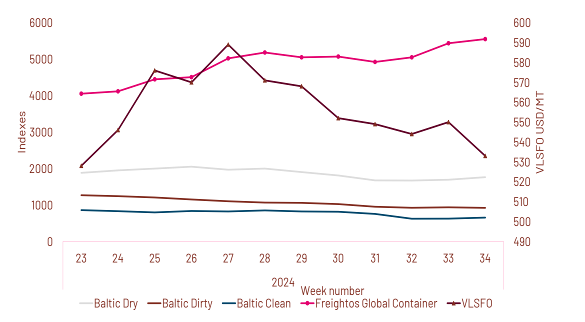
Dan-Bunkering
Ride the Next Wave

Weekly Market Report

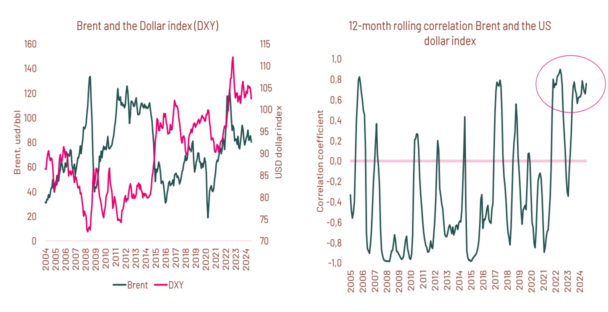
Week 35
August 27, 2024

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

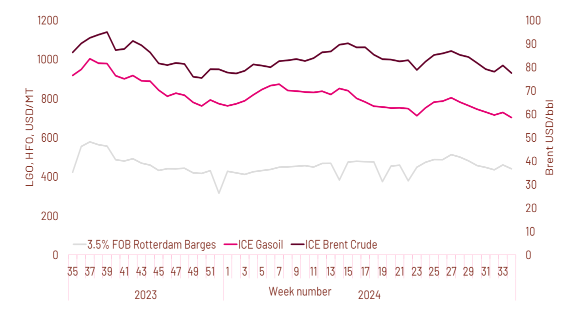
FREIGHT INDEXES AND VLSFO R'DAM



BRENT AND THE DOLLAR INDEX MOVE TOGETHER, FOR NOW POSITIVELY



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
27/08 16:00	USA	CB Consumer confidence (Aug)	100	100.3	Economic health
22:30	USA	API Crude oil stock change		0.4 mb	Oil market balance
28/08 08:00	Germany	GfK Consumer confidence (Sep)	-17.9	-18.4	Economic health
08:45	France	Consumer confidence (Aug)	91	91	Economic health
09:00	Turkey	Balance of trade (Jul)	-$7.2 bn	-$5.9 bn	Economic health
10:00	Italy	Industrial sales June (YoY)	-4%	-4.8%	Economic activity
16:30	USA	EIA crude oil stocks change		-4.7 mb	Oil market balance
16:30	USA	EIA distillate stocks change			Oil market balance
29/08 07:00	Singapore	PPI July (YoY)	5%	4.3%	Economic health
09:00	Turkey	Economic confidence index (Aug)	96	94.4	Economic health
11:00	Euro Area	Economic sentiment (Aug)	95.8	95.8	Economic health
11:00	Euro Area	Consumer confidence (Aug)	-13.4	-13	Economic health
11:00	Euro Area	Industrial sentiment (Aug)	-10.7	-10.5	Economic activity
14:00	Brazil	PPI July (YoY)	5%	4.2%	Economic health
14:00	Germany	Harmonised inflation rate August (YoY)	2.4%	2.6%	Economic health
14:30	USA	GDP growth rate 2nd est. Q2 (QoQ)	2.8%	1.4%	Economic activity
14:30	USA	GDP Price index 2nd est. Q2 (QoQ)	2.3%	3.1%	Economic health
14:30	USA	Core PCE prices 2nd est. Q2 (QoQ)	2.9%	3.7%	Economic health
22:30	USA	US Fed balance sheet		$7.14 trn	Economic health
30/08 01:00	Korea	Industrial production July (YoY)	4.5%	3.8%	Economic activity
01:50	Japan	Industrial production July (YoY)	-2%	-7.3%	Economic activity
08:45	France	GDP growth rate Q2 (YoY)	1.1%	1.5%	Economic activity
11:00	Euro Area	Inflation rate August (YoY)	2.2%	2.6%	Economic health
14:00	India	GDP growth rate Q2 (YoY)	7.1%	7.8%	Economic activity
19:00	USA	Baker Hughes oil rig count		483	Oil market balance
02/09 03:45	China	Caixin Manufacturing PMI (Aug)	49.6	49.8	Economic health
07:00	India	HSCB Manufacturing PMI (Aug)	57.9	58.1	Economic health
09:00	Turkey	GDP growth rate Q2 (YoY)	3.6%	5.7%	Economic activity
10:00	Euro Area	HCOB Manufacturing PMI (Aug)	45.6	45.8	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

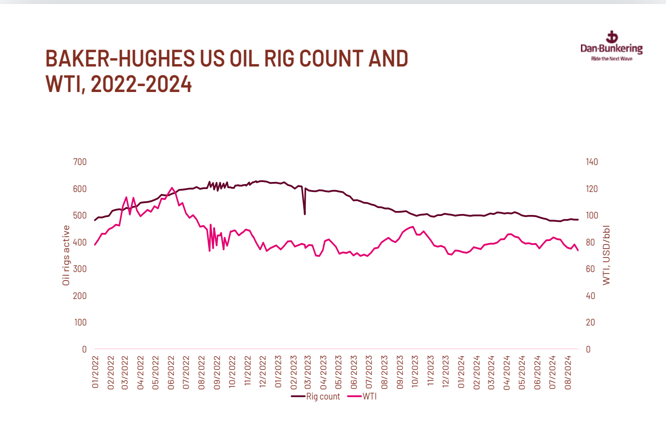
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The coming **week** sees a number of confidence and sentiment indexes, as well as GDP growth rates and early inflation rate estimates for August. In the USA, consumer confidence measured by the Conference Board is marginally down to neither positive nor negative, while in Germany, GfK's index shows a marginal improvement to a still strongly negative -17.9. French consumer confidence is unchanged, at a deeply negative position. For the Euro Area, the index turned slightly further negative. In the Eurozone, the wider economic sentiment was unchanged, although industrial sentiment fell further. It is a clear reflection of the de-industrialisation that is in motion in the area. That is also reflected in the manufacturing PMI for August turning down further. The manufacturing PMI for China is expected to show a minor decline, further into contraction, while India's manufacturing PMI is projected to slow somewhat to 57.9, still strongly expansionary. India's GDP growth rate for the second quarter is down from the earlier 7.8% to a still very strong 7.1%. Turkey too is seeing a slowdown in its GDP growth, to 3.6% from 5.7%, whereas France's GDP growth slows to a comparatively healthy 1.1% in the context of many of the other Euro area countries. The US' second quarter second estimate of the growth rate is expected at 2.4% annualized. Inflation in the major economies continues to fall to central bank targets, in the Euro area to 2.2%, in Germany to 2.4%, and in the USA to 2.3%. However, in both Singapore and Brazil, the producer price index is rising again to 5% in both countries.

OIL MARKET

The Baker Hughes oil rig count was unchanged at 483 last week. The weekly average of WTI was $73.6, down4.4 $3.2. The natural gas price at Henry Hub was down less than $0.1 from the previous week at an average of $2.1/mmbtu.



Over the last weeks, the US Dollar has weakened considerably; as measured by the so-called DXY, or the Dollar index. The latest reading has the index at below 101, down from 105+ in June. Last year saw a similar move. If and when the current announcement of the US Fed to lower rates materialises, the index should see further losses. Unless of course the other central banks do the same. But the interesting part is on the relationship between the DXY and the oil price. Over many years, there has been a strong and negative correlation between the two. During certain periods, that relationship has broken down, meaning that moves in the US Dollar were not reflected in the oil price. And at other points, and particularly recently, both oil and the dollar move in the same direction. Over the 237 rolling

12-months since 2004, the correlation has been negative for 166 months, of with 122 months with a negative correlation larger than 0.3. For 71 months, the 12-month correlation was positive, of which 48 months with a correlation higher than 0.3. those periods where the correlation was between -0.3 and 0.3, we consider for this observation as no real co-movement. Since October 2021, the correlation has been mostly strongly positive. The fact alone, that half the period of strongly positive correlation has occurred over the past three-year period out of 20 years, is suggestive that a reversion to a negative correlation is likely. That is the more so, since it has been the natural relationship between oil and the US dollar for several decades. The projected pivot of the US Fed may trigger the reversal, although it will take some time to filter through.

ECONOMY

The Dutch Central Planning Bureau **published** its World Trade Monitor for June. World trade increased by 0.7% from May levels. The headline number continues to be distorted, as the CPB indicates that the May figure was revised downwards. Earlier, the CPB estimated an increase in May of 0.1% over April levels, but it revised that to a decrease of 0.3%. Year-on-year, trade is up around 1.8%.

The monitor shows that imports decreased for the EU and China on annual comparison. Imports also fell for the Euro area. The Eurozone fell 1% from May and 6% yearly. US imports rose nearly 1% from May and rose 5.5% year on year, while imports into the UK rose nearly 8% from May and over 5% year on year. On the exports side a stronger picture emerged on a global scale. Exports rose 0.6% from May levels, and 2.8% from year ago levels. All the advanced economies, except the others category, rose month to month, but the Eurozone, the UK and Japan saw a fall. China again recorded a substantial increase, at 3.1% from May and over 15% annually. Emerging Asia excluding China, however, fell month on month, by over 7% from April levels, but that is still up over 5% annually.

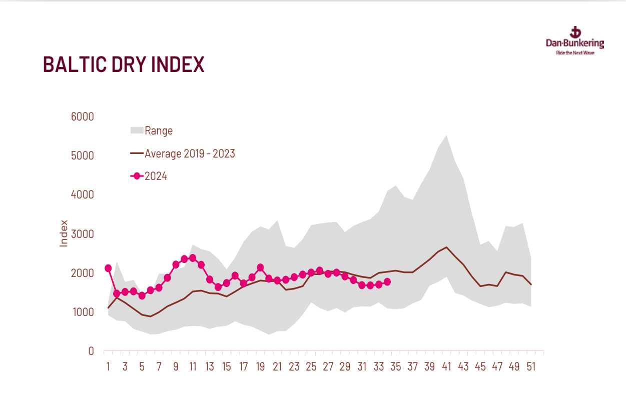
World industrial production is down marginally from May and up 0.5% on year-ago levels. The June reading is the fifth highest in the CPB series. The Eurozone saw output fall 2.7% yearly and Japan by 7%, while emerging Asia saw output rise by nearly 3% annually. The USA was up 1.1% yearly, and China was up by 5.3%. Month on month, China was slightly up.

At the global level, world trade is now close to the levels seen in the same months in 2022, which at the time showed 2 more months of increases before starting to drop precipitously. At the time, the central banks were hiking interest rates to slow down the economy. Now, several central banks have started cutting rates, albeit it in small steps, and the US Federal Reserve is indicating it may cut soon. At the Jackson Hole symposium last week, the chairman **said** cuts are coming, without specifying September. In his words: "*The time has come for policy to adjust. The direction of travel is clear...*" But "*the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks.*" Financial markets expect with high probability cuts of 2%-points by end-

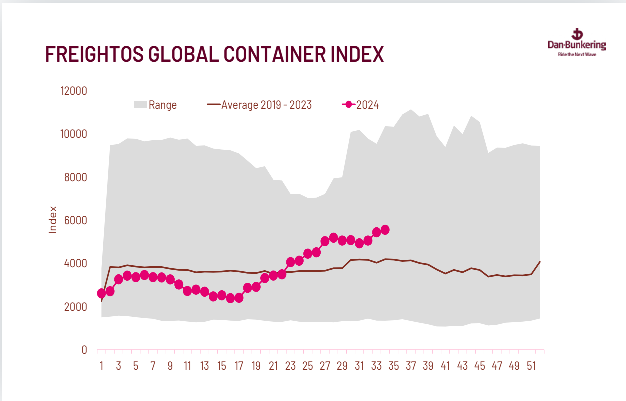
2025. Last December, these markets expected 1.5%-points cuts during 2024. That is not what the Fed is indicating. In fact, there is a considerable chance that 2025 may see new inflation due to economic and fiscal policies pursued by the US government, whoever becomes President in the USA **according** to the Peterson Institute for International Economics. If that happens, then the US Fed may be forced to re-hike.

VESSEL RATES

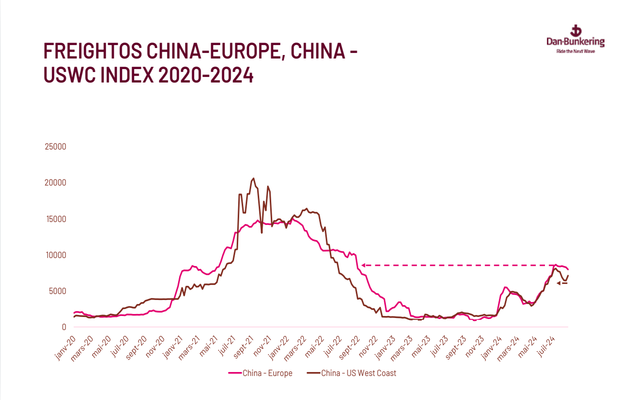
Crude oil tanker rates on the Baltic Exchange TD3 route were down around 23% after last week's 66% increase. The t/c rates were at $29.6k/day compared to $38.3k/day a week before. Voyage rates were reported at $7.9/mt on the route on the 23rd of August, down $1.1 compared to the week before. The Baltic dirty index was down 2%, or 16 points, to 920. The level remains 12% above the previous 5-year average. The clean index was up 4% from last week's level of 625 to 652. The index is now 7% below the previous 5-year average. Dry bulk rates rose 4%, or 71 points to 1762 per the Baltic Dry Index. The index is 13% below 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 2.1% over the last week compared to the 16th of August to $5552, as measured by the overall **Freightos Global Index**. The China to Europe rate fell 3.6% to $7965 over the same period. The China to US West Coast 10.7% from $6429 to $7115. The indexes still are at levels last seen in the summer months of 2022. Congestion, measured by the last 7-day moving average of containerships in port, was reported at 31.2%, down 0.4% points compared to the previous week. The congestion share represents some 9.3 mln TEU, down over 0.1 mln TEU from last week.



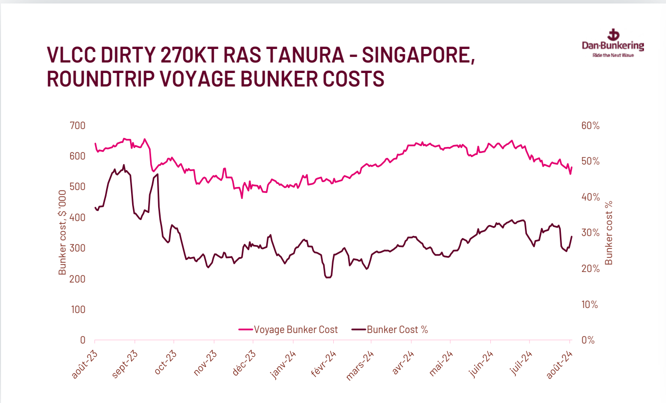
The idle container fleet stood at 281, up 10 from last week, which itself was lowered by 1. Some 2.5% of the fleet is reported idle (including those vessels retrofitted with scrubbers and those laid up and calculated in terms of TEU capacity rather than vessel numbers). That level is just above the low end of the 5-year range. The idleness per sub-segment differs considerably. Of those 272 idle container vessels, 216 are sub 3000 TEU, up 6 on last week, with another 32 of 3-6000 TEU, down 1 from last week (which itself was unrevised). Those vessels represent 4.2% and 2.9% of their respective fleet sizes. Clarksons reports 4 containerships of 12-17000 TEU idle, or 0.9% of capacity, and one of 17000+ TEU.

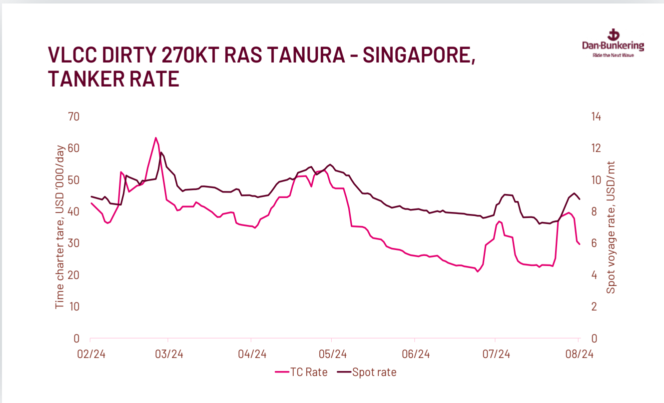


The reported average voyage duration between China and the US West Coast is 21.1 days, down 0.2 days from last week. Although the average voyage duration moves up and down from week to week, current levels are at the very low end of the longer period range.

FREIGHT AND BUNKERS

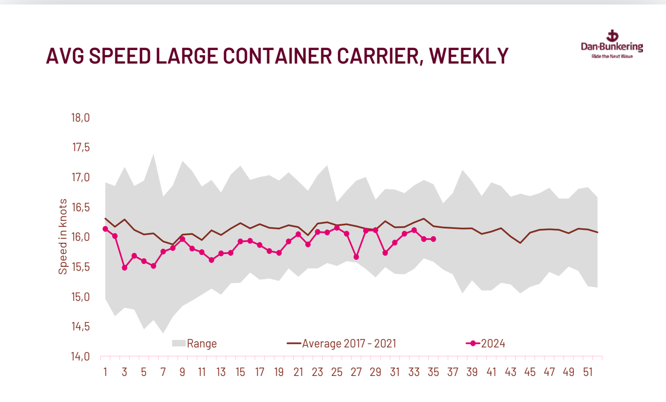
Reported tanker voyage charter rates were down at $7.9/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were down over 1% in Fujairah and down around 3% in Singapore over the week through the 23rd of August. Bunker costs are some 29% of the total voyage. On the basis of VLSFO, bunker costs are 38% of the total voyage. The VLSFO prices were up around 1% in Fujairah and up 5% in Singapore. The calculations provided are intended to be directional indications, not the actual ones that each tanker owner is experiencing.

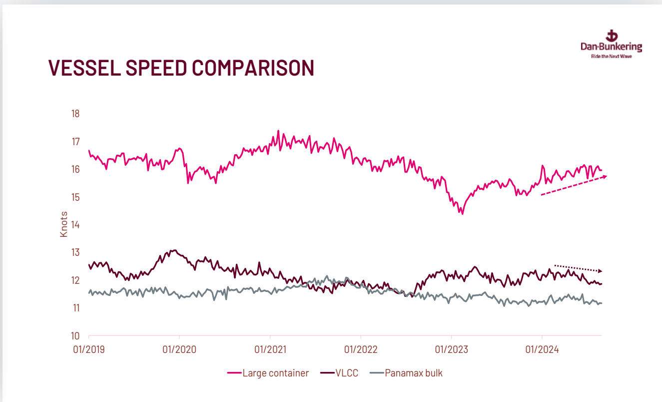




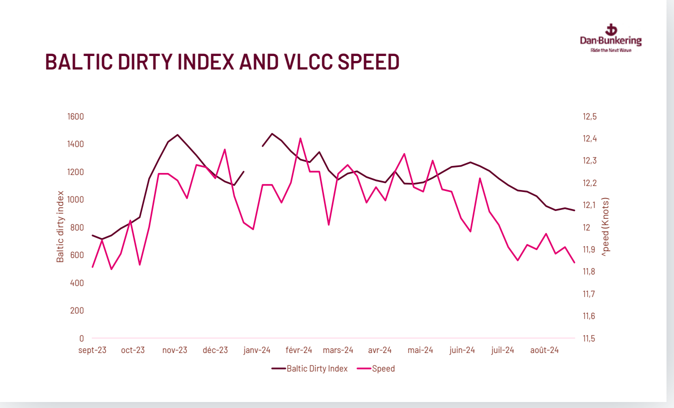
VESSEL SPEEDS

The container vessel's latest data point of 16 knots is down around 0.1 knots from last week as per LSEG (formerly Refinitiv) data. The current speed is still only 0.5 knots above the low end of

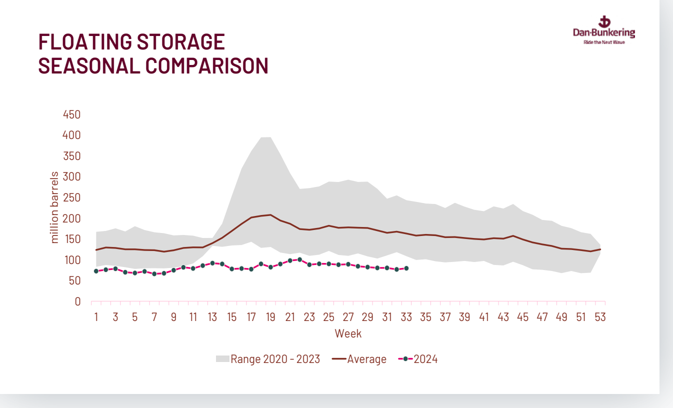




the 5-year period. Medium sized container vessels reduced speeds by 0.1 knots to 15.1 knots. The weekly movements in the measurements appear to be within calculation noise. Panamax bulkers maintained speed to at 11.1 knots, very close to the minimum registered for the past 5 years.

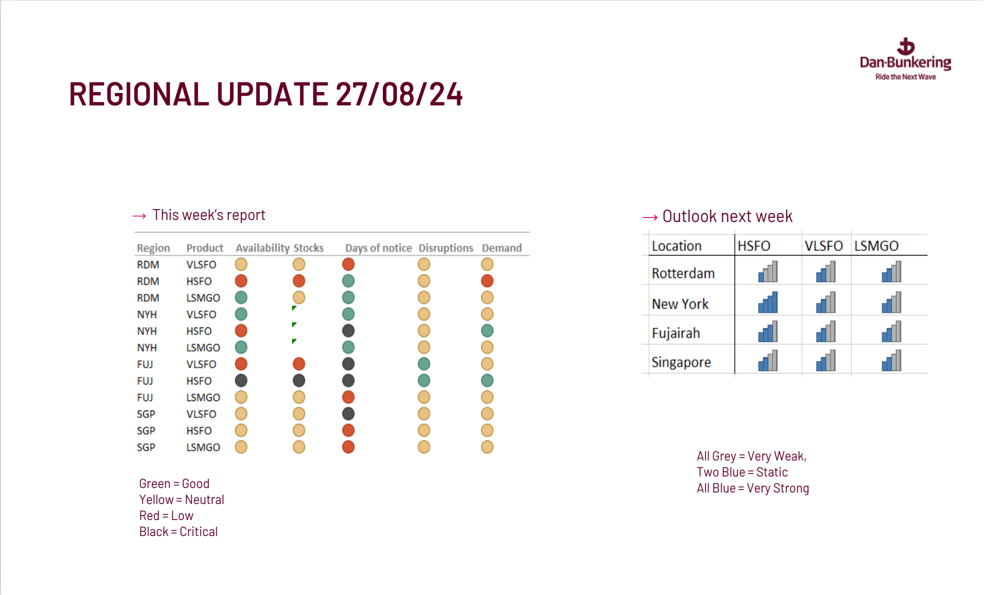


VLCC tanker speeds fell less than 0.1 knots to just above 11.8 knots. The current speed reading is 0.2-0.3 knots below the average of the range seen for the period of the year. Still, the movements in the speeds are occurring in a tiny band around that average. The freight rates, as reflected by the Baltic Dirty Index, suggest a reasonably close relationship between those rates and speeds. The idle share of the fleet was at 6.6 % in deadweight terms, unchanged from 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 current reading is the third highest since January 2014, the start of the data series. The idle share was unchanged at 42 mln DWT in deadweight terms. The current level is 45% higher than the "normal" average. The current number of idle vessels rose by 2 to 314 compared to last week (which was unchanged). That too is the highest level in the series.



The floating storage (excluding the dedicated storage) stands at 83 vessels, down 2 from last week's number, which was unchanged. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is above 73 million barrels, down nearly 6 mb compared to last week. 34 product tankers are reported functioning as storage, accounting for over 12 mb. On last report, 47 crude tankers vessels accounted for 61 mb of stored oil, down over 5 mb from last week. The number of crude oil tankers as storage is in line with that seen before 2020. The number of product tankers used as storage remains elevated, but with the latest reduction is now at March 2020 levels.

03. REGIONAL REMARKS



NEW YORK

Demand from liners for HSFO is indicated in Sep to be very strong again. The VLSFO demand is steady and LSMGO demand is also steady.

FUJAIRAH

A tight week in the market across most grades, as the Vopak terminal had a number of loading delays which affected a large number of suppliers and their schedules.

HSFO issues also abound due a tightness of cargoes in the market, with a number of suppliers not managing to secure avails from the cargo players.

These tight avails are expected to continue throughout the week at least.

ARA

HSFO

Tightness increasing with continuous pull from power and bitumen sector. The arb from the West is closed with no new arrivals of incoming fuel cargoes next few weeks/early September. Tightness to persist into September. Cash to paper premiums continue at their highest since early July, M1/M2 backwardation strengthened by another $2.25 vs previous week highlighting the prompt tightness.

VLSFO

Market unchanged from previous week and trading rangebound.

MGO

Market well supplied with stock levels at a 15-month high due to record imports from the West and East. Overall bunker demand has been steady. Ahead of wintertime, demand for heating oil has come in with counterparties starting to stockpile. ICE GO forward structure continues weakening throughout Sep-Dec hinting towards an oversupplied market.

SINGAPORE

The Asian low sulfur fuel oil market is likely to remain supported over 26-30 August, buoyed by tight prompt supplies and expectations of fewer Western arbitrage arrivals in September. The current tightness in cargo availabilities for LSFO in Singapore has led to a shortage of supplies for very prompt August refuelling schedules, with more suppliers focusing on selling stockpiles for September deliveries.

The Asian high sulfur fuel oil market remains support by the last leg of peak summer utility consumption and firm HSFO bunker demand on the back of limited availability of non-sanctioned material in the region.

The Asian middle distillates complex is likely to remain rangebound over the 26-30 August period, with the market awaiting clarity on China's third batch of export quotas.

Regional indicators : prices in USD to benchmarks

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	9	FOB Rdam Barges 3.5%	-17	MOPS380	5	MOPD380	20-28	MOPS380
VLSFO	6	FOB Rdam Barges 0.5%	20	MOPS 0.5%	7	MOPS 0.5%	30-42	MOPS 0.5%
LSMGO	-50	ICE Gasoil	55	MOPS GO 10ppm	-0.09	HO	0 to -7	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	4-5	10-12	7	10
VLSFO	4-5	10-12	3	15
LSMGO	1-2	4-5	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve *fell* $10.3/mt at the front compared to last week in absolute terms (August 23rd compared to August 16th). The six-month fell by $9.5/mt. The curve is still in backwardation over the longer horizon but is in contango from the first through second month. The time spread for the 6-month period fell $0.8 to minus $2.5/mt. The 3.5% barges' curve backwardation increased by $1.2 to $34.4 on the 6-month contract (front month minus the six-month contract). The front fell $6.4/mt, and the six-month fell $7.6/mt. The front month spread (M0-M1) decreased $0.6 to $8.9. The VLSFO 0.5% backwardation increased $1.1/mt to -$27.3/mt compared to a week prior. The curve is still in full backwardation, but the curve is starting to change, as the second month rose $1.3.

The relative value of VLSFO compared to LGO at 6 months is unchanged at 71% and decreased $7/mt in absolute terms to -$202/mt compared to 75% or $178/mt below LGO at the front. That $178/mt is down $8/mt compared to last week's reading when the front was 74% of LGO.

Monday the 26th saw the ICE gasoil front move up $18 from Friday's close of $708.25/mt. On Tuesday end-morning, the ICE Gasoil curve saw the 6-month structure decrease marginally compared to the Friday level, and down $2.25 from the Monday level of $4.5/mt. The front was down, around $9/mt on Monday's level and the 6-month was down by around $6/mt on Monday's level. On the front months, M1/M2, the curve saw a continuation of the contango compared to Friday. The front is up around 1% compared to Friday the 23rd.

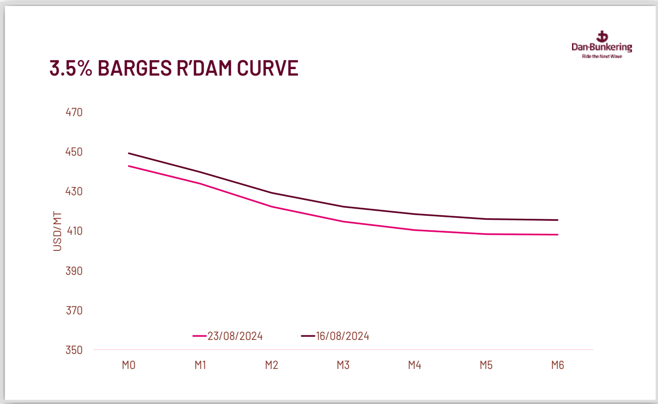
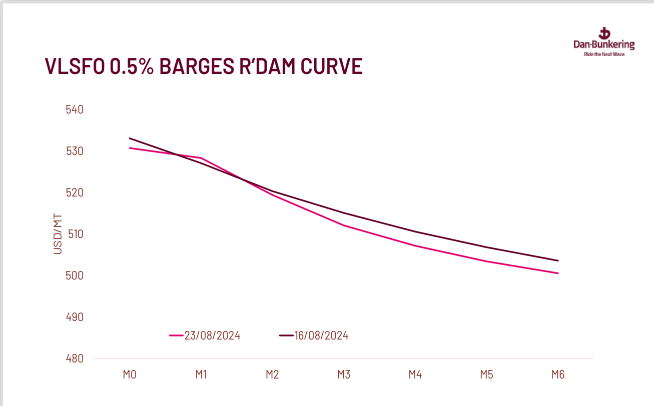
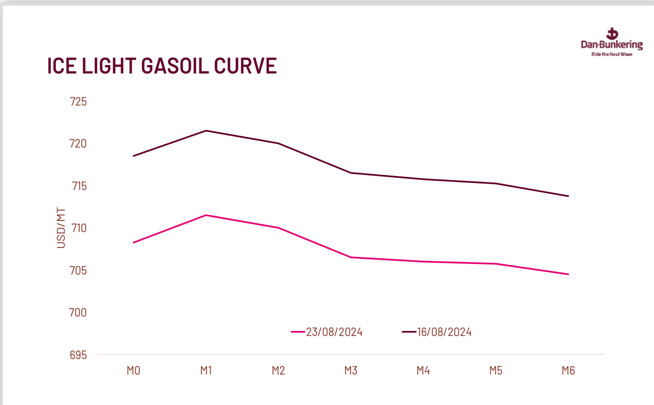
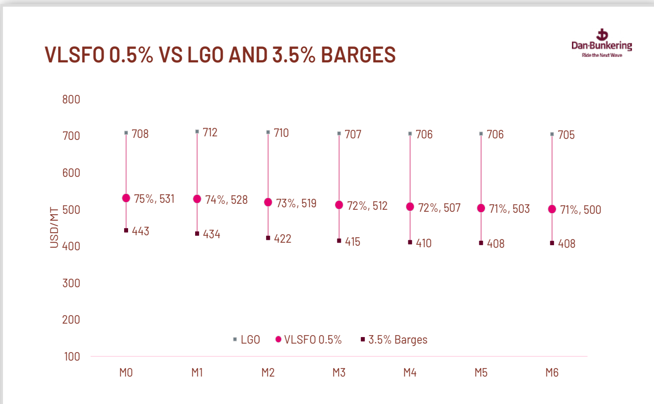


Figure 1 ARA Curve







M0 is September 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front fall by 1.4%, while the sixth-month level fell by 1.3%. The sixth month, minus the front month, is at 0.4% backwardation. As indicated above, the front month is actually 0.4% in contango to the second month. The Fuel Oil Rotterdam front month fell 1.4%, and the 6-month fell 1.8%. The curve is 7.8% in backwardation on the six-month horizon and sees a 2.1% (or $6.4/mt) backwardation between the front and second month, up 0.4% points from last week. The VLSFO curve saw its backwardation increase to 5.2% as the front fell 0.4% and the back was down 0.7%.

Brent Ref:		October					
	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	8.2	-17.2	-0.6	-1.6	-2.3	-20.5	-10.3
Sep-24	6.0	-19.0	-1.5	-0.7	-2.3	-6.4	-10.3
Oct-24	0.5	-16.1	-0.5	-0.7	1.3	-5.9	-10.0
Nov-24	-8.2	-18.8	-0.6	-0.8	-0.9	-7.0	-10.0
Dec-24	-11.7	-19.5	-0.5	-0.7	-3.0	-7.6	-10.0

06. OUR VIEW

Geopolitics have taken the limelight over the past few days, pushing the oil price up. That is in addition to the central banks considering cutting. Although those decisions are not written in stone as yet, as they have not been for over a year. The banks are adjusting in a piecemeal manner, while the markets react, as usual, as if the physical world adjusts instantly. The same goes for the geopolitics. Libyan announcements that oil production will be shut in may be just that, announcements rather than actual implementation. Worries that 1 mb/d or more of oil will go off the market may be fully justified, but the market gets ahead of itself quite often. And the reality is that prices move up or down, without real changes in the fundamentals. Wait and see is not an approach that the markets take, but it is what the central banks take. Those cuts may be coming, but likely not as deep as hoped for. If the cuts are very modest, it is plausible that the oil market balance will be considered weaker as demand will not rebound, immediately. And OPEC is also in wait and see mode. The reversals may or may not come, but a decision about it will come in September. But even if the decision is taken to reverse, it will take time to get the oil to market, changing the balance.

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)**