13.2% vs 17.1%). On the production front, faster increases were seen in manufacturing (6.5% vs 1.3%). French inflation is expected to have fallen further to 3.1% in February. However, in the wider Euro area, inflation is picking up, to 0.5% month on month, or 2.5% annually. In Singapore, the producer price index is turning positive, albeit still at a low 0.3%. Next week Monday, the FAO will publish its food price index, which will give further hints about the potential path for inflation.

OIL MARKET

The Baker Hughes oil rig count was up 6 rigs to 503 last week. The weekly average of WTI was $77.8, up less than $0.1 week on week, with Henry Hub at $1.67/mmbtu, marginally up on the previous week.



The price dipped below $1.6 during the week. With gas prices low, financial effects are felt for shale producers in the USA. One of the largest producers, **Chesapeake Energy** is "*lowering prior capital expenditure guidance approximately 20% to $1.25 – $1.35 billion through rig count reductions and deferring completions and turn-in-lines*"." And "*2024 operating plan is designed to prudently respond to today's market, further demonstrating our* *continued focus on capital discipline, operational efficiency, and free cash flow generation.*". The company's plan will reduce gas output in 2024 by around 20% compared to 2023.

Shell published its LNG outlook 2024. The company sees natural gas demand peaking in the 2040's, though several regions, Europe in particular have already peaked. LNG will continue to grow according to the company's outlook, driven by China's decarbonization and strengthening other Asian economies. Shell says that latent demand for LNG is strong enough to absorb new supply coming onstream in latter part of the current decade. Overall natural gas demand is projected to increase by over 12% by 2040, from just below 4000 bcm/year in 2023 to close to 4500 bcm/year. LNG is set to take up most of this growth. Shell shows 3.6% annual growth for LNG as opposed to only 0.5% growth for domestic production (which replaces imports) and a 0.2% annual fall in pipeline imports. A significant part of the demand increase is from Chinese industry. According to the report, the Chinese steel sector alone emits around double the amount of CO_2 as international shipping. Gas switching will help that sector to reduce its emissions. In addition, gas is used in power generation, which allows for grid stability, enabling higher shares of renewable energy sources in that sector. For 2024, global demand growth is estimated at 7-20 million tonnes (2-5% approximately). This growth is identical to the supply growth. Regasification capacity growth is estimated far above that at close to 120 million tonnes. For the next few years, a relatively balanced market is projected, growing some 50% by 2030. Still, the market will be more exposed to US risks, as the country has become a significant exporter. By 2030, according to Shell, the US may cover 30% of global LNG demand.

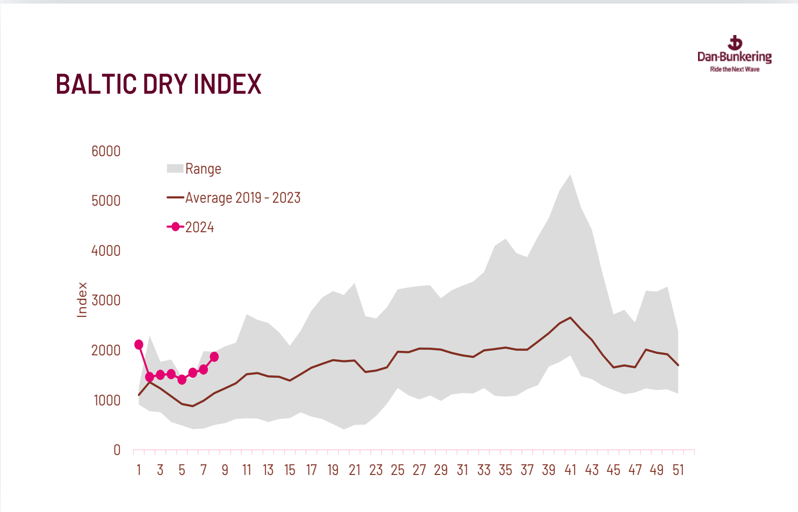
ECONOMY

The Dutch Central Planning Bureau published its world trade monitor. World trade volume grew 1% from November and was marginally down from December 2022. The discrepancy between advanced and emerging economies is stark. The Euro area imports declined 8% in December and the UK's by nearly 15%. Overall emerging economies imports increased 1.5%. For the year as a whole, Euro area imports are down 5% and UK imports over 8%. Emerging economies imports are slightly down, but China's up nearly 3%. On the export side, the picture is clearly showing the re-arrangement of trade patterns and the surging of US exports. Euro area and UK exports are down 5% and more than 16% respectively in December from December 2022, and for the year, 3% and 8% respectively. However, US exports grew 4% in December and over 3% for all of 2023. Emerging markets' exports went up nearly 5% in December and nearly 1% for all of 2023. Chinese exports grew 12% and 3% respectively.

Industrial production is up 1.5% globally in December, with the Euro area down 1%, the United States up over 1% and China up nearly 7%. The decline in Europe for the complete year is even worse, with production down around 2.5%, the US mostly flat and China up over 4%.

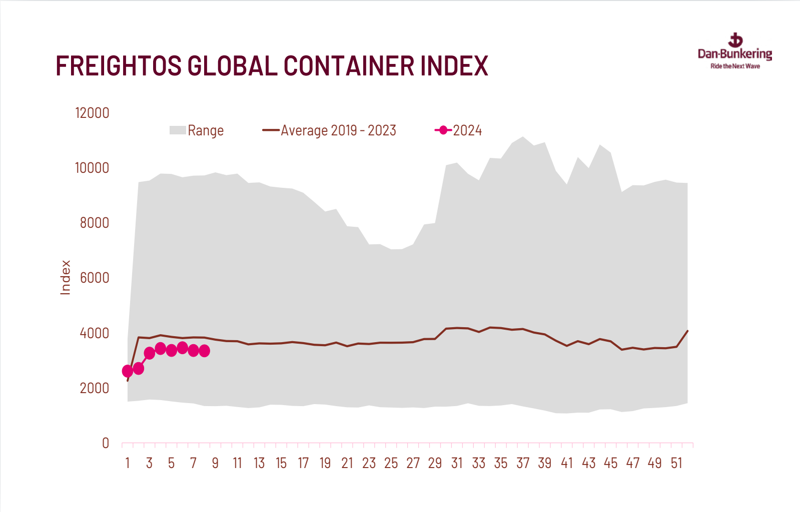
While the CPB data uses money-based data converted to volumes, Clarksons data shows volumetric data, which is more telling for the impact on shipping. Monthly container trade data for December shows Chinese throughput down just below 1% on November 2023, but up over 5% on December 2022. Total throughput is down to 26.6 mln TEU, a level first reached in May 2023. For the year, Chinese throughput is up 5% compared to 2022. In other Asia, December growth is estimated at 5%, while in the major US ports, throughput was up by over 7%. That is the only the second month of increases after more than a year of monthly declines. China trade data show a 1% increase in crude oil imports in December compared to December 2022, and a 16% increase from November, reaching nearly 44 mln tonnes, with year totals at nearly 510 mln tonnes, up over 10% on 2022. Natural gas imports accelerated from November levels and are up over 20% year on year. Coals imports too rose from November and are up 56% year on year. Full year imports reached 375 mln tonnes. Combined, seaborne energy imports (liquified gas, crude oil, and coal) are up 25% annually to nearly 1 billion tonnes. Iron ore, the country's largest import at over 1.1 billion tonnes in 2023, is up over 6% year. Total exports were down nearly 3% on November, but still up nearly 7% year on year. Containerised exports reached 29 million tonnes, up nearly 10% year on year. Total containerised exports reached nearly 330 million tonnes, compared to nearly 320 million tonnes in 2022.

VESSEL RATES



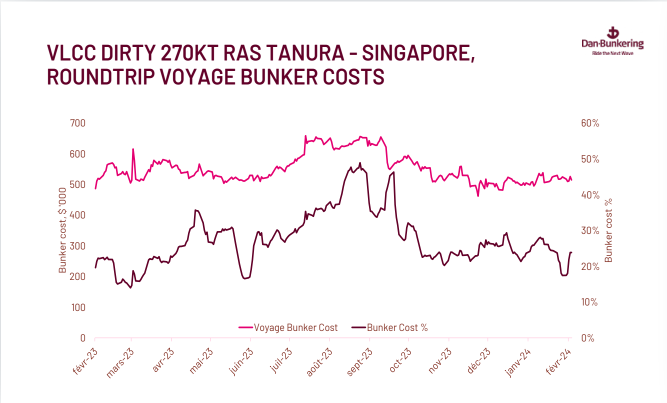
Crude oil tanker rates on the Baltic Exchange TD3 route were down nearly 45%, after last week's rise of around 75%. The t/c rates were at nearly $ 43k/day compared to nearly $75k/ day a week before. Voyage rates were reported at $8.7/mt on the route on the 23rd of February, down $3.4 compared to the week of the 16th, a near perfect symmetrical move compared to the week before. The Baltic dirty index was down 10%, or 132 points to 1209 on the 23rd. The level is still 40% above the previous 5-year average. The clean index was down 7% on last week at 1062. The index is at 50% above the previous 5-year average. Dry bulk rates rose around 16% or 256 points to 1866 per the Baltic Dry Index. The index is 64% above the five-year average level seen in 2019-2023 for the week.

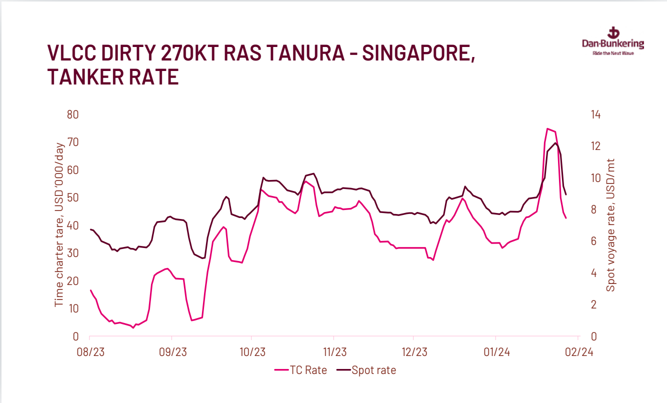
The container market fell nearly marginally over the last week compared to the 16th of February to 3342 as measured by the overall **Freightos Global Index**. The China to Europe rate lost less than 1% to 4553 over the same period, while the return route fell 7 points to 953. The level remains a high level for the return route. US related routes appear to be stabilising as well. The China to US West Coast fell less than 2% from 4889 to 4809, while the return route rose from 415 to 423. The China to US East Coast fell by 1%, reaching 6709. The rate levels are still far from the cycle highs of 2021/22. Congestion as measured by the last 7-day moving average of containerships in port, was reported at 28.8%, down 0.3% points compared to the previous week. The congestion share represents some 8.1 mln TEU, down 0.1 mln TEU on that same week. The idle fleet stood at 308, down 12 on last week, which itself was revised up significantly. Some 2.4% of the fleet is reported idle (including those vessels retrofitted with scrubbers and those laid-up). Reported average voyage duration between China and the US West Coast is at 21.1 days, up 0.3 days compared to last week. The current transit time is at levels seen in 2019 through mid-2020. As is usual, the reported number at the beginning of the month tends to increase as the weeks pass.



FREIGHT AND BUNKERS

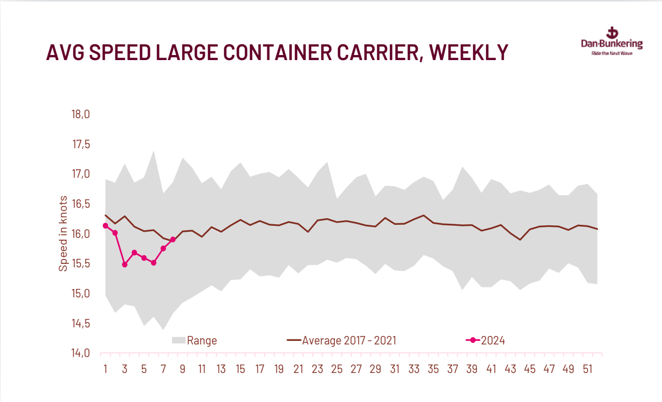
Reported tanker voyage charter rates were down, at $8.7/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were down 2% in Fujairah and marginally up in Singapore over the week through February 23rd. Bunker costs are some 24% of total voyage. If the entire voyage is calculated on VLSFO, bunker costs are some 35%. The VLSFO prices were down less than 1% in Fujairah and up around 2% in Singapore. The calculations provided are intended to be directional indications, not the actual that each tanker owner is experiencing.

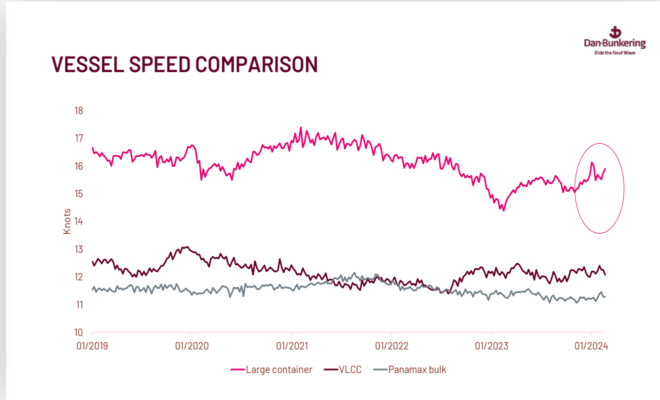




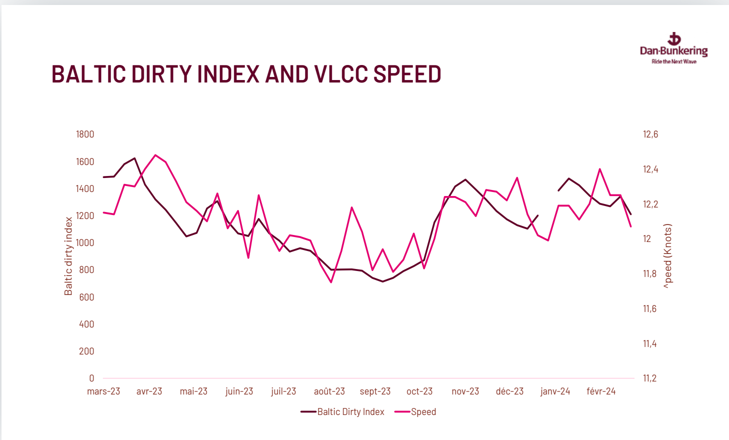
VESSEL SPEEDS

The container vessel's latest data point of 15.9 knots is up 0.2 knots compared to last week. The weekly movements in the measurements appear to be within calculation noise which may be revised. The speed is back at the five-year average, a major reversal of the earlier trend. Although substantial re-routing is taking place, the data suggest that only a portion of the fleet is increasing speed to offset the longer voyages.

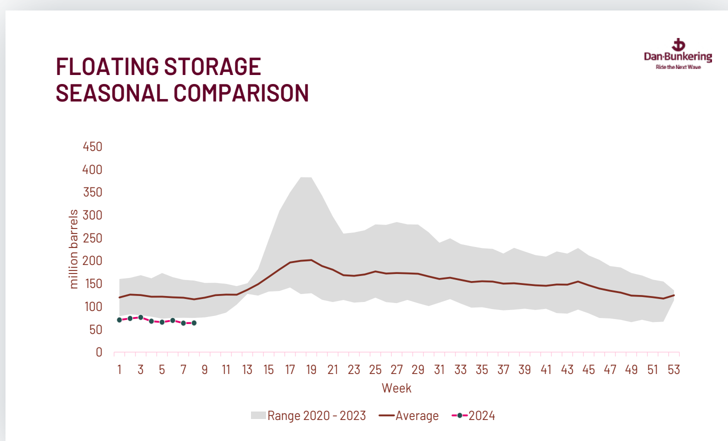




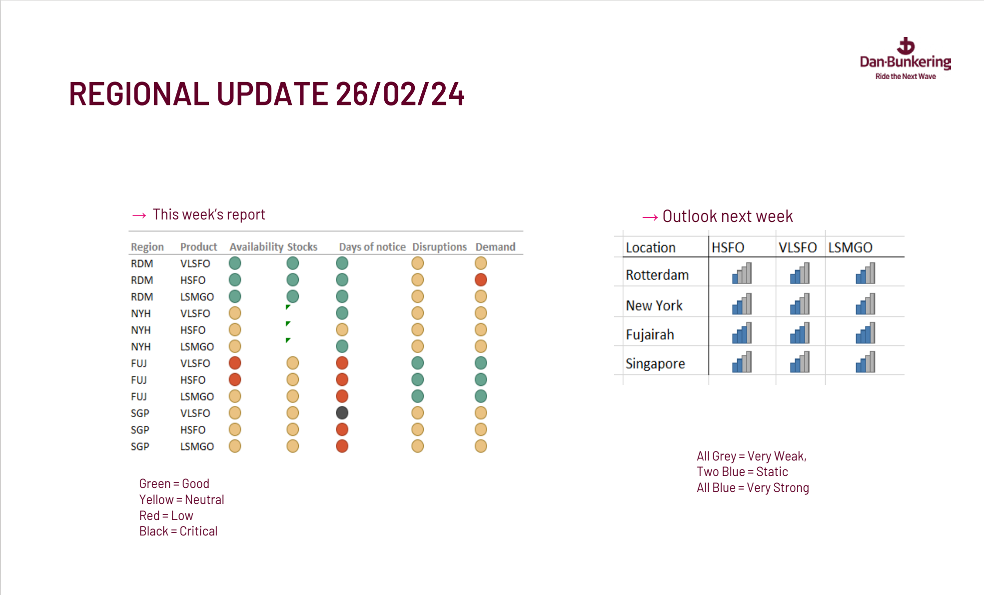
VLCC tanker speeds are down 0.3 knots at 12.1 knots. The current speed reading is below the average of the range seen for the period of the year. The idle share of the fleet was at 5.3% in deadweight terms, that is unchanged compared to the previous report. The share remains exceptionally high, not just for the period of the year but in a longer perspective as well. In deadweight terms, the idle share is around 33 mln DWT, flat compared to last week. The current level is nearly 55% higher than the "normal" average, same as last report. The current number of idle vessels was down 16 vessels to 210 from last week.



The floating storage (excluding the dedicated storage) stands at 79 vessels, down 8 vessels on last week's number, which was revised down by 3 vessels. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is below 64 million barrels, flat compared to last week. 46 product tankers are reported functioning as storage, accounting for just over 18 mb. 33 crude tankers vessels accounted for just over 45 mb of stored oil, up 3 mb on last report. The number of crude oil tankers as storage is still at levels seen in mid-2019. It is the product tanker segment that continues at higher levels, although there now seems to be a downward swing underway.



03. REGIONAL REMARKS



NEW YORK

Demand remains strong and forecast to be strong through Q2.

FUJAIRAH

Red Sea disruptions continue to see increased bunkering demand in UAE and Omani ports.
The number of inquiries and bunker stem sizes are above long-term average as customers take more fuel for their longer voyages.

Al Zour refinery exports of LSFO resumed in January and the cargoes landing in FUJ have seen pricing fall from SIN MOPS 0.5 plus 25.00 to plus 10.00.

HSFO demand is strong with Jan sales at record highs, tight barge avails mean lead time for inquiries are now 8-10 days out.

Bad weather is contributing to tight barge avails as STS ops continue to stop / start.
The UAE's Port of Fujairah plans to open a new dry bulk port terminal on March 1st 2024. The Dirham 800 million ($218 million) terminal in Fujairah's northern tip in Dibba will initially move limestone, aggregate and clinker, an intermediary product used to make cement.

Fujairah has mostly been known as an oil trading and storage hub. The UAE's Abu Dhabi National Oil Co., with ambitious plans to expand its crude production and become a bigger player in the global oil market, is using Fujairah's terminal for delivery of the Murban contract which began trading in March 2021 on ICE Futures Abu Dhabi, or IFAD. Murban, a light sour crude, comprises nearly half of

ADNOC's current oil production capacity and is mostly exported from Fujairah via a 360 km pipeline capable of transporting 1.8 million b/d..

ARA

Demand relatively poor across all grades. All products well offered across ARA.

SINGAPORE

HSFO:

Asia's high sulfur fuel oil market continues to grapple with plentiful supplies, on the back of steady inflows from Russia and the Middle East, adding that the HSFO market would likely remain under pressure until peak summer months, when seasonal power generation demand typically offers some support. Ample HSFO stockpiles around the port of Singapore are expected to cap delivered premiums even though demand is likely to remain moderate, while barge availabilities for near refueling dates should mostly be adequate for this week.

VLSFO:

The LSFO market will likely stay relatively rangebound over Feb. 26-March 1, amid sluggish downstream demand and adequate prompt supplies. Although arbitrage arrivals from Europe were expected to be lesser on the month in March, regional supplies would likely be sufficient for end-user requirements in the near term. On the downstream front, the near-term outlook soften for downstream low sulfur fuel oil demand around Singapore amid the lackluster volume of inquiries, where shipowners' competitive bids also led some suppliers to offer more aggressively to cut deals and move their cargoes. With adequate LSFO stockpiles around Singapore for bunker deliveries for the rest of February and early-March, offers of term contract ex-wharf LSFO barrels for March-loading dates will likely face pressure, especially as downstream margins narrowed amid a weaker delivered market.

GO:

Backwardation in the Asian gasoil market structure could continue to ease Feb. 26-March 1 as weak East-West arbitrage demand trapped swing barrels in the region while a potential uptick in gasoil outflows from China may lead to a further build in supply.

Singapore's onshore commercial stocks of middle distillates fell 7.35% week on week to 8.85 million barrels over Feb. 15-21, retreating from a three-month high of 9.55 million barrels in the week prior.

Regional indicators : prices in USD to benchmarks (week to 23/02)

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	2	FOB Rdam Barges 3.5%	-10	MOPAG 180	15	MOPS 380	17-18	MOPS380
VLSFO	8	FOB Rdam Barges 0.5%	5	MOPS 0.5%	8	MOPS 0.5%	16-22	MOPS 0.5%
LSMGO	-50	ICE Gasoil	90	BW	0.07	HO	25-40	MOPS GO 10ppm

NYH HSFO barrel to MT: 6.36 and NYH VLSFO to MT: 6.9, NYH LSMGO versus Heating oil in $/gallon.

Regional indicators : Day's notice

Product	ARA	FUJ	NYH	SGP
HSFO	3	7	4	10
VLSFO	3	9	3	12
LSMGO	2	5	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve fell over $14/mt at the front compared to last week in absolute terms (February 23rd compared to February 16th). The curve is fully in backwardation in both absolute terms, and in relative terms. The six-month fell by $10.8/mt. The time spread for the 6-month period decreased $3.8/mt to -$68/mt. The 3.5% barges' curve decreased the backwardation at the six-month horizon but remains in contango through the first month contract. The contango on the second month reversed into backwardation, suggesting a relative strengthening market. The contango is $3.3/mt at the first-month horizon. Backwardation is $7.3/mt at the six-month horizon. The front fell $8.3/mt while the six-month fell $7.3/mt. The VLSFO 0.5% backwardation decreased $0.3/mt to -$35.5/mt, compared to a week prior.

The relative value of VLSFO compared to LGO at 6 months was flat at 69% and in absolute terms down $6 at -$238/mt compared to 68% or $271/mt below LGO at the front. That $271/mt is down $9/mt on last week's reading when the front was at 67% of LGO.

Monday the 26th saw the front move up $7.5 on Friday's $833.25/mt to reach $833.25/mt. On Tuesday mid-afternoon, the ICE Gasoil curve saw the 6-month backwardation increase by around $1.5/mt compared to the Friday level. The front was flat on Monday's level and the 6-month was down around $1/mt on Monday's level. At the 12-month horizon, the curve is still in backwardation. The front is up less than 1% on Friday the 23rd.

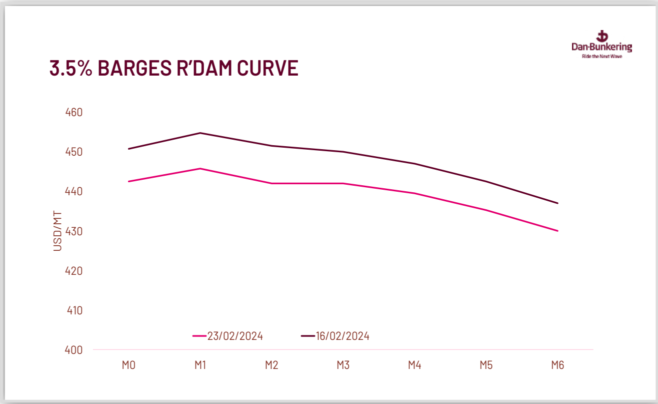
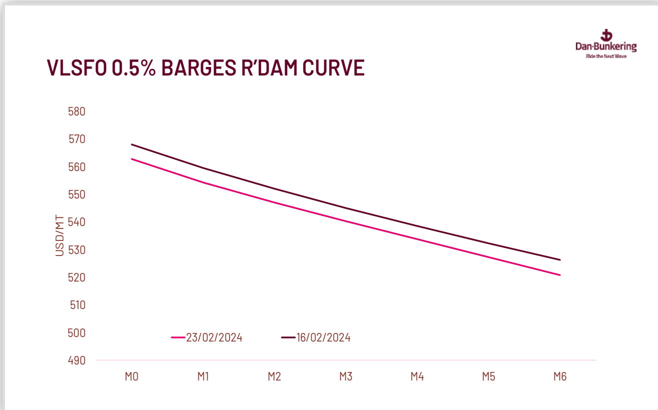
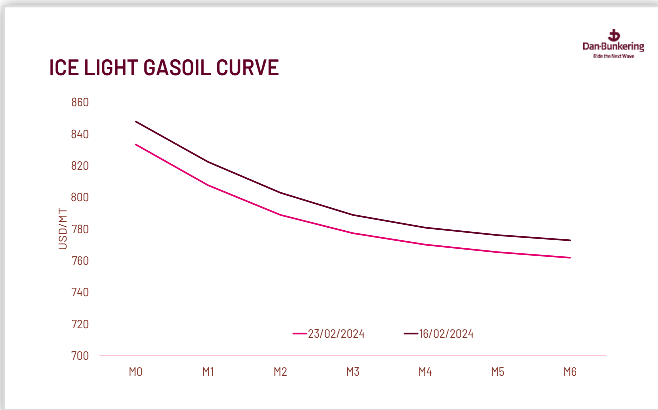
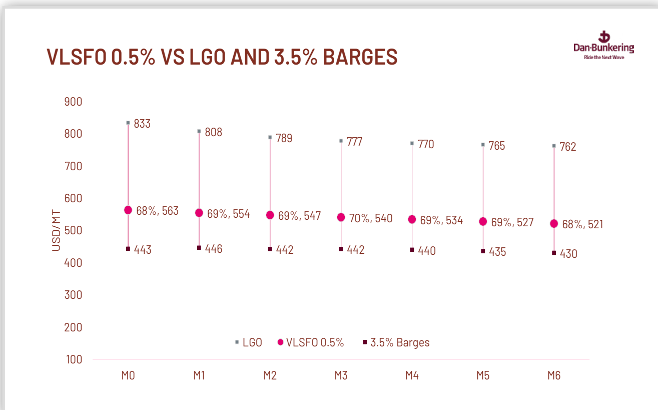


Figure 1 ARA Curve







M0 is Mar. 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front fall 1.7%, while the sixth month level fell by 1.4%. The curve trajectory is fully backwardated, with the M5-M0 at 8.2% backwardation. The Fuel Oil Rotterdam over the six-month period is partly in contango over the first month. The front month fell 1.8% and the 6-month fell 1.6%. The curve is 1.6% in backwardation on the six-month horizon. The VLSFO curve saw its backwardation flat 6.3% as the front fell 0.9%, while the back also fell 0.9%.

Brent Ref: **-1.8** **April**

	Singapore		US Gulf		North West Europe		
Data in USD	LSFO 0.5%	380 CST Cargoes	LSFO 0.5%	HSFO	VLSFO 0.5%	3.5% Fob Barges	LSGO
Yesterday's Price	-6.8	-3.9	2.1	0.1	-5.3	-5.5	-14.5
Mar-24	-5.8	-7.3	-0.4	-1.7	-5.3	-8.3	-14.5
Apr-24	-3.5	-6.0	-0.2	-1.6	-5.3	-9.0	-14.8
May-24	-2.3	-3.5	-0.9	-1.5	-5.0	-9.5	-14.0
Jun-24	-2.8	-2.0	-1.0	-1.3	-4.8	-8.0	-11.5

LSGO refers to ICE Gasoil

06. OUR VIEW

The financial market's hope that the central banks will turn on their heels and open the monetary spigot again keeps getting shattered. Bundesbank President Joachim Nagel said inflation remains stubbornly high so the ECB should resist the temptation to cut interest rates early, especially before crucial wage data in Q2. "*Even though it may be very tempting, it is too early to cut interest rates*". "*We will only receive a more detailed picture of how domestic price pressures are unfolding during the second quarter. Then we can contemplate a cut in interest rates*". The US Federal Reserve signals that it won't stop its quantitative tightening but may reduce its pace. Even if the US central bank were to lower rates, then there still is monetary reduction ongoing as the US Fed consider the tool as an important part of getting inflation down. It means that there will remain downward pressure on the oil price (and other commodities) from the monetary side of the economy. The signals of upticks in inflation will only give more weight to the arguments of the central banks to hold back on lowering rates. And the intensifying situation in the Red Sea will only create more concern that supply chains will be interrupted, driving inflation up. Wait and see will be the game plan for now.

07. ABBREVIATIONS

API	**American Petroleum Institute**
CPI	**Consumer Price Index**
EIA	**Energy Information Administration**
Freightos Global Index	**This is a global index for a 40' container and covers all freight components, where applicable; it shows the income capacity for the container vessels.**
GDP	**Gross Domestic Product**
Mb/d	**Million barrels per day**
Mboe/d	**Million barrels of oil equivalent per day (gas and oil combined to same term)**
Mmbtu	**Million British thermal units, gas is priced in these units**
PMI	**Purchasing Managers' Index**
PPI	**Producer price index**
Usd/mmbtu	**US$ per1 million British Thermal Units (measurement for natural gas)**