Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 12
March 19, 2024

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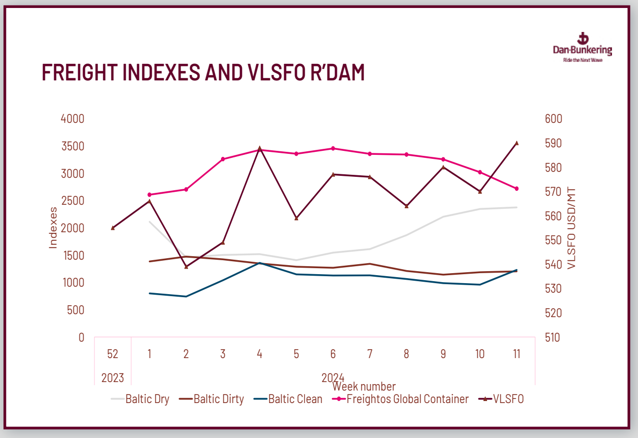
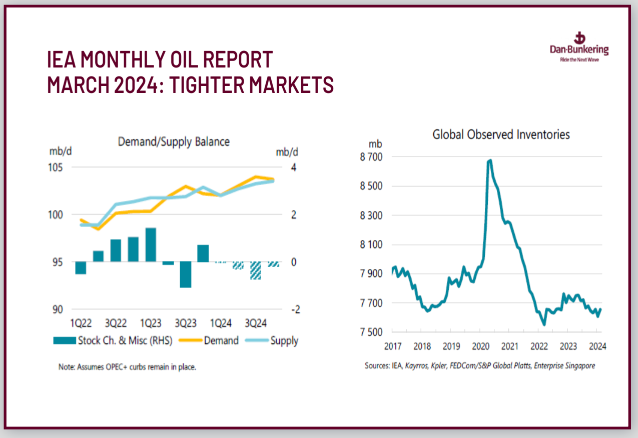
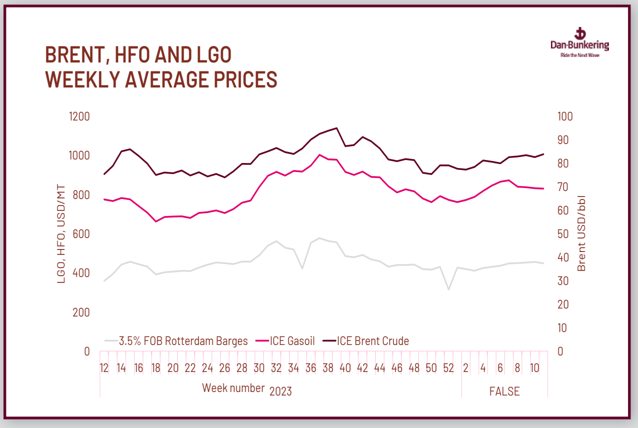
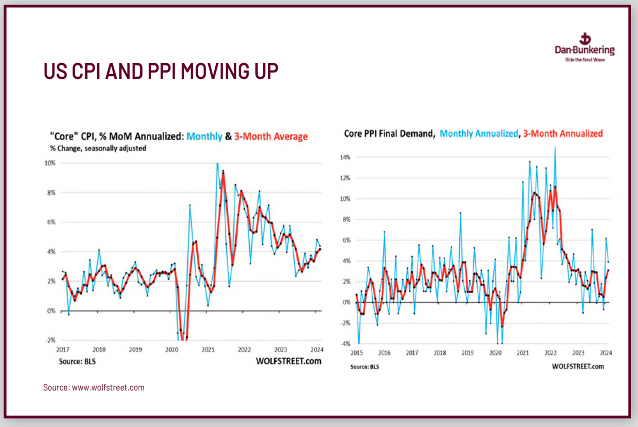








Sources: EIA.gov, ECB, investing.com, Baltic Exchange, Freightos Baltic Index, Refinitiv, Clarksons Research, U.S. Bureau of Economic Analysis, fred.stlouisfed.org, AtlantaFed, OPEC, OECD, Wolfstreet.com, Eurostat, IEA, Dan Bunkering analysis

01. ECONOMIC DATA CALENDAR

Date	Area	Topic	Expect	Prev.	Impact
19/03 22:30	USA	API Crude oil stock change		-5.5 mb	Oil market balance
	China	Foreign direct investment February (YoY)	-19%	-11.7%	Economic activity
20/03 09:00	Germany	PPI February (YoY)	-4.4%	-3.8%	Economic health
09:00	UK	Inflation rate February (YoY)	3.5%	4%	Economic health
09:00	UK	PPI Input February (YoY)	-2.1%	-3.3%	Economic health
09:00	UK	PPI Output February (YoY)	0%	-0.6%	Economic health
12:00	Euro area	Construction output January (YoY)	2%	1.9%	Economic activity
16:30	USA	EIA Crude oil stocks		-1.5 mb	Oil market balance
16:30	USA	EIA Distillate stocks		0.9 mb	Oil market balance
17:00	Euro area	Consumer confidence (Mar)	-14.3	-15.5	Economic health
20:00	USA	Fed. Reserve interest rate decision	5.5%	5.5%	Economic health
20:30	USA	Fed. Reserve press conference			Economic health
21:00	Argentina	GDP growth rate Q4 (YoY)	-3.6%	-0.8%	Economic activity
23:30	Brazil	Interest rate decision	10.75%	11.25%	Economic health
21/03 01:50	Japan	Balance of trade (Feb)	-¥950 bn	-¥1.76 tn	Economic health
01:50	Japan	Exports February (YoY)	5.3%	11.9%	Economic activity
01:50	Japan	Imports February (YoY)	2.2%	-9.6%	Economic activity
07:00	India	HSBC Manufacturing PMI (Mar)	56	56.9	Economic activity
10:30	Germany	HCOB Manufacturing PMI (Mar)	44	42.5	Economic activity
11:00	Euro area	HCOB Manufacturing PMI (Mar)	47	46.5	Economic activity
13:00	Turkey	TCMB interest rate decision	45%	45%	Economic health
14:00	UK	Bank of England interest rate decision	5.25%	5.25%	Economic health
21:00	Mexico	Interest rate decision	11.25%	11.25%	Economic health
22/03 01:30	Japan	Inflation rate February (YoY)	3%	2.2%	Economic health
09:00	Germany	Import prices January (YoY)	-7.6%	-8.5%	Economic health
11:00	Germany	Ifo business climate (Mar)	86	85.5	Economic health
19:00	USA	Baker Hughes oil rig count		510	Oil market balance
25/03 07:00	Japan	Leading economic index (Jan)	109.9	110.5	Economic activity
16:30	USA	Dallas Fed Manufacturing index (Feb)	-8	-11.3	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

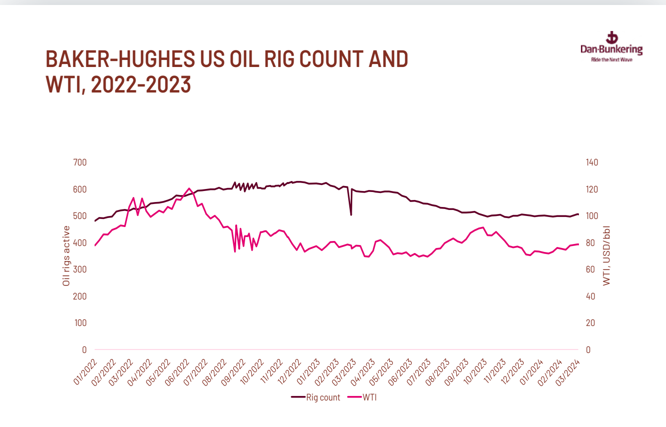
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The week **sees** a flurry of interest rate decisions. The most important ones are from the US Federal Reserve, the Bank of England and the Bank of Japan. The first two are expected to keep rates unchanged for now. The US Fed is projected to keep rates at 5.5%, and the Bank of England at 5.25%. A press conference follows on the US Fed decision, which will shed light on the trajectory of potential rate cuts. The expectations for the first year was at 4.6% and then falling to 3.6% in 2025/6. The Bank of Japan is now expected to make a historical decision. The interest rate is expected to go from negative 0.1% to 0%. It is the last central bank to move away from negative interest rates. The Indonesian central bank is expected to keep rates at 6%, the Mexican at 11.25% and the Turkish at 45% (while inflation remains very high in the country). The Brazilian central bank is expected to lower its rate from 11.25% to 10.75%. Inflation rates in the UK are expected to have fallen to 3.5% in February, from 4% in January. However, while the PPI input is projected to have declined by 2.1%, the PPI output is expected to have been unchanged. Retail price inflation remains above 4%, which is what is felt by the consumer. Japan's inflation rate is now projected to have risen to 3%, which is one of the triggers for the Bank of Japan to raise the interest rate. Japan's balance of trade is projected to have materially improved to a negative nearly ¥ 1 trn in February, as exports continued to grow, with imports growth at low levels. Much of the lower imports is related to lower energy prices. Argentina's economy is now seen to have contracted by 3.6% in the fourth quarter of 2023. China's foreign direct investment through the first two months of the year is down 19%, from nearly 12% down in January. This is a cumulative number, so February has seen a much deeper fall than January to bring the total down.

OIL MARKET

The Baker Hughes oil rig count was up 6 rigs to 510 last week. The weekly average of WTI was $79.5, up $0.9 week on week, with Henry Hub at $1.7/mmbtu, down $0.2 on the previous week.



The International Energy Agency (IEA) **published** its monthly oil market report. The agency increased its demand forecast for 2024 by around 0.1 mb/d to 1.3 mb/d, on stronger demand in the USA and marine bunkers. While demand growth remains concentrated in the non-OECD countries, China's demand growth is now seen at around half of all growth, around 0.6 mb/d, down from the 1.7 mb/d of Chinese growth seen in 2023. The IEA allocates this slowdown to a slowing economy and slower expansion of the country's petrochemical sector. European demand is still expected to fall in 2024. Overall, the IEA sees LPG and ethane demand accounting for around 25% oil demand growth, with residual fuel oil seen growing by 3.3% or over 200 kb/d to back over 6.6 mb/d. Almost all of the residual fuel oil growth is expected to be realised in non-OECD countries. The biggest change in the outlook stems from the assumption that OPEC+ cuts will now remain in place through the end of 2024. This is like the EIA assumption published last week. The IEA projects that non-OPEC+ will expand supply by 1.6 mb/d, while the assumption on the OPEC+ output policy reduces OPEC+ production by 0.8 mb/d. The result is that the balance of the market tips into a draw throughout the year, rather than a 1 mb/d build from Q2 onwards as the IEA projected last month. The so-called call on OPEC crude oil is estimated at 27.3 mb/d from Q2 onwards, 0.3 mb/d over the average "call" calculated for 2023, and 0.4 mb/d above estimated February output of 26.9 mb/d.

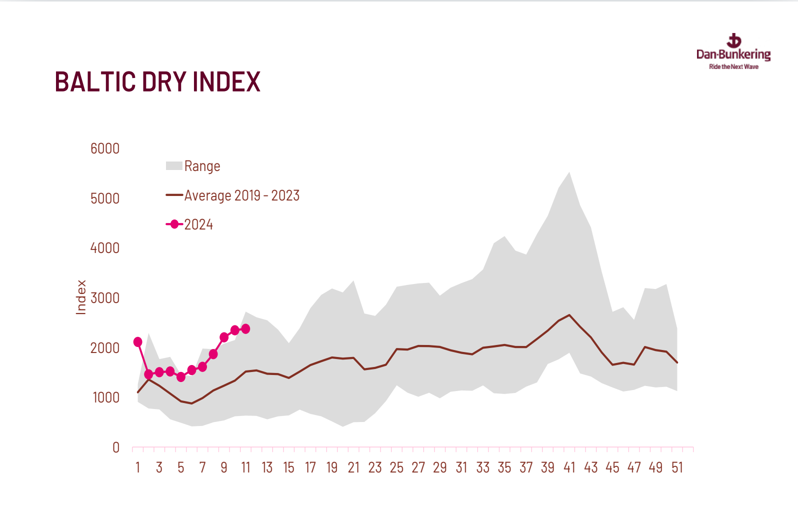
The Red Sea situation is resulting in a shift in stocks. Due to the longer voyages, oil at sea is estimated to have risen by 85 mb. At the same time, onshore stocks are estimated to have fallen for the seventh consecutive month. The oil at sea may remain elevated for longer, depending on the duration of the Red Sea situation. Yet, the diversion effect will abide, as the re-routed tankers start to land their cargoes and the supply chain is adjusted. As mentioned in earlier weeklies, the unaccounted-for balance that the IEA reports is substantial. The Q4 unaccounted for amount of 1.2 mb/d was lowered to below 1 mb/d as stocks were revised up, both onshore and on the water. For all of 2023, there are still around 0.3 mb/d missing in the statistics. Note that this is a data point that can create uncertainty in the market, as balances which have been projected to be tight, turn out to have been much less tight once the actual data is reported. And there is a substantial lag in that reporting. For January, the IEA estimates the missing barrels at over 2.2 mb/d positive, and for February at over 2.4 mb/d negative (that is: demand is larger than supply by over 2.4 mb/d and the gap is measures as demand minus supply and stock changes). In other words, the numbers are large and so is the data uncertainty.

ECONOMY

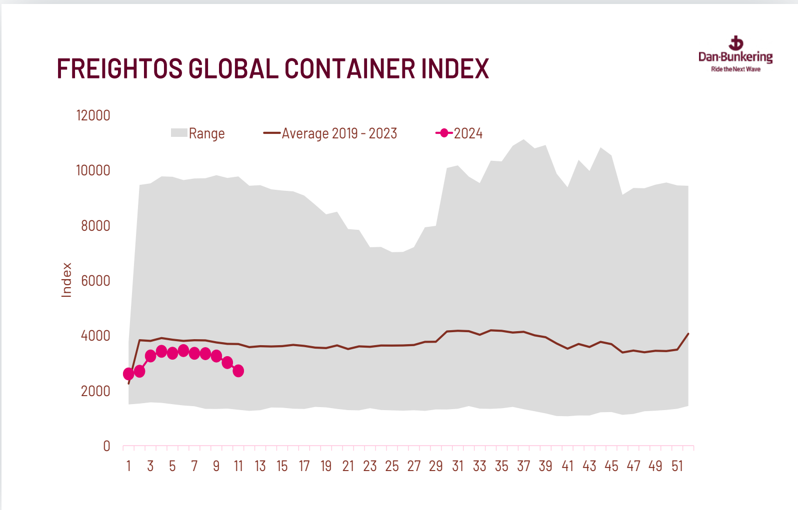
The major issue this week will be the central bank's interest rate decisions, and that of the US Federal Reserve in particular. The forecast is for no change. For the financial markets, that is a disappointment, especially since in December those same markets had expected cuts ongoing now. The US Fed, as do the other central banks, communicate clearly that they will keep rates higher for longer until they are confident that inflation is at target and solidly so. Although the US Fed's decision impacts outside the USA, the focus is on what happens inside the USA. There, inflation as measured and reported is picking up. Core services CPI, which accounts for 61% of total CPI, is near to 6% annualized (six-month average). The US producer price index for final demand rose by nearly 7% annualised in February. Part of the increase is due to rising energy cost as well as core goods. The issue with that inflation is that these are goods that will enter the economy further down in time as they work their way through the production and distribution process. So far, this PPI inflation had been negative, and combined with falling energy, offsetting the services inflation. As the data comes in, the central bank will err on the side of caution, and likely keep rates higher for longer.

The Euro area inflation for February was reported at 2.6% year on year, and 0.6% month-on-month, a reversal from the month-on-month fall seen in January. The zone's trade balance remained positive, as mineral fuel imports fell, with prices well below a year ago levels. But with oil prices rising, part of these gains will be reversed. In February, Brent crude was up 1.1% year on year, and so far in March, it is up over 4% on March 2023. As in the USA, this will drive inflation up over time, which then will push back rate-cuts further.

VESSEL RATES



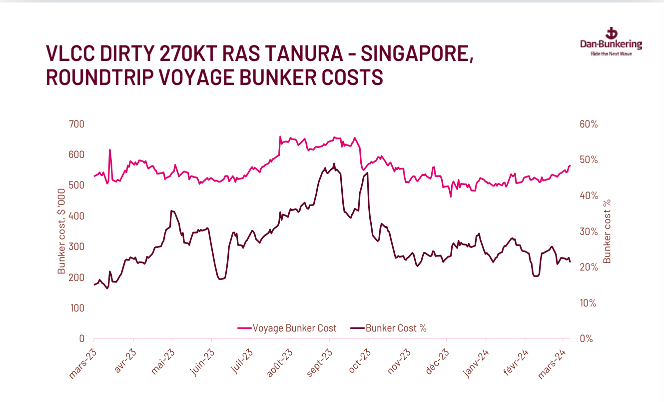
Crude oil tanker rates on the Baltic Exchange TD3 route were up nearly 12%, after last week's rise of around 11%. The t/c rates were at $53.8k/day compared to over $46k/day a week before. Voyage rates were reported at $10.7/mt on the route on the 15th of March, up $1.1 compared to the week of the 8th. The Baltic dirty index was up 1%, or 16 points to 1202. The level is 4% above the previous 5-year average and is continuing back toward the average. The clean index was up 28% on last week at 1229. The index is at 51% above the previous 5-year average. Dry bulk rates rose around 1% or 29 points to 2374 per the Baltic Dry Index. The index is almost 60% above the five-year average level seen in 2019-2023 for the week.

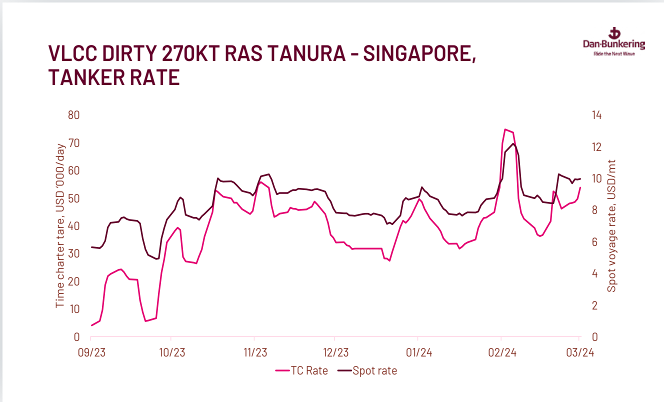


The container market fell nearly 10% over the last week compared to the 8th of March to 2717 as measured by the overall **Freightos Global Index**. reported by Refinitiv. The China to Europe rate lost just over 10% to 3871 over the same period, while the return route fell 96 points to 749. The level remains high for the return route. US related routes moved down as well. The China to US West Coast fell nearly 4% from 4419 to 4244, while the return route fell from 378 to 356. The China to US East Coast fell by 4%, reaching 5875. Congestion as measured by the last 7-day moving average of containerships in port, was reported at 29.3%, up 1.1% points compared to the previous week. The congestion share represents some 8.3 mln TEU, up 0.2 mln TEU on that same week. The idle fleet stood at 276, up 14 on last week, which itself saw no revisions in the data. Some 2.4% 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 20.3 days, down 0.9 days compared to last week. The current transit time is at levels seen in 2019 through mid-2020. As is usual, the reported number at the beginning of the month tends to increase as the weeks pass.

FREIGHT AND BUNKERS

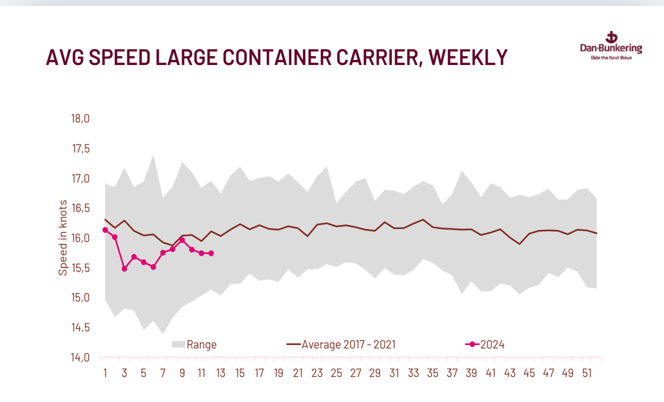
Reported tanker voyage charter rates were up, at $10.65/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were up 4-5% in Fujairah and up by nearly 3% in Singapore over the week through March 15th. Bunker costs are some 21% of total voyage. If the entire voyage is calculated on VLSFO, bunker costs are some 30%. The VLSFO prices were down close to 1% in Fujairah and up around 1% in Singapore. The calculations provided are intended to be directional indications, not the actual that each tanker owner is experiencing.

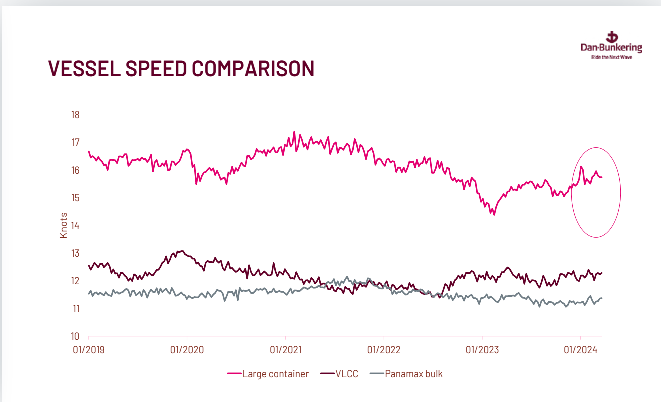




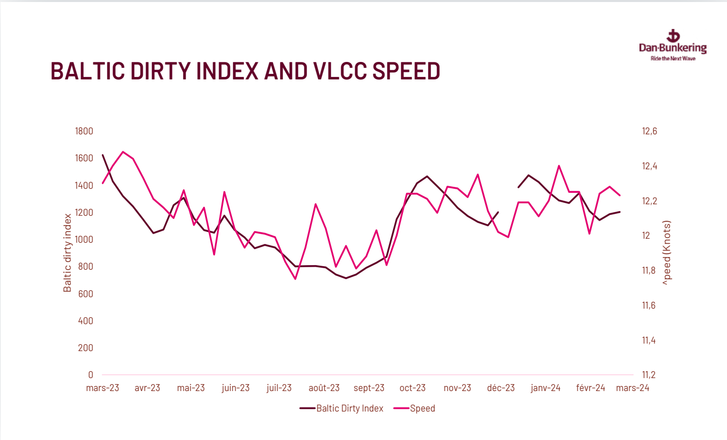
VESSEL SPEEDS

The container vessel's latest data point of 15.7 knots is down 0.1 knots compared to last week. The weekly movements in the measurements appear to be within calculation noise which may be revised. The combined data from the container freight rates, congestion, idle fleet and speeds improve the suggestion that the initial adjustment reaction to the Red Sea situation is past.

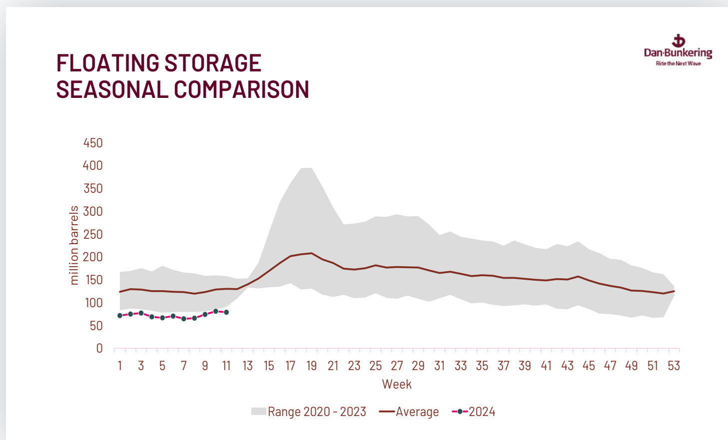




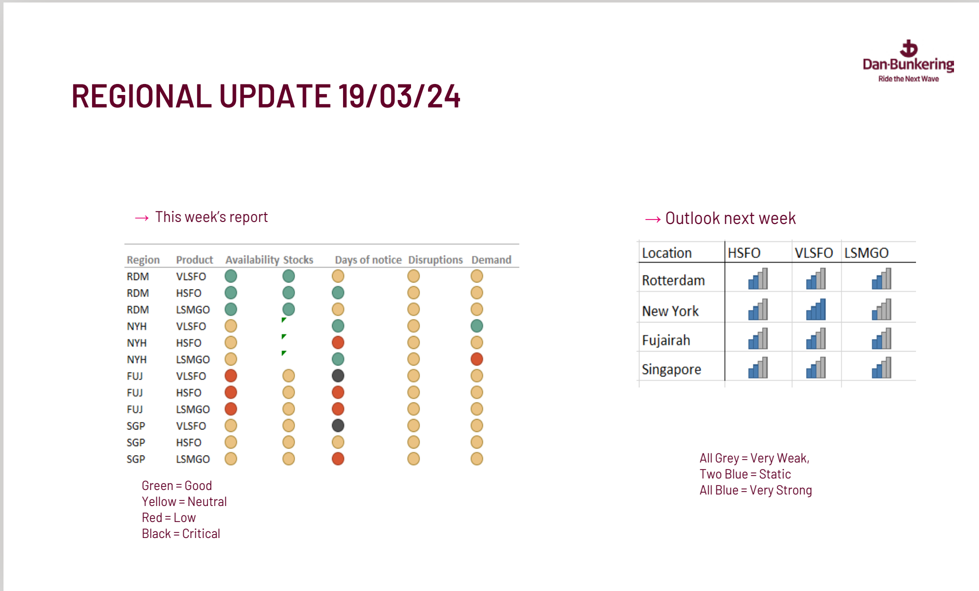
VLCC tanker speeds are flat at 12.2 knots. The current speed reading is at the average of the range seen for the period of the year. The idle share of the fleet was at 5.2% in deadweight terms, up 0.3% compared to the previous report, but the previous' week data was revised down to 4.9%. The share remains exceptionally high, not just for the period of the year but in a longer perspective as well. In deadweight terms, the idle share is around 33 mln DWT, up 2 mln dwt compared to last week. The current level is nearly 50% higher than the "normal" average. The current number of idle vessels was up 16 vessels to 214 from last week (which was revised down by 9 vessels).



The floating storage (excluding the dedicated storage) stands at 95 vessels, down 2 vessels on 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 nearly 79 million barrels, down 2 mb compared to last week. 55 product tankers are reported functioning as storage, accounting for just over 22 mb. 40 crude tankers vessels accounted for over 56 mb of stored oil, up less than 2 mb on last report. The number of crude oil tankers as storage is still at levels seen in mid-2019.



03. REGIONAL REMARKS



NEW YORK

Demand remains strong from liners, demand into Q2 and Q3 is indicated to be large after seeing tenders.

FUJAIRAH

Ship fuel sales at the UAE's Port of Fujairah in February dropped 6.1% on the month as high winds led to a backlog of orders being filled, according to Fujairah Oil Industry Zone data published March 15. Total volume fell to 633,226mt last month from 674,510mt in January, the figures on a FOIZ-S&P Global Commodity Insights website showed. Sales were 11% higher than a year earlier.

VLSFO remains tight with lead time on barge avails 10 days out.

HSFO is also facing schedule tightness with many booked up until 26th March.

ARA

Demand has increased slightly, making the market somewhat more balanced than seen over the last few weeks, where suppliers were ultra-aggressive to get some volume in. The demand increase has led to movement on the premiums and discounts.

SINGAPORE

VLSFO:

The LSFO market will likely see an uptick over March 18-22, buoyed by expectations of tighter supplies in April, but ample prompt availability and stiff competition among bunker suppliers may continue to weigh on the downstream delivered premiums. Although Kuwait Petroleum Corp. has recently sold a couple of March-loading LSFO cargoes, general market still concerned that exports from the Kuwaiti mega-refinery would shrink in coming weeks as peak summer months boost demand from their domestic utilities. Meanwhile, potentially lesser exports of Sudan's Dar Crude blend that is used in LSFO production was also expected to trim supplies. Demand for LSFO in Singapore is expected to remain lackluster for the week beginning March 18, or moderate at best, though traders hoped for pickup in end-users' downstream requirements for the second half of March.

Amid efforts to draw down adequate LSFO stocks and capture limited demand around Singapore, we expect stiff competition ahead to cap delivered premiums and pressure suppliers' downstream margins for the near term, especially as some sellers attempt to buoy balance-March ex-wharf premiums.

HSFO:

HSFO market was expected to find some support from firmer Chinese demand and upcoming summer power generation demand from South Asian countries such as Bangladesh and Pakistan, but a stubborn supply glut would likely continue to cap any sizeable improvement in the market fundamentals in the near term. Downstream HSFO bunker premiums are likely to remain rangebound with limited upside amid slower demand since March, while shipowners expect to easily secure stems for near refueling dates owing to ample inventories and healthy barge schedules.

GO:

Fundamentals in the Asian gasoil complex were largely unchanged March 18-22, with sentiment weak on the back of ample supplies amid unviable arbitrage economics. However, this could change in April and May as spring refinery maintenance activity peaks.

Regional indicators : prices in USD to benchmarks (week to 15/03)

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	5	FOB Rdam Barges 3.5%	-20	MOPS380	15	MOPS 380	15-19	MOPS380
VLSFO	8	FOB Rdam Barges 0.5%	15	MOPS 0.5%	-5	MOPS 0.5%	11-17	MOPS 0.5%
LSMGO	-50	ICE Gasoil	95	MOPS GO 10ppm	0	HO	8-19	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	3-5	7	5	8
VLSFO	3-5	10	3	12
LSMGO	3-5	5	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve rose $11.5/mt at the front compared to last week in absolute terms (March 15th compared to March 8th). The curve remains fully in backwardation in both absolute terms, and in relative terms. The six-month rose by $32.3/mt. The time spread for the 6-month period decreased $20.8/mt to -$40.3/mt. The 3.5% barges' curve decreased the backwardation at the six-month horizon and is in contango for the first five months of the curve. Backwardation is $3.3/mt at the six-month horizon. The front rose $21.8/mt while the six-month rose $27.8/mt. The VLSFO 0.5% backwardation decreased $1.3/mt to -$35.3/mt, compared to a week prior.

The relative value of VLSFO compared to LGO at 6 months was up 1% at 69% and in absolute terms up $7 at -$245/mt compared to 70% or $250/mt below LGO at the front. That $250/mt is down $13/mt on last week's reading when the front was at 68% of LGO.

Monday the 18th saw the front move up $18 on Friday's $838.5/mt to reach $856.5/mt. On Tuesday end morning, the ICE Gasoil curve saw the 6-month backwardation increase by around $6/mt compared to the Friday level. The front was down $1.5/mt on Monday's level and the 6-month was also down, by less than $1/mt on Monday's level. At the 12-month horizon, the curve is still in backwardation. The front is up around 2% on Friday the 15th.

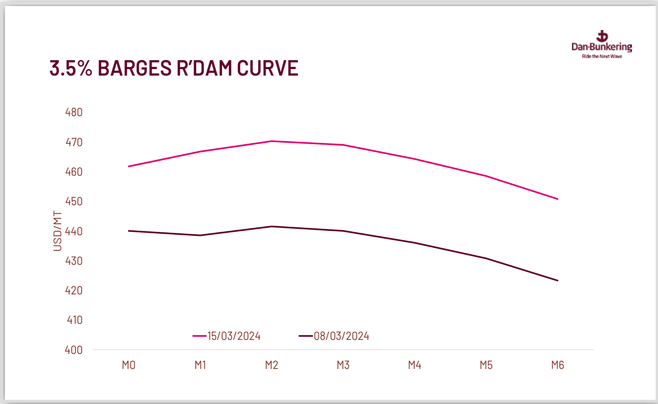
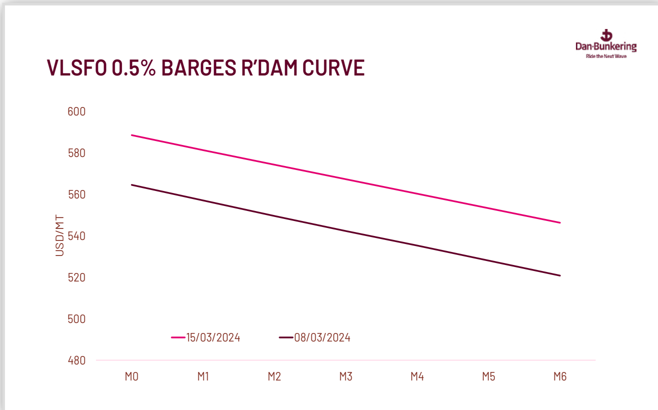
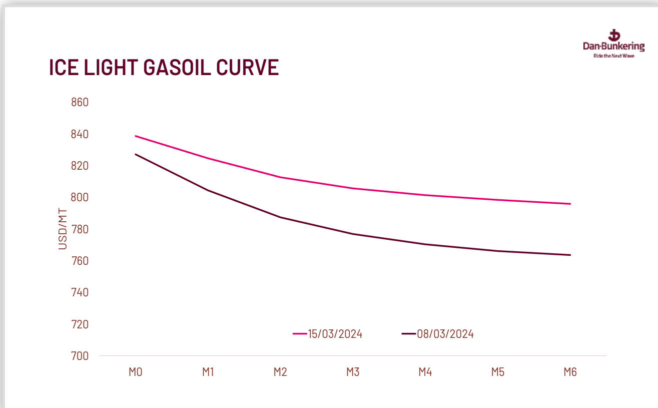
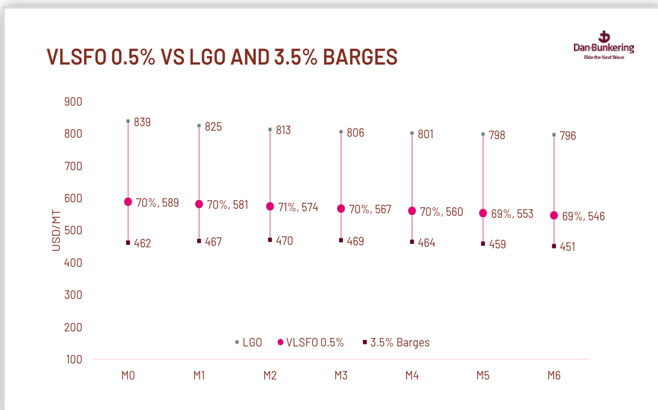


Figure 1 ARA Curve







M0 is April 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front rise 1.4%, while the sixth month level rose by 4.2%. The curve trajectory is fully backwardated, with the M5-M0 at 4.8% backwardation. The Fuel Oil Rotterdam front month rose 4.9% and the 6-month rose 6.4%. The curve is 0.7% in backwardation on the six-month horizon. The VLSFO curve saw its backwardation decrease to 6.0% as the front rose 4.3%, while the back rose 4.8%.

Brent Ref:	3.3	May					
	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	8.0	9.2	5.0	4.6	24.0	23.3	11.5
Apr-24	6.0	9.8	5.6	3.6	24.0	21.8	11.5
May-24	9.8	8.8	5.4	3.4	24.3	28.3	20.3
Jun-24	11.5	8.8	5.2	3.4	24.8	28.8	25.3
Jul-24	12.3	9.0	4.9	3.3	25.0	29.0	28.8

06. OUR VIEW

The Bank of Japan took the decision to increase its interest rate. It is the last central bank to give up on negative rates which were supposed to drive economic growth. The bank is hopeful that the latest wage settlements in the country will ensure that inflation moves towards the 2% target. The deflationary period should be in the rear-view mirror. And so, the world is in a situation where one country desperately wants inflation, and a large number of other countries want to get rid of it. In both cases, the solution is higher rates, but from a completely different starting point. In the meantime, investment banks are upping their oil price forecasts in follow-up to the agencies' monthly reports. The price has been slowly rising since the beginning of the year and more specifically since the OPEC+ decision at the beginning of the month. But as the past years have shown, the persistence of the price rise following on the OPEC+ decisions is very short, indicating underlying market weakness.

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)