Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 24
June 11, 2024

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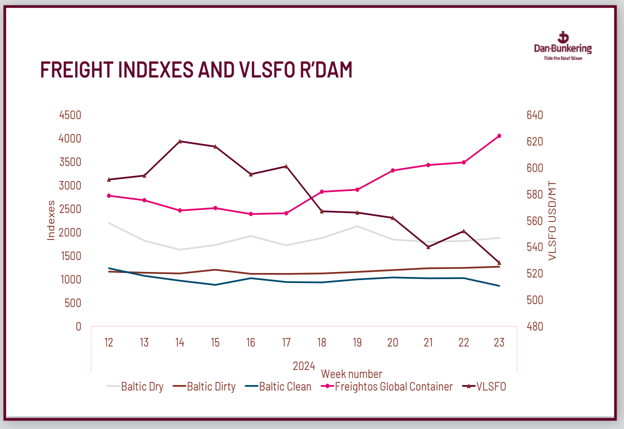
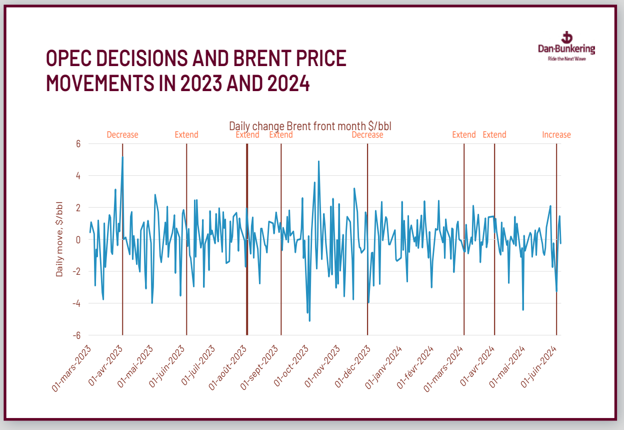
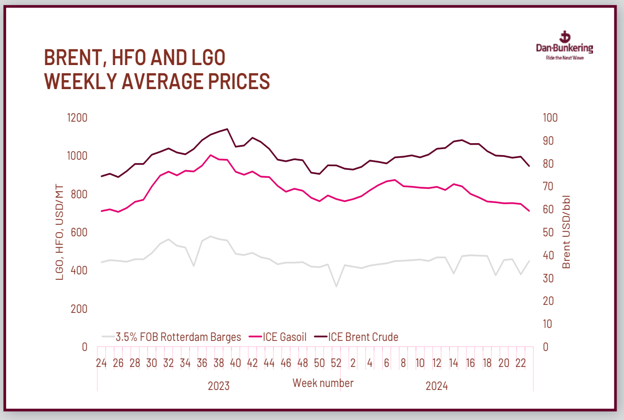
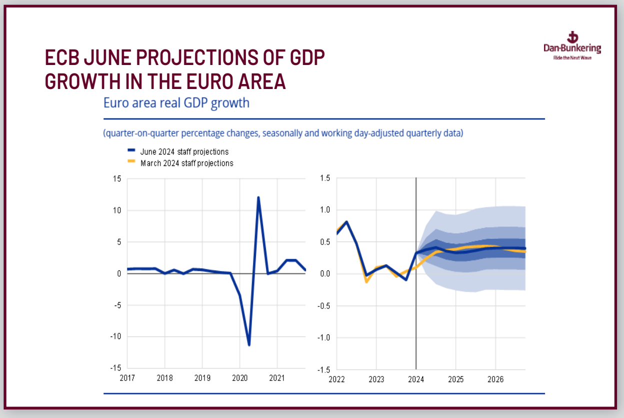








Sources: EIA.gov, ECB, investing.com, Baltic Exchange, Freightos Baltic Index, Refinitiv, Clarksons Research, U.S. Bureau of Economic Analysis, fred.stlouisfed.org, AtlantaFed, OPEC, OECD, Wolfstreet.com, Eurostat, IEA, Dan Bunkering analysis

01. ECONOMIC DATA CALENDAR

DATE	AREA	TOPIC	EXPECT	PREV.	IMPACT
11/06 22:30	USA	API Crude oil stock change		4 mb	Oil market balance
12/06 03:30	China	Inflation rate May (YoY)	0.2%	0.3%	Economic health
08:00	Germany	Inflation rate May (YoY)	2.4%	2.2%	Economic health
08:00	UK	Industrial production April (YoY)	0.3%	0.5%	Economic activity
08:00	UK	Balance of trade (April)	-£1.25 bn	- £1.1 bn	Economic health
11:00	OECD	IEA monthly oil market report			Oil market balance
14:00	India	Industrial production April (YoY)	3.9%	4.9%	Economic activity
14:30	USA	Inflation rate May (YoY)	3.4%	3.4%	Economic health
16:30	USA	EIA Crude oil stocks		1.2 mb	Oil market balance
16:30	USA	EIA Distillate stocks		3.2 mb	Oil market balance
20:00	USA	US Fed interest rate decision	5.5%	5.5%	Economic health
20:00	USA	US Fed economic projections			Economic activity
20:30	USA	US Fed press conference			Economic health
13/06 08:00	Germany	Wholesale prices May (YoY)	-0.6%	-1.8%	Economic health
11:00	Euro Area	Industrial production April (YoY)	-7%	-1%	Economic activity
14:30	USA	PPI May (YoY)	2.3%	2.4%	Economic health
20:00	Argentina	Inflation rate May (YoY)	290%	289.4%	Economic health
	G7	Economic summit G7 countries			
14/06 05:00	Japan	BoJ interest rate decision	0.1%	0.1%	Economic health
06:30	Japan	Industrial production April (YoY)	-1%	-6.2%	Economic activity
08:45	France	Inflation rate May (YoY)	2.2%	2.2%	Economic health
11:00	Euro area	Balance of trade (Apr)	€16 bn	€24.1 bn	Economic health
14:00	Brazil	ICB-BR economic activity (Apr)	0.1%	-0.3%	Economic activity
19:00	USA	Baker Hughes oil rig count		492	Oil market balance
	India	Balance of trade (May)	-$21 bn	-$19.1 bn	Economic health
17/06 04:00	China	Industrial production May (YoY)		6.7%	Economic activity
11:00	Euro area	Wage growth Q1 (YoY)	2.8%	3.1%	Economic health

Source: Economic Calendar (tradingeconomics.com); selection of topics based on main market movers for the week, times CET (UTC+2); definitions can be found **here**

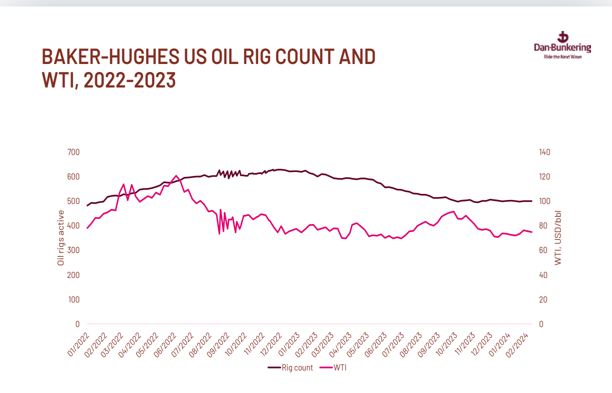
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

After the decisions of the Bank of England and the ECB, the US Federal Reserve will take its decision on the interest rates on Wednesday. It is generally expected that the Fed will keep rates unchanged for another period of time and take a “wait and see”, “data-dependent” approach. The Bank of Japan follows with its decision on Friday, also expected to keep rates unchanged, at 0.1%. Inflation in China is expected to have slowed down to 0.2% in May, while in Germany, inflation is expected to have risen to 2.4%, relatively close to the ECB target. In France, inflation is projected to have been static at 2.2%, while in the USA, inflation is projected to have been unchanged at 3.4%, considerably above the Fed target rate. In Argentina, the growth in the inflation rate appears to be slowing down, rising to 290% in May from 289.4% in April. Industrial production in the UK is seen to have slowed to 0.3% growth in April, while in India, growth slowed to 3.9%, as still strong performance. In the Euro area, however, the forecast is for a 7% decline in April from year-ago levels. That would be a very substantial slowdown after the 1% decline in March. However, although a steep decline, it is not the first decline. Since August last year, industrial production has been **falling** at an average of around 4.5% each month. These numbers have only occurred before during strong recessions. In Japan, industrial production too is falling, after a 6.2% decline in March, April is projected to show a 1% decline. China’s industrial production growth data will be published on the 17th, with no immediate forecast available, but the April data showed a 6.7% expansion. The Euro area’s balance of trade is expected to have fallen to a €16 bn surplus from the recent record €24 bn surplus recorded in March. Both India’s and the UK’s balance of trade are expected to have deteriorated in May and April, respectively. The US Fed will hold a press conference on Wednesday evening, while its economic projections will be presented just ahead of that conference. The International Energy Agency will publish its monthly oil market report on Wednesday morning, expect some motion in the oil price as the agency will likely incorporate its assessment of the impact of the OPEC+ voluntary cut reversal on the market balance.

OIL MARKET

The Baker Hughes oil rig count was down four rigs to 492 last week. The weekly average of WTI was $75.1, down $3.4. The natural gas price at Henry Hub rose to an average of $2.76/mmbtu, up 20 dollar cents from the previous week.



The OPEC+ announcement to gradually roll back the 2.2 mb/d of voluntary cuts led to a decrease in the oil price. On the first trading day after the decision, the price fell $3.26/bbl to $78.36 and since moved slowly back up. Since March 2023, seven decisions have been made. The first led to a more than $5 increase, which took 25 days to unwind. The June 2023 decision to extend the cuts saw no discernable reaction at all. The August announcement by OPEC+ of its extension drove prices up by around $2.5, but after 9 trading days, the price was back where it started. In September 2023, Saudi Arabia announced it would extend its cuts to year-end. The price only started to move over a 10-day trading period, before it abruptly fell back to its initial level after 19 trading days. The November decision to deepen the production cuts saw prices fall further. After 10 days, the price was down more than $8.5/bbl. It took 39 trading days before the price had recovered. In March this year, the cuts were extended. The price took five days before it started moving, rising $2.5/bbl after 10 days. After 43 trading days, the price was back at its initial level. The June 3rd decision to revert has seen the price recover only $1.26/bbl after five trading days.

Table 1 OPEC decisions and Brent price moves 2023-2024

Date	Production Direction	Day	1-Day	5-Day	10-Day	Reverted
03/04/2023	Decrease	79.77	84.93	84.18	86.31	25 days
04/06/2023	Extend	76.13	76.71	74.79	76.61	-
04/08/2023	Extend	85.14	86.24	87.55	84.1	9 days
06/09/2023	Extend	90.04	90.6	92.06	94.34	19 days
30/11/2023	Decrease	82.83	78.88	74.3	74.26	39 days
04/03/2024	Extend	82.8	82.04	82.08	85.34	43 days
03/06/2024	Increase	78.36	77.52	79.62	-	-

In Q3 2023, there was considerable concern that the market would see significant stock draws throughout the second half of the year. That concern was only partially proven correct and the price fall into the fourth quarter showed as much. The extension in March had a similar effect. A concern of stock draws, which then turn into concern of oversupply. Those concerns were then amplified with the reversal decision. This week will see the reports from all the three agencies, OPEC, EIA and IEA. Expect some price movements around the reports, as the market tries to gauge what the implications may be for the crude oil balances.

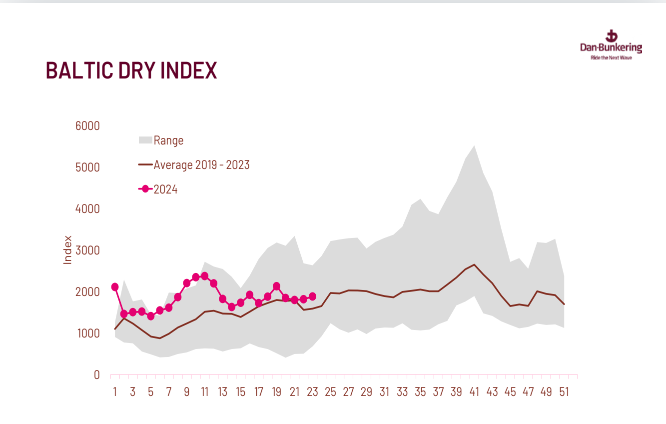
ECONOMY

The European Central Bank **published** its June macroeconomic projections for the euro area. The ECB revised its GDP growth forecast by 0.3% points to 0.9% for 2024 while revising the 2025 growth down by 0.1% points to 1.4% annual growth. The revisions are due to stronger-than-expected actual data for the first months of the year. The bank observes that "*past monetary tightening (…)*" still dampens growth. Note that this is the sought-after objective to bring down inflation. Demand needs to be lowered to bring prices down. That inflation is now expected to remain static at around 2.5% in 2024, before declining to 2.2% in 2025 and 1.9% in 2026. The slow decline in inflation is due to the inflation in service prices. The inflation target is now achieved in the fourth quarter of 2025 rather than the third quarter, as projected in the March outlook. Most of the growth in real GDP is driven by household consumption. The bank sees this component rising due to "*robust real wage growth*" driven by tight labour markets. On the other hand, business investment is projected to be muted, negatively impacted by the "drag" from the higher interest rates. The bank believes that this negative impact will gradually fade during 2024. The Euro area should also benefit from better trade. Global imports are projected to increase by 2.6% in 2024 and then accelerate to 3.3% in 2025 and 2026.

The oil price assumption in the outlook is the futures curve, with the price going down to $78/bbl in 2025 and then to $74.5 in 2026. In the bank's sensitivity analysis, a 10% higher oil price and a 16% higher gas price will drive inflation up by 0.4% points in 2024. A 20% higher oil price in combination with a 27% higher gas price in 2025 pushes inflation up by 0.7% points. In 2024, there is no discernible impact on GDP from these higher oil prices, while in 2025, GDP growth would be 0.2% points lower. Note that 20% higher oil prices mean Brent will be around $93 in 2025.

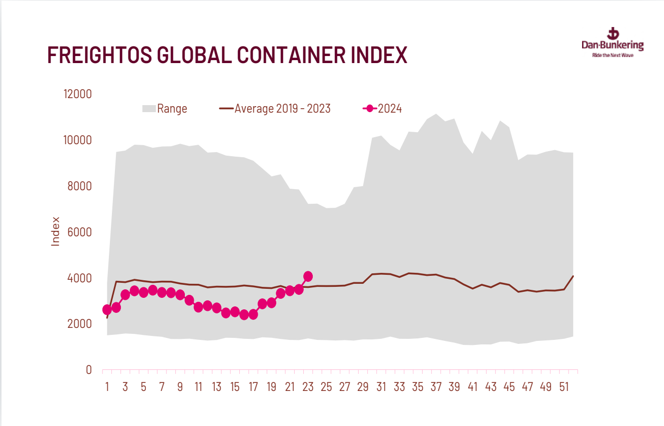
Furthermore, the bank looked at the impact of China's trade. The Chinese economy is considered to be impacted by the faltering housing sector, and one of the "solutions" the ECB considers that the Chinese government could take is to export its manufacturing surplus through subsidies. This can drive inflation down in the Euro area (and the US as well). GDP in the Euro area would be lower, and so would inflation. Should the Euro area impose trade barriers, GDP growth would be lower, and inflation would fall by 0.4%. In other words, China could export disinflation, according to the ECB analysis. Europe is much more impacted than the USA, as the Euro area's trade connections are much more critical. And the Euro area is already suffering from weak trade. Its export market share is still more than 10% below the pre-2020 levels, while China's share has jumped around 20% above those levels, and the USA has more than recovered.

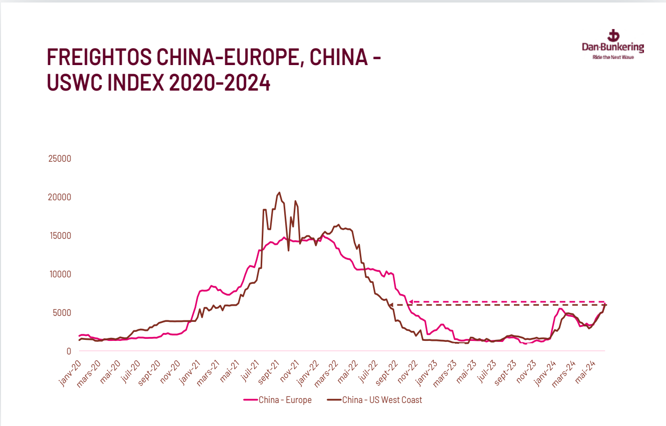
VESSEL RATES



Crude oil tanker rates on the Baltic Exchange TD3 route were down 10% after last week's 25% decrease. The t/c rates were at $31.6k/day compared to $35.2k/day a week before. Voyage rates were reported at $8.6/mt on the route on the 7th of June, down $0.9 compared to the week of the 31st. The Baltic dirty index was up 2%, or 25 points, to 1266. The level is 60% above the previous 5-year average. The clean index was down 16% from last week's level at 858. The index is 23% above the previous 5-year average. Dry bulk rates rose 4% or 66 points to 1881 per the Baltic Dry Index. The index is 18% 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.

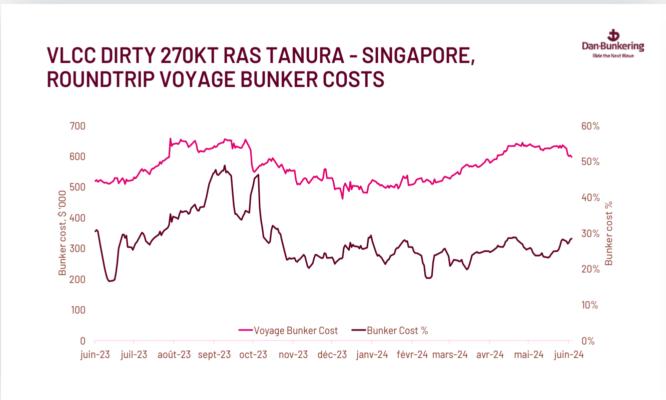
The container market rose over 16% over the last week compared to the 31st of May to $4053, as measured by the overall **Freightos Global Index**. The China to Europe rate rose nearly 23% to $6163 over the same period. The China to US West Coast rose 17% from $5030 to $5888. The indexes have now risen back to levels last seen in the months August to September 2022. The Red Sea disruptions with their knock-on effects on fleet deployment as well as reported strong demand are driving up rates. Congestion, measured by the last 7-day moving average of containerships in port, was reported at 30.7%, up 0.2% points compared to the previous week. The congestion share represents some 9 mln TEU, up 0.1 mln TEU from last week. The idle fleet stood at 252, down 8 from last week, which saw a 2-vessel downward revision in the data. Some 2.1% 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. The reported average voyage duration between China and the US West Coast is 21 days, up 1 day from last week.

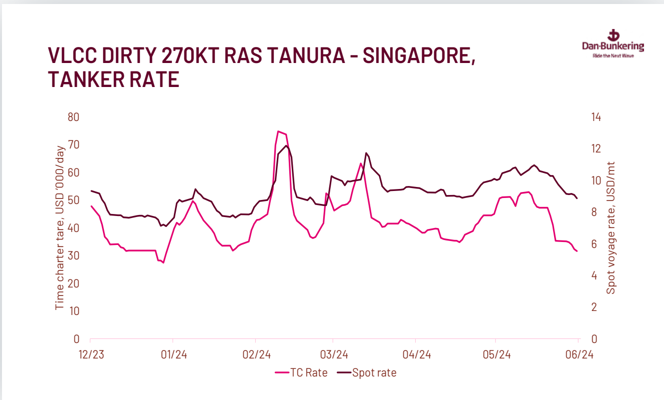




FREIGHT AND BUNKERS

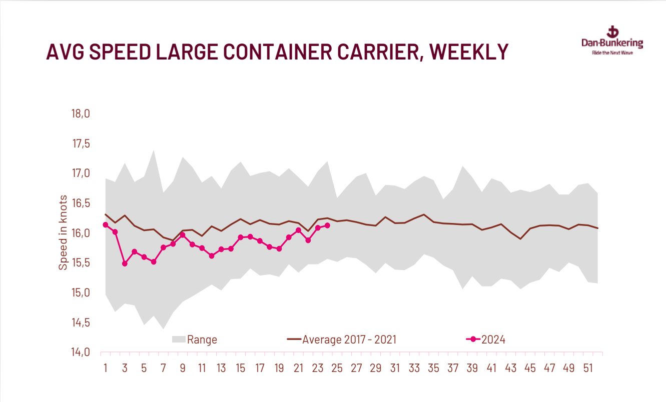
Reported tanker voyage charter rates were down at $8.5/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were down more than 6% in Fujairah and almost 5% in Singapore over the week through the 7th of June. Bunker costs are some 28% of the total voyage. If the voyage is calculated on VLSFO, bunker costs are 34%. The VLSFO prices were down over 2% in Fujairah and more than 5% in Singapore. The calculations provided are intended to be directional indications, not the actual ones that each tanker owner is experiencing.

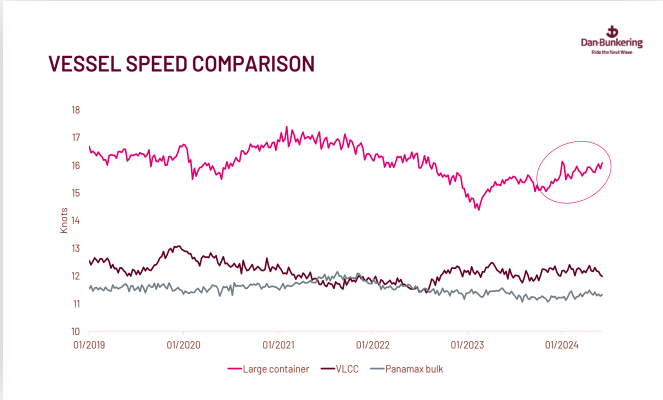




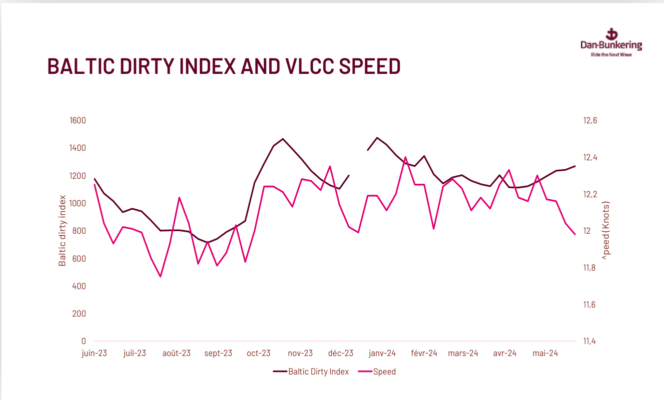
VESSEL SPEEDS

The container vessel's latest data point of 16.1 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.

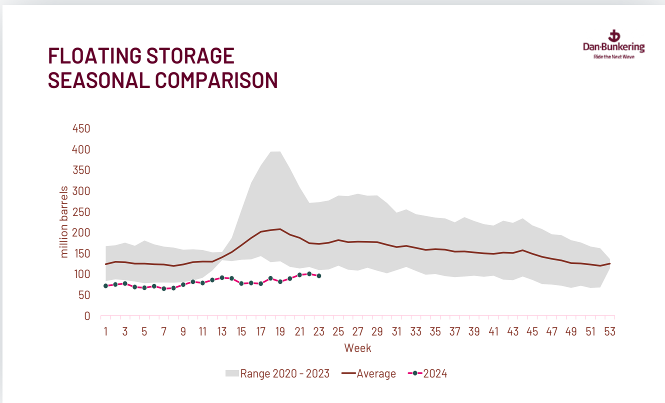




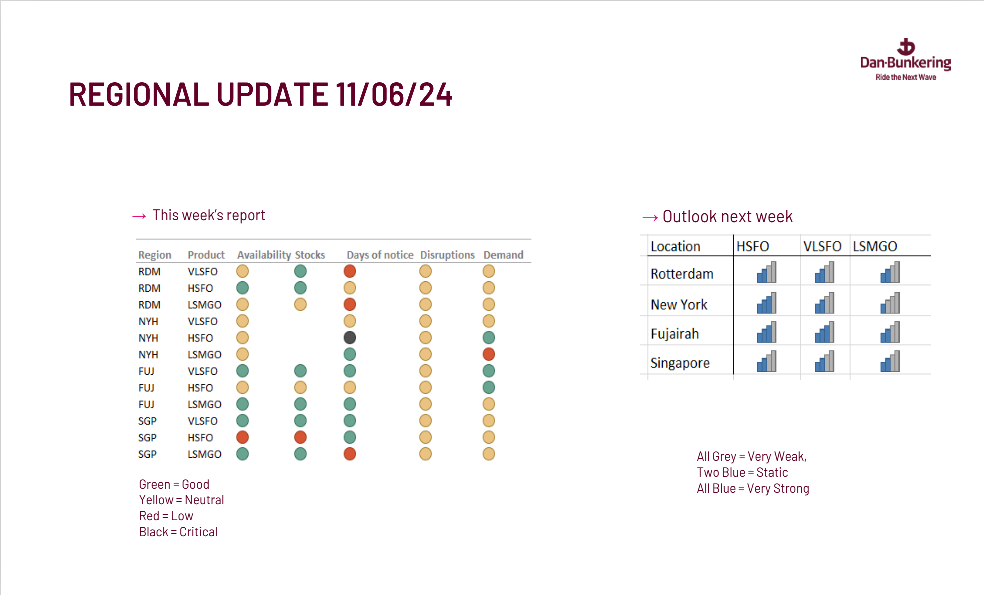
VLCC tanker speeds are flat at 12 knots. The current speed reading is on par with the average of the range seen for the period of the year. Still, the movements in the speeds are occurring in a tiny band around that average. The idle share of the fleet was at 5.7% in deadweight terms, unchanged compared to the previous report (last week's data was revised down by 0.1% point). The share remains exceptionally high, not just for the period of the year but in a longer perspective as well. The idle share was almost unchanged at over 36 mln DWT in deadweight terms. The current level is 40% higher than the "normal" average. The current number of idle vessels fell by 8 to 269 compared to last week (which was decreased by 3 vessels).



The floating storage (excluding the dedicated storage) stands at 129 vessels, down 1 vessel from last week's number, which was unchanged. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is above 95 million barrels, down over 4 mb compared to last week. 76 product tankers are reported functioning as storage, accounting for 29 mb. On last report, 52 crude tankers vessels accounted for nearly 67 mb of stored oil, down over 5 mb. Despite the current halting, the number of crude oil tankers as storage is slowly creeping up. The number of product tankers used as storage remains elevated.



03. REGIONAL REMARKS



NEW YORK

Demand static up an down USEC. Liners tendering out on Q3 biz.

FUJAIRAH

Regular VLSFO demand continues in the region, with buyers making use of low pricing levels in the oversupplied market the last week.

Barge avails for all grades are OK, but HSFO still remains more difficult to arrange for prompt than 0.5 product.

Bio demand remains minimal in the region.

ARA

Following an oil spill in Antwerp, which closed down one of the locks while cleaning, caused some delays, but not affecting the market that much. There are some issues with loading of VLSFO due to congestion, but the market is still well supplied. HSFO and MGO are still getting tighter but also not affecting the market as of yet.

SINGAPORE

VLSFO:

LSFO market would likely remain under pressure over June 10-14, as prompt supplies were more than adequate to meet sluggish demand for end-user requirements. Downstream LSFO demand in SG rather tepid, or average at best. First-half June remains bleak, as potential upsides to delivered premiums might stay limited in the near term. The softening upstream valuations may gradually exert pressure, while competition in the downstream market was reportedly intense as suppliers sought after inquiries for June refueling dates.

HSFO:

HSFO market appears to be well supported in the near term, buoyed by stable bunkering activity and seasonal demand from summer power generation needs. Recent dearth of availability of non-sanctioned cargoes was further boosting the HSFO market. Downstream HSFO market has generally been buoyant as demand on both term contract and spot basis have recently been stable, while the elevated upstream cash valuations also led to steadier delivered premiums.

Gasoil:

Long regional supply exacerbated by the emergence of swing barrels from the Persian Gulf and India is expected to continue weighing on the Asian gasoil complex, with the demand expected to remain stable-to- soft as the monsoon season approaches. Onshore commercial stocks of middle distillates rose 0.38% on the week to 10.85 million barrels over May 30-June 5, Enterprise Singapore data showed June 6.

Regional indicators : prices in USD to benchmarks

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	7	FOB Rdam Barges 3.5%	-6	MOPS 380	0	MOPS 380	19-21	MOPS380
VLSFO	7	FOB Rdam Barges 0.5%	6-8	MOPS 0.5%	10	MOPS 0.5%	8-13	MOPS 0.5%
LSMGO	-11	ICE Gasoil	-6	MOPS GO 10ppm	0.03	HO	-3 to +7	MOPS GO 10ppm

NYH HSFO barrel to MT: 6.36 and NYH VLSFO to MT: 6.9, NYH LSMGO versus HO in $/gallon, NYH Brent 6.75

Regional indicators : Day's notice

Product	ARA	FUJ	NYH	SGP
HSFO	4-6	5-7	7	7
VLSFO	4-6	3-5	4	5-7
LSMGO	4-6	2-2	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve fell $9.5/mt at the front compared to last week in absolute terms (June 7th compared to May 31st). The six-month fell by $13.3/mt. The curve is in contango but falls between the 5th and 6th-month contract. The time spread for the 6-month period decreased $3.8/mt to plus $5.8/mt. The 3.5% barges' curve is back in full backwardation, which is at $25.3 on the 6-month contract (front month minus the six-month contract). The front fell $7.3/mt while the six-month fell $17.8/mt. The VLSFO 0.5% backwardation decreased $4.8/mt to -$8.8/mt compared to a week prior. The front month and the second month are now the same, continuing a slow move towards contango on the VSLFO. However, the curve is still in backwardation.

The relative value of VLSFO compared to LGO at 6 months is flat at 70% and is also flat in absolute terms at -$222/mt compared to 71% or $208/mt below LGO at the front. That $208/mt is up $9/mt on last week's reading when the front was 73% of LGO.

Monday the 10th saw the ICE gasoil front move up $15/mt on Friday's $722.5/mt close to reach $737.25/mt. On Tuesday end morning, the ICE Gasoil curve saw the 6-month structure decrease by around $1/mt compared to the Friday level. The front was up less than $1/mt on Monday's level and the 6-month was up by over $1/mt on Monday's level. At the 8-month horizon, the curve is now back in backwardation. The front is up just over 2% compared to Friday the 7th.

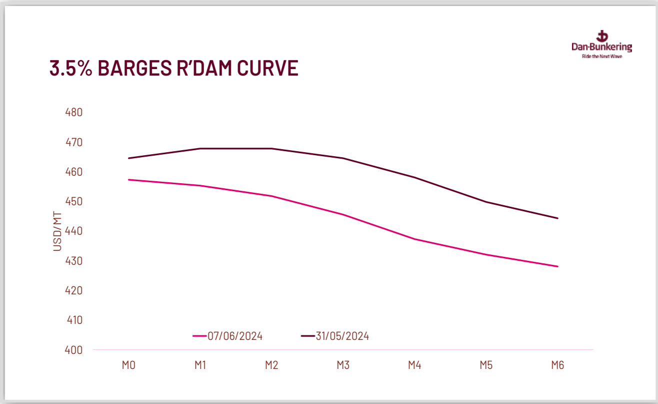
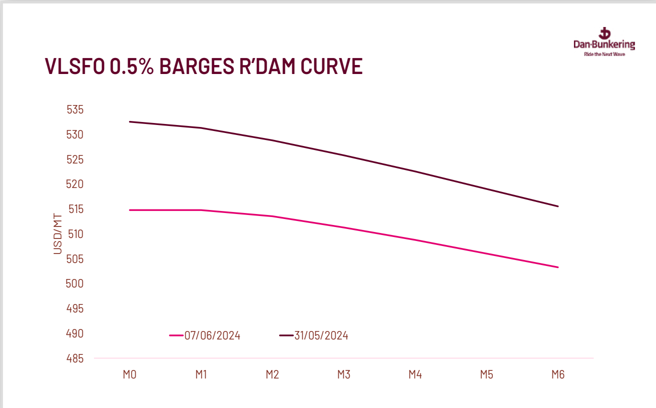
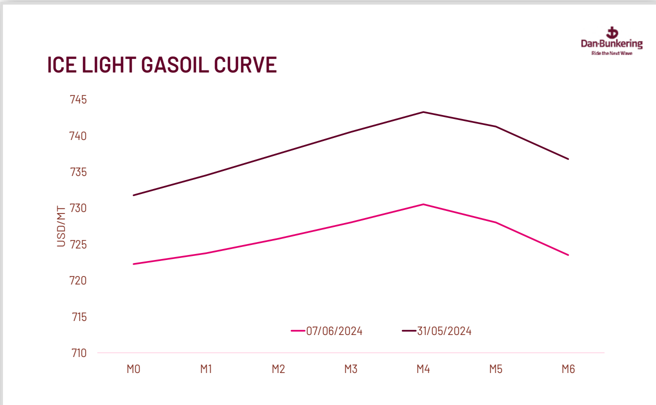
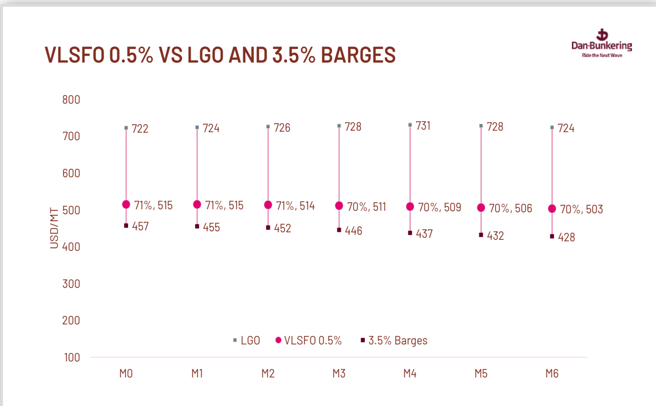


Figure 1 ARA Curve







M0 is July 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front fall by 1.3%, while the sixth-month level fell by 1.8%. The curve trajectory is in contango. The sixth month, minus the front month, is at 0.8% contango, down from 1.3% last week. The Fuel Oil Rotterdam front month fell 1.6%, and the 6-month fell 3.9%. The curve is 5.5% in backwardation on the six-month horizon. The VLSFO curve saw its backwardation decrease to 1.7% as the front fell 3.3% while the back fell 2.5%.

Brent Ref: **-2** **August**

	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	-17.6	-22.6	-2.8	-2.8	-17.8	-9.5	-9.5
Jun-24	-15.8	-22.0	-1.1	-1.8	-16.5	-10.5	-12.3
Jul-24	-14.5	-20.5	-1.3	-1.9	-14.0	-12.5	-13.8
Aug-24	-14.3	-19.3	-1.2	-2.1	-12.3	-12.8	-14.8
Sep-24	-14.8	-18.8	-1.6	-2.0	-11.3	-12.5	-15.3

06. OUR VIEW

The ECB projections show the continued importance of oil (and gas) on the economy, both on GDP growth and inflation. For all the talk of degrowth and deindustrialisation, energy remains a very basic pillar of the economy. OPEC itself certainly seems to hold that view. In its latest monthly report, the organization holds on to the 2.25 mb/d growth for 2024 and the 1.85 mb/d growth in 2025. For the historically inclined, this weekend saw the 50th anniversary of the petrodollar agreement between the USA and Saudi Arabia. The agreement followed on the heels of the 1973 oil crisis, with oil prices quadrupling and resulting in very strong inflows of dollars into the middle east, and outflows from the USA. A security agreement was established, with the understanding that oil would be sold in USD, and that Saudi Arabia would buy US treasuries with the dollars. The agreement gave solid footing to the USD, which had been delinked from gold in 1971. A situation itself which provoked strong OPEC antagonism. That is 50 years ago. Nowadays, slowly but surely, more and more oil is sold in other currency than dollars, including rupees and yuan. That process will likely continue, eroding the USD primary world reserve currency status. And with that move, the direct effects of US monetary policy on the oil price will change. It will not happen overnight, but slowly and steadily.

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)