Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 26
June 25, 2024

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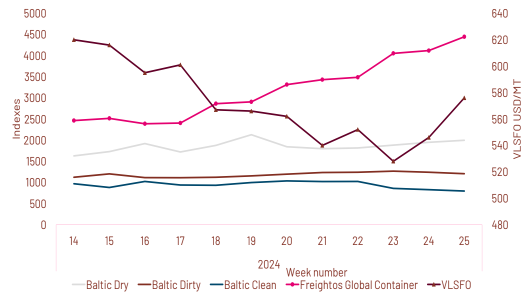
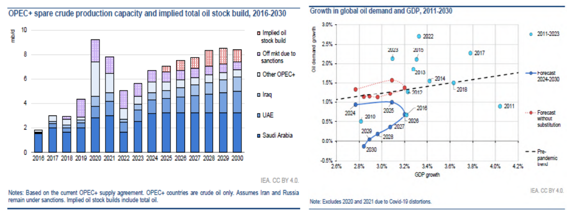
Longitude
E 9°43'44.7468"

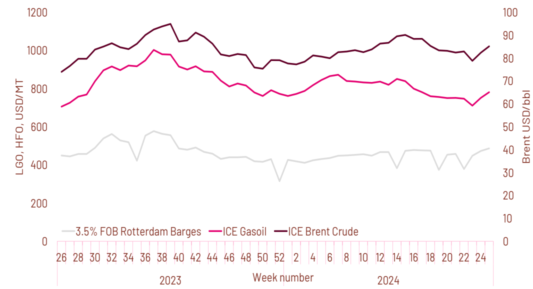
FREIGHT INDEXES AND VLSFO R'DAM



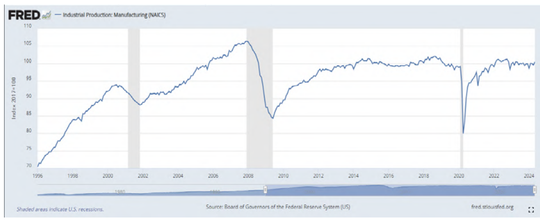
IEA MEDIUM TERM OUTLOOK



BRENT, HFO AND LGO
WEEKLY AVERAGE PRICES



US MANUFACTURING INDEX 1995-2024



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
25/06 15:15	USA	CB Consumer confidence (June)	99	102	Economic health
22:30	USA	API Crude oil stock change		2.3 mb	Oil market balance
26/06 07:00	Singapore	Industrial production May (YoY)	2.9%	-1.6%	Economic activity
08:00	Germany	GfK Consumer confidence (July)	-20.3	-20.9	Economic health
08:45	France	Consumer confidence (June)	92	90	Economic health
14:00	Brazil	IPCA mid-month CPI June (YoY)	4%	3.7%	Economic health
16:30	USA	EIA Crude oil stocks		-2.5 mb	Oil market balance
16:30	USA	EIA Distillate stocks		-1.7 mb	Oil market balance
23:00	Korea	Business confidence (June)	72	74	Economic health
27/06 09:00	Turkey	Economic confidence index (June)	100	98.2	Economic health
11:00	Euro area	Economic sentiment (June)	96.5	96	Economic health
11:00	Euro area	Industrial sentiment (June)	-10.6	-9.9	Economic health
11:00	Euro area	Services sentiment (June)	6.5	6.5	Economic health
13:00	Turkey	Interest rate decision	50%	50%	Economic health
14:00	Mexico	Balance of trade (May)	-$0.6 bn	-$3.7 bn	Economic health
14:30	USA	GDP growth rate Q1 final (QoQ)	1.3%	3.4%	Economic activity
14:30	USA	Goods trade balance Advance (May)	-$95 bn	-$99 bn	Economic health
21:00	Mexico	Interest rate decision	11%	11%	Economic health
28/06 01:00	Korea	Industrial production May (YoY)	4.9%	6.1%	Economic activity
01:50	Japan	Industrial production May (YoY)	-2%	-1.8%	Economic activity
07:00	Singapore	PPI May (YoY)	0.7%	-0.1%	Economic health
08:00	UK	GDP growth rate Q1 final (YoY)	0.2%	-0.2%	Economic activity
08:45	France	Inflation rate June (YoY)	2.5%	2.3%	Economic health
14:30	USA	PCE price index May (YoY)	0.1%	0.3%	Economic health
15:45	USA	Chicago PMI (June)	42	35.4	Economic health
19:00	USA	Baker Hughes oil rig count		485	Oil market balance
21:00	Argentina	Economic activity April (YoY)	-9.7%	-8.4%	Economic activity
01/07 03:45	China	Caixin Manufacturing PMI (June)	51.2	51.7	Economic health

Source: 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

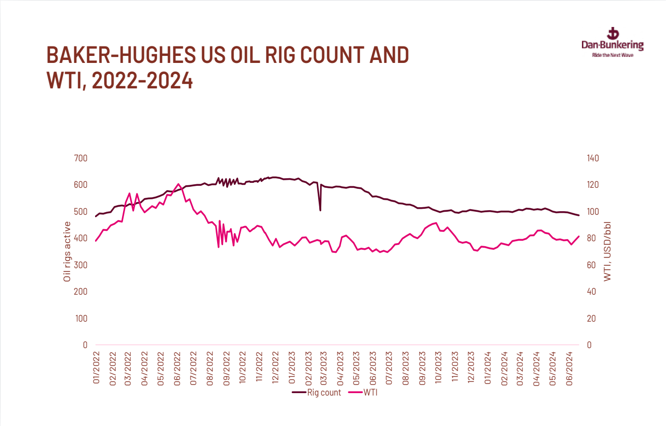
AHEAD

The week ahead reports Consumer confidence in the USA expected to have dropped into contraction, although marginally, while French and German consumer confidence are projected to have increased slightly. The German index is thought to rise to -20.3 from -20.9. although an improvement, the past four years have seen the index almost continuously in negative territory and the last two years deeply so. The French also are thought to very moderately increase their confidence, but still with an overall negative outlook. The index is a mix of different sentiments, and in the May index, the French consumer was getting more worried about inflation. That inflation rate is now projected to have increased to 2.5% in June from 2.3% in May, and it should be noted that in France, multiple prices are regulated (with the government putting strong pressure on companies to lower prices on consumer products). Economic sentiment in the Euro area is expected to have improved slightly, as services sentiment is unchanged and slightly positive, while industrial sentiment is seen deteriorating further. This is hardly surprising given the continued fall in industrial production in the area as a whole and Germany in particular. In Korea, industrial production is seen higher by 4.9% in May, a slower annual increase than in May. In Japan to the contrary, industrial production continues to fall, and at accelerating pace. In Singapore, industrial production is projected to have swung ato an annual expansion of nearly 3% in May. Mexico's trade balance is expected to have improved substantially to a relatively small deficit in Maym while the US's goods trade balance (which is only a part of the total trade balance), is projected to have improved slightly to a $95 bn deficit. Both Turkey's and Mexico's central banks will decide on the interest rate this week, believed to be held unchanged at 50% and 11% respectively. Note that in Turkey inflation runs at over 75%, while in Mexico inflation is down to below 5%. The difference means that in Turkey, real rates are at negative 25%, whereas in Mexico they are positive 6%. To compare, the Turkish central bank is continuing a very loose monetary policy while Mexico is following a tight policy. Finally, Argentina's economic activity in April is projected to have fallen nearly 10% as the austerity drive makes itself felt. Yet, at the same time, consumer confidence is expected to have grown in May.

OIL MARKET

The Baker Hughes oil rig count was down three rigs to 485 last week. The weekly average of WTI was $81.2, up $3. The natural gas price at Henry Hub fell to an average of $2.8/mmbtu, down 18 dollar cents from the previous week.

The International Energy Agency published its medium-term oil market outlook 2024, which looks out to 2030. As with the previous edition, the IEA sees oil demand growing only slightly over the next two years before stagnating and then enter decline. In line with its long-term outlook, the organisation is adamant that peak oil demand is imminent. It sees several reasons for that. The



first is the switch away from burning oil in power plants, especially in the Middle East. This will free up 1 mb/d in Saudi Arabia alone according to the report. The second is the move toward electric vehicles. By 2030, this move will save 6 mb/d of demand, predominantly gasoline. The third is continued efficiency gains. We get more mileage, or product out of every barrel produced. As a result, the oil intensity of the economy is projected to fall rapidly. That intensity is defined as the ratio of demand growth to GDP growth. Over the nearly 20 years that the IEA has been producing this report, the ratio of demand growth to GDP growth has always been projected to fall. Yet, apart from the wild swings in demand due to the 2008/2009 financial crisis and the pandemic measures, this has hardly occurred at all. And this year, the agency is ratcheting its assumption up some more. The ratio is going to go negative. Demand will fall and the global economy will continue to grow. That is a plausible result when peak demand is projected. However, at no point is there any explanation, other than the above three points, as to why the ratio would now change. Efficiency has been a hot item and explanation for many years, so that effect should be showing up clearly now. But it is not. The Jevons paradox, which says that humans use more when we get more efficient, seems to be holding. But it is hard to prove, as the economies, in particular in the West, have been hard hit by crises that have constrained demand. Only now is demand at levels where the IEA projected them to be in its outlook in 2019. It is not efficiency as such that takes down demand, it is hard economic adjustment driving demand down by making the product less affordable.

On the supply side, the story is quite different from the 2023 outlook. Then, both the underinvestment theme and continued assumed sanctions led the agency to plot supply considerably lower, with around 4 mb/d spare capacity as a result. At least there was a reasonable ground to then conclude that demand would fall, as the price would be more or less supported. Not so this year. In the current outlook, the world is going to be awash in oil. The report says that spare capacity in OPEC member countries will “inflate the world’s spare capacity cushion to levels that are unprecedented, bar the COVID-19 period.” That is, spare capacity rises to over 8 mb/d, or around 7% of total liquids demand. (The IEA is talking about recent history, as in the early 1980’s spare capacity rose to over 14 mb/d to support the oil price, or 25% of demand.) It will be non-OPEC+ that will be supplying the so-called incremental barrel and OPEC+ will have to cut.

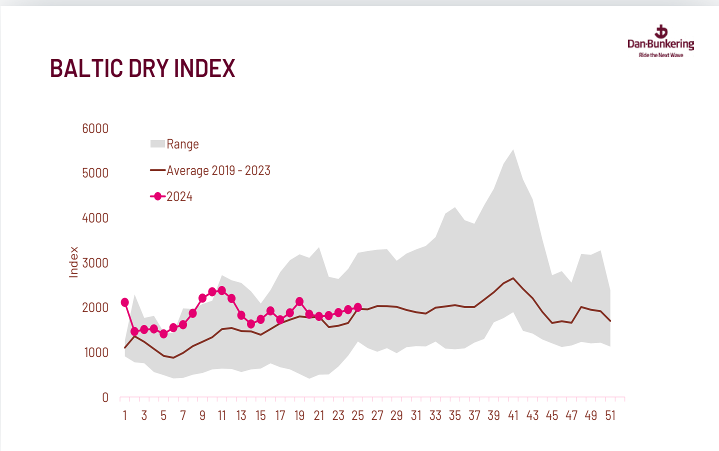
After the bearish monthly oil market report, this medium-term outlook is not just bearish, it is predicting a complete crash of the oil market. But the oil market, or any market, does not work like that. These trends will reveal themselves, and the oil companies will adjust their investment behaviour. If it is going to be as bad (from an oil company perspective) as the IEA projects, it is likely that many oil companies will start selling off assets, not just undeveloped ones, but producing ones too. That would be real canaries in the coal mine. If the oil companies would follow the IEA predictions and halt investment as soon as possible, the market will find itself short before it realises it.

ECONOMY

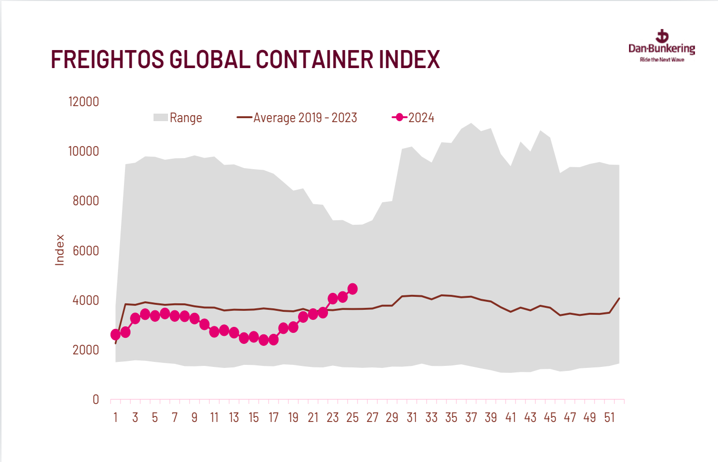
De-industrialisation in the OECD is clearly underway. The data for Germany and Japan are the clearest examples, with the latest German Ifo business expectations index **falling**, as ifo says "*The negative data we're seeing is coming in particular from manufacturing*". But US manufacturing data shows that there too, the manufacturing sector is struggling to grow. And that is despite several sectors having shown strong growth. Manufacturing output reached its peak in December 2007, crashed in 2008, rebounded and has been muddling through ever since. Although the US Fed over that period has held interest rates at record low levels, all that has happened is a mere holding of the line. Interestingly, the higher interest rates so far do not appear to have changed the picture much either. As Reuters **remarks**, diesel consumption is strongly related to this sector, and in the USA, total distillates supplied (fossil plus renewables) have only increased marginally since 2018.

Tariffs are more and more used in re-arranging trade and resurrecting industrial capacity. China is demanding that the EU's latest increase on Chinese EV's will be removed by 4th of July. The US Treasury **said** that Chinese customs data is suggesting that the country is running a much bigger trade surplus than what is reported in the balance of payments data. The treasury requests a clarification about the discrepancy. According to the treasury department, customs figures are $230 bln higher than reported by the State Administration of Foreign Exchange. That is around 1% of the country's GDP. The IMF is looking into the matter as well and mentioned in its recent consultation on the Chinese economy that: "*China's use of policies to support priority sectors can potentially lead to a misallocation of domestic resources and also potentially affect trading partners. Scaling back such policies and removing trade and investment restrictions will raise domestic productivity and ease fragmentation pressures.*"

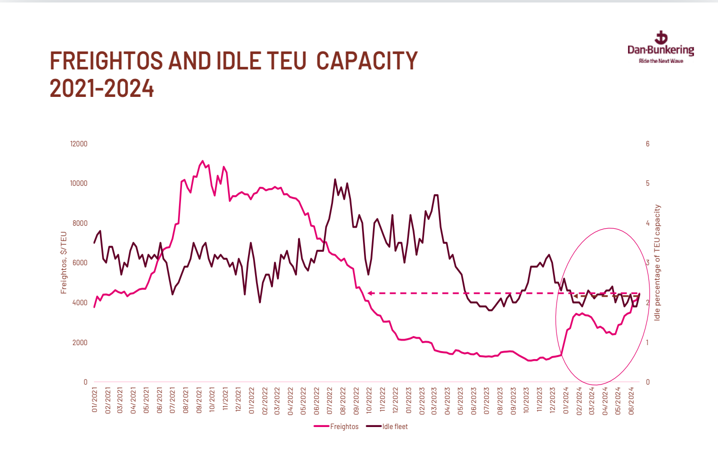
VESSEL RATES



Crude oil tanker rates on the Baltic Exchange TD3 route were down 8% after last week's 11% decrease. The t/c rates were at $26.2k/day compared to $28.2k/day a week before. Voyage rates were reported at $8.1/mt on the route on the 21st of June, down $0.1 compared to the week of the 14th. The Baltic dirty index was down 3%, or 35 points, to 1205. The level remains 50% above the previous 5-year average. The clean index was down 4% from last week's level at 795. The index is 8% above the previous 5-year average. Dry bulk rates rose 3% or 49 points to 1997 per the Baltic Dry Index. The index is 2% above the five-year average level seen in 2019-2023 for the week. The weekly swings in the indexes are strong, and so are the movements seen in relation to the 5-year range.

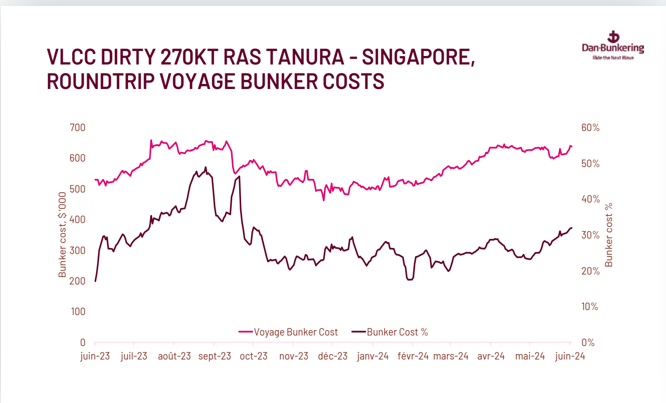


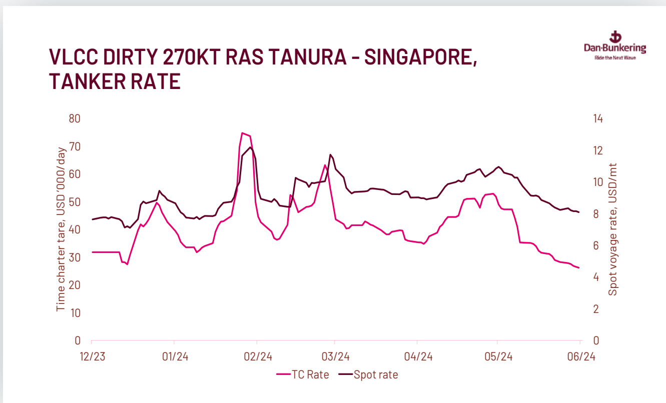
The container market rose nearly 8% over the last week compared to the 14th of June to $4446, as measured by the overall **Freightos Global Index**. The China to Europe rate rose over 8% to $7001 over the same period. The China to US West Coast rose nearly 15% from $5969 to $6840. The indexes have now risen back to levels last seen in the months August to September 2022. That is, around half the historical highs seen late 2021. The Red Sea disruptions with their knock-on effects on fleet deployment as well as reported strong demand continue driving up rates. Congestion, measured by the last 7-day moving average of containerships in port, was reported at 30.9%, up 0.9% points compared to the previous week. The congestion share represents some 9.1 mln TEU, up 0.3 mln TEU from last week. The idle fleet stood at 261, up 10 from last week, which saw a 5-vessel downward revision in the data. Some 2.2% of the fleet is reported idle (including those vessels retrofitted with scrubbers and those laid up and calculated in terms of TEU capacity rather than vessel numbers). That is just above the low end of the 5-year range. The reported average voyage duration between China and the US West Coast is 20.7 days, up 0.7 day from last week. These indicators continue to show comparatively strong swings on a week to week basis.



FREIGHT AND BUNKERS

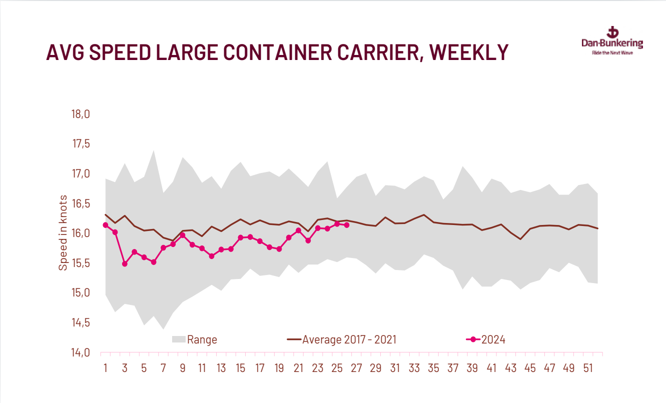
Reported tanker voyage charter rates were down at $8.1/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were up more than 4% in Fujairah and more than 2% in Singapore over the week through the 21st of June. Bunker costs are some 32% of the total voyage. If the voyage is calculated on VLSFO, bunker costs are 37%. The VLSFO prices were up over 3% in Fujairah and more than 2% in Singapore. The calculations provided are intended to be directional indications, not the actual ones that each tanker owner is experiencing.

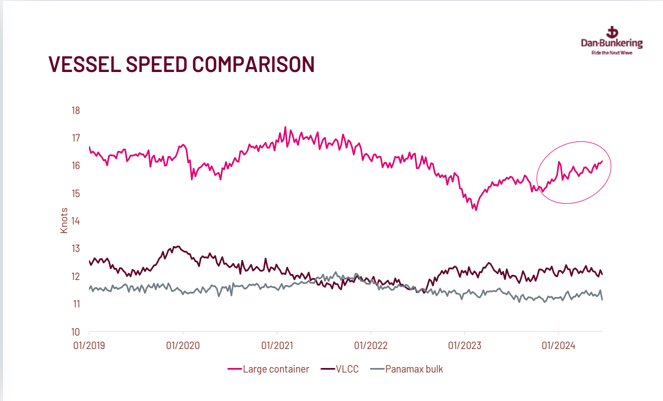




VESSEL SPEEDS

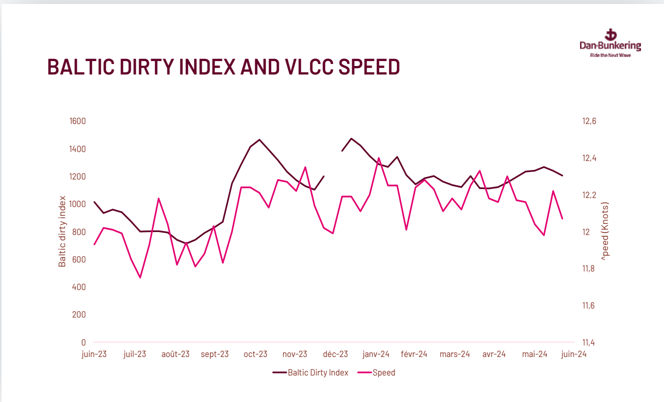
The container vessel's latest data point of 16.1 knots is unchanged from last week. Medium sized container vessels decreased speed by 0.1 knots to 15.1 knots. The weekly movements in the measurements appear to be within calculation



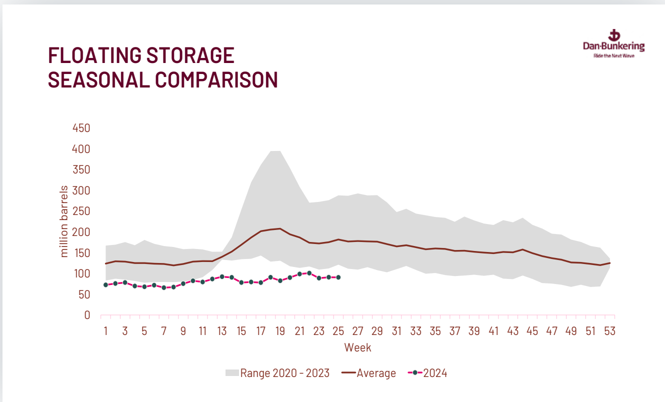


noise.

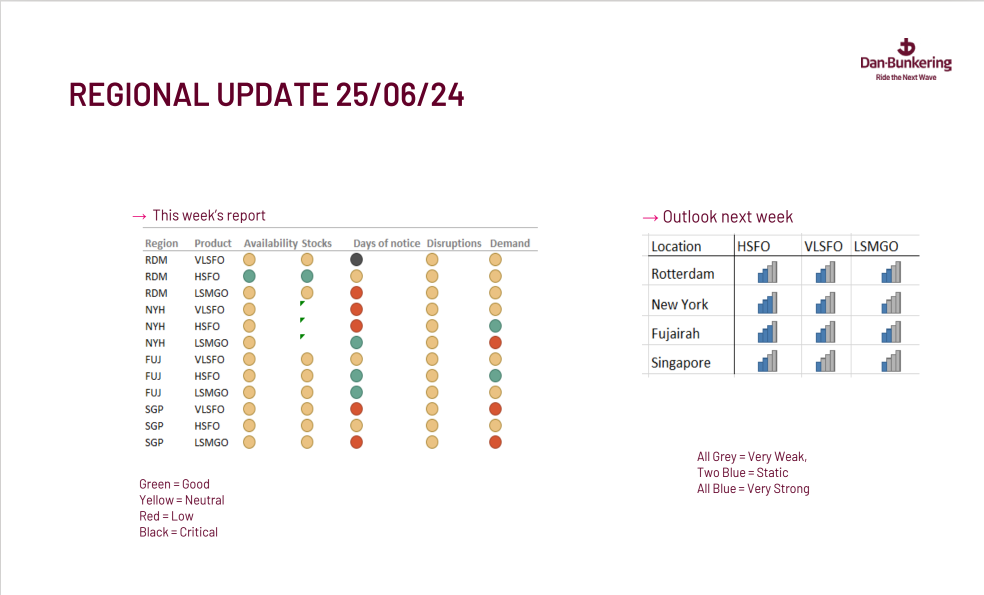
VLCC tanker speeds are flat at 12 knots. The current speed reading is on par with the average of the range seen for the period of the year. Still, the movements in the speeds are occurring in a tiny band around that average. The idle share of the fleet was at 6.2% in deadweight terms, up 0.4% points compared to the previous report (last week's data was unchanged). The share remains exceptionally high, not just for the period of the year but in a longer perspective as well. The idle share was up 3 mln DWT to over 39 mln DWT in deadweight terms. The current level is 34% higher than the "normal" average. The current number of idle vessels rose by 14 to 293 compared to last week (which was decreased by 2 vessels).



The floating storage (excluding the dedicated storage) stands at 118 vessels, down 6 vessels from last week's number, which was unchanged at 124. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is above 90 million barrels, unchanged compared to last week. 61 product tankers are reported functioning as storage, accounting for 22 mb. On last report, 56 crude tankers vessels accounted for over 68 mb of stored oil, up nearly 3 mb. The number of crude oil tankers as storage continues to slowly creep up. The number of product tankers used as storage remains elevated.



03. REGIONAL REMARKS



NEW YORK

Liner segment still lifting heavily. Spot demand has been waning.

FUJAIRAH

Last week saw a quiet market in Fujairah as the region celebrates the Eid al-Adha holiday season till June 18.

From 24 June spot demand has returned to normal activity with HSFO seeing continued strong sales.

Jebel Ali now has 6 suppliers so we see fierce competition between suppliers weighing on delivered premiums.

ARA

As demand fell somewhat premiums/discounts are getting sharper. Furthermore, we understand there are some issues with off-spec tanks at some refineries which is decreasing the availability of VLSFO. However, due to the lower demand the market balance is not materially affected.

SINGAPORE

VLSFO:

LSFO is likely to face limited upside potential during the week of June 24-28 amid ample stockpiles for the front month, while some competition among downstream players could further pressure the market.

HSFO:

The HSFO market might still see some degree of support owing to the peak summer season around the Middle East, though adequate cargo availabilities may also moderate traders' sentiment for forward months in the near term.

Compared to the first quarter this year and the earlier part of Q2 2024, lower availability of non-sanctioned HSFO barrels could still keep upstream valuations afloat to a certain extent for this week, as decent downstream bunker demand should also slow any potential stock build. The market expects the tightness on the HSFO front to continue in the trading week that began June 24 as cargo replenishments are only expected to arrive in the first half of July.

Gasoil:

East-West arbitrage economics could continue to improve June 24-28, diverting swing barrels from the Arab Gulf and India to the West of Suez, easing the recent supply glut in the Asian gasoil complex. Singapore's onshore commercial stocks of middle distillates fell 1.82% on the week to 8.86 million barrels over June 13-19, extending declines for a second straight week.

Regional indicators : prices in USD to benchmarks

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	6	FOB Rdam Barges 3.5%	-8	MOPS 380	-3	MOPS 380	11-14	MOPS380
VLSFO	6	FOB Rdam Barges 0.5%	5	MOPS 0.5%	2	MOPS 0.5%	9-11	MOPS 0.5%
LSMGO	-30	ICE Gasoil	100	MOPS GO 10ppm	0	HO	-9 to -0.5	MOPS GO 10ppm

NYH HSFO barrel to MT: 6.36 and NYH VLSFO to MT: 6.9, NYH LSMGO versus HO in $/gallon, NYH Brent 6.75

Regional indicators : Day's notice

Product	ARA	FUJ	NYH	SGP
HSFO	4-6	5	5	8
VLSFO	5-7	6	5	11
LSMGO	4-6	3	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve rose $21/mt at the front compared to last week in absolute terms (June 21st compared to June 14th). The six-month rose by $16.8/mt. The curve is in backwardation, but unstable over the second through fourth month. The time spread for the 6-month period increased $4.3/mt to minus $13.3/mt, showing a strong move. The 3.5% barges' curve strengthened the backwardation, which is at $30.8 on the 6-month contract (front month minus the six-month contract). The front rose $18.8/mt while the six-month rose $15.5/mt. The VLSFO 0.5% backwardation increased $2.8/mt to -$14.5/mt compared to a week prior. The curve is still in backwardation.

The relative value of VLSFO compared to LGO at 6 months is flat at 70% and was unchanged in absolute terms to -$228/mt compared to 71% or $226/mt below LGO at the front. That $226/mt is unchanged from last week's reading when the front was 70% of LGO.

Monday the 24th saw the ICE gasoil front move down $2/mt on Friday's $783.3/mt close to reach $781.25/mt. On Tuesday end morning, the ICE Gasoil curve saw the 6-month structure fall by around $1/mt compared to the Friday level, but rebounding from the Monday drop. The front was up around $2.5/mt on Monday's level and the 6-month was up by $1.25/mt on Monday's level. The curve saw a weakening of the backwardation compared to Friday. The front is flat compared to Friday the 21st.

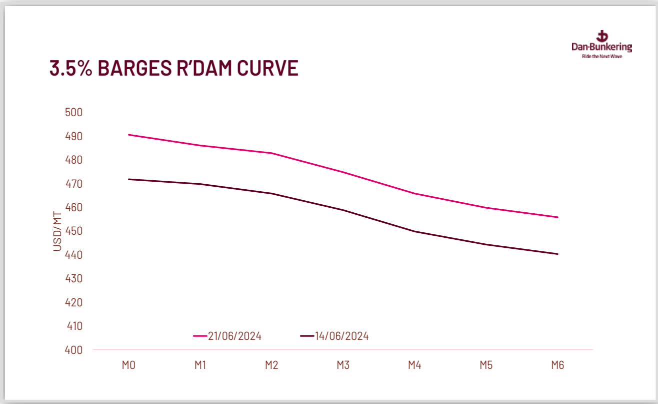
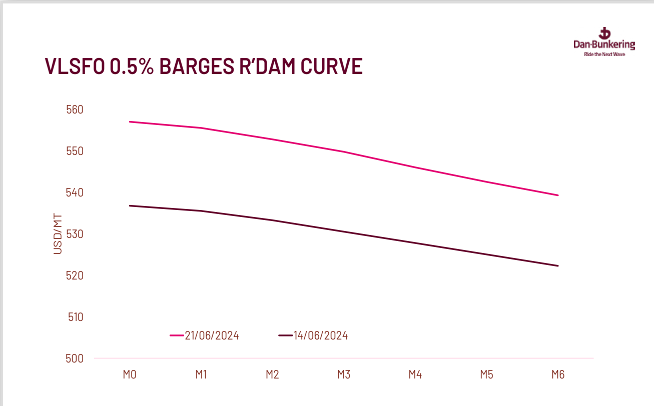
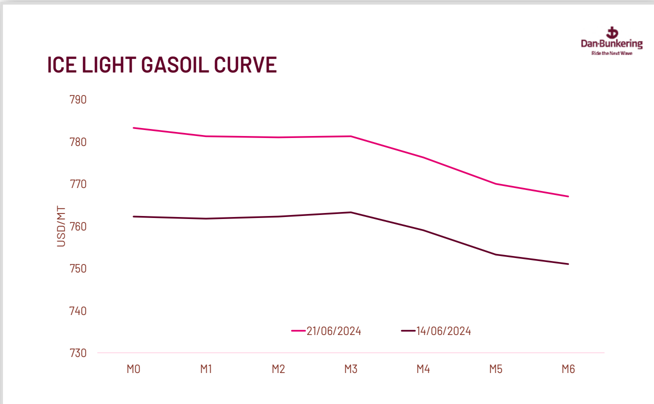
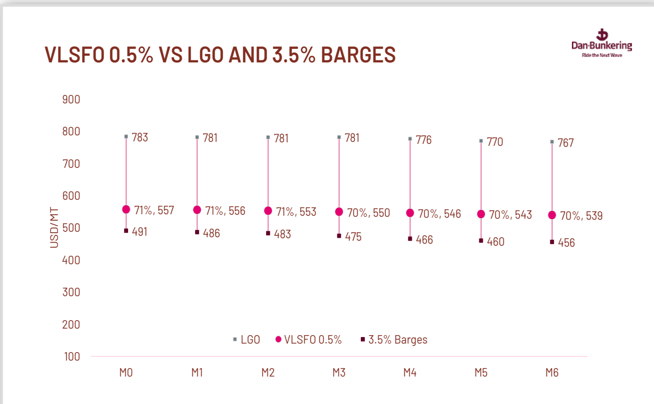


Figure 1 ARA Curve







M0 is July 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front rise by 2.8%, while the sixth-month level rose by 2.2%. The sixth month, minus the front month, is at 1.7% backwardation, up from 1.2% last week. The Fuel Oil Rotterdam front month rose 4%, and the 6-month rose 3.5%. The curve is 6.3% in backwardation on the six-month horizon. The VLSFO curve saw its backwardation increase to 2.6% as the front rose 3.8% while the back rose 3.3%.

Brent Ref: **2.6** **August**

	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	14.0	13.7	2.1	2.1	20.3	13.3	21.0
Jun-24	17.8	19.0	2.6	2.5	20.3	18.8	21.0
Jul-24	17.5	21.0	2.7	2.4	20.0	16.3	19.5
Aug-24	17.0	19.5	2.7	2.3	19.5	17.0	18.8
Sep-24	16.8	17.5	2.6	2.2	19.3	16.0	18.0

06. OUR VIEW

The third quarter is approaching, demand rises, as holiday driving intensifies and fuel is burned in power generation facilities to feed the air conditioners that bring the temperature down. OPEC's decision to hold off for another few months on rolling back its voluntary cuts may be resulting in tighter markets. The "market" at least seems to be pricing in this scenario, with Brent well over $87/bbl on Tuesday. The last time this level was achieved was in April. OPEC seems to be getting results with relatively little effort this time. Saudi Arabia's trade balance data for April shows the Kingdom being SAR 41 bn in surplus, 80% more than the market forecast. Exports are steady at around SAR 100 bn per month. It seems that for now, the market is going in its favour despite the production capacity overhang. Management of the market is doing the trick, for now. And that management benefits non-OPEC producers as much as it does OPEC producers. But the market remains unstable as it is hinging on this very management; if the IEA is anywhere near right about the demand slow-down, then more oil needs to go off the market after summer.

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)**