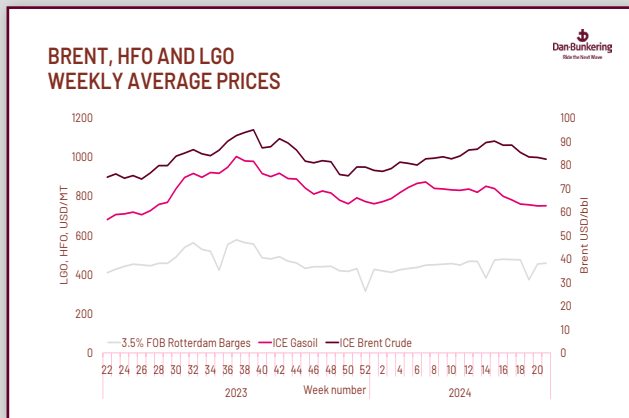
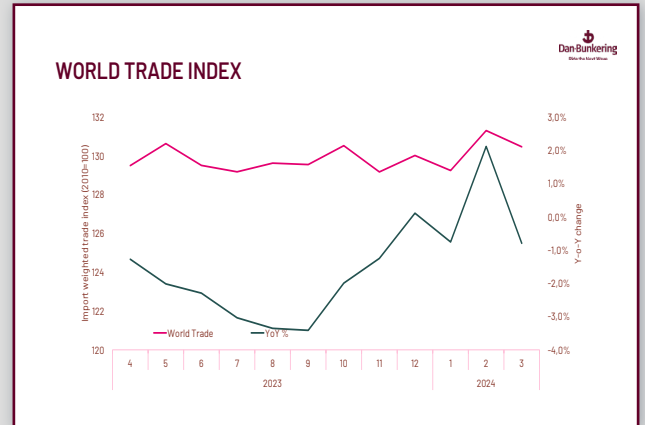
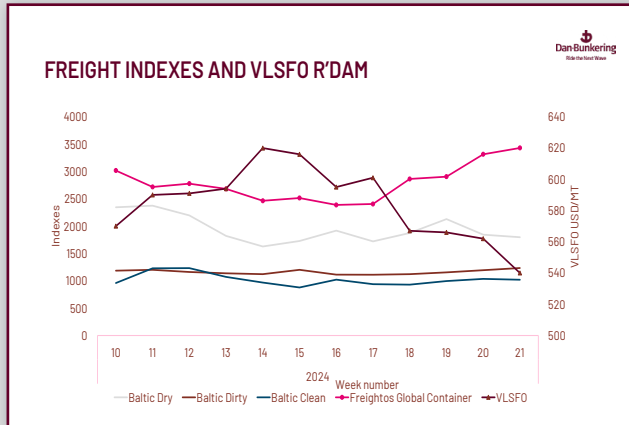


Weekly Market Report

Week 22
May 28, 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 |
|-------------|-----------|---------------------------------------|----------|------------|--------------------|
| 28/05 16:00 | USA | CB Consumer confidence (May) | 94 | 97 | Economic health |
| 16:30 | USA | Dallas Fed manufacturing index (May) | -14 | -14.5 | Economic activity |
| 29/05 07:00 | Japan | Consumer confidence (May) | 39 | 38.3 | Economic health |
| 08:00 | Germany | GfK Consumer confidence (June) | -23 | -24.2 | Economic health |
| 10:00 | Italy | Business confidence (May) | 88 | 87.6 | Economic health |
| 14:00 | Germany | Inflation rate May (YoY) | 2.5% | 2.2% | Economic health |
| 22:30 | USA | API Crude oil stock change | | 2.5 mb | Oil market balance |
| 30/05 09:00 | Turkey | Economic confidence index (May) | 100 | 99 | Economic health |
| 11:00 | Euro Area | Economic sentiment (May) | 96 | 95.6 | Economic health |
| 11:00 | Euro Area | Consumer confidence (May) | -14.3 | -14.7 | Economic health |
| 11:00 | Euro Area | Industrial sentiment (May) | -10 | -10.5 | Economic health |
| 14:30 | USA | GDP growth rate Q1 (QoQ) | 1.6% | 3.4% | Economic activity |
| 14:30 | USA | Goods trade balance Advance (Apr) | -\$93 bn | -\$91.8 bn | Economic activity |
| 14:30 | USA | PCE prices Q2 (QoQ) | 3% | 1.8% | Economic health |
| 16:30 | Argentina | Consumer confidence (May) | 37.25 | 37.17 | Economic health |
| 17:00 | USA | EIA Crude oil stocks | | 1.8 mb | Oil market balance |
| 17:00 | USA | EIA Distillate stocks | | 0.4 mb | Oil market balance |
| 31/05 01:00 | Korea | Industrial production April (YoY) | 1.1% | 0.7% | Economic activity |
| 01:50 | Japan | Industrial production April (YoY) | -4.3% | -6.2% | Economic activity |
| 03:30 | China | NBS Manufacturing PMI (May) | 50.2 | 50.4 | Economic activity |
| 11:00 | Euro Area | Inflation rate May (YoY) | 2.5% | 2.4% | Economic health |
| 12:00 | Italy | Industrial sales March (YoY) | -0.9% | -1.7% | Economic activity |
| 14:00 | India | GDP growth rate Q1 (YoY) | 6.7% | 8.4% | Economic activity |
| 19:00 | USA | Baker Hughes oil rig count | | 497 | Oil market balance |
| 02/06 | OPEC | OPEC and non-OPEC ministerial meeting | | | Oil market balance |
| 03/06 03:45 | China | Caixin manufacturing PMI (May) | | 51.4 | Economic activity |
| 10:00 | Euro area | HCOB manufacturing PMI (May) | 47.4 | 45.4 | Economic activity |

Sources: [Economic Calendar \(tradingeconomics.com\)](https://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

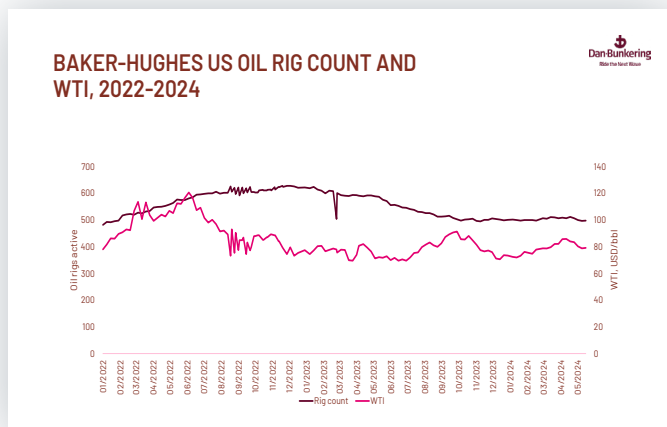
AHEAD

The week **sees** a good number of confidence and sentiment indexes. The Argentina consumer confidence index is interesting in the context of the country's radical reforms that are fundamental. Confidence is climbing back although low; interestingly, the views on personal financial conditions are improving. German consumer confidence is seen improving but continuing at historically low levels (although the highest in two years). The US Conference Board consumer confidence index is expected to have deteriorated to above 94 (1985=100), which would mark the fourth month of weakening. Consumer confidence in the Euro Area is seen marginally improving in May, while better, it remains a low level. The same indicator for Japan is projected to have rebounded to 39, and as in the Euro area, while comparatively good for the past few years, it is below average. Economic confidence in Turkey is expected to have increased slightly, despite very strong inflation in the country. In the Euro area too, economic sentiment is inching up in May, as does business confidence in Italy. Industrial production in Korea is seen growing 1.1% annually in April, compared to a 4.3% decline in Japan. Industrial sales in Italy are expected to have declined by nearly 1% in March, an improvement on the 1.7% decline in February. Industrial sentiment in the Euro area is expected to have increased slightly in May which the manufacturing PMI is indicating as well. However, all are still negative. In China the manufacturing PMI is slightly down, but still expansionary. US' GDP growth in Q1 is now estimated at 1.6% annualized, down from 3.4% in Q4, while the personal consumption expenditure prices for Q2 rose to 3%, from 1.8% in Q1. In India, Q1 GDP growth is expected to have slowed to 6.7% from 8.4% in Q4. It would still be one of the highest growth rates in the world, apart from several small countries. Guyana for instance is expected to grow by nearly 29% in 2024, after 38% in 2023 and over 62% in 2022 as oil production expands.

OIL MARKET

The Baker Hughes oil rig count was flat at 497 last week. The weekly average of WTI was \$78.2,

down \$0.8 week on week. The natural gas price at Henry Hub rose to an average of \$2.68/ mmbtu, up 23 dollar cents on the previous week. On Friday, the gas price fell back to \$2.52.



cuts. That is about 5.7% of global demand, although it is more in terms of crude oil production,

as a substantial part of global demand is met from other products than crude oil. Reuters has calculated that the implied production target in the first half of 2024 is 35.6 mb/d, while in April the group of countries produced 36.1 mb/d. In other words, they “overproduced” by 0.5 mb/d. The reversal of the cuts is not the full 5.9 mb/d, but only 2.2 mb/d, which would come essentially from Saudi Arabia, Russia, Iraq, Kazakhstan and UAE. Yet, except for Saudi Arabia, these countries are already above their pledged output levels and close to or above the levels implied from a reversal of cuts. Some other countries have only limited capacity to boost output anyway. Mexico for instance is producing below target, and Pemex is reportedly producing around 1.5 mb/d, as the company is reportedly struggling with paying suppliers. The reversal would then be predominantly coming from Saudi Arabia. All told, the expansion would be relatively limited, although in the context of the IEA’s demand-supply balance, it could potentially weaken the market. And we revert to the earlier observation that on OPEC’s own market balance projection, the reversal needs to take place to avoid strong stock draws.

Also on Reuters is a report that Saudi Arabia will sell off a next tranche of its shares in Saudi Aramco. It is reported that it will be a fully marketed offering, which should provide a prospectus which may hold updated information on the company’s oil reserves. In the company’s bond offering prospectus in 2017 one could distill much on the state of the oil fields. It would be interesting to see the current assessment. Goldman Sachs on Monday published its long-term oil demand outlook, in which it suggests that oil demand will peak at 110 mb/d in 2034 followed by a production plateau through 2040. This is still below the long-term outlook of OPEC itself, which sees demand at around 116 mb/d in 2035, but well above the peak that the IEA sees in around 2028 at 106 mb/d, before declining quickly.

For now, the oil market will be focused partly on the June 2nd OPEC+ meeting, where it is expected that the organisation will extend the voluntary cuts.

ECONOMY

The Dutch Central Planning Bureau **published** its World Trade Monitor for March. World trade decreased by slightly more than 0.5% from February levels. This headline number is somewhat distorted, as the CPB indicates that the February figure was revised upwards. Earlier, the CPB had estimated growth in February at 1% over December levels, but it revised that upwards to an increase of 1.6%. Year-on-year, trade is down nearly 1%. The monitor shows that imports decreased for the large advanced economies apart from Japan. The Eurozone fell 0.3% from February and 2.5% year on year (but this is likely partly due to the Red Sea diversions). US imports fell 2.2% from February, but rose 2.2% year on year, while imports into the UK fell 2.8% from February and nearly 8% year on year. On the exports side, the picture is more grimmer. Exports fell 1.4% from February levels, with all the advanced economies, except Japan, showing a fall. China too recorded a substantial fall, as did emerging Asia excluding China, by nearly 6% from February levels. These lower exports should

logically show up in the imports data for April. World industrial production is down 0.8% on January, and up 0.4% on year ago levels. The Eurozone saw output fall 2% year on year, and Japan by 3%, while Africa/Middle East also saw output fall, by nearly 4% annually. The USA was mostly flat year on year, while the advanced Asian countries are down over 1%, and China up by 4.5%.

The readings for the Euro area are hardly surprising, given the continued publication of industrial and manufacturing decline. The business climate is negative in the region's biggest economy, Germany. Ifo's business climate indicator for May was unchanged from April and came in below expectations. The institute's current conditions index, a sub-index of the business climate indicator, fell again, and was also below expectations. Still, the institute noted that the business expectations index improved and that manufacturing trade and construction sectors are recovering.

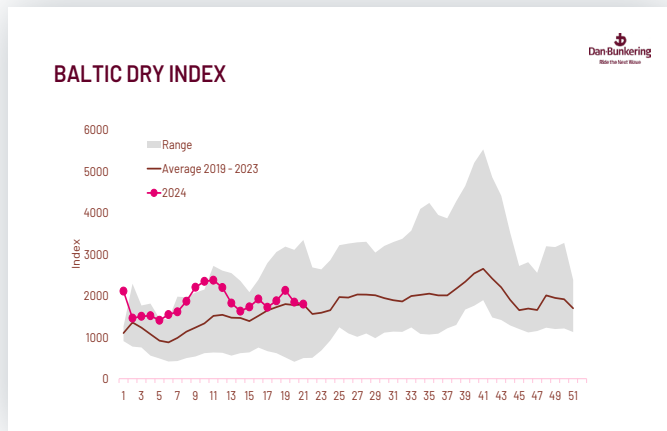
Trade is the German economy's main **backbone**. Exports were the only contributor to growth in 2023, up 0.6% while overall GDP shrank 0.1%. Germany booked a trade surplus of nearly 210 billion euros last year, which is 10% below the 2019 peak. The German economy is also more sensitive to exports, which represent nearly 40% of GDP, than countries like France or the United Kingdom, where they are below 30%. Trade with China declined last year. The United States became Germany's largest trading partner in December, but Germany still recorded a small, €2.5 bln euro trade surplus with China.

European finance ministers **called** on the G7 to stay united in the face of China's "unfair" industrial policies and warned of the risk of a trade war. Ministers from Germany, France and Italy all called for a common front against China's growing export strength. While Germany and France said it was important to avoid a trade war, Italian Economy Minister said it was only a matter of time before the EU follows the US lead on tariffs. "*The United States has taken very tough decisions and Europe will probably have to consider whether to do the same*". With the risk that US tariffs lead to China dumping more on Europe, Italy said it was vital the G7 remain united.

As noted elsewhere, Germany will be reluctant to engage in a trade war. According to a **recent report** by the Centre for Economic Policy Research, in the extreme case of an abrupt end of all trade with Beijing, Germany's gross domestic product would fall by 3.5% to 5% in the first year. A more gradual decoupling would lead to a fall of a little over 1% in GDP over the longer term. An even softer "de-risking", defined as the slow unravelling of trade ties in a limited number of critical sectors, would cause a hit of less than 1% of GDP. Such drastic reductions in GDP, or economic activity, would drag down many of the trade partners in Europe as well.

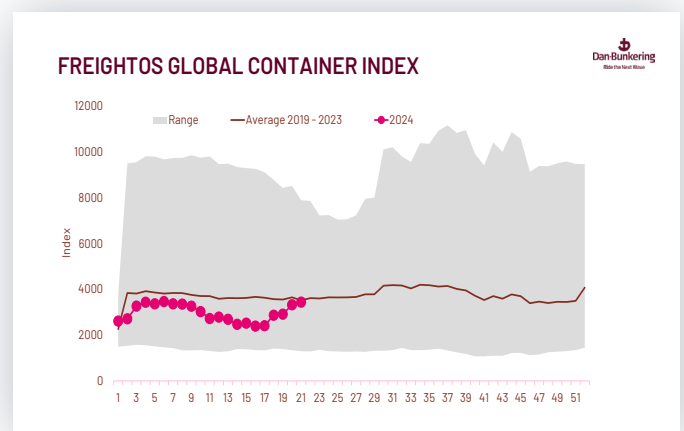
VESSEL RATES

Crude oil tanker rates on the Baltic Exchange TD3 route were down 10% after last week's 3% increase. The t/c rates were at \$47.5k/day compared to \$52.5k/day a week before. Voyage rates were reported at below \$10.3/mt on the route on the 24th of May, down \$0.6 compared to the week of the 17th. The Baltic dirty index was up 3%, or 39 points to 1234. The level is 44% above the previous 5-year average.



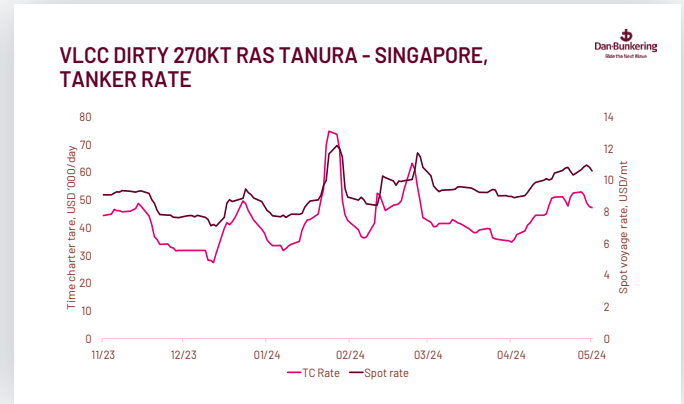
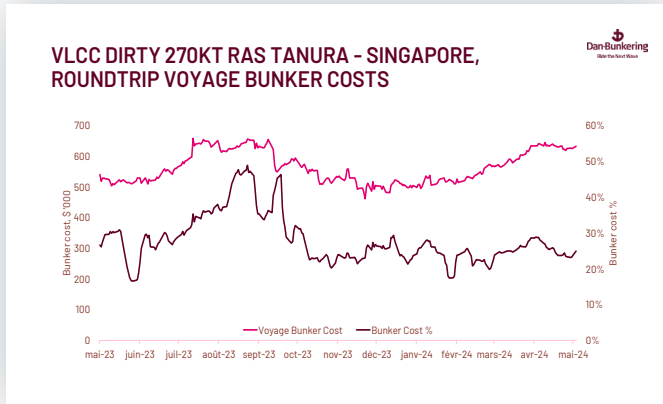
The clean index was down 2% on last week at 1020. With that move, the index is 35% above the previous 5-year average. Dry bulk rates fell 3% or 47 points to 1797 per the Baltic Dry Index. The index is at the five-year average level seen in 2019-2023 for the week. The weekly swings in the indexes are strong. The latest moves in the tanker rates continue to be contrarian to "normal" seasonal moves.

The container market rose over 3% over the last week compared to the 17th of May to \$3431 as measured by the overall **Freightos Global Index**. The China to Europe rate rose 6% to \$4882 over the same period. The China to US West Coast rose over 13% from \$4333 to \$4915. The overall Freightos index is back to the average of the 5-year average, as is the China-Europe index. With the latest increase, the China to US West Coast is now 10% above that same period average. Congestion as measured by the last 7-day moving average of containerships in port, was reported at 29.8%, up 0.3% points compared to the previous week. The congestion share represents some 8.8 mln TEU, up 0.2 mln TEU from last week. The idle fleet stood at 261, up 3 from last week, which itself saw a 2-vessel downward revision in the data. Some 2.4% 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. Reported average voyage duration between China and the US West Coast is at 20.1 days, up 0.4 days on last week.



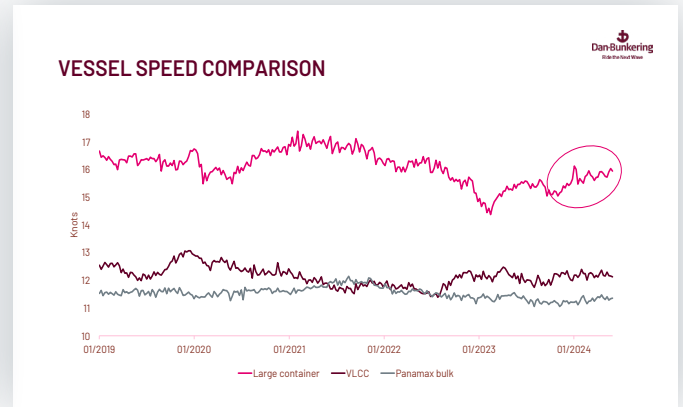
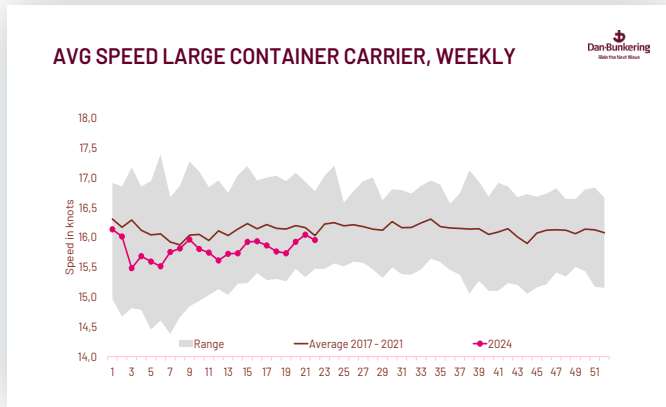
FREIGHT AND BUNKERS

Reported tanker voyage charter rates were down, at \$10.3/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were up over 1% in Fujairah and down over 1% in Singapore over the week through May 24th. Bunker costs are some 25% of total voyage. If the entire voyage is calculated on VLSFO, bunker costs are some 28%. The VLSFO prices were down over 5% in Fujairah and down over 4% in Singapore. The calculations provided are intended to be directional indications, not the actual that each tanker owner is experiencing.

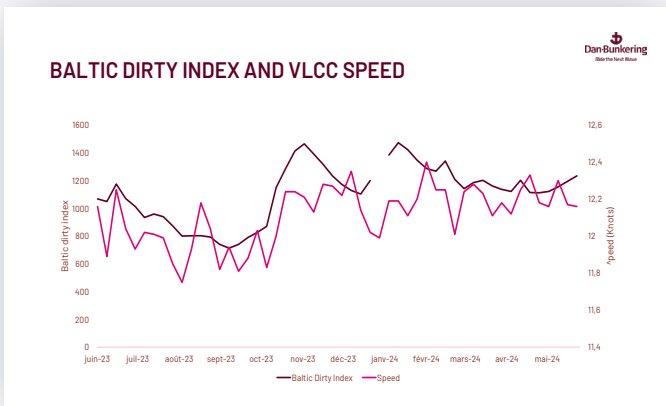


VESSEL SPEEDS

The container vessel's latest data point of 16 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.



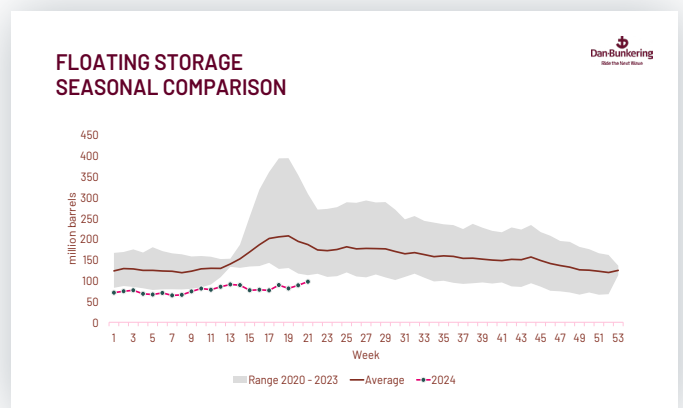
VLCC tanker speeds are continuing unchanged at 12.2 knots. The current speed reading is 0.2 knots above the average of the range seen for the period of the year. Still, the movements in the speeds



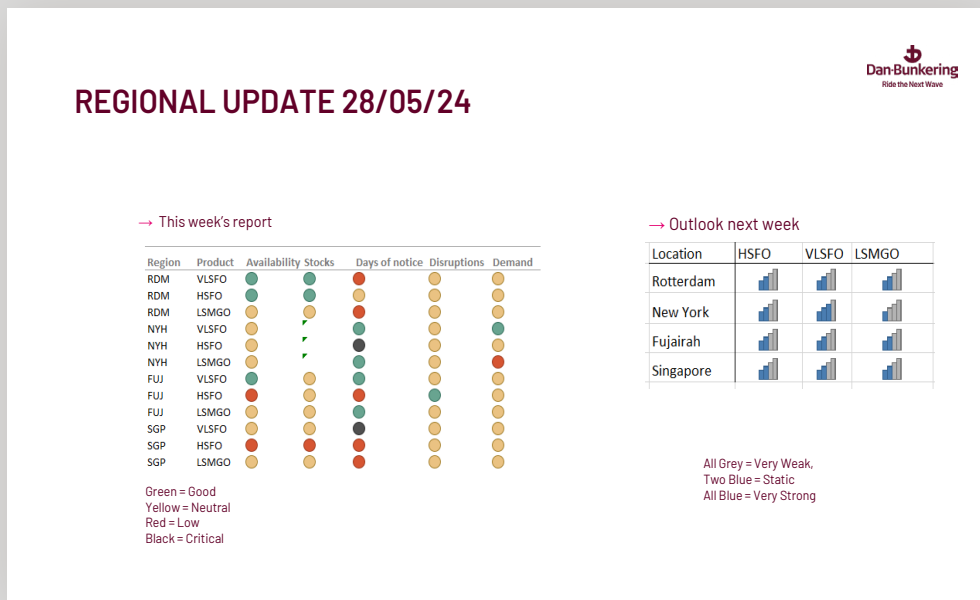
are occurring in a very small band around that average. The idle share of the fleet was at 5.8% in deadweight terms, up 0.3% points compared to the previous report (last week's data was unrevised). The share remains exceptionally high, not just for the period of the year but in a longer perspective as well. In deadweight terms, the idle share increased to over 36 mln DWT, up 2 mln DWT from last week. The current level is 40% higher than the "normal" average. The current

number of idle vessels rose by 18 vessels to 258 compared to last week (which was lowered by 2 vessels).

The floating storage (excluding the dedicated storage) stands at 124 vessels, up 2 vessels from last week's number, which was revised down by 1 vessel. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is below 98 million barrels, up 8 mb compared to last week. 72 product tankers are reported functioning as storage, accounting for 28 mb. 51 crude tankers vessels accounted for nearly 70 mb of stored oil, up nearly 12 mb on last report. The number of crude oil tankers as storage is still at levels seen in mid-2019. The number of product tankers used as storage remains elevated.



03. REGIONAL REMARKS



NEW YORK

Seeing USGC HS crack strengthen, leading to a stronger premium on USEC HSFO RMK. Demand from liner segment still strong. Demand on spot basis on USEC is flat.

FUJAIRAH

HSFO stocks at the Port of Fujairah remain ample versus a very tight end April and 1H May. Barge tightness has eased with the lead time for inquiries now 7-8 days to avoid a higher premium with limited slots for prompt inquiries.

VLSFO remains very well supplied with plenty of cargoes in the market. Barge activity is limited with demand subdued with very prompt avails ok. This has weighed on bunker premiums with prices falling.

ARA

HSFO and VLSFO are still well balanced. MGO is still seeing problems with refineries, but avails can still be found.

SINGAPORE

The LSFO market could be under pressure over May 27-31, because of adequate availability for prompt downstream bunker demand, while traders expect higher arbitrage arrivals from the West to add to regional stockpiles in coming weeks. Around Singapore, traders expect some pressure on margins in the downstream markets as delivered premiums have been weak in recent weeks due to slower demand from end-users, while regional competition heats up. LSFO cargo availability was seen mostly adequate for balance-May and early-June prompt refuelling demand.

HSFO:

Asian high sulfur fuel oil prices have been steady on the back of tighter supplies and stable bunker demand, while an uptick in imports from South Asian markets such as Bangladesh and Sri Lanka due to summer utility demand was providing seasonal strength. Steady HSFO spot inquiry flows, and robust term contract volumes might continue to buoy downstream premiums, whereas barging schedules for early refuelling dates could remain adequate in the week started May 27.

Gasoil:

The Asian gasoil complex could see further downside over May 27-31 as exports from India continue to point eastward amid weak domestic demand ahead of the upcoming monsoon season and unfavourable East-West arbitrage lanes.

Singapore's onshore commercial stocks of middle distillates rose 8.14% on the week to 10.94 million barrels over May 16-22, rebounding from a 10-week low of 10.12 million barrels in the preceding week, Enterprise Singapore data released May 23 showed.

Regional indicators : prices in USD to benchmarks (week to 22/05)

| | ARA | | FUJ | | NYH | | SGP | |
|-------|--------|-------------------------|--------|------------------|--------|-----------|----------|------------------|
| | USD/MT | BM | USD/MT | BM | USD/MT | BM | USD/MT | BM |
| HSFO | 5 | FOB Rdam Barges 3.5% | 4 | MOPS380 | 5 | MOPD380 | 10-12 | MOPS380 |
| VLSFO | 6 | FOB Rdam Barges 0.5% | 2 | MOPS 0.5% | 14 | MOPS 0.5% | 2-3 | MOPS 0.5% |
| LSMGO | -17 | ICE Gasoil | 120 | MOPS GO 10ppm | 0.02 | HO | -5 to +8 | 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 | 8 | 7 | 10 |
| VLSFO | 4-6 | 1 | 3 | 12 |
| LSMGO | 4-6 | 3 | 1 | 5 |

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve fell \$23.5/mt at the front compared to last week in absolute terms (May 24th compared to May 17th). The six-month fell by \$19.8/mt. The curve is in contango but falls between the 5th and 6th month contract. The time spread for the 6-month period increased \$3.8/mt to plus \$6.3/mt. The 3.5% barges' curve is in contango for the first four months of the curve (one less than last week) and shows a \$9.5 backwardation on the 6-month contract (front month minus the six-month contract). Contango is \$5/mt at the two-month horizon and \$3.5/mt at the three-month horizon. The front rose \$2/mt while the six-month fell \$2.3/mt. The VLSFO 0.5% backwardation decreased \$7.8/mt to -\$11.3/mt, compared to a week prior. Comparing the front month to the second month shows only a \$1.3/mt in backwardation.

The relative value of VLSFO compared to LGO at 6 months flat at 70% and in absolute terms down \$7 at -\$225/mt compared to 72% or \$208/mt below LGO at the front. That \$208/mt is down \$2/mt on last week's reading when the front was at 72% of LGO also.

Monday the 27th saw the ICE gasoil front move up \$10/mt on Friday's \$739/mt close to reach \$749/mt. On Tuesday end morning, the ICE Gasoil curve saw the 6-month structure decrease by around \$1.25/mt compared to the Friday level. The front was up \$3.75/mt on Monday's level and the 6-month was up by nearly \$2.75/mt on Monday's level. At the 12-month horizon, the curve is still in backwardation, but in sustained contango through the 6th month. The front is up just below 2% compared to Friday the 24th.

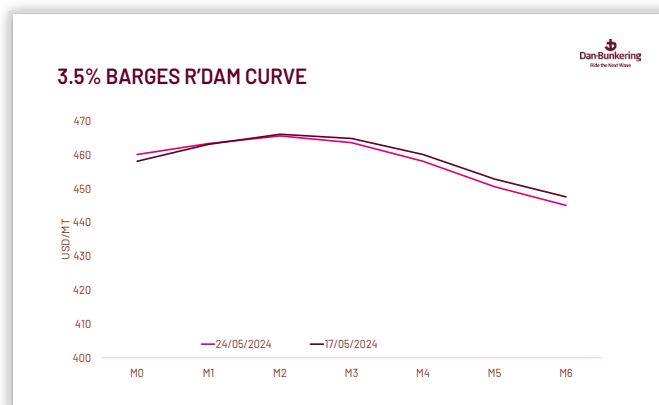
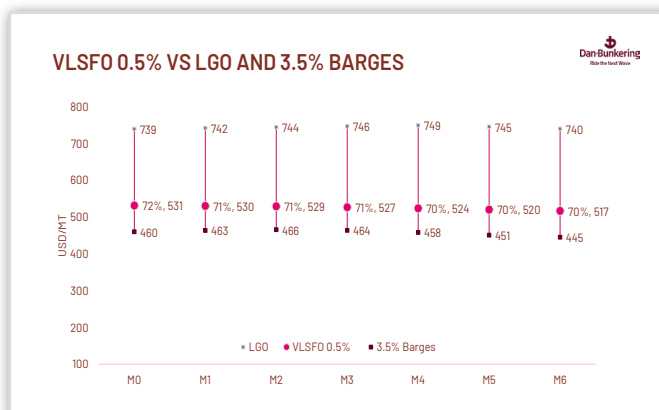
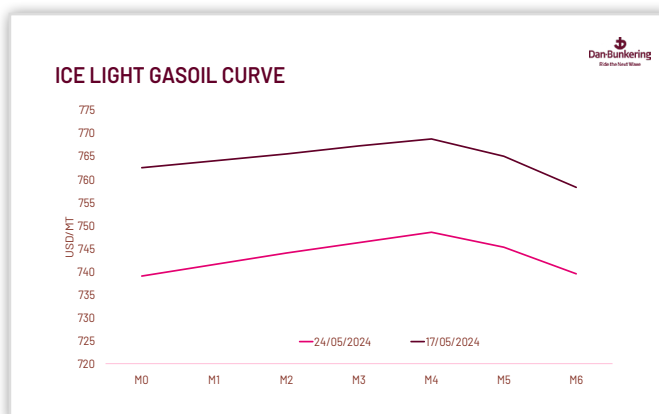
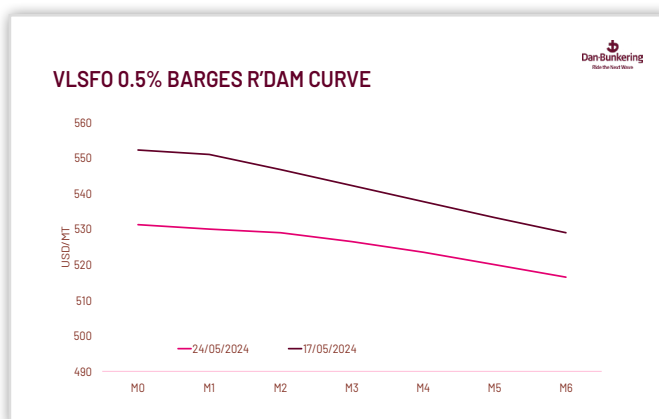


Figure 1 ARA Curve



05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front fall 3.1%, while the sixth month level fell by 2.6%. The curve trajectory is in contango. The sixth month minus the front month is at 0.8% contango, up from 0.3% last week. The Fuel Oil Rotterdam front month rose 0.4% and the 6-month fell 0.5%. The curve is 2.1% in backwardation on the six-month horizon, but in contango through the fourth month. The VLSFO curve saw its backwardation decrease to 2.1% as the front fell 3.8%, while the back fell 2.5%.

Brent Ref: -1.9 July

| | 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 | -32.7 | -4.2 | -4.5 | -0.2 | -21.0 | 0.8 | -23.5 |
| Jun-24 | -31.0 | -2.0 | -1.8 | -0.3 | -21.0 | 2.0 | -23.5 |
| Jul-24 | -27.0 | -3.3 | -2.8 | -0.4 | -21.0 | 0.3 | -22.5 |
| Aug-24 | -24.5 | -6.0 | -2.9 | -0.5 | -17.8 | -0.5 | -21.5 |
| Sep-24 | -22.8 | -5.8 | -2.7 | -0.5 | -15.8 | -1.3 | -21.0 |

06. OUR VIEW

The “market” is expecting an extension of the voluntary cuts of 2.2 mb/d coming Sunday. As the news headlines say, this restraint is balancing the impact of higher for longer central bank interest rates. Those rates push demand down. As is usual, there is a mix up of longer-term processes and short-term processes and their effects. Production restraint impacts at a horizon of a few months. In case demand continues, stock draws will be observed, and prices will react. A partial reversal of the cuts will have an immediate effect on prices from expectations, and then real effects when the physical balance starts to shift. However, monetary policy takes much longer to work its way through. There is no objective way of measuring it. Yes, there will be a market reaction to an announcement of rate changes, but it takes well over a year before anything starts to happen in the real economy, especially if cuts are done in baby steps. And then there is the whole issue of how high an interest rate our current economic system can actually handle, given the debt load of governments and the large number of so-called zombie companies in the economy. A case can be made that the near zero rates were too high, but that the rates should be much higher to clear the economy. Neither will happen, and neither will the oil price move very much. Muddling through is what will be seen for some time. That said, some movement in the price is likely when the decision is substantially different from what the market expects.

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) |