Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 19
May 7, 2024

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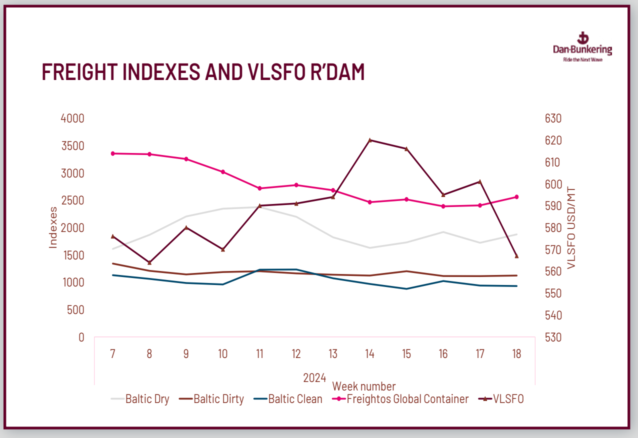
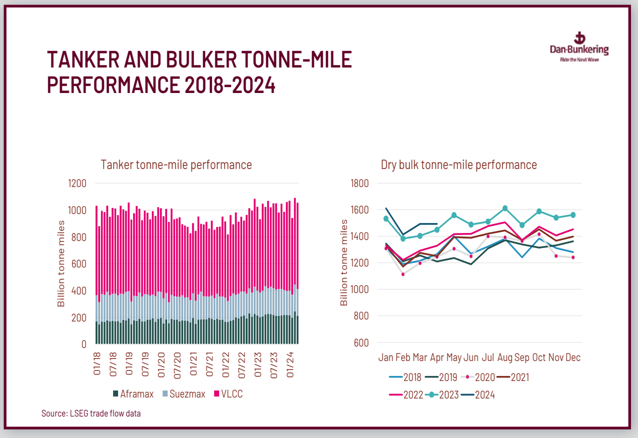
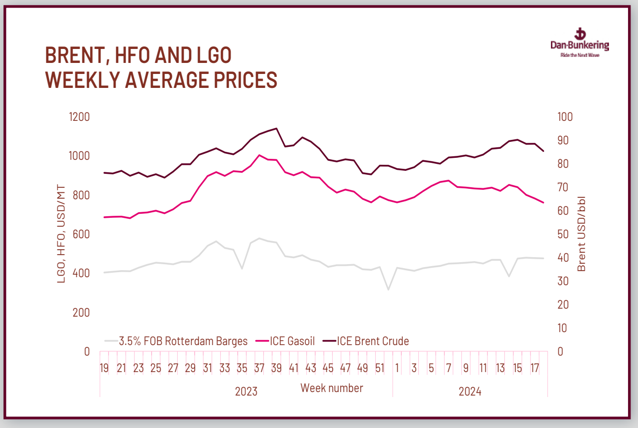
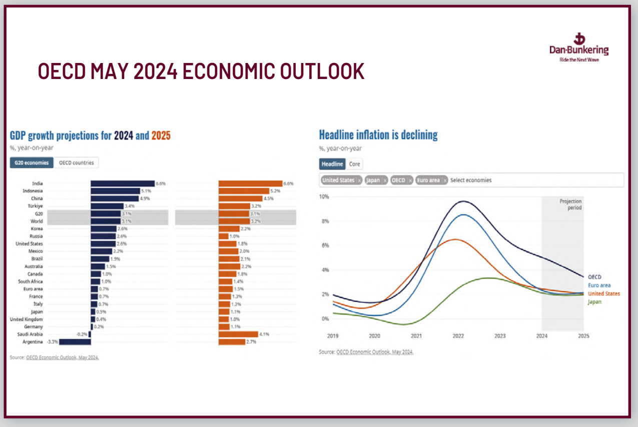








Sources: EIA.gov, ECB, investing.com, Baltic Exchange, Freightos Baltic Index, Refinitiv, Clarksons Research, U.S. Bureau of Economic Analysis, fred.stlouisfed.org, AtlantaFed, OPEC, OECD, Wolfstreet.com, Eurostat, IEA, Dan Bunkering analysis

01. ECONOMIC DATA CALENDAR

Date	Area	Topic	Expect	Prev.	Impact
07/05 22:30	USA	API Crude oil stock change		4.9 mb	Oil market balance
	USA	Global supply chain pressure index		-0.27	Economic health
08/05 08:00	Germany	Industrial production March (MoM)	-1%	2.1%	Economic activity
09:00	Spain	Industrial production March (YoY)	1.2%	1.5%	Economic activity
14:00	Brazil	Retail sales March (YoY)	1.6%	8.2%	Economic activity
16:30	USA	EIA Crude oil stocks		7.3 mb	Oil market balance
16:30	USA	EIA Distillate stocks		-0.7 mb	Oil market balance
21:00	Argentina	Industrial production March (YoY)	-9.8%	-9.9%	Economic activity
23:30	Brazil	Interest rate decision	10.25%	10.75%	Economic health
09/05 05:00	China	Balance of trade (Apr)	$81.2 bn	$58.6 bn	Economic health
05:00	China	Exports April (YoY)	2%	-7.5%	Economic activity
05:00	China	Imports April (YoY)	5%	-1.9%	Economic activity
08:00	Saudi Arabia	Industrial production March (YoY)	-6.5%	-7.7%	Economic activity
13:00	UK	Interest rate decision	5.25%	5.25%	Economic health
14:00	Mexico	Inflation rate April (YoY)		4.42%	Economic health
21:00	Mexico	Interest rate decision	11%	11%	Economic health
10/05 08:45	UK	GDP growth Q1 (YoY)	0.5%	-0.2%	Economic activity
08:00	UK	Industrial production March (YoY)	-0.6%	1.4%	Economic activity
09:00	Turkey	Industrial production March (YoY)	3.4%	11.5%	Economic activity
10:00	Italy	Industrial production March (YoY)	-1.4%	-3.1%	Economic activity
14:00	India	Industrial production March (YoY)	7.7%	5.7%	Economic activity
14:00	Mexico	Industrial production March (YoY)	3.5%	3.3%	Economic activity
19:00	USA	Baker Hughes oil rig count		499	Oil market balance
11/05 03:30	China	Inflation rate April (YoY)	0.3%	0.1%	Economic health
03:30	China	PPI April (YoY)	-2.5%	-2.8%	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

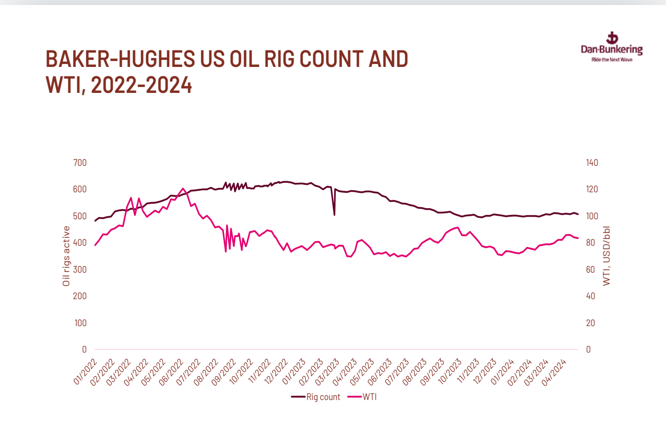
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The week **sees** a strong emphasis on industrial production data across a variety of countries. In Germany, industrial production is expected to have fallen by 1% from February levels, which would reverse part of the modest rebound in the first two months of the year. To put it in perspective, the year-on-year change in output in January was a nearly 6% contraction and in February it declined by 4.9%. Italy's industrial production is expected to have declined by 1.4%, better than the 3.1% annual contraction recorded in February. Industrial output in the country has been declining almost continuously since June 2022. In The UK, output is seen down 0.6%, after a 1.4% growth in February. Industrial output has been struggling sine the very substantial downturn that started in June 2021. Two more countries with falls in output are Saudi Arabia, down 6.5% year-on-year, to a large extent due to the fall in oil production, and Argentina, where a drastic economic program is underway. Output in the country is projected to have fallen nearly 10%, a continuation of the nearly 10% fall seen in February. On the positive side, Spain's output is seen up 1.2%, following a 1.5% increase in February. 2023 saw a nine-month long decline. Turkey's industrial output is expected to have increased by 3.4%, a slowdown of the 11.5% recorded in February, while Mexico's is expanding at 3.5%, slightly above the February number. India continues to grow strongly, up 7.7%. UK's GDP in Q1 is projected to have increased by 0.5% annually following a Q4 contraction. China's exports in April are expected to have increased by 2% and Imports by 5%, following contractions in March. The country's trade balance is expected to have improved to a surplus of over $81 bln. China's export value at around $280 bln is in the same magnitude as that of the USA, which exported nearly $260 bln. The big difference is the level of imports, which in China are around $200 bln, while in the USA those are around $330 bln. All those figures are monthly. Finally, interest rate decisions will be made by the UK's Bank of England, generally expected to remain unchanged at 5.25%. Mexico is expected to keep its rate of 11% unchanged while Brazil is expected to lower its rate by 0.5% points to 10.25%.

OIL MARKET

The Baker Hughes oil rig count was down 7 rigs to 499 last week. The weekly average of WTI was $80.1, down $3.2 week on week. The natural gas price at Henry Hub rose to an average of $2.03/mmbtu, up 33 dollar cents on the previous week. On Friday, the gas price rose to just over $2.14.



The rebalancing of trade due to different levels of economic growth, sanctions and disruptions in the Red Sea and Panama Canal continue to be reflected in shipping performance data. In addition, the continued development of oil and gas resources in the US has led to very substantial exports of crude oil, products and LNG. This development has also led to trade realignments. Tanker tonne mile data to April 2024 show a 3% increase so far this year for the combination of Aframaxes, Suezmaxes and VLCCs. This increase follows the 8% increase for the whole of 2023. Tanker performance reached just over 1 trillion tonne-miles per month. According to the LSEG source data, it is the dirty trade (crude oil plus fuel oil) that has seen an increase in performance, up almost 4% so far this year. The clean trade is down 5% from 2023 levels to around 210 billion tonne-miles per month. This average is still 10% higher than the average monthly performance over the 2018-2022 period. Dry bulk tonne-miles increased by more than 11% in 2023, and by a further 4% in the first four months of this year. The average monthly performance is 1.5 trillion tonne-miles. LNG tankers increased their performance by 11% to almost 170 billion tonne-miles per month. It is in this segment that the combination of route disruptions and US export growth is most evident. Only one LNG transit through the Suez Canal has been recorded since mid-January, while LNG carrier transits through the Panama Canal fell by 85% in the first quarter to just 13. Transits through the Cape of Good Hope have increased sharply. US LNG exports reached 88 million tonnes in 2023, up 11% on 2022 and almost double the level of 2022. In fact, exports were close to zero in 2015. So far in 2024, exports are up a further 0.6% (although January and February saw growth of over 10%). With such strong increases in shipping performance, bunker fuel demand increases as well.

ECONOMY

The OECD **published** its Economic Outlook 2024. Global GDP growth is projected at 3.1% in 2024 and 3.2% in 2025, little changed from the 3.1% in 2023. This is weaker than seen in the decade before the global financial crisis, but close to currently estimated potential growth rates in both advanced and emerging market economies. Potential growth is what can be maximum achieved given the current economic organisation. Headline inflation fell rapidly in most economies in 2023. This was driven by tight monetary policy, lower energy prices and the continued easing of supply chain pressures. Food price inflation also fell sharply in most countries. Core goods price inflation generally fell steadily, but services price inflation was more sticky. More broadly, the disinflation process is expected to be faster than forecast a few months ago. This should lead to a broad-based easing of monetary policy as inflation converges towards central banks' targets. This should support the recovery in real incomes. It should also support interest-sensitive spending.

This widespread easing that the OECD mentions, can start with the US Fed in Q3 2024 lowering rates gradually to 4% and below by end-2025, while the ECB is projected to lower rates also from Q3 onwards, to reach 2.5% by end-2025. At the same time, the OECD insists that "*Monetary policy needs to remain prudent to ensure that underlying inflationary pressures are durably contained. Scope exists to start lowering nominal policy rates provided inflation continues to ease, but the policy stance should remain restrictive for some time to come. The pace and scale of policy rate reductions will be data dependent and may vary across countries depending on economic conditions.*"

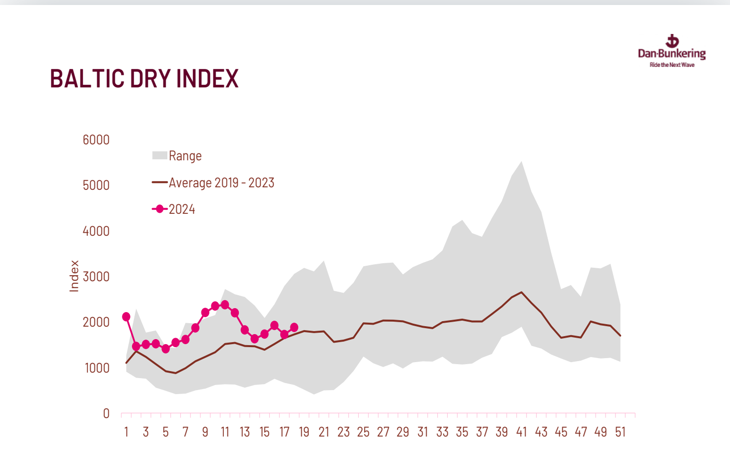
The higher interest rates are starting to seriously affect government budgets. The reliance on short term borrowing, means that an ever-increasing share of government bonds are higher rate bonds. As the OECD explains: *"The ratio of government debt to GDP is projected to rise further in many countries. Governments face mounting fiscal challenges from rising debt service costs and sizeable additional spending pressures from ageing populations, climate change mitigation and adaptation, defence and the need to finance new reforms. Without action, future debt burdens will rise significantly. Stronger near-term efforts to contain spending growth, reforms to enhance revenues, and early establishment of credible medium-term spending and tax plans tailored to country-specific developments are necessary."*

To put this in practical terms of actual policy measures, the OECD means for instance increasing the retirement age to offset the cost of an ageing population. The reforms to enhance revenues include increasing indirect taxes and property taxes. At the same time, the OECD suggests for several advanced economies to shift away from heavily taxing wages, which the organisation believes to discourage employment.

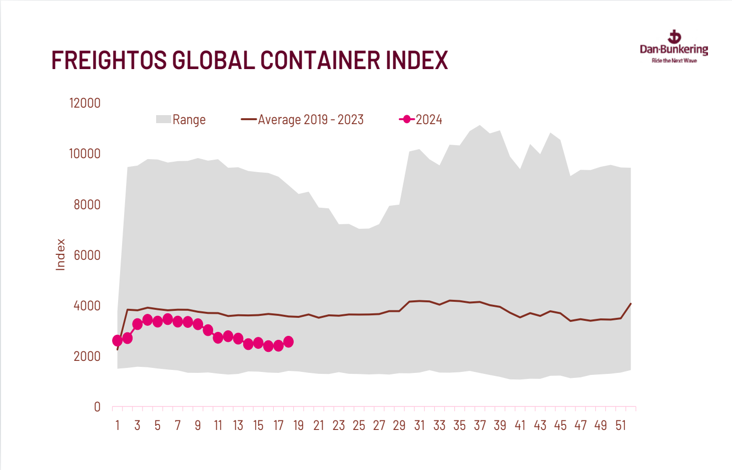
On a more direct impact for the shipping industry, the OECD sees global trade expanding by 2.3% in 2024 and by 3.3% in 2025. If that latter rate is achieved in 2025, then it would be very close to the 2013-2019 average. In dollar terms, trade in goods and services is set to rise to well over $26 trillion in 2024 and nearly $27.5 trillion in 2025. The Euro area remains the single biggest trading block, at around 24% of the total, while China overtakes the USA this year, accounting for 12% of global trade.

VESSEL RATES

Crude oil tanker rates on the Baltic Exchange TD3 route were up over 18% after last week's 5% increase. The t/c rates were at $44.5k/day compared to $37.5k/day a week before. Voyage rates were reported at just below $10.1/mt on the route on the 3rd of April, up $0.9 compared to the week of the 26th. The Baltic dirty index was marginally up by 10 points to 1122. The level is 20% above the previous 5-year average. The clean index was down 1% on last week at 931. The index is at on par with the previous 5-year average. Dry bulk rates rose 9% or 155 points to 1876 per the Baltic Dry Index. The index is 9% above the five-year average level seen in 2019-2023 for the week. The weekly swings in the indexes are strong. The latest moves are generally in line with seasonal profiles.

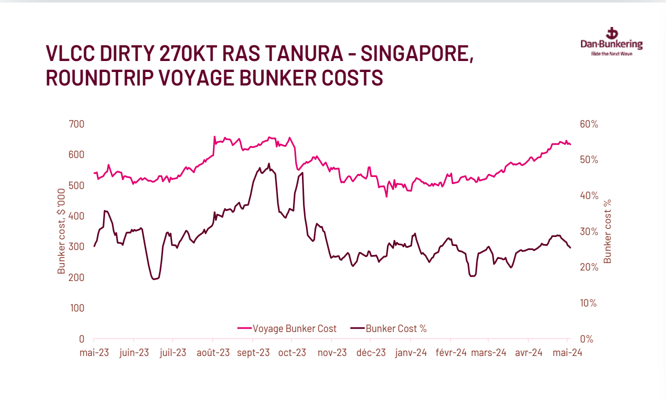


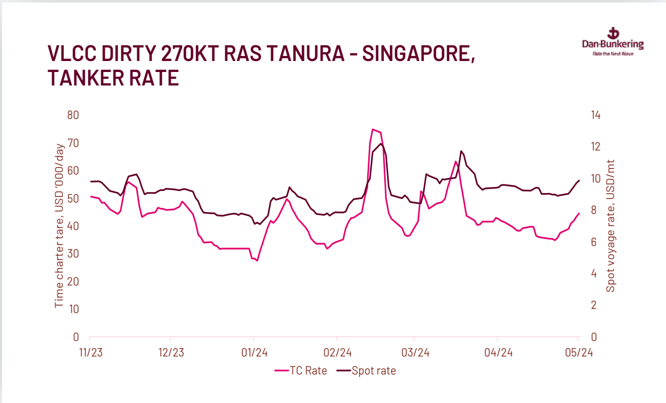
The container market rose more than 6% over the last week compared to the 26th of April to 2560 as measured by the overall **Freightos Global Index**. The China to Europe rate rose 1.1% to 3404 over the same period. The level remains well below the average level seen since 2017. The China to US West Coast rose nearly 15% from 3095 to 3550. Congestion as measured by the last 7-day moving average of containerships in port, was reported at 30.5%, up 0.7% points compared to the previous week. The congestion share represents some 8.8 mln TEU, up 0.2 mln TEU on last week. The idle fleet stood at 297, up 42 from last week, which itself saw a 4 vessel downward revision in the data. Some 2.6% of the fleet is reported idle (including those vessels retrofitted with scrubbers and those laid-up). Reported average voyage duration between China and the US West Coast is at 18.2 days, down 1.8 days on last week. The current transit time continues among the lowest recorded for the past 4.5 years for which data is available, but note that the current indication is for the first days of May only.



FREIGHT AND BUNKERS

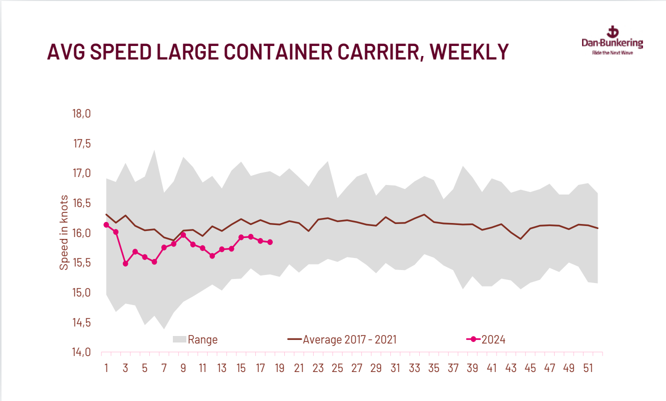
Reported tanker voyage charter rates were up, at $10.1/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were down 1% in Fujairah and Singapore over the week through May 3rd. Bunker costs are some 25% of total voyage. If the entire voyage is calculated on VLSFO, bunker costs are some 31%. The VLSFO prices were down around 3.5% in Fujairah and down around 4% in Singapore. The calculations provided are intended to be directional indications, not the actual that each tanker owner is experiencing.

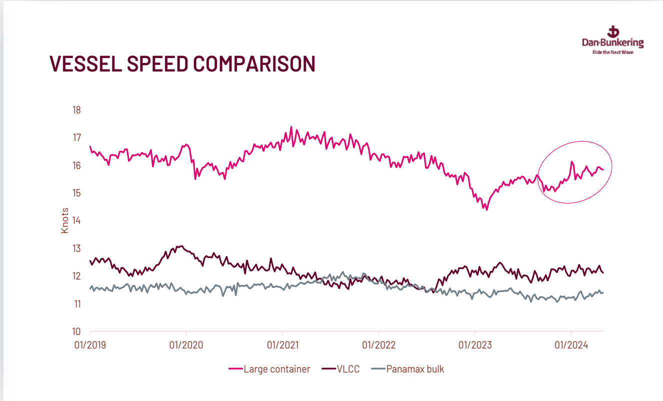




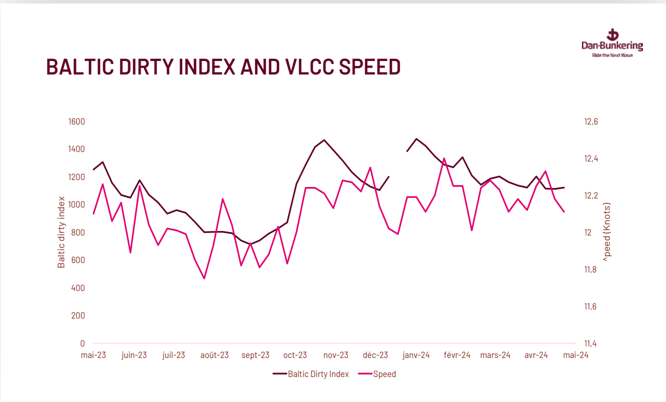
VESSEL SPEEDS

The container vessel's latest data point of 15.9 knots is flat compared to last week. The weekly movements in the measurements appear to be within calculation noise which may be revised. The combined continue to suggest the market is back to reacting to the underlying demand/supply balance and weakening.

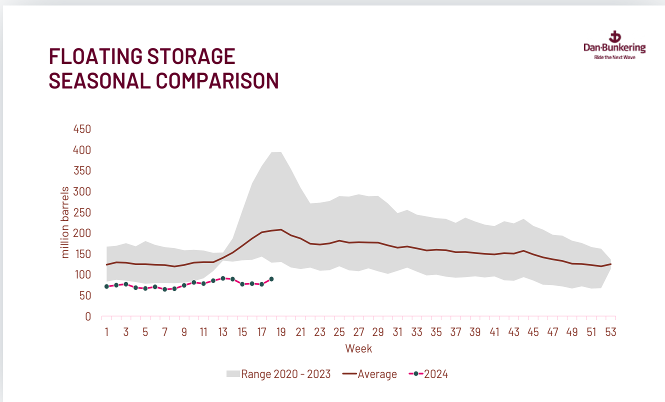




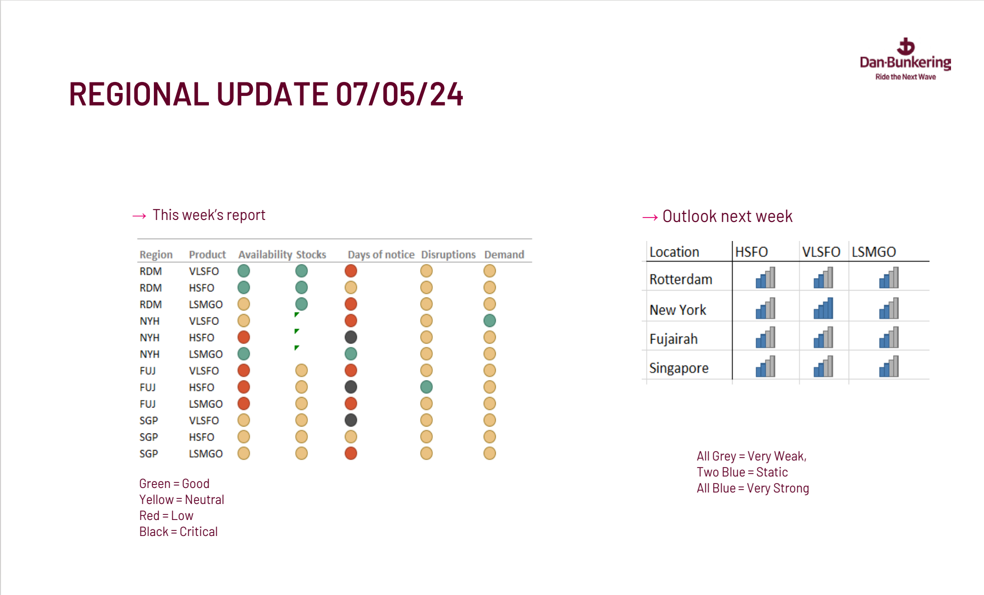
VLCC tanker speeds are flat at 12.2 knots. The current speed reading is in line with the average of the range seen for the period of the year. However, the movements in the speeds are occurring in a very small band around that average. The idle share of the fleet was at 5.6% in deadweight terms, up 0.2% points compared to the previous report. The share remains exceptionally high, not just for the period of the year but in a longer perspective as well. In deadweight terms, the idle share is nearly 35 mln DWT, up 1 mln dwt compared to last week. The current level is 44% higher than the "normal" average. The current number of idle vessels rose by 2 vessels to 252 compared to last week (which was lowered up by 1 vessel).



The floating storage (excluding the dedicated storage) stands at 118 vessels, up 15 vessels on last week's number, which was unrevised. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is over 89 million barrels, up 13 mb compared to last week. 74 product tankers are reported functioning as storage, accounting for over 29 mb. 44 crude tankers vessels accounted for just over 60 mb of stored oil, up around 8 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

Demand from container segment increasing ever yet. Last month and this month could be the most fuel delivered the BSC has seen to date. Port of Baltimore still shut.

FUJAIRAH

Tighter stocks - Ahead of the peak summer season in the Middle East, a seasonal increase in HSFO stocking activity by power utilities has led to a decline in available stockpiles for the downstream market. Recent geopolitical tensions along the Strait of Hormuz had fueled concerns about HSFO arbitrage flows if shipping lanes were disrupted.

A replenishment cargo with an estimated 660,000 barrels, or about 104,000 mt, of HSFO sourced from Russia was expected to find home in the Fujairah hub toward the end of the first half of May, according to some industry sources.

VLSFO remains very tight with some suppliers 16-17 May onwards.

Secure orders with at least 7-10 days lead time to avoid high premiums.

ARA

There is less of a discount on MGO, due to it only being Exxon offering MGO in the window, as also written a few weeks ago. Avails are still good and MGO can still be had for prompt delivery. Overall, the market still seems balanced.

SINGAPORE

VLSFO:

The LSFO market is expected to remain under pressure over May 6-10, weighed down by adequate prompt supplies, despite a month-on-month drop of about 400,000-500,00 mt in Western arbitrage volumes flowing into Singapore in May and slow downstream bunker demand.

LSFO demand at Singapore was expected to remain largely moderate, or slightly rising above average at times, whereas eager selling activities among some suppliers may cap significant upswings in delivered premiums. Market players anticipate LSFO cargo availabilities around Singapore to stay largely adequate for the near-term, with no impending signs of shortages, while barge schedules for prompt refueling slots should remain ample for the week ahead.

HSFO:

Tighter availability of supplies would likely keep the HSFO market well supported in the fresh week as persistent geopolitical tensions in the Middle East have capped supplies from the region. Steady feedstock demand from China and expectations for seasonal power generation demand during peak summer months in South Asia were also providing some support to the HSFO market sentiment. The recently stronger Asian HSFO complex, coupled with decent demand volumes from end-users is likely to lend downstream valuations some support for the near term. Barge availabilities in the meantime, remain sufficient for shipowners' refueling requirements within five to seven days out.

Regional indicators : prices in USD to benchmarks (week to 01/05)

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	8	FOB Rdam Barges 3.5%	10	MOPS380	20	MOPD380	14-17	MOPS380
VLSFO	7	FOB Rdam Barges 0.5%	12	MOPS 0.5%	20	MOPS 0.5%	12-15	MOPS 0.5%
LSMGO	-21	ICE Gasoil	120	MOPS GO 10ppm	0.03	HO	10-14	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	7	8
VLSFO	4-6	7	5	12
LSMGO	4-6	5	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve fell $41.5/mt at the front compared to last week in absolute terms (May 3rd compared to April 26th). The curve continued its contango structure through the seventh month and extended it further. The six-month rose by $1/mt. The time spread for the 6-month period increased $7/mt to plus $13.8/mt. The 3.5% barges' curve is in contango for the first two months of the curve but shows a $19.8 backwardation on the 6-month contract (front month minus the six-month contract). Contango is $2.1/mt at the two-month horizon but shows $19.8 backwardation at the six-month time-spread. The front fell $22/mt while the six-month fell $32.5/mt. The VLSFO 0.5% backwardation decreased $5/mt to -$20/mt, compared to a week prior.

The relative value of VLSFO compared to LGO at 6 months was down 1% point at 70% and in absolute terms down $1 at -$227/mt compared to 74% or $193/mt below LGO at the front. That $193/mt is down $3/mt on last week's reading when the front was at 75% of LGO.

Monday the 6th saw the ICE gasoil front move up over $4 on Friday's $746.25/mt close to reach $750.5/mt. On Tuesday end morning, the ICE Gasoil curve saw the 6-month structure decrease by around $0.5/mt compared to the Friday level. The front was up $5/mt on Monday's level and the 6-month was up, by $1/mt on Monday's level. At the 12-month horizon, the curve is still in backwardation, but in sustained contango through the 10th month, an extension of the structure by 3 months. The front is up less than 1% compared to Friday the 3rd.

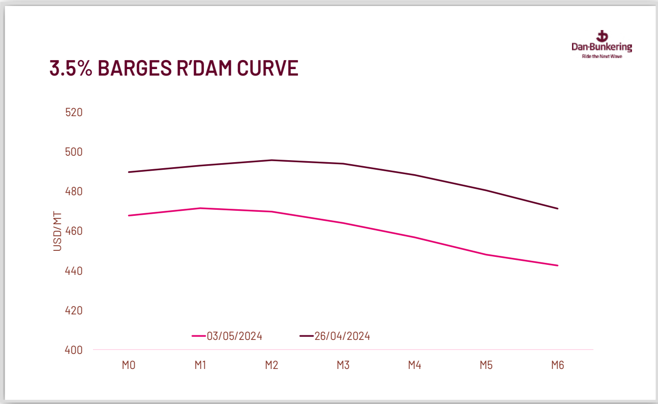
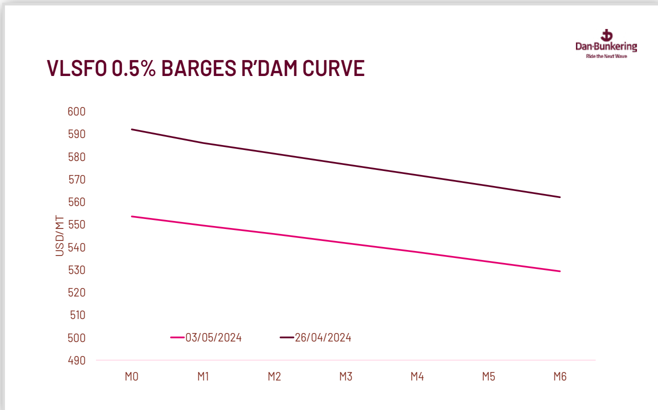
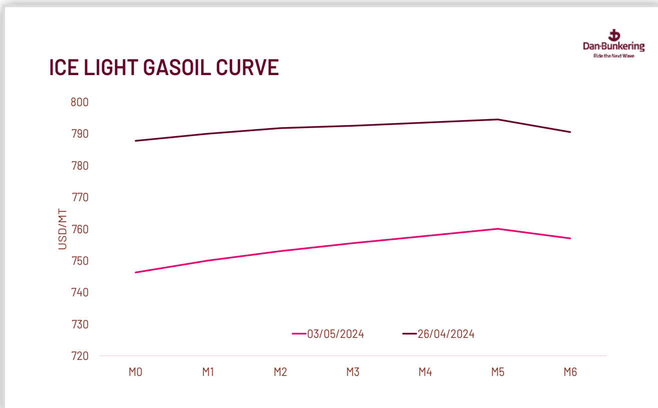
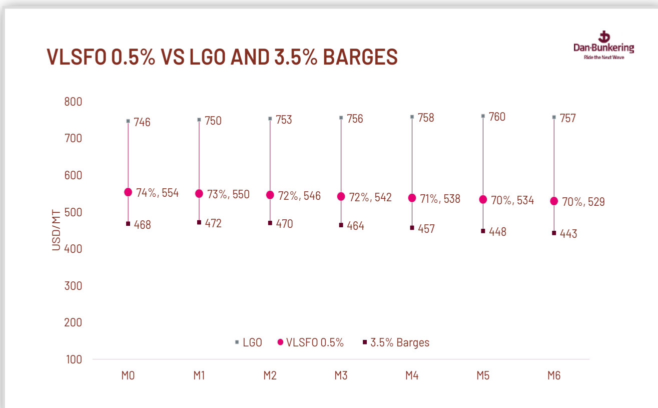


Figure 1 ARA Curve







M0 is June 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front fall 5.3%, while the sixth month level fell by 4.3%. The curve trajectory is in contango, with the sixth month minus the front month at 1.8% contango. The Fuel Oil Rotterdam front month fell 4.5% and the 6-month fell 6.8%. The curve is 4.2% in backwardation on the six-month horizon, but in contango through the second month. The VLSFO curve saw its backwardation decrease to 3.6% as the front fell 6.5%, while the back fell 5.9%.

Brent Ref:	-6.5	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	-27.3	-9.3	-5.9	-5.5	-38.5	-20.3	-41.5
Jun-24	-27.3	-13.0	-5.4	-4.7	-32.5	-25.3	-43.8
Jul-24	-27.0	-17.5	-4.9	-4.5	-31.8	-24.3	-41.8
Aug-24	-26.5	-18.0	-5.0	-4.3	-30.8	-24.3	-39.5
Sep-24	-25.8	-18.8	-4.8	-4.0	-30.0	-24.3	-38.0

06. OUR VIEW

The OECD's outlook talks about interest rate easing. The World Trade Organisation in its World Trade Outlook 2024 sees interest rates cut, which would drive trade growth. Since somewhere May 2023, the markets have been talking about rate cuts. Yet, last week, the US Fed started mentioning the possibility of a rate hike. The drop in US inflation stalled. It is not just geopolitics, it is also the demand for services, and service prices tend to be sticky. That is, unlike producer prices which can go down, many service prices never go down again. And the US labour market is tight too, driving wage growth higher than inflation, which worries the central banks. So, one should not be surprised to see more talk about keeping rates higher for longer, or a surprise hike at some point if the inflation does not recede. Any such delay to cut, or reversal to a hike, will set expectations of a declining economy. Oil prices will be under pressure from sustained higher rates. Which is one of the objectives of the higher rates in any case.

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)**