Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 33
August 13, 2024

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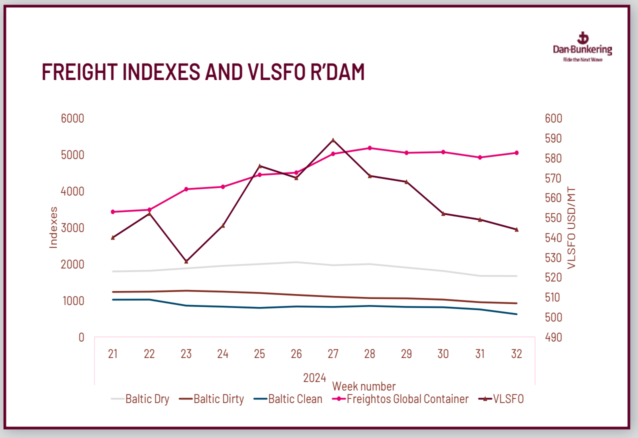
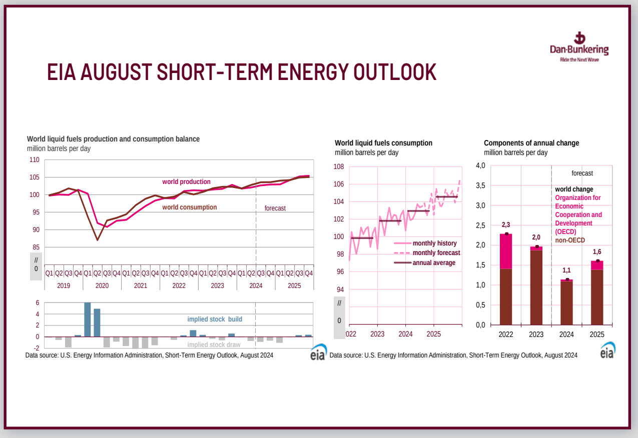
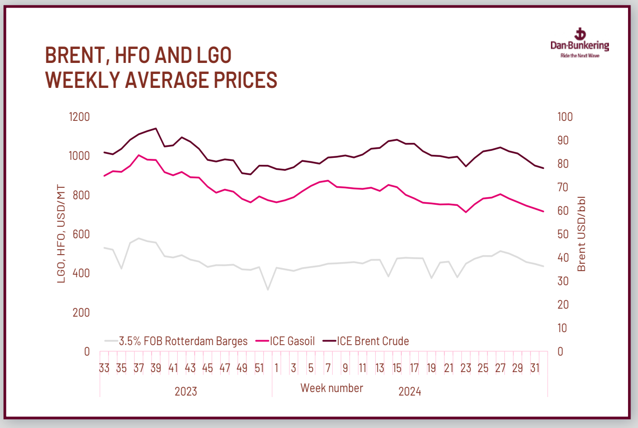
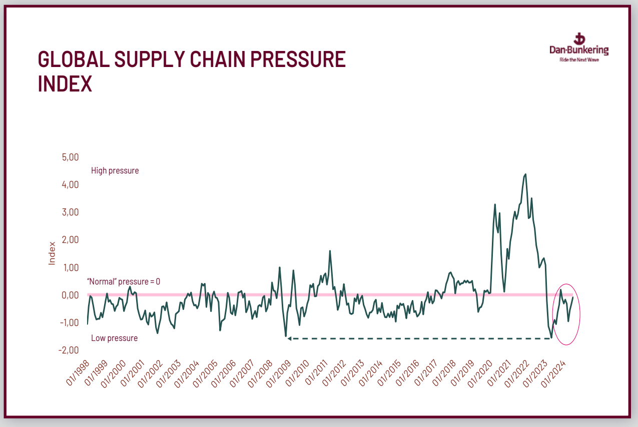








Sources: EIA.gov, ECB, investing.com, Baltic Exchange, Freightos Baltic Index, Refinitiv, Clarksons Research, U.S. Bureau of Economic Analysis, fred.stlouisfed.org, AtlantaFed, OPEC, OECD, Wolfstreet.com, Eurostat, IEA, Dan Bunkering analysis

01. ECONOMIC DATA CALENDAR

Date	Area	Topic	Expect	Prev.	Impact
13/08 22:30	USA	API Crude oil stock change		0.18 mb	Oil market balance
14/08 08:00	UK	Inflation rate July (YoY)	2.5%	2%	Economic health
08:30	India	WPI inflation July (YoY)	2.5%	3.36%	Economic health
08:45	France	Harmonised inflation rate July (YoY)	2.6%	2.5%	Economic health
11:00	Euro area	GDP growth rate Q2 (YoY)	0.6%	0.5%	Economic activity
11:00	Euro area	Industrial production June (YoY)	0.6%	-2.9%	Economic activity
14:30	USA	Inflation rate July (YoY)	3%	3%	Economic health
16:30	USA	EIA crude oil stocks change		-3.7 mb	Oil market balance
16:30	USA	EIA distillate stocks change		0.9 mb	Oil market balance
21:00	Argentina	Inflation rate July (YoY)	267%	271.5%	Economic health
15/08 01:50	Japan	GDP growth rate Q2 annualised (YoY)	2.3%	-2%	Economic activity
01:50	Japan	GDP price index Q2 (YoY)	2.7%	3.6%	Economic health
04:00	China	Industrial production July (YoY)	5%	5.3%	Economic activity
04:00	China	Retail sales July (YoY)	3%	2%	Economic activity
06:30	Japan	Industrial production June (YoY)	1.3%	1.1%	Economic activity
08:00	UK	GDP growth rate Q2 (YoY)	0.9%	0.3%	Economic activity
08:00	UK	Industrial production June (YoY)	0.8%	0.4%	Economic activity
15:15	USA	Industrial production July (YoY)	1.1%	1.6%	Economic activity
15:15	USA	Capacity utilisation (Jul)	78.6%	78.8%	Economic activity
	India	Balance of trade (Jul)	-$22 bn	-$21 bn	Economic health
16/08 03:30	Singapore	Balance of trade (Jul)	$3.9 bn	$3.1 bn	Economic health
11:00	Euro area	Balance of trade (Jun)	€23.4 bn	€13.9 bn	Economic health
16:00	USA	Michigan Consumer sentiment (Aug)	66	66.4	Economic health
19:00	USA	Baker Hughes oil rig count		485	Oil market balance
19/08 01:50	Japan	Machinery orders June (YoY)	-0.5%	10.8%	Economic activity
	China	Foreign direct investment July Ytd (YoY)	-30%	-29.1%	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

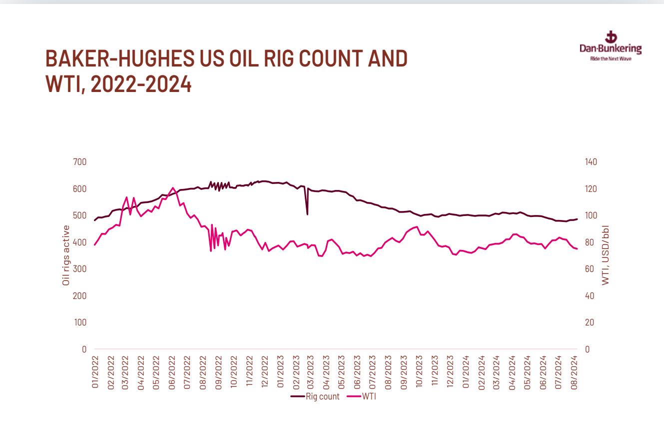
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The coming **week** sees rates published, in combination with several GDP growth rates for Q2. While most of the inflation rates in the western economies are close to target, they are no longer falling. In the UK the rate is actually up in July to 2.5%, away from the 2% target level it reached in June. Harmonised inflation in France is back up to 2.6% in July from 2.5% in June. And in the USA, the inflation rate is unchanged at 3% in July, while the core inflation in the country is up 0.1% to 3.3%. Japan's GDP price index though is expected to have fallen to 2.7% in Q2 from 3.6% in Q1. India's wholesale price inflation is expected to have fallen to 2.5% in July. Even in Argentina inflation appears to be slowing, although it is at hyperinflation levels of 267% annually in July. The Euro area's growth rate in Q2 is seen accelerating to 0.6% year-on-year, while Japan's economy switched from contracting by 2% in Q1 to a growth of 2.3% in Q2. The UK's economy is accelerating to 0.9% growth in Q2, from 0.3% in the previous quarter. Industrial production is following suit, it is up 0.8% in June in the UK, 0.6% in the Euro area and 1.1% in July in the USA. The Euro area saw a strong decline in May. In the USA, the expansion is a slowdown from June. The same is registered for China, where July industrial production grew by a healthy 5%, but down from 5.3% in June. Retail sales in the country rose by 3%, up from 2% annual growth in June. While an improvement, the rate remains relatively low and below the levels required for a reorientation of the economy to a much more consumer driven economy. Foreign direct investment in the country is also continuing to fall. July year-to-date data suggests a 30% cumulative drop in FDI from 2023 levels. This is the deepest correction in FDI **since** the financial crisis of 2008/9. The balance of trade in Singapore and the Euro area are projected to have improved in July and June respectively, whereas India's trade balance was mainly unchanged from June levels.

OIL MARKET

The Baker Hughes oil rig count was up by 3 rigs to 485 last week. The weekly average of WTI was $74.9, down $0.8. The natural gas price at Henry Hub was up $0.1 from the previous week at an average of $2.1/mmbtu.



The US Energy Information Administration published its Short-Term Energy Outlook last week, while OPEC published its monthly oil market report this week. The US agency sees signals that global economic growth is slowing, and therewith oil demand. It projects Chinese demand growth in 2024 and 2025 at around 0.3 mb/d each, well below the 0.5 mb/d average annual growth recorded between 2015 and 2019. Updated monthly statistics show reduced diesel demand, crude oil imports, and crude oil refinery runs in China. At the same time oil demand in Q2 in the OECD was increased by 0.3 mbd, more than offsetting China's reductions. Overall, oil demand growth remains unchanged from the previous report, at 1.1 mb/d in 2024 and is reduced by 0.2 mb/d to 1.4 mb/d in 2025. On the other side of the equation, non-OPEC production decreased slightly, while OPEC+ production was almost unchanged. Consequently, the EIA assumes that OPEC will, on average, decrease production by 0.2 mb/d in 2024, and the non-OPEC countries adhering to the OPEC policy will reduce output by 1.1 mb/d in 2024. However, these reductions have already taken place. According to the EIA projections, OPEC+ will gradually increase production from this quarter on by around 0.1 mb/d in Q3 and another 0.2 mb/d in Q4 before adding 1 mb/d through 2025. This is on top of the non-OPEC increases, which add 0.3 mb/d in Q3, 0.1 mb/d in Q4, and another 1.6 mb/d through 2025. OPEC's surplus production capacity has peaked already as the unwinding of voluntary cuts starts. By 2025, around 0.3 mb/d of the average 4.4 mb/d surplus capacity will have been brought back into production. The following 2 quarters should see around 0.8 mb/d stock draws. OECD commercial crude oil stocks and other liquids are projected to fall by around 70 million barrels from the end of June through December. That equates to some 0.4 mb/d of draws, with the remaining half coming from non-OECD stocks. Note that these non-OECD stocks are much harder to track than the OECD stocks. The stock draws are making the EIA state that Brent will rise by $1/bbl per month to an average of $89/bbl by February 2025. From April onwards, the price is set to fall by $1/bbl per month as the overproduction rebuilds stocks. The EIA does discuss the potential impact of slowing economic growth. However, the effect of a stronger dollar or tighter liquidity due to monetary policy decisions is not considered. And these possibilities do exist and can exert downward pressure on the oil price. In fact, OPEC does consider this specifically, although there is no number attached to the observations. This is the secretariat's review of the last few months' oil price movement: "*Between May and July, oil prices declined, primarily due to sentiment driven by speculative selloffs, easing geopolitical risk premiums and mixed economic indicators. Market sentiment was further affected by uncertainty surrounding central bank monetary policies, particularly prospects for prolonged high interest rates in the US as a means of addressing ongoing inflation.*" In its latest report, the secretariat revised its demand forecast for 2024 down to a still comparatively very high 2.1 mb/d, with OECD Americas accounting for all the OECD growth of 0.2 mb/d. 2025 demand was lowered too, to a still "robust" 1.8 mb/d. Most of the revisions were in Q1 due to more actual data being available. At the same time, so-called non-DoC liquids supply growth is unchanged for both 2024 and 2025, at 1.2 mb/d and 1.1 mb/d respectively. DoC crude oil output inched higher in July, as OPEC production reached the highest level this year at over 26.7 mb/d, while the non-OPEC DoC countries saw output fall somewhat as mainly Kazakhstan and Russia had lower production levels, as did South Sudan. Despite the slight increase, OPEC output is nowhere near it should be given its own projections of the market balance, lest the organisation would like to see very strong stock draws. It assesses Q2 draws at 1.5 mb/d, which should be rising to over 2.5 mb/d during the current quarter and higher in Q4, if the current output levels are not increased. This pattern is sustained, and indeed increased during 2025. These projections are suggesting a very tight oil market and therefore much higher prices than the market is currently showing. However, it may just as well be the case that the current cuts are keeping prices relatively elevated (in historical perspective prices are high), or rather from falling precipitously. In other words, the market is potentially highly unstable.

ECONOMY

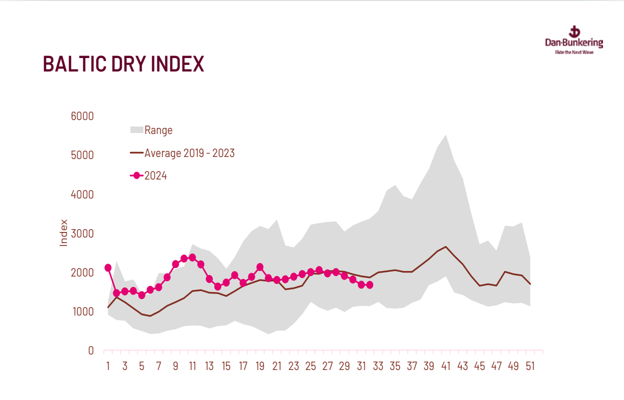
The New York Fed's Global Supply Chain Pressure Index for July shows an increase in pressure from June levels. The current reading of -0.09 is still very mildly indicating a slack supply chain in historical perspective. But the increase that is reported, is from a substantially downwardly revised June level. Last month, the New York Fed model calculated an index level of -0.03, this month, that number was revised down to -0.33, which suggests a much more "relaxed" supply chain than presented initially. That the supply chain appears to be weak, is also confirmed by the UN's merchandise trade Nowcast (although some care needs to be taken, as similar data may be included in the different models). In Q1, trade grew by 0.74% from Q4 2023. The initial estimates for Q2 were for another approximate 0.75% quarterly growth. The latest estimate for Q2 growth has dropped to 0.58% growth. But it is Q3 growth which is showing a very sharp fall. In June the first estimate was published, for a nearly 0.3% quarterly growth. On release of latest merchandise export statistics for India and the OECD, the estimate is now for nearly no growth this quarter. The same pattern is present in services trade.

It may very well be the case that the central banks have been holding rates too high for too long. But the economic slowdown was the banks' objective in the first place. Now, voices multiply that rates should be cut. Last week, comments in the US suggest that Fed policymakers are increasingly confident that inflation is cooling enough to allow rate cuts ahead, but they say they will take their cues from Main Street, not Wall Street. At the same time, this should allow Chinese interest rates to be cut as well. The Korea Development Institute said there was a need for early cuts in interest rates. Following the 0.2% contraction in Q2 GDP, it lowered its growth forecast to 2.5% from 2.6%, while keeping that for 2025 at 2.1%. Domestic demand is seen as remaining weak. "*We are seeing high interest rates as the biggest factor behind weak domestic demand and hope that interest rates will be adjusted in the near future*".

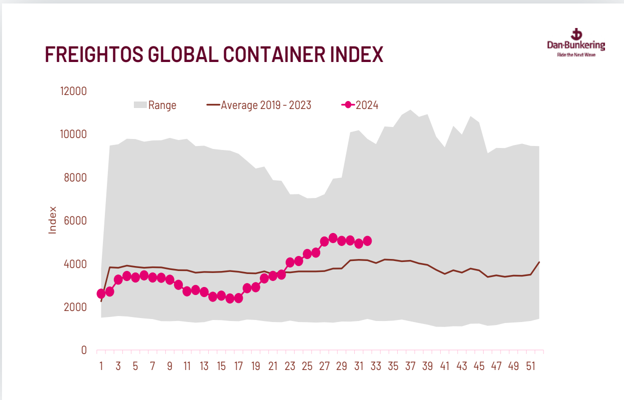
One of the problems with cutting rates while the economy is slowing down, is that it still takes substantial time for lower rates to work their way through into the real economy, both on the producer and the consumer side. And it is likely that lower means substantially lower in order to boost demand.

VESSEL RATES

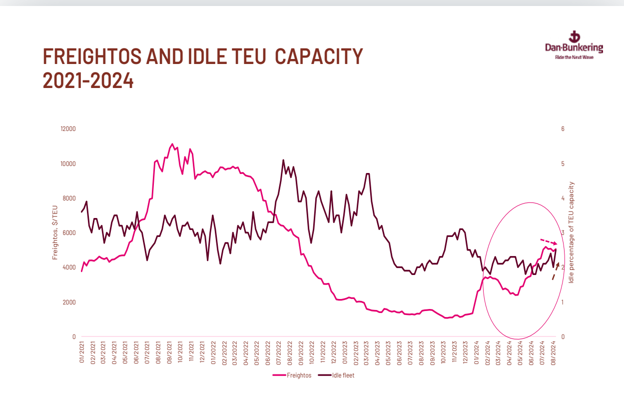
Crude oil tanker rates on the Baltic Exchange TD3 route were down around 1% after last week's 30% decrease. The t/c rates were at $23k/day compared to $23.3k/day a week before. Voyage rates were reported at $7.3/mt on the route on the 9th of August, down $0.3 compared to the week before. The Baltic dirty index was down 3%, or 30 points, to 922. The level remains 15% above the previous 5-year average. The clean index was down 18% from last week's level at 622. The index is now 9% below the previous 5-year average. Dry bulk rates fell marginally, or 5 points to 1670 per the Baltic Dry Index. The index is 10% 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 2.5% over the last week compared to the 2nd of August to $5050, as measured by the overall **Freightos Global Index**. The China to Europe rate fell over 1% to $8343 over the same period. The China to US West Coast fell over 6% from $6891 to $6459. The indexes still are at levels last seen in the months August to September 2022. Congestion, measured by the last 7-day moving average of containerships in port, was reported at just over 31%, up 0.2% points compared to the previous week. The congestion share represents some 9.3 mln TEU, up 0.1 mln TEU from last week.



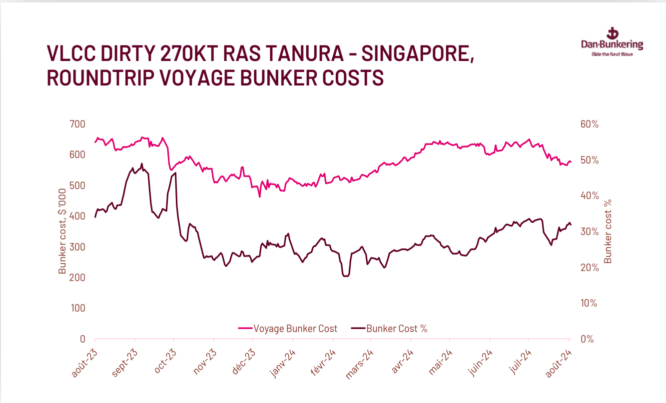
The idle container fleet stood at 278, up 11 from last week, which itself was lowered by 2. Some 2.5% of the fleet is reported idle (including those vessels retrofitted with scrubbers and those laid up and calculated in terms of TEU capacity rather than vessel numbers). That level is just above the low end of the 5-year range. The idleness per sub-segment differs considerably. Of those 278 idle container vessels, 214 are sub 3000 TEU, down 6 on last week, with another 33 of 3-6000 TEU, up 3 from last week (which itself was revised up by 9 vessels). Those vessels represent 4.4% and 3% of their respective fleet sizes. Clarksons reports 4 containerships of 12-17000 TEU idle, or 0.9% of capacity, and two of 17000+ TEU.

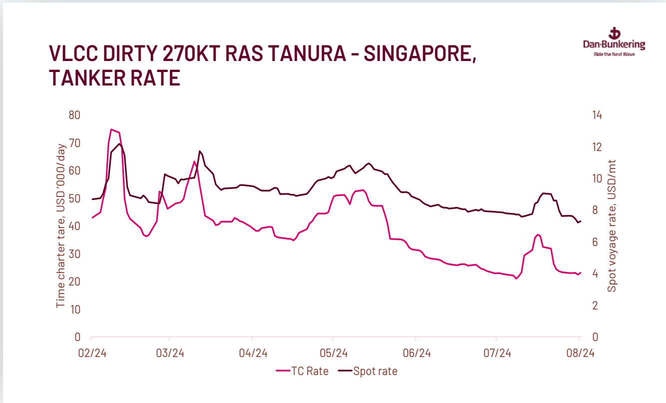


The reported average voyage duration between China and the US West Coast is 20.2 days, down 0.4 days from last week. Although the average voyage duration moves up and down from week to week, current levels are at the very low end of the longer period range.

FREIGHT AND BUNKERS

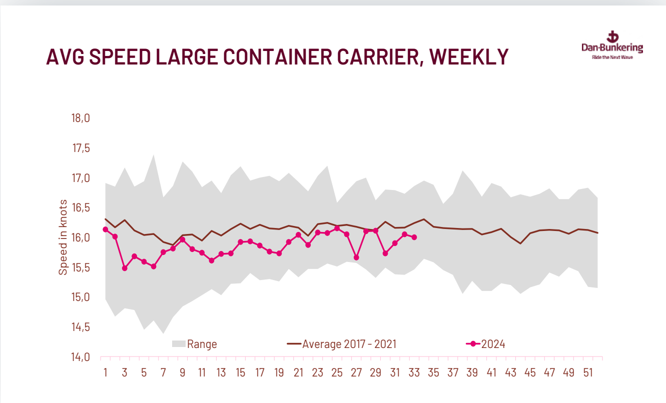
Reported tanker voyage charter rates were down at $7.3/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were up around 1% in Fujairah and down around 2% in Singapore over the week through the 9th of August. Bunker costs are some 32% of the total voyage. On the basis of VLSFO, bunker costs are 40% of the total voyage. The VLSFO prices were down around 1% in Fujairah and in Singapore. The calculations provided are intended to be directional indications, not the actual ones that each tanker owner is experiencing.

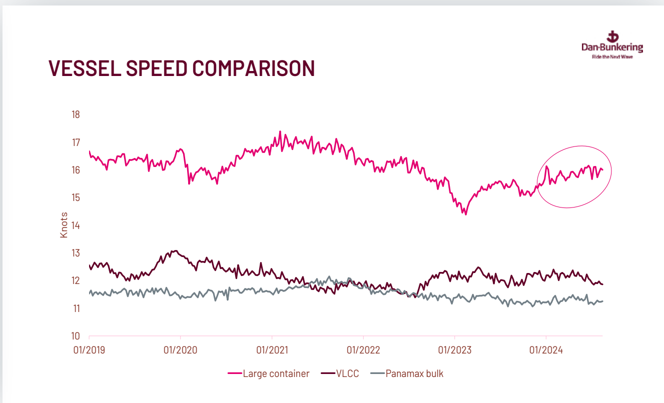




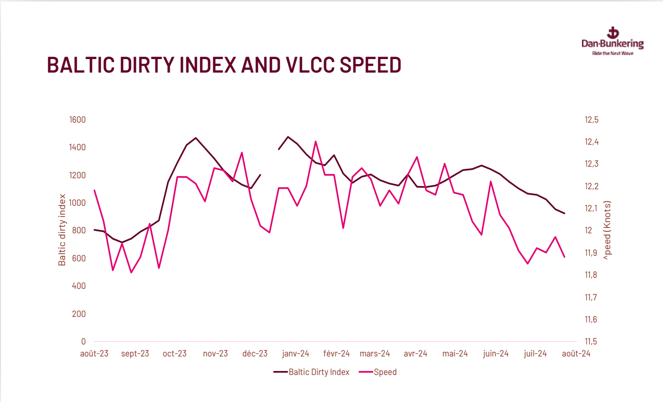
VESSEL SPEEDS

The container vessel's latest data point of 15.9 knots is up around 0.1 knots from last week as per LSEG (formerly Refinitiv) data. The current speed is only 0.5 knots above the low end of the 5-year period. Medium sized container vessels maintained speeds at 15.2 knots. The weekly movements in the measurements appear to be within calculation noise. Monthly reference data from Clarksons for July show a continuation of the speeds at current levels. Across five vessel segments, bulkers, crude carriers, product tankers, LNG carriers and container vessels, the container vessels are running at 27% lower speeds than in the 2008 benchmark period. In contrast, the other four segments are running at around 20% lower speeds.

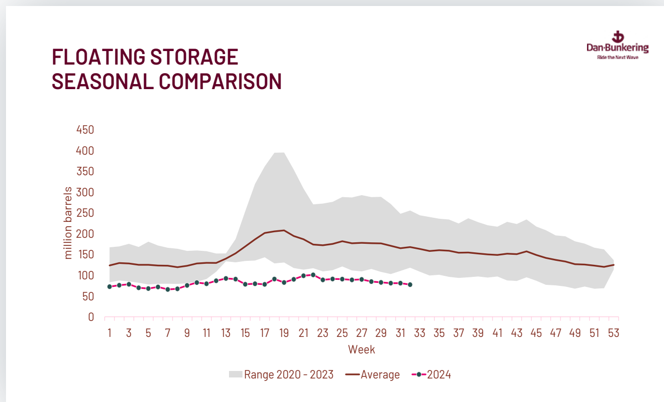




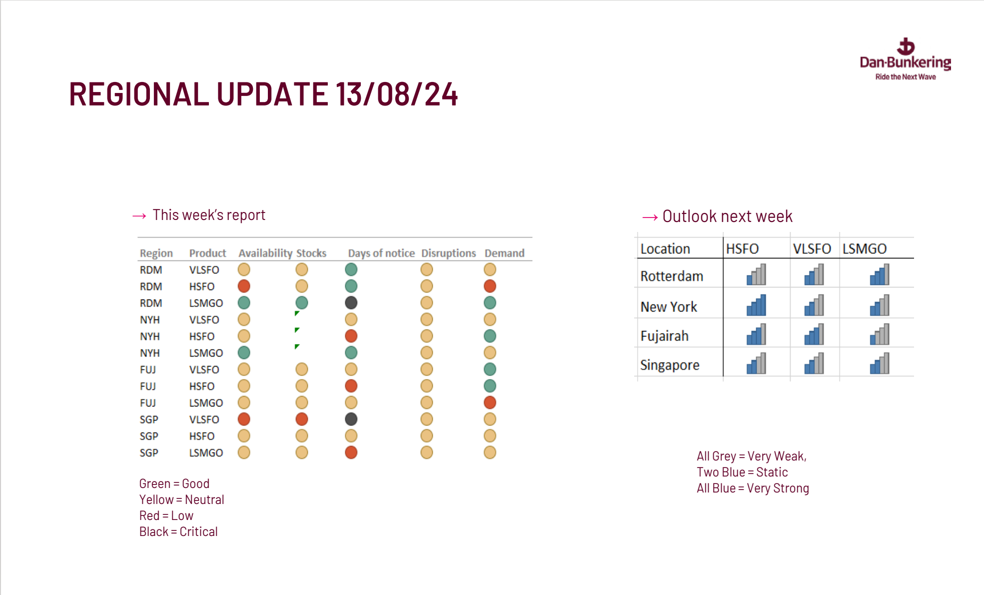
VLCC tanker speeds are almost unchanged at just above 11.9 knots. The current speed reading is on par with the average of the range seen for the period of the year. Still, the movements in the speeds are occurring in a tiny band around that average. The freight rates, as reflected by the Baltic Dirty Index, suggest a reasonably close relationship between those rates and speeds (the correlation coefficient over a 20-week period is around 0.5). The idle share of the fleet was at 6 % in deadweight terms, down 0.2% points compared to the previous report (last week's data was unchanged). The share remains exceptionally high, not just for the period of the year but in a longer perspective as well. The idle share was down around 1 mln DWT to close to 38 mln DWT in deadweight terms. The current level is 33% higher than the "normal" average. The current number of idle vessels fell by 9 to 285 compared to last week (which was unchanged). It is still one of the highest levels since the data series started in January 2014.



The floating storage (excluding the dedicated storage) stands at 91 vessels, down 6 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 77 million barrels, down nearly 4mb compared to last week. 40 product tankers are reported functioning as storage, accounting for above 14 mb. On last report, 49 crude tankers vessels accounted for over 62 mb of stored oil, down 2 mb from last week. 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. In early 2018, total storage amounted to 23 mb, in 19 tankers, 11 of which were crude oil carriers of 55k+ dwt.



03. REGIONAL REMARKS



FUJAIRAH

Steady demand remains in the region, especially with rumours of war abounding.

HSFO strength continues as vessels avoid the shorter Red Sea route and load additional volume for the COGH round voyage. HSFO pricing is competitive around $15-20/mt discounts and VLSFO steady at the MOPS 0.5 +$7-10 range.

Some poor weather led to some small delays, but the forecast appears good for the next while.

ARA

HSFO

Overall demand has been relatively quiet during previous week. Market remains tight on the prompt due to pull from bitumen and power sector. Arbitration from the West is closed, hence no new FO cargoes to arrive during 2nd half of August. Directionally market to remain strong into September which is also reflected in balance month/M1 and M1/M2 paper structure showing a steeper backwardation.

VLSFO

Market has strengthened on the back of recent cargo fixtures towards the East. Arbitration to Singapore remains open with some counterparties looking into new fixtures which have failed due to the lack of product in 2H of August. Directionally market to remain strong into September, M1/M2 and trading primer vs previous week highlighting the tight market conditions.

MGO

Market remains well supplied with demand being muted. Record cargo imports from the US and ME will add more length into the already well supplied market.

SINGAPORE

Marine fuel 0.5%

On the downstream side, owing to adequate LSFO stockpiles around Singapore, downstream premiums could also come under increasing pressure, especially as overall demand was at least slightly affected due to astronomical surges in bunker premiums during the momentary downstream supply disruptions in the past couple of weeks, suppliers said.

High sulfur fuel oil

The adequate HSFO inventories around Singapore hub may limit any potentially significant upside to bunker premiums, even as decent demand from end-users which resulted in tighter-than-usual barging schedules for prompt refueling dates recently helped lift downstream valuations, traders said.

Traders in Singapore also expect competition among downstream HSFO suppliers to intensify in the coming weeks, as the gradual slowdowns in Middle Eastern power generation demand during the peak summer season may buoy arbitrage flows toward Asia and keep inventories well-supplied.

Gasoil

Fundamentals in the Asian middle distillates complex will likely be unchanged on week over Aug. 12-16, with trade participants awaiting fresh spot activity for directional cues while oversupply continues to weigh on both gasoil and jet fuel/kerosene markets. The market structure for the Asian gasoil complex is expected to remain in contango Aug. 12-16, though this, along with weak LR2 freight rate could spur some East-West arbitrage cargo movement.

Regional indicators : prices in USD to benchmarks

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	8	FOB Rdam Barges 3.5%	-15	MOPS380	0	MOPD380	18-21	MOPS380
VLSFO	5	FOB Rdam Barges 0.5%	8	MOPS 0.5%	-5	MOPS 0.5%	23-30	MOPS 0.5%
LSMGO	-50	ICE Gasoil	80	MOPS GO 10ppm	0	HO	1.6-11	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	4-5	7	5	8
VLSFO	3-4	6	4	12
LSMGO	1-2	4	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve rose $7.5/mt at the front compared to last week in absolute terms (August 9th compared to August 2nd). The six-month rose by $0.9/mt. The curve is still in backwardation over the longer horizon but is in contango from the second through fourth month. The time spread for the 6-month period fell $3 to minus $2.5/mt. The 3.5% barges' curve backwardation was unchanged at $27.8 on the 6-month contract (front month minus the six-month contract). The front rose $15.8/mt, and the six-month rose $15.8/mt as well. The front month spread (M0-M1) was unchanged too at $6.5. The VLSFO 0.5% backwardation decreased $4.8/mt to -$24.5/mt compared to a week prior. The curve is still in full backwardation.

The relative value of VLSFO compared to LGO at 6 months is up 2% point at 71% and decreased $9/mt in absolute terms to -$211/mt compared to 74% or $189/mt below LGO at the front. That $189/mt is down $7/mt compared to last week's reading when the front was 73% of LGO.

Monday the 12th saw the ICE gasoil front unchanged from Friday's close at $720.25/mt. On Tuesday end-morning, the ICE Gasoil curve saw the 6-month structure increase by around $5/mt compared to the Friday level, up $13 from the Monday level of -$5.75/mt. The front was up around $22/mt on Monday's level and the 6-month was up by around $9/mt on Monday's level. The curve saw a strengthening of the backwardation compared to Friday. However, Monday saw a strong move into contango at the 6-month horizon. The front is up around 3% compared to Friday the 9th.

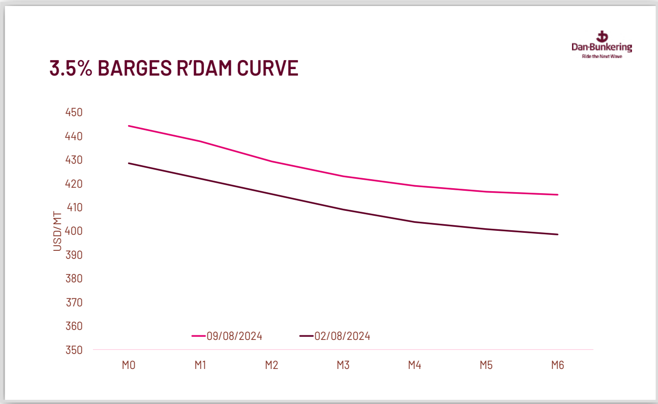
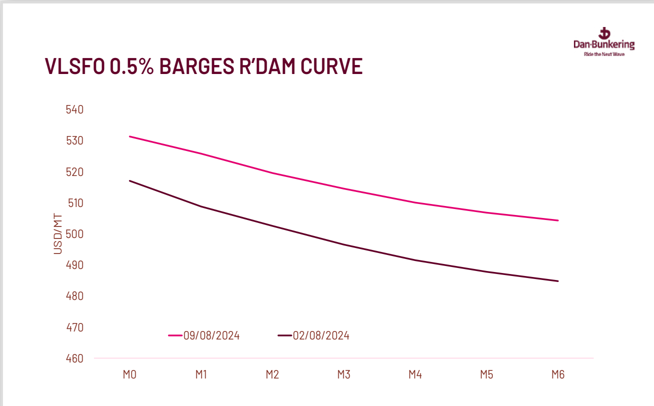
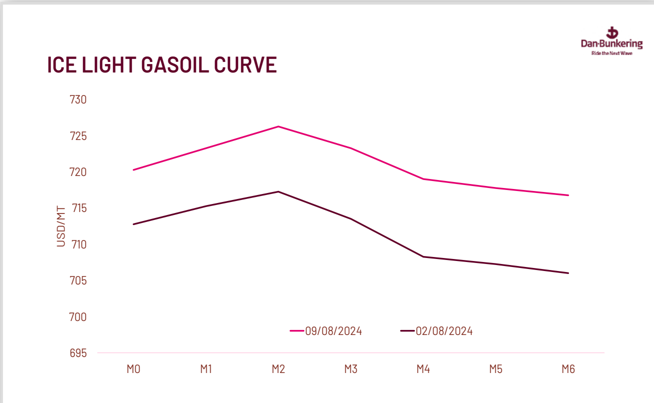
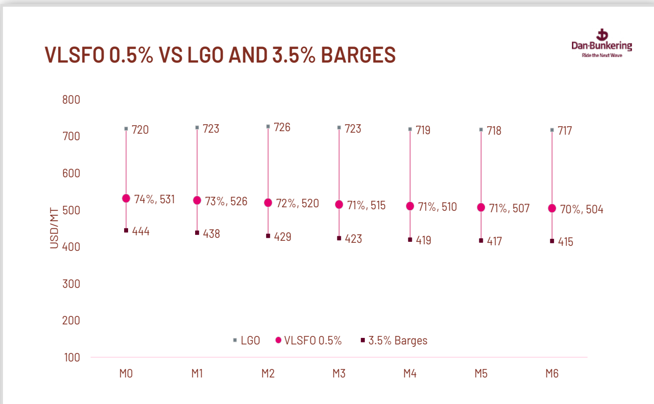


Figure 1 ARA Curve







M0 is September 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front rise by 1.1%, while the sixth-month level rose by 1.5%. The sixth month, minus the front month, is at 0.3% backwardation. As indicated above, the front month is actually 0.5% in contango to the second month. The Fuel Oil Rotterdam front month rose 3.7%, and the 6-month rose 3.8%. The curve is 6.2% in backwardation on the six-month horizon and sees a 1.5% (or $6.5/mt) backwardation between the front and second month, unchanged from last week. The VLSFO curve saw its backwardation decrease to 4.6% as the front rose 2.8% and the back rose 3.9%.

Brent Ref:	2.8	October					
	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	-12.2	-5.9	1.9	0.0	14.3	17.8	7.5
Aug-24	-10.5	-5.5	1.6	2.6	14.3	15.8	7.5
Sep-24	-10.5	-6.5	2.8	2.8	17.0	15.8	8.0
Oct-24	-10.3	-8.3	3.1	2.9	17.0	13.8	9.0
Nov-24	-10.5	-9.5	2.9	2.9	18.0	14.0	9.8

Note: Singapore prices refer to August 8ht, as the markets were closed on the 9th.

06. OUR VIEW

Oil prices are moving rapidly up again, with ICE gasoil jumping from Monday's levels, following Brent upwards move. That may reflect ongoing stock draws, but today's IEA oil market report was strongly bearish. Economic headwinds in China are lowering demand, although strength in the US economy offsets the slowdown. Combined, 2024 demand was unchanged, and below 1 mb/d. OPEC's assessment that it may review its policy on reversal may seem prudent within the context of the IEA balance calculation. Even at current output levels, the OPEC+ grouping may start to overproduce from Q4 onwards. One agency is talking the market down, the other sketches an upward pressure. It is OPEC+ that appears to be helping out the entire oil market by keeping supply off the market. That also suggests the market is fundamentally unstable, driven by market management.

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)