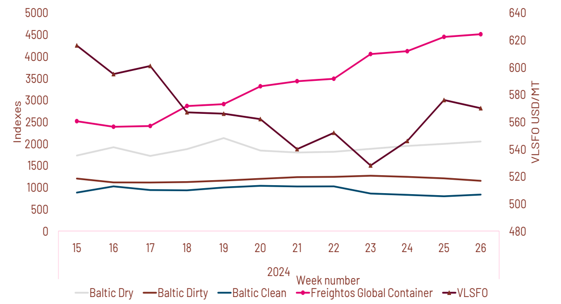
Dan-Bunkering
Ride the Next Wave

Weekly Market Report

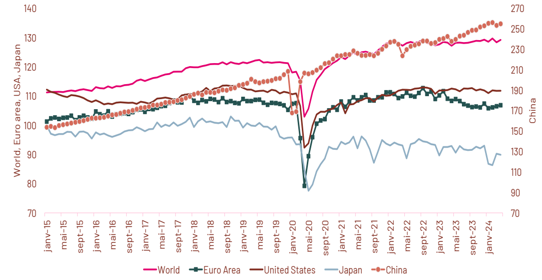
Week 27
July 2, 2024

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

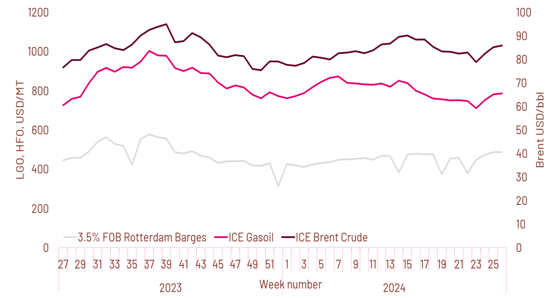
FREIGHT INDEXES AND VLSFO R'DAM



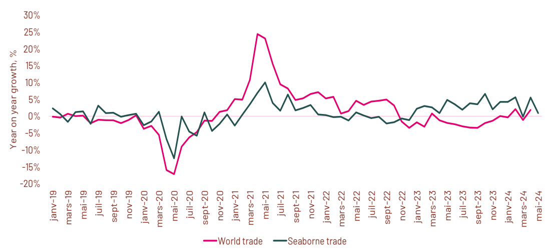
CPB INDUSTRIAL PRODUCTION INDICES 2016 - 2024



BRENT, HFO AND LGO WEEKLY AVERAGE PRICES



SEABORNE TRADE GROWTH AND WORLD TRADE GROWTH



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
02/07 17:00	Mexico	S&P Global manufacturing PMI (Jun)	51.5	51.2	Economic health
22:30	USA	API Crude oil stock change		0.9 mb	Oil market balance
03/07 08:45	France	Budget balance (May)	-€115 bn	-€92 bn	Economic health
09:00	Turkey	Inflation rate June (YoY)	72%	75.45%	Economic health
10:00	Euro area	HCPB Composite PMI (Jun)	50.8	52.2	Economic health
11:00	Euro area	PPI May (YoY)	-3.9%	-5.7%	Economic health
14:00	Brazil	Industrial production May (YoY)	3.1%	8.4%	Economic activity
14:30	USA	Balance of trade (May)	-$76 bn	-$74.6 bn	Economic health
16:00	USA	Factory orders May (MoM)	-0.2%	0.7%	Economic activity
16:30	USA	EIA crude oil stocks change		3.6 mb	Oil market balance
16:30	USA	EIA distillate stocks change		-0.4 mb	Oil market balance
20:00	USA	US Fed FOMC minutes			Economic health
	Russia	GDP May (YoY)	3.9%	4.4%	Economic activity
04/07 08:00	Germany	Factory orders May (MoM)	0.3%	-0.2%	Economic activity
13:30	Euro area	ECB monetary policy meeting minutes			Economic health
	UK	General election			Economic health
	Global	New York Fed Global supply chain pressure index		-0.48	Economic health
05/07 07:00	Japan	Leading economic index (May)	111	110.9	Economic activity
08:00	Germany	Industrial production May (MoM)	0.2%	-0.1%	Economic activity
08:45	France	Industrial production May (MoM)	-0.3%	0.5%	Economic activity
10:00	UN	FAO food price index		120.4	Economic health
19:00	USA	Baker Hughes oil rig count		479	Oil market balance
21:00	Argentina	Industrial production May (YoY)	-14%	-16.6%	Economic activity
08/07 08:00	Germany	Balance of trade (May)		€ 22.1 bn	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

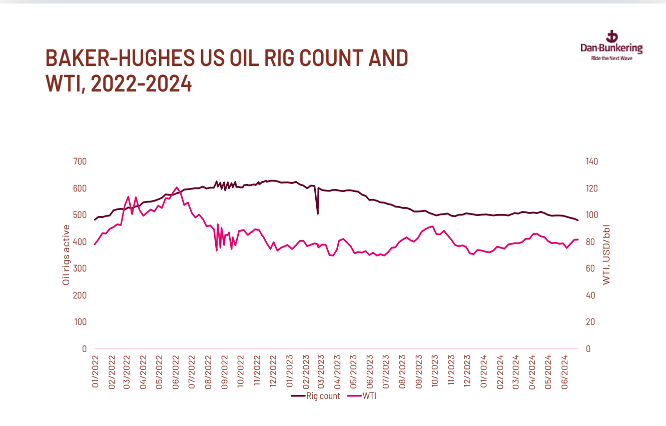
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The week ahead sees both the ECB and the US Federal Reserve publish their meeting notes. Although hardly market-moving, the minutes provide for insight into the decisions and the outlooks for the economy and therefore potential interest rate decisions. After last week's flurry of manufacturing PMI's, this week sees the same PMI for Mexico, which is expected to have increased slightly in June, reflecting further expansion. Brazilian industrial production growth is expected to have slowed down from over 8% in April to just above 3% in May, still highly respectable growth rates. In Germany, industrial production in May is projected to have slightly expanded from April levels, while in France the opposite is expected. Argentina's industrial production continues to drop precipitously on an annual basis. US factory orders are expected to have fallen in May from April levels, while in Germany, these orders are seen increasing in May. The US' balance of trade continues its negative trajectory, although in absolute terms, the balance is slightly up on April, but there is also a day more in the month, so for all intent and purpose, the balance is unchanged; Germany's balance of trade in May is projected at a positive €22 bln. France's budget balance is calculated to show a €115 bln deficit. The number is very high, and France now finds itself in the crosshairs of the European Commission, together with several other countries, for continued budget rule breaks. Over the past 30-odd years, France has only a very few times been within the treaty limits. The UK will see a general election on Thursday, France will see its second round on Sunday.

OIL MARKET

The Baker Hughes oil rig count was down six rigs to 476 last week. The weekly average of WTI was $81.3, up $0.1. The natural gas price at Henry Hub fell to an average of $2.7/mmbtu, down 10 dollar cents from the previous week.



Saudi Aramco is underway with a share offering where the company will sell 0.64% of the issued capital for just over SAR 42 bln (approximately $11 bln). These occasions are accompanied by an offering memorandum describing the company. Aramco is the world's biggest oil company, with the world's largest onshore and offshore oil fields. Those are Ghawar and Safanyiah, respectively. In its 2017 bond prospectus, the company discussed the state of its oil fields in detail. The data suggested that the Ghawar oil field was heavily depleted at the time and falling. This time, such detailed data is absent. However, the company reported three elements that shed some light on the state of its reserves. The first is that reserves have been increasing yearly despite producing around 3.5 bln barrels yearly. In other words, reserve replacement has been more than 100% yearly. The company, with exclusive rights in the country, now holds 191 bln barrels of crude oil and condensate over its 60-year remaining concession period. It estimates nearly 262 bln barrels, including a further concession extension. The company is bound to produce its reserve prudently to optimise the country's wealth. It is one of the scarce examples where so much oil is treated in a long view, resulting in low depletion rates (annual production rates compared to the remaining reserves in the fields). The second element is that the maximum sustainable capacity is 12 mb/d as imposed by the state. The company sees this as a unique opportunity to flexibly use its fields while holding considerable spare capacity. This allows the company to alternate new(er) and older fields to optimise overall production. The third element consists of the capacities of new fields being brought into production. In 2025, Marjan and Berri will add some 550 kb/d of capacity, while in 2026, the Zuluf crude oil increment will add another 600 kb/d of capacity. In light of the maximum sustainable capacity of 12 mb/d, this suggests that the annual gross decline rate in production is around 4-5% (550-600 kb/d divided by 12 mb/d). Arguably, this may be overestimated if the maximum capacity is lightly exceeded or undershot in any year to have an average capacity of 12 mb/d over a more extended period.

Aramco has considerably lowered its capital expenditure, but the company warns that if the state orders an increase in the maximum sustainable capacity, it will have to invest considerable sums. Furthermore, the company's lifting costs per barrel are around $3.2, among the world's lowest. Saudi Aramco transferred $200 bln to the state and shareholders; although an overall fall from 2022 by $25 bln, the dividend component was increased by nearly $20 bln to around $90 bln as the dividend policy was changed.

The fact that the company generates a return on average capital employed of well over 20% combined with the reported lifting cost may give some perspective to the financial market remarks that the country requires a fiscal break-even price of $80-90/bbl. Finally, it is noted that the oil sector now accounts for 36% of Saudi Arabia's GDP. That is down from well over 50% in the 1970s, and while that fall seems small, it masks that there is much more diversification in that oil sector in the country. In other words, the world has changed considerably over the past 50 years.

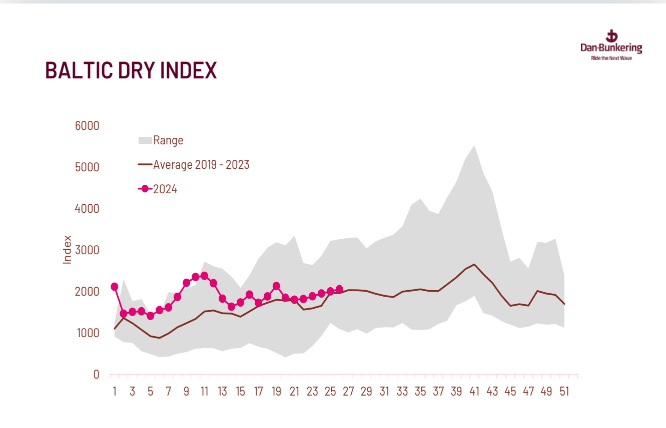
ECONOMY

The Dutch Central Planning Bureau published its World Trade Monitor for April. World trade increased by slightly more than 1.5% from March levels. This headline number is again somewhat distorted, as the CPB indicates that the March figure was revised downwards. Earlier, the CPB estimated the decline in March to be 0.5% over February levels, but it revised that to a decrease of 1.1%. Year-on-year, trade is up around 1.8%. The monitor shows that imports decreased for the EU and Japan on annual comparison. However, imports grew for almost all countries compared to March levels. The Eurozone rose 2% from March but fell 3.8% yearly. US imports rose 2.1% from March and 2.6% year on year, while imports into the UK rose over 10% from March and 5% year on year. The picture is even better on the exports side, although March was not a good month. Exports rose 1.8% from March levels, with all the advanced economies, except the UK and Japan, rising. China, too, recorded a substantial increase, as did emerging Asia excluding China, by nearly 6% from March levels. World industrial production is up 0.6% from March and up 1.6% on year-ago levels. The Eurozone saw output fall 1.4% yearly and Japan by 3.3%, while Africa/Middle East also saw output fall by over 2% annually. The USA was down 0.8% yearly, while the advanced Asian countries were up over 4%, and China was up by 7.2%.

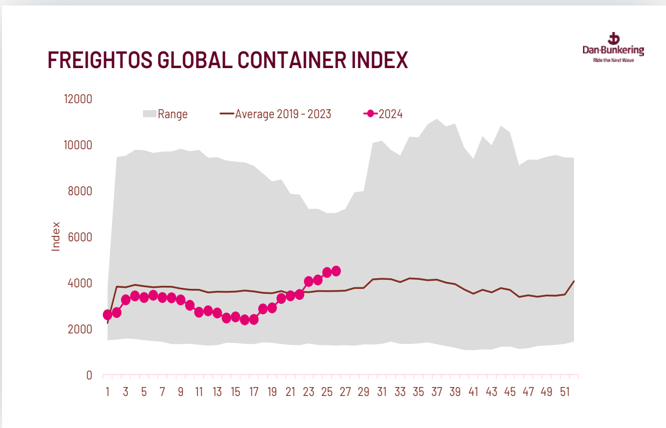
The latest Clarksons trade data appear to confirm the CPB April numbers. Interestingly, Clarksons sees April seaborne trade at 5.5% growth, or three times faster than overall trade growth. However, in May, seaborne trade slowed down to a 0.9% increase from year-ago levels. If the same ratio holds, then overall global trade slowed down considerably in May.

VESSEL RATES

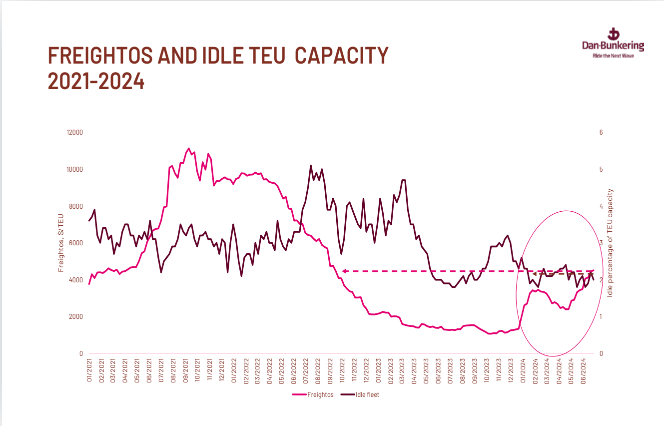
Crude oil tanker rates on the Baltic Exchange TD3 route were down 2% after last week's 8% decrease. The t/c rates were at $25.6k/day compared to $26.2k/day a week before. Voyage rates were reported at $8.0/mt on the route on the 28th of June, down less than $0.1 compared to the week of the 21st. The Baltic dirty index was down 5%, or 55 points, to 1150. The level remains 44% *above* the previous 5-year average. The clean index was up 5% from last week's level at 834. The index is 12% above the previous 5-year average. Dry bulk rates rose 3% or 53 points to 2050 per the Baltic Dry Index. The index is 5% 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 over 1% over the last week compared to the 21st of June to $4508, as measured by the overall **Freightos Global Index**. The China to Europe rate rose nearly 2% to $7130 over the same period. The China to US West Coast rose 3% from $6840 to $7052. The indexes continue to rise to levels last seen in the months August to September 2022. That is, around half the historical highs seen late 2021. The Red

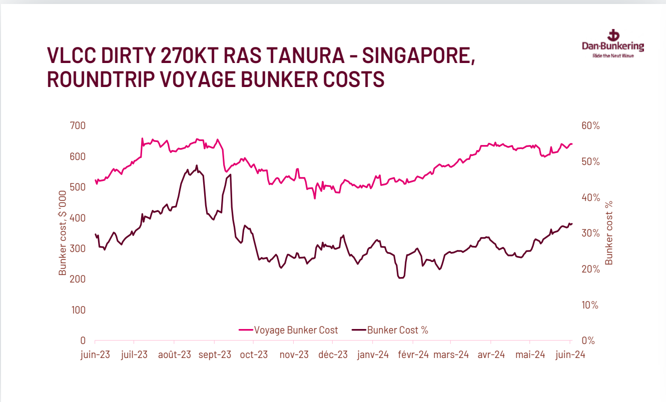


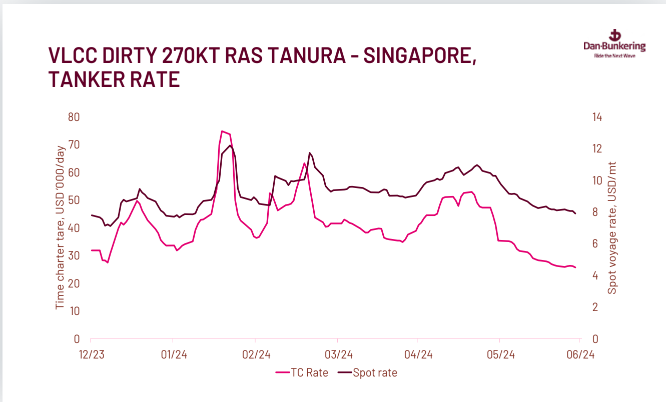
Sea disruptions with their knock-on effects on fleet deployment as well as reported strong demand continue driving up rates. Congestion, measured by the last 7-day moving average of containerships in port, was reported at 30.5%, down 0.5% points compared to the previous week. The congestion share represents some 9.0 mln TEU, down 0.1 mln TEU from last week. The idle fleet stood at 268, up 10 from last week, which saw a 3-vessel downward revision in the data. Some 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 level continues 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, unchanged from last week. These indicators continue to show comparatively strong swings on a week-to-week basis.



FREIGHT AND BUNKERS

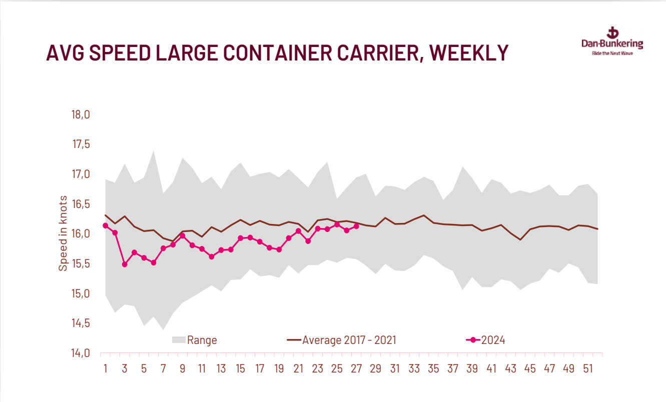
Reported tanker voyage charter rates were down at $8.0/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were marginally up in Fujairah and marginally down in Singapore over the week through the 28th of June. Bunker costs are some 33% of the total voyage. If the voyage is calculated on VLSFO, bunker costs are 40%. The VLSFO prices were up over 4% in Fujairah and more than 3% in Singapore. The calculations provided are intended to be directional indications, not the actual ones that each tanker owner is experiencing.

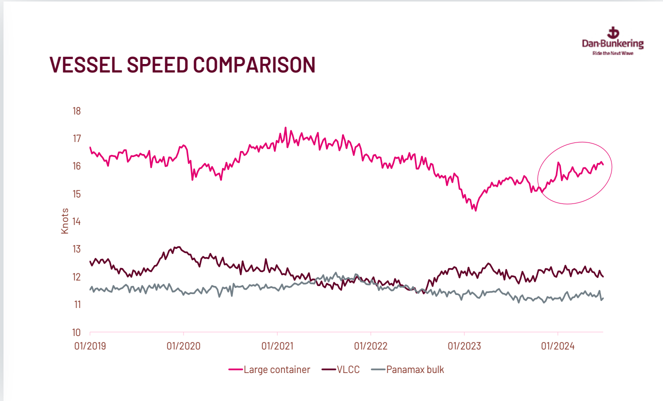




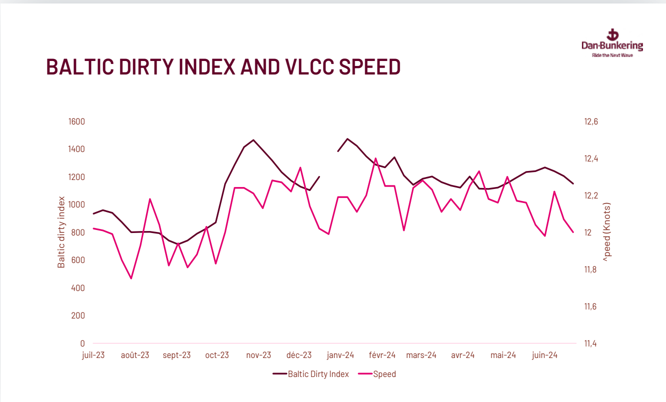
VESSEL SPEEDS

The container vessel's latest data point of 16.1 knots is unchanged from last week. Medium sized container vessels decreased speed by 0.2 knots to 14.9 knots. The weekly movements in the measurements appear to be within calculation noise.

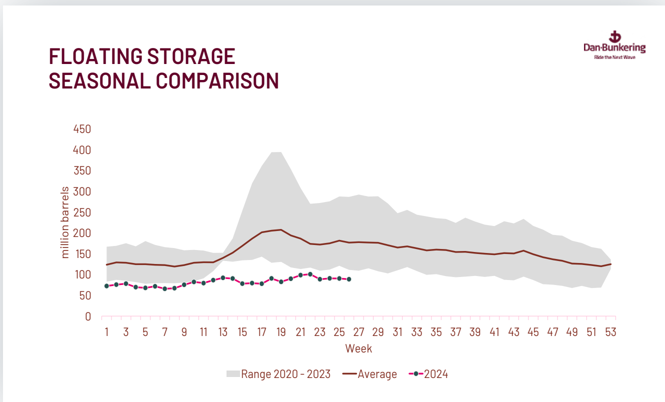




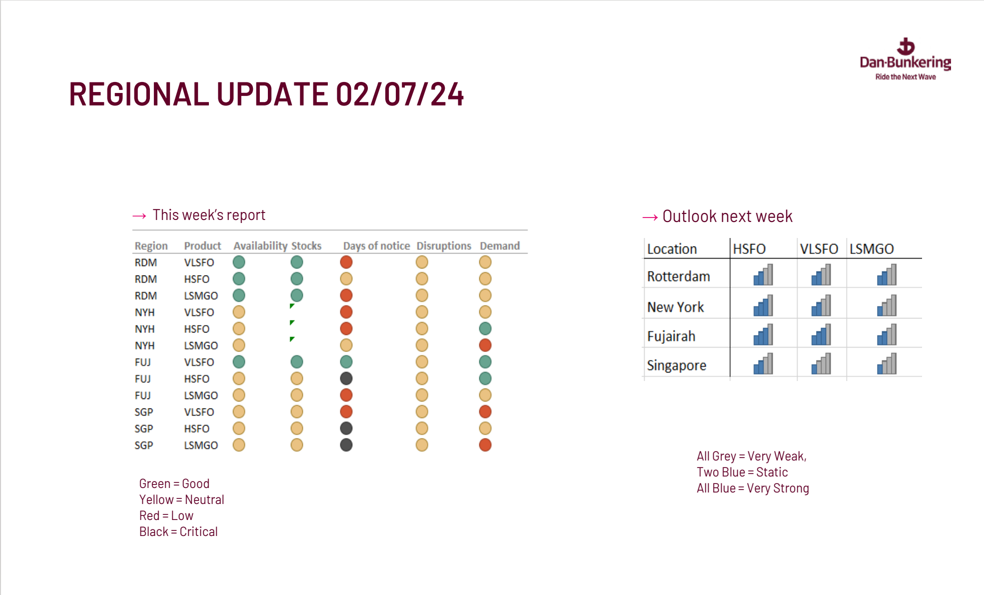
VLCC tanker speeds are flat at 12 knots. The current speed reading is on par with the average of the range seen for the period of the year. Still, the movements in the speeds are occurring in a tiny band around that average. The idle share of the fleet was at 6 % in deadweight terms, down 0.2% points 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 down 1.5 mln DWT to over 37 mln DWT in deadweight terms. The current level is 26% higher than the "normal" average. The current number of idle vessels fell by 10 to 280 compared to last week (which was decreased by 3 vessels).



The floating storage (excluding the dedicated storage) stands at 115 vessels, down 3 vessels from last week's number, which was unchanged at 118. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is below 89 million barrels, down 2 mb compared to last week. 58 product tankers are reported functioning as storage, accounting for 21 mb. On last report, 55 crude tankers vessels accounted for over 67 mb of stored oil, down nearly 1 mb. The number of crude oil tankers as storage continues to slowly creep up, although the level is in line with that seen before March 2020. The number of product tankers used as storage remains elevated.



03. REGIONAL REMARKS



NEW YORK

Status quo since last week. A new MGO jobber has joined the slate of suppliers in NYH.

FUJAIRAH

VLSFO avails are slowly tightening with majority suppliers quoting for enquiries 1 week out. Few still have prompt slots available but with little to no difference on buying levels/premiums. HSFO is a bit tight with steady demand and most suppliers booked out for the next 1 week to 10 days out, with limited slots prior for prompt requests.

ARA

Market circumstanced remain mainly unchanged. The market is well supplied and while demand is picking up, no immediate tightening is observed.

SINGAPORE

VLSFO: The Asian low sulfur fuel oil market is anticipated to encounter increased pressure due to rising Western arbitrage flows into the Asia-Pacific region, ensuring ample near-term supplies.

HSFO: Seasonal demand in the Middle East may support the Asian high sulfur fuel oil market, but slower utility procurement in July could soften the market.

LSMGO: Asian ultra-low sulfur gasoil refinery margins are expected to stay strong from July 1-5, but increased spot volumes from refiners in July could offset the easing regional supply glut.

Regional indicators : prices in USD to benchmarks

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	5	FOB Rdam Barges 3.5%	-8	MOPS380	0	MOPD380	10-17	MOPS380
VLSFO	6	FOB Rdam Barges 0.5%	5	MOPS 0.5%	0	MOPS 0.5%	11-15	MOPS 0.5%
LSMGO	-35	ICE Gasoil	100	MOPS GO 10ppm	0	HO	-5 to 0	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	4-6	10	5	11
VLSFO	4-6	4	5	11
LSMGO	4-6	5	2	7

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve rose $2.3/mt at the front compared to last week in absolute terms (June 28th compared to June 21st). The six-month rose by $2.8/mt. The curve is in backwardation, but unstable over the second through fourth month. The time spread for the 6-month period decreased $0.5/mt to minus $12.8/mt. The 3.5% barges' curve strengthened the backwardation, which is at $31.5 on the 6-month contract (front month minus the six-month contract). The front fell $1/mt while the six-month fell $1.8/mt. The VLSFO 0.5% backwardation increased $1.8/mt to -$16.3/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 $225/mt below LGO at the front. That $225/mt is down $1/mt compared to last week's reading when the front was 71% of LGO.

Monday the 1st saw the ICE gasoil front move up $12.25/mt on Friday's $785.5/mt close to reach $797.75/mt. On Tuesday end morning, the ICE Gasoil curve saw the 6-month structure increase by around $6/mt compared to the Friday level, and up $5/mt from the Monday level of $14/mt. The front was up around $16/mt on Monday's level and the 6-month was up by $11/mt on Monday's level. The curve saw a strengthening of the backwardation compared to Friday. The front is up nearly 4% compared to Friday the 28th.

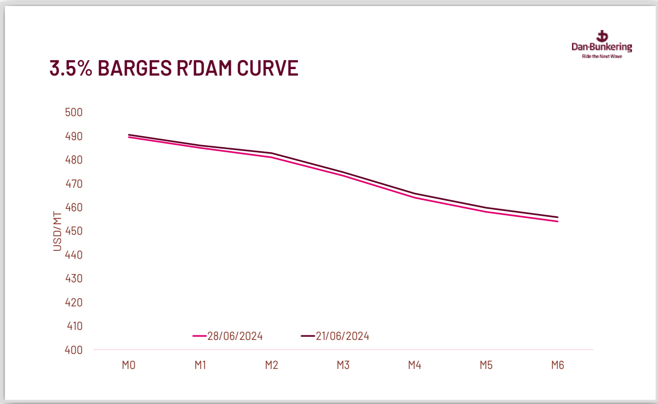
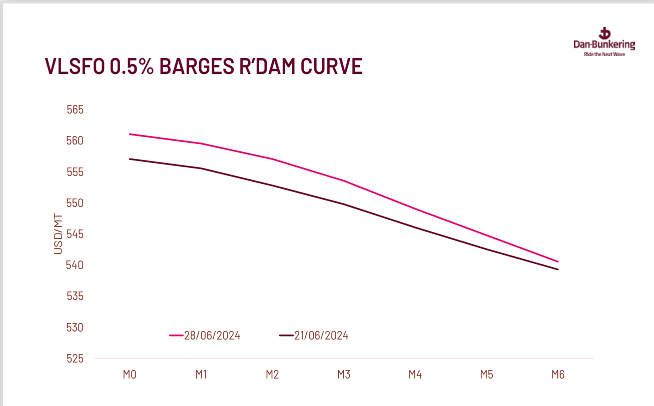
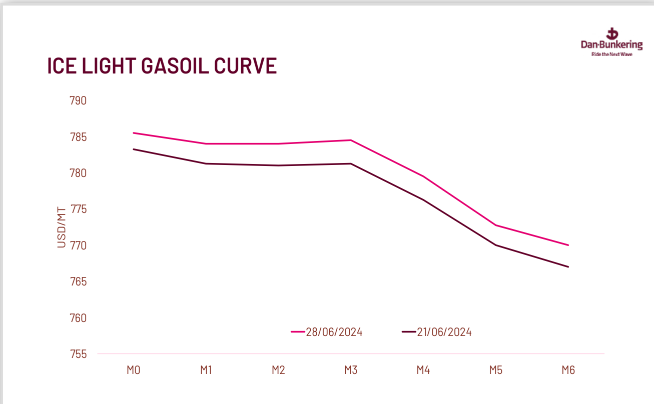
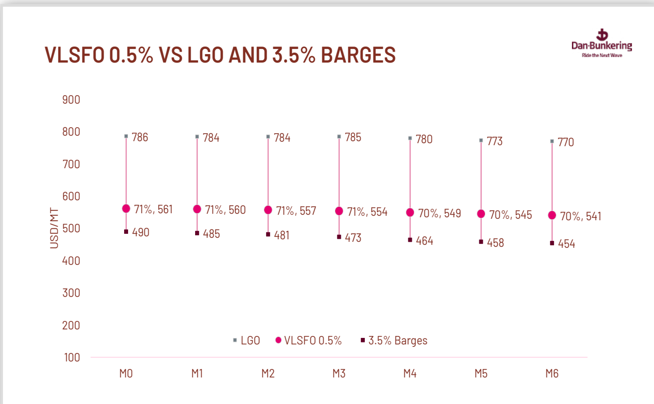


Figure 1 ARA Curve







M0 is August 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front rise by 0.3%, while the sixth-month level rose by 0.4%. The sixth month, minus the front month, is at 1.6% backwardation, down from 1.7% last week. The Fuel Oil Rotterdam front month fell 0.2%, and the 6-month fell 0.4%. The curve is 6.4% in backwardation on the six-month horizon. The VLSFO curve saw its backwardation increase to 2.9% as the front rose 0.7% while the back rose 0.4%.

Brent Ref:	1.2	September					
	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	18.0	-0.3	2.1	0.3	4.0	0.5	2.3
Jul-24	16.0	2.5	0.9	0.2	4.0	-1.0	2.3
Aug-24	16.0	6.5	1.7	0.3	4.0	-1.0	2.8
Sep-24	14.3	7.8	1.6	0.2	4.3	-1.8	3.0
Oct-24	12.0	7.0	1.5	0.3	3.8	-1.5	3.3

06. OUR VIEW

Crude oil prices are up, gasoil prices are following suit. The benchmark ICE Gasoil reached its highest levels since mid-April on Tuesday. Although the market structure suggests some demand strength, the front months are only very moderately in backwardation. Brent however appears to be stalling for now. Headlines put the price increases so far down to expected demand increases and worries about supply and geopolitical tensions. Meantime, OPEC **published** its annual statistical bulletin, which allowed the organization to re-iterate its long-held view that is contrary to the IEA's: "In 2023, for example, global oil demand expanded, year-on-year, by 2.6 million barrels of oil a day (mb/d) to reach an average of 102.2 mb/d. In addition, demand grew in almost every region, with the non-OECD leading the way. Immediately, one can see from the data that calls to avoid investing in new oil projects do not reflect realities worldwide. Instead, data-driven analysis points to the fact that oil demand continues to grow, and we believe it will continue to do so long into the future."

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)