Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 28
July 9, 2024

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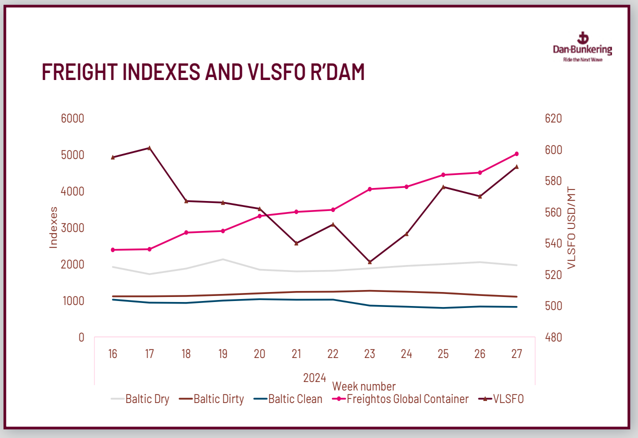
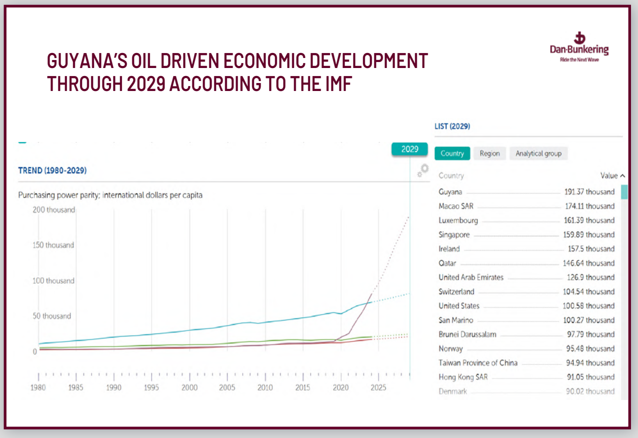
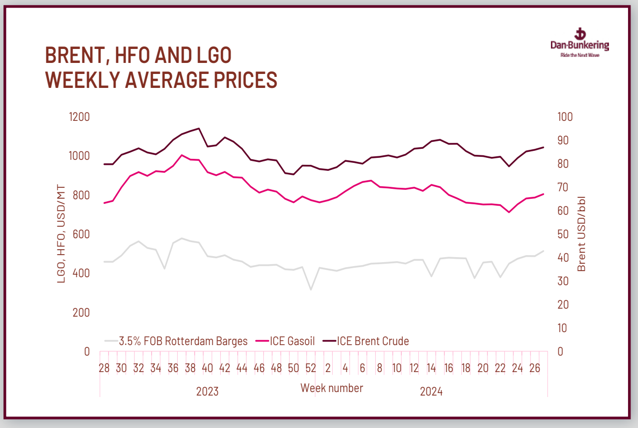
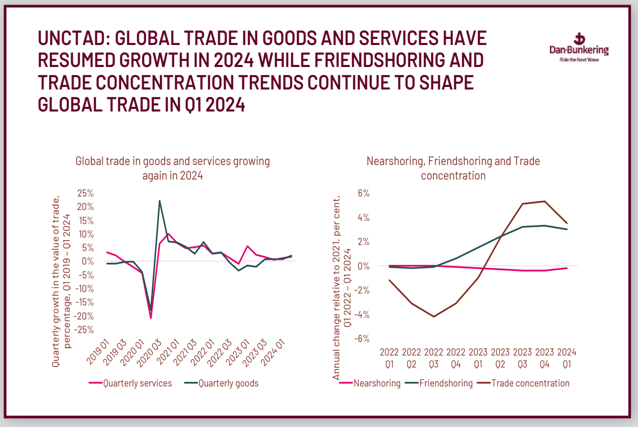








Sources: EIA.gov, ECB, investing.com, Baltic Exchange, Freightos Baltic Index, Refinitiv, Clarksons Research, U.S. Bureau of Economic Analysis, fred.stlouisfed.org, AtlantaFed, OPEC, OECD, Wolfstreet.com, Eurostat, IEA, Dan Bunkering analysis

01. ECONOMIC DATA CALENDAR

Date	Area	Topic	Expect	Prev.	Impact
09/07 22:30	USA	API Crude oil stock change		-9.2 mb	Oil market balance
10/07 03:30	China	Inflation rate June (YoY)	0.3%	0.3%	Economic health
08:00	S. Arabia	Industrial production May (YoY)	0.5%	-6.1%	Economic activity
09:00	Turkey	Industrial production May (YoY)	0.5%	-0.7%	Economic activity
10:00	Italy	Industrial production May (YoY)	-2.1%	-2.9%	Economic activity
14:00	Brazil	Inflation rate June (YoY)	4.2%	3.93%	Economic health
16:30	USA	EIA crude oil stocks change		0.3 mb	Oil market balance
16:30	USA	EIA distillate stocks change		-1.5 mb	Oil market balance
	OPEC	Monthly oil market report			Oil market balance
11/07 01:50	Japan	Machinery orders May (YoY)	7.4%	0.7%	Economic activity
03:00	Korea	Interest rate decision	3.5%	3.5%	Economic health
08:00	Germany	Inflation rate June (YoY)	2.2%	2.4%	Economic health
08:00	UK	GDP May (YoY)	1.0%	0.6%	Economic activity
08:00	UK	Industrial production May (YoY)	0.5%	-0.4%	Economic activity
08:00	UK	Balance of trade (May)	-£4.3 bn	-£6.75 bn	Economic health
11:00	OECD	IEA monthly oil market report			Oil market balance
14:30	USA	Inflation rate June (YoY)	3.1%	3.3%	Economic health
14:30	USA	CPI (June)	314.3	314.07	Economic health
12/07 02:00	Singapore	GDP growth rate Q2 (YoY)	0.9%	0.1%	Economic activity
05:00	China	Balance of trade (June)	$85 bn	$82.6 bn	Economic health
06:30	Japan	Industrial production May (YoY)	0.3%	-1.8%	Economic activity
14:00	India	Industrial production May (YoY)	4.8%	5%	Economic activity
14:00	India	Inflation rate June (YoY)	4.7%	4.75%	Economic activity
14:00	Mexico	Industrial production May (YoY)	0.4%	5.1%	Economic health
14:30	USA	PPI June (YoY)	2.4%	2.2%	Economic health
19:00	USA	Baker Hughes oil rig count		479	Oil market balance
21:00	Argentina	Inflation rate June (YoY)	272%	276.4%	Economic health
15/07 03:00	China	Industrial production June (YoY)	5.3%	5.6%	Economic activity
03:00	China	GDP growth rate Q2 (YoY)	5.0%	5.3%	Economic activity
03:00	China	Industrial capacity utilization (Q2)	74.2%	73.6%	Economic activity
11:00	Euro area	Industrial production May (YoY)	-4%	-3%	Economic activity

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

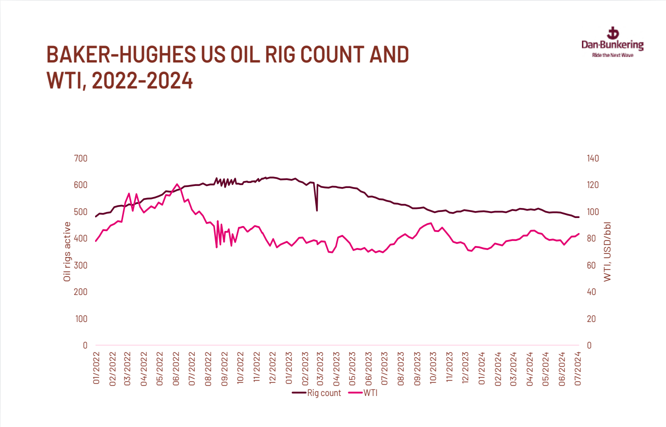
AHEAD

The week ahead **sees** a considerable number of countries reporting on their industrial production development for either May or June. Saudi Arabia's industrial production is projected to have grown 0.5% from May 2023, a considerable change from April, when production fell over 6% year on year. But note that this is partly related to the lowering of oil production after April 2023. Turkish industrial production is projected to have increased by 0.5% also, after a 0.7% fall in April. In Italy, production continues to fall. For May, the expectation is for a 2.1% contraction, after a 2.9% contraction in April. Apart from 2 months of annual growth, the past two years have shown permanent decline. In the UK, an expansion is expected of 0.5%, after a 0.4% fall in April. Over the past year, production has generally expanded, although that increase comes after two full years of falls, so that the net effect is that there has not yet been a full recovery. In the wider Euro Area, the picture is grim, with an increase in the decline in production to -4% in May, from -3% in April. Apart from a single, very small increase in December, output has been dropping for over a year now and several times at high rates. Contrast that with India, where industrial production is expected to have increased by nearly 5% in May, only slightly below the 5% recorded in April. In China, June industrial production is expected to have increased by 5.3%, somewhat lower than the 5.6% seen in May. In Mexico, the same indicator is still showing growth, but only barely at 0.4%, down from 5.1% in April. In the UK, GDP is reported on a monthly basis. May's GDP is seen growing by 1% from May 2023, while the balance of trade is improving, but still negative at -£4.3 bln. Singapore's Q2 GDP growth is estimated at 0.9%, well above the 0.1% of the first quarter, while in China, Q2 GDP growth is seen slowing to a still healthy 5%. China's trade balance in June rose to an $85 bln surplus, while its industrial capacity utilization increased to 74.2%. Note that this metric is one of considerable political unease in the Western economies, where the "low" Chinese utilization is seen as a reflection of excess capacity leading to Chinese dumping on export markets. On Wednesday, OPEC will publish its monthly oil market report, while on Thursday, the IEA will do the same. The former typically shows no market moves, but the IEA report may do..

OIL MARKET

The Baker Hughes oil rig count was unchanged at 479 last week. The weekly average of WTI was $83.3, up $2. The natural gas price at Henry Hub fell to an average of $2.4/mmbtu, down 30 dollar cents from the previous week.

Guyana has become the world's fastest growing economy as its oil fields are being developed. In 2023, GDP growth in real terms reached 33%, and the IMF **projects** growth of 33.9% for 2024. The country is projected to be the world's fastest growing economy through 2029. The country's oil production reached an average of 624 kb/d in May, peaking at 663 kb/d during the month. That



production is from three FPSO's, and the fourth will start production in 2025, adding 250 kb/d of capacity. Exxon is **investing** in a fifth and sixth unit as well, that will increase production to 1.2 mb/d by 2027. A seventh unit is awaiting **government approval** and would see another 180 kb/d added by 2029. At 1.2 mb/d Guyana surpasses Angola as producer, and with the seventh unit, Nigeria would be surpassed. The economy is following the typical development of countries with small populations and considerable resources. GDP per capita is set to rise to over $26,000, which puts the country into the high income **category** of the World Bank. Ten years ago, the country was considered a lower middle-income country. In so-called purchasing power parity, GDP per capita is calculated at over $80,000, making the country the 11th wealthiest in the world. By 2029, on the oil price assumptions of the IMF and on the back of the growth in oil production, GDP per capita in purchasing power parity is set to reach over $191,000. If it turns out that way, Guyana will be the richest country in the world.

ECONOMY

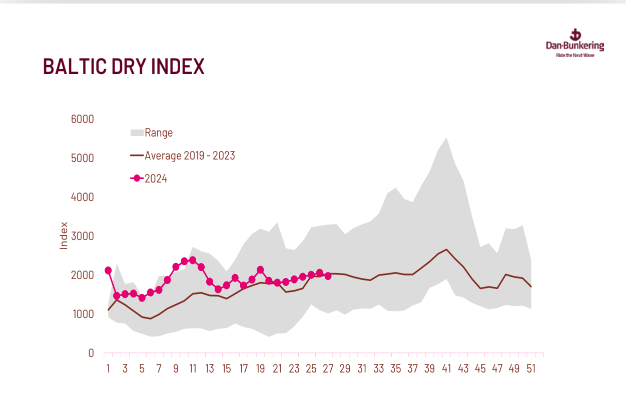
The New York Fed **published** its Global Supply Chain Pressure Index for June. It shows a rapid tightening, or an increase in the supply chain pressure. The index number, which is expressed as a standard deviation, is at -0.03, or close to "normal" pressure as seen over the period since January 1998. However, the index has been considerably more negative over the past year, and the current level is a rapid reversal. As seen in the container freight indexes, the utilisation levels of sub-segments and congestion at hub-ports, the supply chain is seeing increasing pressure from the Red Sea diversions in particular. Clarksons estimate that the diversions and re-routing as well as increased vessel deployment are adding 12% in TEU miles. As the container rates are rising rapidly, and logistics are impacted, at some point the importing economies may start to see consequences, both in terms of inflation and availability. So far, the central banks consider the effects on overall inflation to be negligible, and so far, they are very likely to be right. However, the process is underway and given the speed at which rates are rising, at some point, producer prices will start to rise again, driving up the goods element of the inflation too. Services inflation is already sticky, so that a rebound of the goods part will drive overall inflation further away from central bank targets.

In the meantime, the UNCTAD **says** that global trade growth, goods and services combined, turned positive in Q1 of this year, with goods trade increasing 1% and services by 1.5%. Growth was driven by export increases from China, India and the US, while Europe's exports were unchanged. For 2024, the UNCTAD is positive that trade will likely grow to nearly $32 trillion, but that would still be below the 2022 peak. There is another factor that the organisation sees as boosting trade: "*Furthermore, the possibility of interest rate cuts in the United States later in the year and the consequently weaker United States dollar (…). Such a move would depreciate the value of the United States dollar,* *potentially stimulating international trade by increasing both prices and volumes, given the continued dominance of the United States dollar in global trade."* However, the organisation also sees headwinds from the geopolitical issues and industrial policy measures. It is interesting to see that all the major international/supranational organisations, such as the UN, the World Bank, the IMF and the EU, all use words as friendshoring, nearshoring for what are effectively partly protectionist measures and reversals of longstanding trade policy of more open and global markets. Apart from the geopolitical considerations, there are also industrial policies that target high growth sectors, or particular sectors considered strategic for policy goals, such as the energy transition. As UNCTAD puts it: *"From a trade perspective, industrial policy typically seeks import substitution by providing support to domestic producers, imposing restrictions on trade, and facilitating vertical consolidations. These types of interventions typically have a negative effect on trade."*. UNCTAD described three effects. The first is concentration of supply of strategic products in a few nations. The second is global trade fragmentation among major blocs, which affects the configuration of global value chains, potentially leading to increased trade tensions. The third is increased protectionism, trade costs and uncertainty.

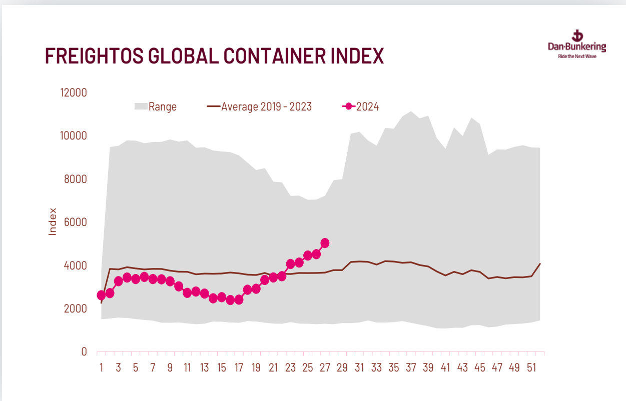
As we have highlighted in earlier weekly reports, so far, increased fragmentation has been a major factor in growing seaborne trade.

VESSEL RATES

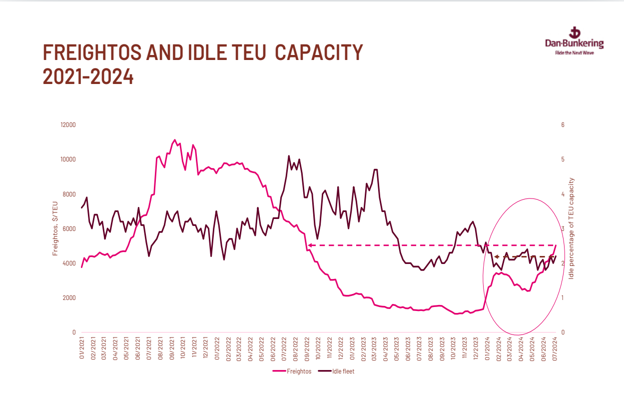
Crude oil tanker rates on the Baltic Exchange TD3 route were down 7.5% after last week's 2% decrease. The t/c rates were at $23.7k/day compared to $25.6k/day a week before. Voyage rates were reported at $7.9/mt on the route on the 5th of July, down less than $0.1 compared to the week of the 28th. The Baltic dirty index was down 4%, or 48 points, to 1102. The level remains 42% above the previous 5-year average. The clean index was down 1% from last week's level at 822. The index is 17% above the previous 5-year average. Dry bulk rates fell 4% or 84 points to 1966 per the Baltic Dry Index. The index is 3% 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 over 11% over the last week compared to the 28th of June to $5023, as measured by the overall **Freightos Global Index**. The China to Europe rate rose nearly 18% to $8400 over the same period. The China to US West Coast rose over 12% from $7052 to $7930. The indexes continue to rise to levels last seen in the months August to



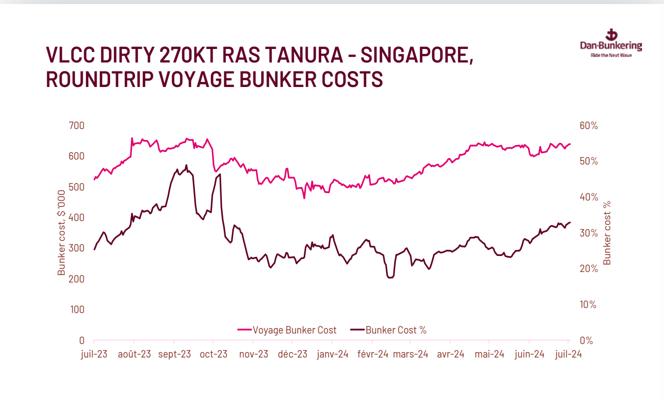
September 2022. The slope of the increase in the rates seen since May is nearly identical as that seen in May 2021, that is the speed of the rate increase is very steep, although in 2021, rate blew out entirely shortly after. The Red Sea disruptions with their knock-on effects on fleet deployment as 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. Clarkons report that congestion levels in several ports, such as Singapore and Jebel Ali have increased dramatically. The overall congestion levels may now be underreporting the actual impact of the Red Sea diversions, as the vessels are on longer voyages, and therefore less in port.

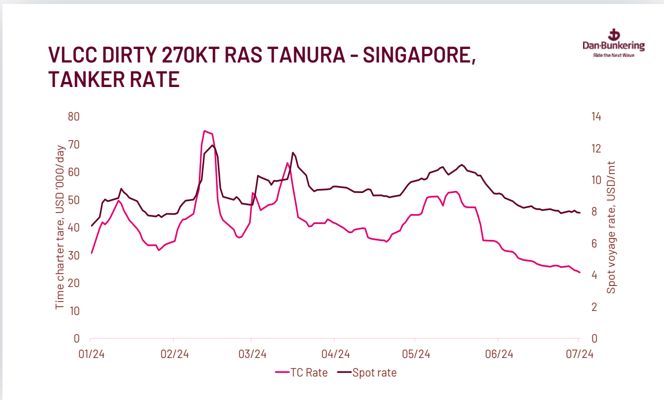


The idle fleet stood at 291, up 23 from last week, which itself was unrevised in the data. Some 2.2 % of the fleet is reported idle (including those vessels retrofitted with scrubbers and those laid up and calculated in terms of TEU capacity rather than vessel numbers). That level continues just above the low end of the 5-year range. Here as well, the overall number disguises imbalances in sub-segments. Of those 295 idle container vessels, 235 are sub 3000 TEU, with another 30 of 3-6000 TEU. Those vessels represent 4.6% and 2.7% of their respective fleet sizes. Clarksons reports 4 containerships of 12-17000 TEU idle, or 0.8% of capacity and 1 of 17000+ TEU. The reported average voyage duration between China and the US West Coast is 19.9 days, down over 1 day from last week.

FREIGHT AND BUNKERS

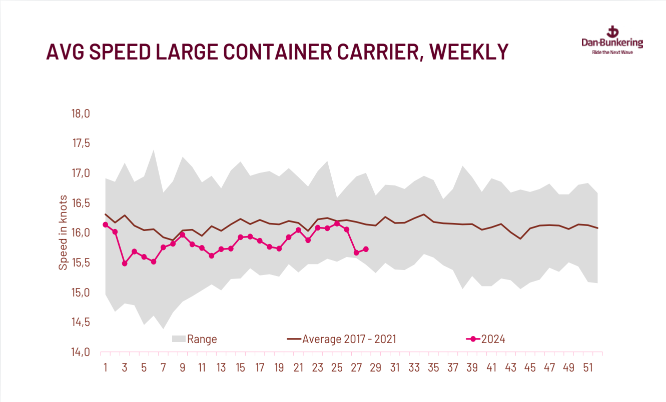
Reported tanker voyage charter rates were down at $7.9/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were down 1.1%in Fujairah and marginally down in Singapore over the week through the 5th of July. Bunker costs are some 33% of the total voyage. If the voyage is calculated on VLSFO, bunker costs are 40%. The VLSFO prices were up less than 1% in Fujairah and more than 2% in Singapore. The calculations provided are intended to be directional indications, not the actual ones that each tanker owner is experiencing.

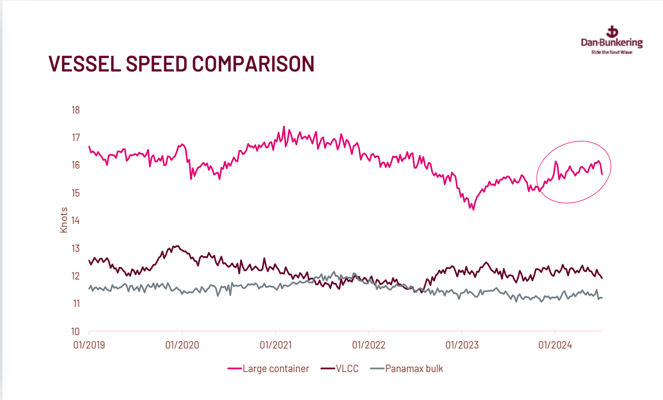




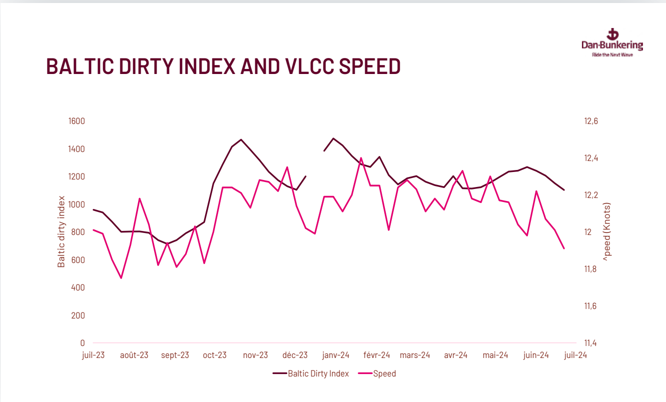
VESSEL SPEEDS

The container vessel's latest data point of 15.7 knots is down over 0.4 knots from last week. It is the second time this year that speeds drop this much on a weekly basis. The previous occurrence was end January when speeds fell over 0.5 knots to below 15.5 knots. Medium sized container vessels maintained speeds at 14.9 knots. The weekly movements in the measurements appear to be within calculation noise.

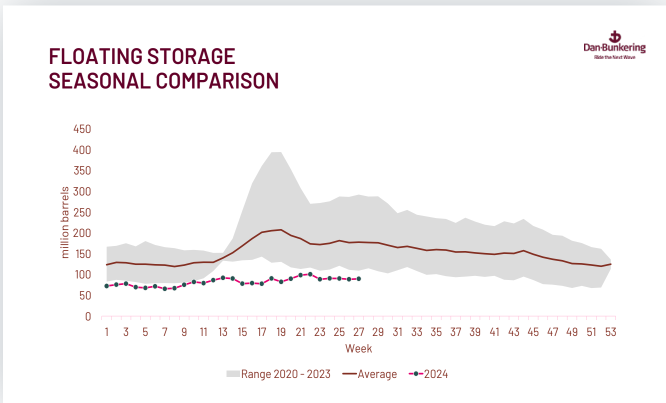




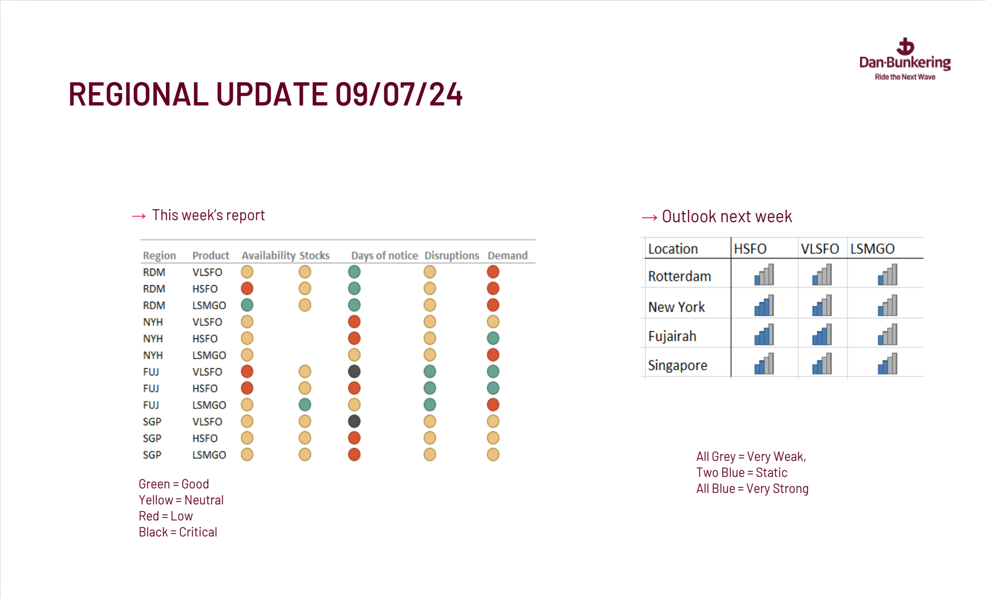
VLCC tanker speeds are down 0.1 knots to 11.9 knots. The current speed reading is on par with the average of the range seen for the period of the year. Still, the movements in the speeds are occurring in a tiny band around that average. The idle share of the fleet was at 5.8% in deadweight terms, down 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 1.2 mln DWT to over 36 mln DWT in deadweight terms. The current level is 23% higher than the "normal" average. The current number of idle vessels fell by 10 to 269 compared to last week (which was decreased by 1 vessel).



The floating storage (excluding the dedicated storage) stands at 113 vessels, down 2 vessels from last week's number, which was unchanged at 115. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is below 90 million barrels, up 1 mb compared to last week. 56 product tankers are reported functioning as storage, accounting for 21 mb. On last report, 55 crude tankers vessels accounted for over 68 mb of stored oil, up over 1 mb. The number of crude oil tankers as storage is in line with that seen before March 2020. The number of product tankers used as storage remains elevated.



03. REGIONAL REMARKS



NEW YORK

No change from last week.

FUJAIRAH

Poor weather in surrounding region has led to rough and heavy swells, leading to some terminals temporarily pausing loading and increasing delays across nearly all suppliers for loading of their barges.

HSFO demand remains strong in the region with many large scrubber vessels avoiding the treacherous Red Sea route and increasing volumes for the Cape of Good Hope voyage.

Demand for VLSFO too remains strong, with many suppliers vying for market share and stems.

ARA

Demand is at low levels, with availability of VLSFO reasonable and HSFO tight, while LSMGO sees good availability.

SINGAPORE

Pressure on Asian low sulfur fuel oil fundamentals is likely to cap a significant upside in upstream valuations, as elevated arbitrage inflows into the Singapore hub may lead to abundant inventories for most of July, traders said.

Amid adequate supplies for the downstream end-user market, slower demand has resulted in some uncertainty for the bunkering segment, with tepid delivered premiums moderating near-term sentiment.

Traders expect LSFO flows originating from Nigeria's Dangote and possibly incremental volumes from Southeast Asian refineries to weigh on overall dynamics in July, while easing freight rates have helped lift arbitrage margins in recent weeks.

Downstream trading activity in the world's largest bunkering hub of Singapore could remain under pressure in the week started July 8, weighed down by ample near-term supplies and sluggish demand.

HSFO

After holding steady in May and June, Singapore's high sulfur bunker demand has cooled off in recent sessions, while some HSFO cargoes have been fixed from Fujairah to Singapore, according to trade sources. But the availability of non-sanctioned barrels was still limited.

GASOIL

Market structure for the Asian ultra-low sulfur gasoil complex is expected to remain in slight contango July 8-12, though some trade participants reiterated that demand and supply fundamentals were largely stable.

Regional indicators : prices in USD to benchmarks

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	12	FOB Rdam Barges 3.5%	-10 to -12	MOPS380	0	MOPD380	11-14	MOPS380
VLSFO	5	FOB Rdam Barges 0.5%	8-10	MOPS 0.5%	0	MOPS 0.5%	9-11	MOPS 0.5%
LSMGO	-30	ICE Gasoil	110	MOPS GO 10ppm	0	HO	-9 to -0.5	MOPS GO 10ppm

NYH HSFO barrel to MT: 6.36 and NYH VLSFO to MT: 6.9, NYH LSMGO versus Heating oil in $/gallon.

Regional indicators : Day's notice

Product	ARA	FUJ	Nyh	SGP
HSFO	3-4	7-9	5	10
VLSFO	3-4	8-11	5	12
LSMGO	2-3	3-5	2	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve rose $22/mt at the front compared to last week in absolute terms (July 5th compared to June 28th). The six-month rose by $23.5/mt. The curve is in backwardation, but unstable over the second through fourth month. The time spread for the 6-month period decreased $1.5/mt to minus $11.3/mt. The 3.5% barges' curve strengthened the backwardation, which is at $38.5 on the 6-month contract (front month minus the six-month contract). The front rose $15.3/mt while the six-month rose $8.3/mt. The VLSFO 0.5% backwardation increased $9.3/mt to -$25.5/mt compared to a week prior. The curve is still in backwardation.

The relative value of VLSFO compared to LGO at 6 months is flat at 70% and increased $10/mt in absolute terms to -$238/mt compared to 72% or $223/mt below LGO at the front. That $223/mt is down $2/mt compared to last week's reading when the front was 71% of LGO.

Monday the 8th saw the ICE gasoil front move down $18/mt on Friday's $807.5/mt close to reach $789.5/mt. On Tuesday end morning, the ICE Gasoil curve saw the 6-month structure decrease by around $4/mt compared to the Friday level, and down $1/mt from the Monday level of $8/mt. The front was down around $10/mt on Monday's level and the 6-month was down by $9/mt on Monday's level. The curve saw a weakening of the backwardation compared to Friday. The front is down over 3% compared to Friday the 5th.

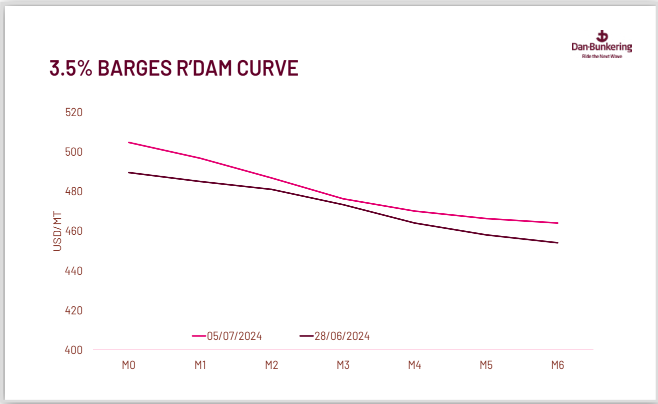
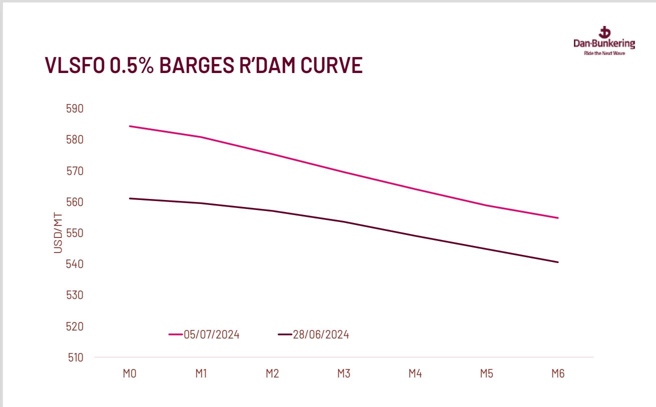
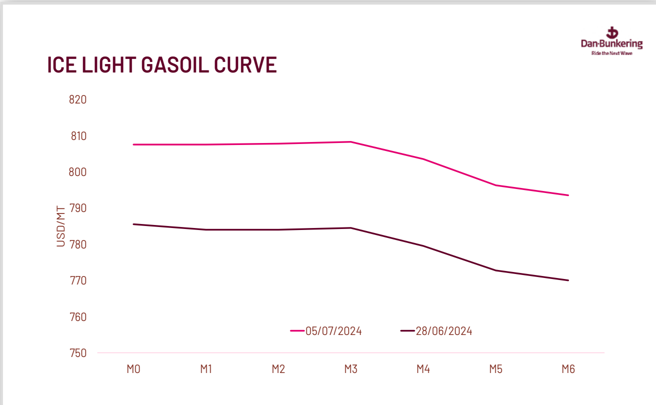
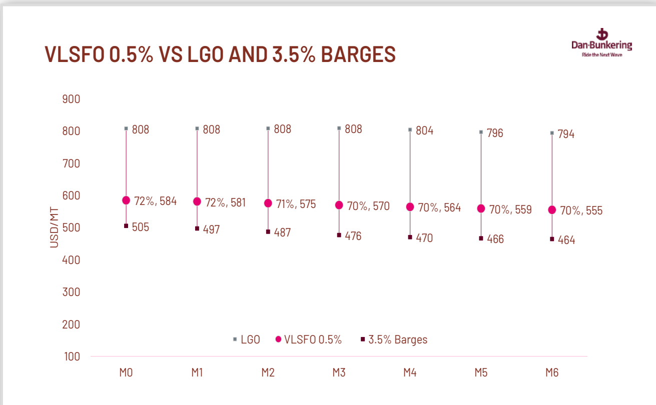


Figure 1 ARA Curve







M0 is August 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front rise by 2.8%, while the sixth-month level rose by 3%. The sixth month, minus the front month, is at 1.4% backwardation, down from 1.6% last week. The Fuel Oil Rotterdam front month rose 3.1%, and the 6-month rose 1.8%. The curve is 7.6% in backwardation on the six-month horizon and sees a 1.6% (or $8/mt) backwardation between the front and second month. The VLSFO curve saw its backwardation increase to 4.4% as the front rose 4.1% while the back rose 2.6%.

Brent Ref: 0.1 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	14.4	15.4	n/a	n/a	23.3	27.0	22.0
Jul-24	15.8	11.5	2.6	1.4	24.8	19.8	23.5
Aug-24	16.8	6.5	2.4	1.0	23.8	15.8	23.5
Sep-24	15.5	0.3	2.3	0.8	21.8	13.5	23.3
Oct-24	12.5	-2.5	2.3	0.7	20.5	12.3	28.8

Note: US Gulf "yesterday" price not available as it refers to 4th of July, when the markets were closed.

06. OUR VIEW

Germany's balance of trade for May showed a surplus of nearly €25 bln, among the highest levels over the past 10 years. Yet, that surplus came about, because effectively trade dropped across the board, it was just that imports fell faster than exports. That is hardly a good signal. Likewise, German industrial production fell by 6.7% in May from year-ago levels, .Factory orders fell by 1.6% in May from April; most of that fall was from lower orders from abroad: Eurozone -0.1% and outside Eurozone -4.6%. This is the biggest economy in the Eurozone, and it is struggling. It is unlikely that a cut in ECB interest rates, even a deep cut, would do anything to re-kick start growth. As German federal statistics **show**, the production indexes for energy intensive industries rose from below 80 in end 2023, to close to 85 (or 15% below the 2015 base level) in May. As the World Bank's latest commodity price data **shows**, energy prices increased by 1.1% in June from May levels. The uplift that the lower prices have provided so far, is likely to be bottoming out.

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)**