Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 11
March 12, 2024

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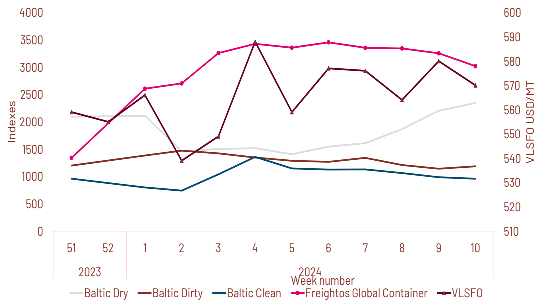
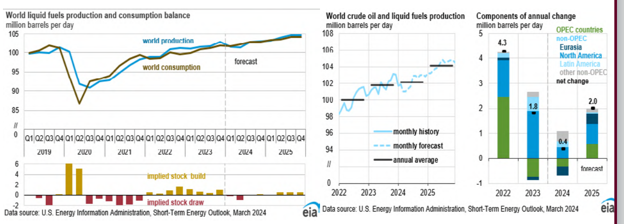
N 55°30'23.8458"
Longitude
E 9°43'44.7468"

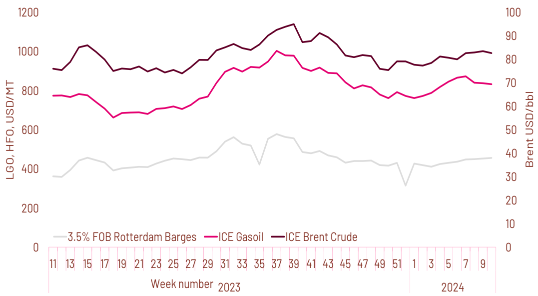
FREIGHT INDEXES AND VLSFO R'DAM



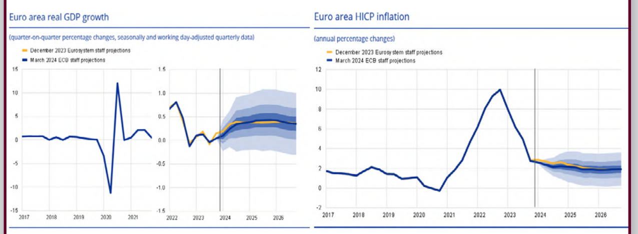
EIA SHORT TERM ENERGY OUTLOOK MARCH 2024: TIGHTER MARKETS



BRENT, HFO AND LGO WEEKLY AVERAGE PRICES



EURO AREA REAL GDP GROWTH AND INFLATION, ECB MARCH 2024



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
12/03 13:30	USA	Core inflation rate February (YoY)	3.8%	3.9%	Economic health
13:30	USA	Inflation rate February (YoY)	3.2%	3.1%	Economic health
22:00	USA	API Crude oil stock change		0.4 mb	Oil market balance
13/03 08:00	UK	GDP growth rate January (MoM)	0.1%	-0.1%	Economic activity
08:00	UK	Industrial production January (MoM)	-0.1%	0.6%	Economic activity
11:00	Euro area	Industrial production January (YoY)	-3.0%	1.2%	Economic activity
16:30	USA	EIA Crude oil stocks		1.4 mb	Oil market balance
16:30	USA	EIA Distillate stocks		-4.1 mb	Oil market balance
14/03 07:30	India	WPI food index February (YoY)	3.7%	3.8%	Economic health
07:30	India	WPI fuel index February (YoY)	-0.1%	-0.5%	Economic health
07:30	India	WPI inflation February (YoY)	0.3%	0.3%	Economic health
12:00	S. Africa	Mining production January (YoY)	1.5%	0.6%	Economic activity
13:30	USA	PPI February (MoM)	0.3%	0.3%	Economic health
	OECD	IEA oil market report			Oil market balance
15/03 05:00	Indonesia	Balance of trade (Feb)	$2.5 bn	$2 bn	Economic health
08:00	Germany	Wholesale prices February (YoY)	-2.5%	-2.7%	Economic health
14:15	USA	Industrial production February (MoM)	-0.1%	-0.1%	Economic activity
15:00	USA	Michigan consumer sentiment (Mar)	78	76.9	Economic health
19:00	USA	Baker Hughes rig count		504	Oil market balance
	India	Balance of trade (Feb)	-$17.9 bn	-$17.5 bn	Economic health
	India	Exports (Feb)	$37.5 bn	$36.9 bn	Economic activity
	India	Imports (Feb)	$55.4 bn	$54.4 bn	Economic activity
18/03 03:00	China	Industrial production Jan-Feb (YoY)	6.7%	6.8%	Economic activity
03:00	China	Retail sales Jan-Feb (YoY)	6.0%	7.4%	Economic health
11:00	Euro area	Inflation rate February (YoY)	2.6%	2.8%	Economic health
13:00	Brazil	IBC-BR economic activity (Jan)	-0.2%	0.8%	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

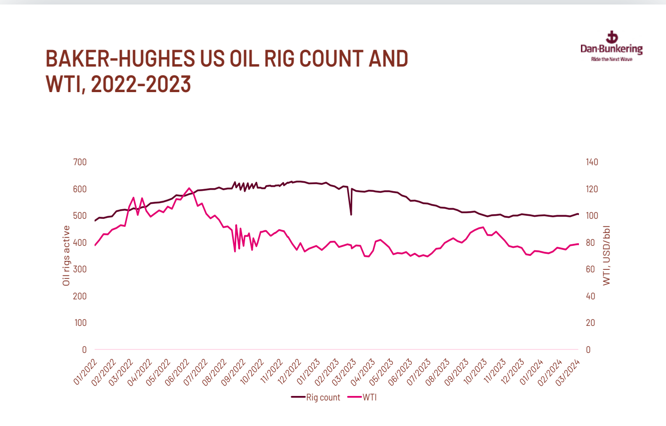
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The week **sees** mainly inflation and manufacturing data. US core inflation is expect to have fallen by 0.1% point to 3.8%, while overall inflation, which includes items as food and energy, is projected to have rebounded slightly to 3.2% from 3.1% in January. The US producer price index increase is falling marginally on a monthly basis, but still positive at nearly 0.3%. German wholesale prices in February are seen falling slightly more slowly year on year by 2.5% from 2.7% in January. Wholesale prices in India are overall up by 0.3% year on year, but the split in main categories shows the food price increasing by 3.7% while fuel is still falling, by 0.1% year on year. The Euro area February overall inflation rate is projected to be at 2.6%. UK industrial production is slightly down on December, whereas Euro Area industrial production is down 3% on an annual comparison, down from a 1.2% increase in December. The fall in production in the Euro area has been going on for nearly a year now. US industrial production is also seen lightly down from January, while Chinese industrial production is projected to have increased by 6.7%. South Africa's mining production is expected to have risen by 1.5% in January. It would be the fourth month of growth after a near continuous contraction since January 2022. Chinese retail sales are expected to have slowed down to a still quite strong 6% annual growth. On the 14th, the IEA will publish its monthly oil market report. Expect a flurry of reporting that may swing the price over a brief period.

OIL MARKET

The Baker Hughes oil rig count was up 3 rigs to 506 last week. The weekly average of WTI was $78.6, up around $0.8 week on week, with Henry Hub at $1.77/mmbtu, up $0.1 on the previous week.



The US Energy Information Administration **published** its March short term energy outlook. The organisation sees the increase in Brent as a result of uncertainty and increased risk associated with the Red Sea situation, as well as the OPEC+ production cuts. Due to the extension of the cuts, the EIA now sees a much tighter market than in its previous report. Rather than a balanced market during the second quarter, a stock draw of 0.9 mb/d is now foreseen. Despite the cuts, the remainder of 2024 is seen as relatively balanced, with 2025 showing stock builds. However, the organisation also remarks that it remains to be seen to what extent the cuts will be adhered to, especially in light of the projected tightening of the market. Demand is forecast to grow by 1.4 mb/d in both 2024 and 2025. That is unchanged compared to last month's report. Global liquids production is projected to increase by only 0.4 mb/d in 2024, as the OPEC crude oil production is offsetting around 1.1 mb/d of the expected increase of 1.5 mb/d of non-OPEC liquids and OPEC non-crude liquids. It is a significant slowdown from the 1.8 mb/d growth seen in 2023. For 2025, global liquids supply is forecast to increase by 2 mb/d, based on the assumption that all production cuts will expire by the end of 2024. The Brent crude oil price is projected to average $87/bbl in 2024 and slightly below $85/bbl in 2025. This is well above the European Central Bank assumption.

ECONOMY

The ECB **published** its macro-economic projections last week. The institution sees a lower recovery in 2024 than it anticipated in its December outlook. Growth will pick up though it believes, as real disposable income rises and the terms of trade improve for the Euro area. Overall, annual average real GDP growth is expected to be 0.6% in 2024, and to strengthen to 1.5% in 2025 and 1.6% in 2026. Inflation is projected to moderate further owing to the ongoing easing of pipeline pressures and the impact of monetary policy tightening, albeit at a more modest pace than seen in 2023. Overall, annual average headline HICP inflation is expected to decrease from 5.4% in 2023 to 2.3% in 2024, 2.0% in 2025 and 1.9% in 2026. Real GDP growth is expected to remain subdued in early 2024, amid waning tailwinds and tight financing conditions, before strengthening thereafter, supported by increasing household income, government consumption and foreign demand. High interest rates are expected to continue to have a strong negative impact on growth. Credit supply conditions have tightened significantly since the end of 2022, although the pace of the tightening has moderated recently as reported in the ECB's latest euro area bank lending survey. The negative credit supply effects are assumed to affect mostly business and housing investment.

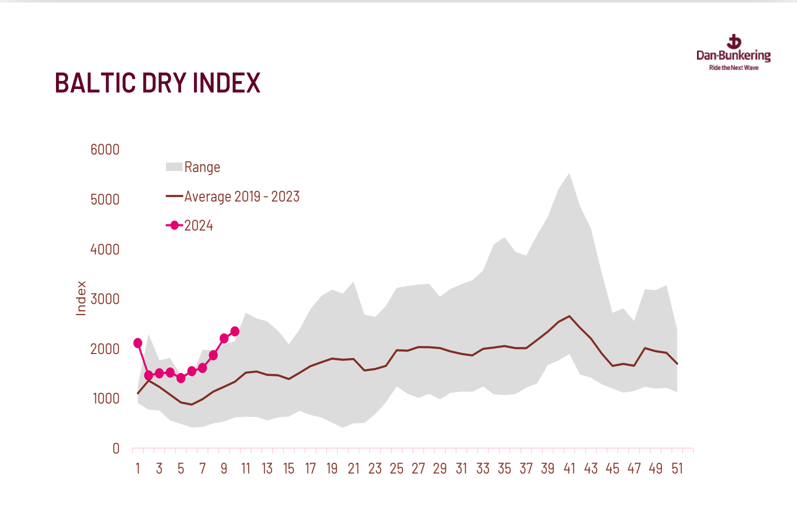
The ECB mentions that its so-called technical assumptions about interest rates, commodity prices and exchange rates are based on market expectations. This gives an interesting angle to the inflation projections. The futures curves are in backwardation, so that the assumption about falling inflation insofar related to oil is implied by the curve. Although the modelling approach is understandable, in this case, the input is the output. If the market were in contango, then inflation would see upward pressure from oil prices. But the futures curves are very poor predictors of the market. The ECB assumes that the oil price will fall to just below $80/barrel in 2024 and then further to just below $75 in 2025 and slightly above $72 in 2026. The USD to EUR exchange rate is projected to remain static at 1.08 USD/EUR.

The ECB sees global trade recovering and start growing in line with global economic activity. As mentioned in previous weekly reports, the Red Sea situation is followed quite closely by the financial authorities because of its potential impact on inflation and the real economy. The ECB believes the Red Sea situation to be relatively short lived, and considers the impacts limited. The reasons are ample shipping capacity while global demand for goods is subdued. In addition, congestion is comparatively low, while manufacturer's stock levels are high the ECB says. Global trade is projected to grow 2.8% in 2024 and then accelerate to 3.1% in 2025.

Given the earlier impacts of the supply chain seizures in 2021/2, the Red Sea situation is analysed further in a scenario. The ECB calculates the consequence of a de-facto closure of the Suez Canal through the end of the third quarter 2024, while no further escalation takes place. Global trade would decrease by 1.1% point in 2024 and another 0.5% percentage points in 2025. These effects reflect a higher usage of shipping capacity and a run-down of inventories in view of longer trade disruptions, but also a decline in trade in response to more persistent increases in shipping prices. For the Euro area, the effects are larger. Export growth would be 1.3% points lower in 2024. Inflation increases 0.25% points, as shipping costs are only a small share of total input costs.

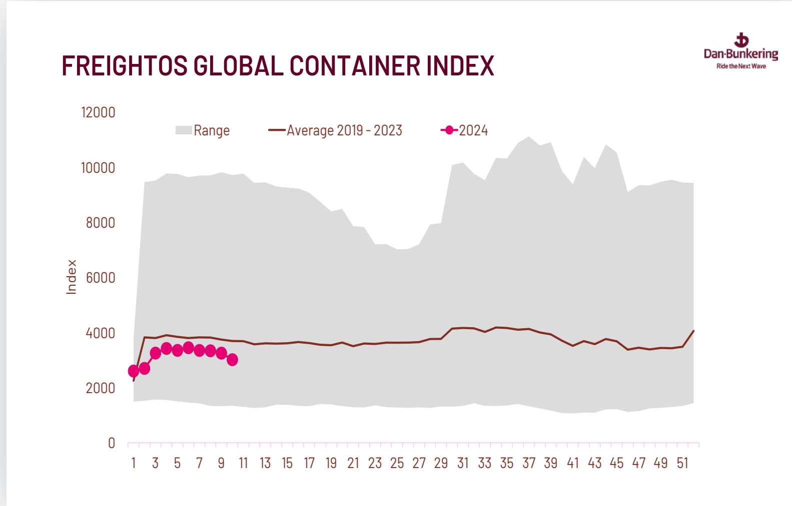
Combined, it may be concluded that the ECB report seems to be preparing the grounds for rate cuts later in the year, even though it kept the rate unchanged at last week's meeting at 4.5%.

VESSEL RATES



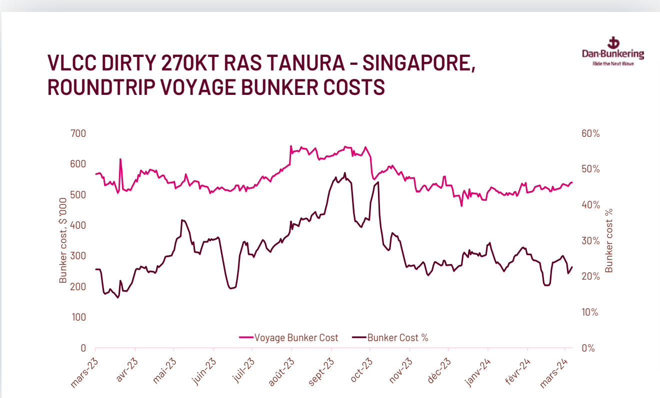
Crude oil tanker rates on the Baltic Exchange TD3 route were up nearly 11%, after last week's fall of around 15%. The t/c rates were at $ 46k/day compared to nearly $37k/day a week before. Voyage rates were reported at $9.7/mt on the route on the 8th of March, up $1.3 compared to the week of the 1st. The Baltic dirty index was up 4%, or 44 points to 1186. The level is still 16% above the previous 5-year average but is continuing back toward the average. The clean index was down 3% on last week at 959. The index is at 32% above the previous 5-year average. Dry bulk rates rose around 6% or 142 points to 2345 per the Baltic Dry Index. The index is almost 80% above the five-year average level seen in 2019-2023 for the week.

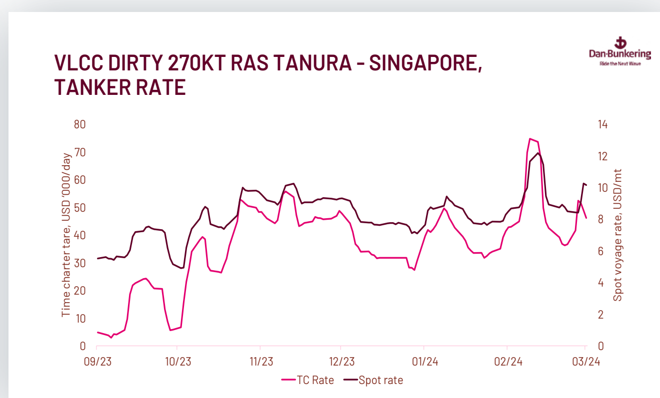
The container market fell over 7% over the last week compared to the 1st of March to 3018 as measured by the overall **Freightos Global Index**. The China to Europe rate lost just over 4% to 4313 over the same period, while the return route fell 132 points to 845. The level remains a high level for the return route. US related routes moved down as well. The China to US West Coast fell just over 7% from 4754 to 4419, while the return route fell from 439 to 378. The China to US East Coast fell by 8%, reaching 6107. Congestion as measured by the last 7-day moving average of containerships in port, was reported at 28.2%, up 0.5% points compared to the previous week. The congestion share represents some 8 mln TEU, up 0.1 mln TEU on that same week. The idle fleet stood at 262, down 13 on last week, which itself saw no revisions in the data. Some 2.2% 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 21.2 days, down 0.1 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

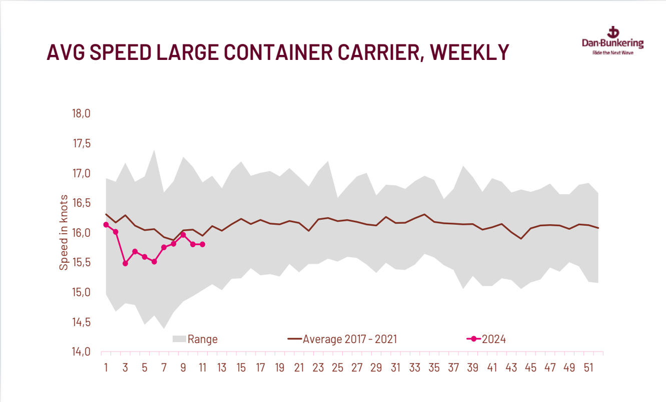
Reported tanker voyage charter rates were up, at $9.7/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were mostly flat in Fujairah and up by nearly 5% in Singapore over the week through March 8th. Bunker costs are some 23% of total voyage. If the entire voyage is calculated on VLSFO, bunker costs are some 33%. The VLSFO prices were up close to 2% in Fujairah and down around 5% in Singapore. The calculations provided are intended to be directional indications, not the actual that each tanker owner is experiencing.

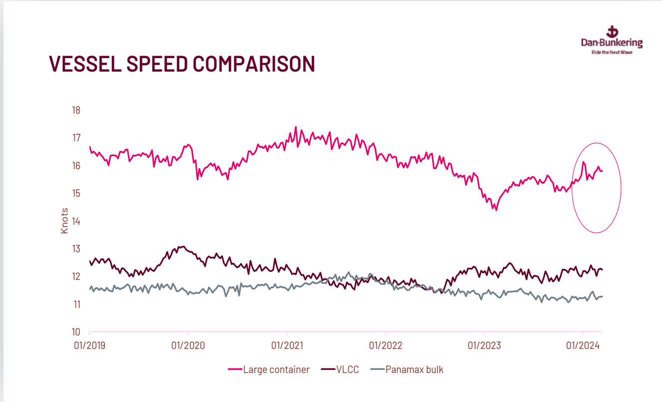




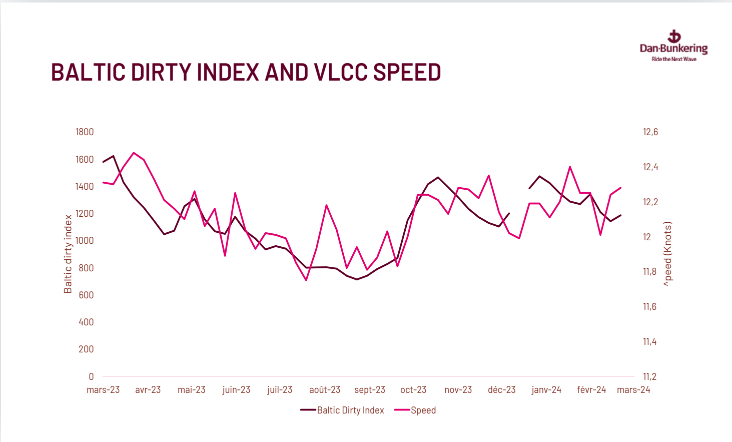
VESSEL SPEEDS

The container vessel's latest data point of 15.8 knots is down 0.2 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 suggest that the initial adjustment reaction to the Red Sea situation is past.

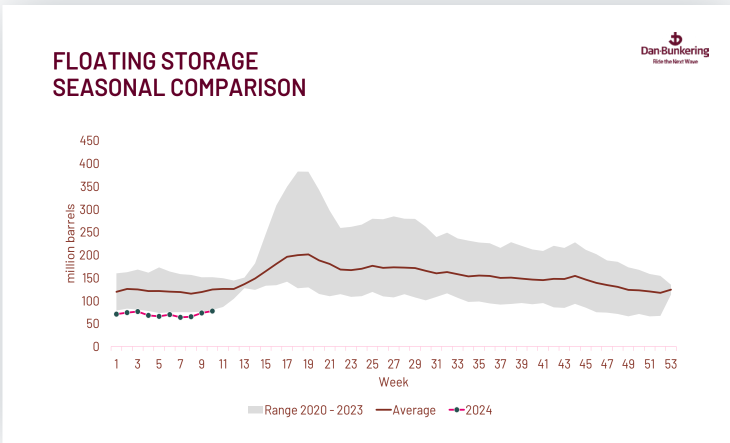




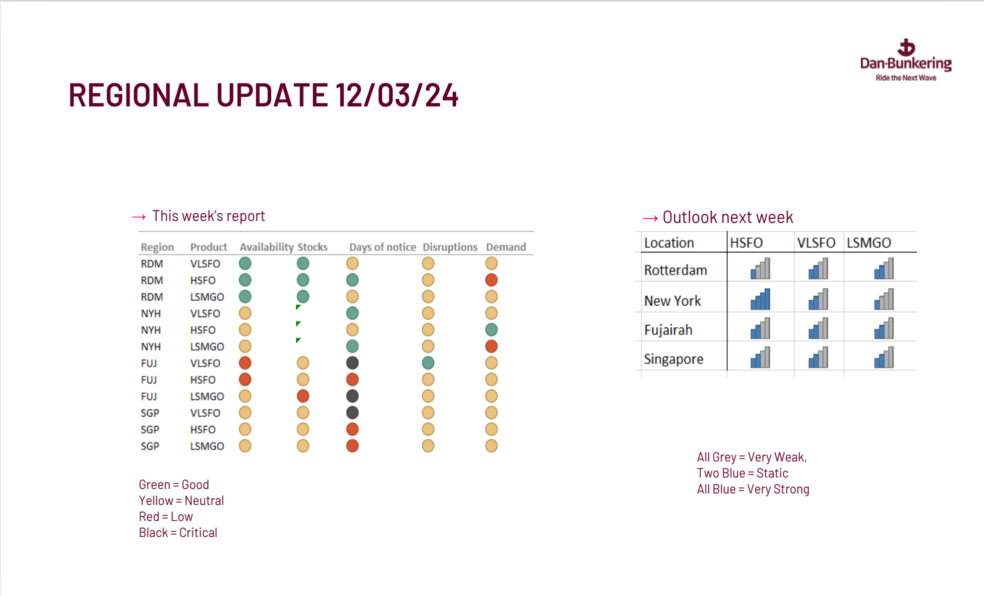
VLCC tanker speeds are flat at 12.2 knots. The current speed reading is at the average of the range seen for the period of the year. The idle share of the fleet was at 5.2% in deadweight terms, unchanged compared to the previous report. The share remains exceptionally high, not just for the period of the year but in a longer perspective as well. In deadweight terms, the idle share is around 33 mln DWT, slightly down compared to last week. The current level is nearly 50% higher than the "normal" average. The current number of idle vessels was up 1 vessel to 207 from last week (which was revised down by 1 vessel).



The floating storage (excluding the dedicated storage) stands at 95 vessels, up 5 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 over 77 million barrels, up 4 mb compared to last week. 57 product tankers are reported functioning as storage, accounting for just below 23 mb. 38 crude tankers vessels accounted for just below 55 mb of stored oil, up over 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

Most liners are presently in process of tendering out on Q2 and Q3 volume to lift. USEC prices appear to coming off a bit versus Singapore.

FUJAIRAH

Demand is currently slow but unviable arbitrage economics to bring European barrels into Asia, limited supplies from Kuwait's Al-Zour refinery and recent issues surrounding exports of Sudan's Dar Crude blend that is used in LSFO production were some of the factors that could tighten supplies going forward.

VLSFO avails remain tight as bad weather and good demand from Feb rolled into March meaning slots are booked for the next 7-10days out. We expect 2H March to ease with more slots opening up.

HSFO some suppliers are tight balance March but there are limited slots available on prompt basis.

ARA

Demand remains very low.

SINGAPORE

LSFO market would likely remain under pressure March 11-15, weighed by sluggish downstream demand, but concerns about potentially tighter availability in coming weeks were expected to support fundamentals. Currently unviable arbitrage economics to bring European barrels into Asia, limited supplies from Kuwait's Al-Zour refinery and recent issues surrounding exports of Sudan's Dar Crude blend that is used in LSFO production were some of the factors that could tighten supplies going forward. Downstream end-users are also likely be able to secure stems for near refueling dates in Singapore, although some of the more competitive LSFO suppliers have sold out slots for prompt availabilities.

HSFO:

A persistent supply glut continues to weigh on Asia's high sulfur fuel oil market, but traders said recovering Chinese demand for high sulfur straight-run fuel oil and upcoming summer power generation demand would provide some support in coming weeks. HSFO bunker premiums to come under pressure due to ample stockpiles and a bumpy spot demand outlook in Singapore's downstream market, whereas volumes from term contract nominations are likely to remain stable.

GO:

GO market could come under further downward pressure in the March 11-15 week as unviable East-West arbitrage economics continue to trap swing barrels, particularly those from India and the Persian Gulf, in the region. Sentiment is expected to remain lackluster during March 11-15 as trade participants awaited new tenders for April cargoes for fresh pricing direction.

Regional indicators : prices in USD to benchmarks (week to 08/03)

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	9	FOB Rdam Barges 3.5%	-15	SIN MOPS 380	10	SIN MOPS 380	15-18	SIN MOPS 380
VLSFO	9	FOB Rdam Barges 0.5%	15	SIN MOPS 0.5%	0	SIN MOPS 0.5%	14-16	SIN MOPS 0.5%
LSMGO	-55	ICE Gasoil	100	SIN MOPS GO 10ppm	0.05	HO	29-37	SIN 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	4	10
VLSFO	3-5	10	3	8
LSMGO	3-5	7	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve fell $25/mt at the front compared to last week in absolute terms (March 8th compared to March 1st). The curve remains fully in backwardation in both absolute terms, and in relative terms. The six-month fell by $16.8/mt. The time spread for the 6-month period decreased $8.3/mt to -$61.0/mt. The 3.5% barges' curve decreased the backwardation at the six-month horizon and is wobbly along the first months of the curve. Backwardation is $9.3/mt at the six-month horizon. The front fell $19.8/mt while the six-month fell $13.3/mt. The VLSFO 0.5% backwardation decreased $3/mt to -$36.5/mt, compared to a week prior.

The relative value of VLSFO compared to LGO at 6 months was flat at 68% and in absolute terms down $9 at -$238/mt compared to 68% or $263/mt below LGO at the front. That $263/mt is down $14/mt on last week's reading when the front was at 68% of LGO also.

Monday the 11th saw the front move up $2.5 on Friday's $827/mt to reach $829.5/mt. On Tuesday end morning, the ICE Gasoil curve saw the 6-month backwardation decrease by around $4/mt compared to the Friday level. The front was up $5/mt on Monday's level and the 6-month was also up $5/mt on Monday's level. At the 12-month horizon, the curve is still in backwardation. The front is up 1% on Friday the 8th.

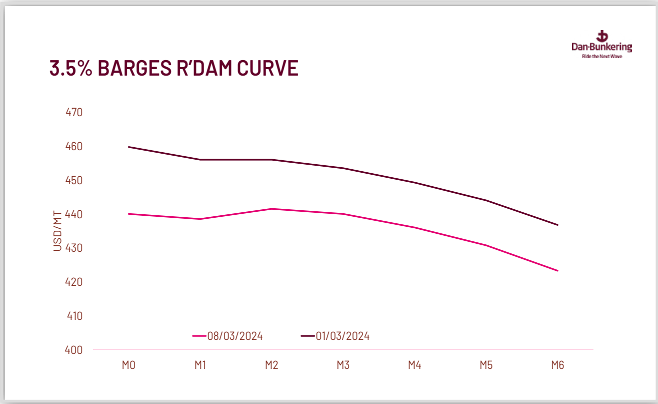
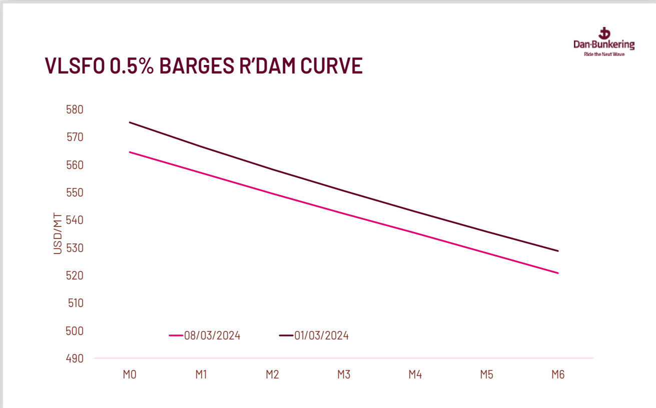
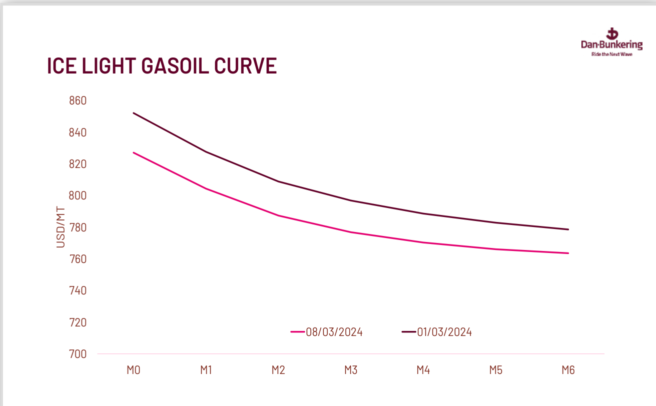
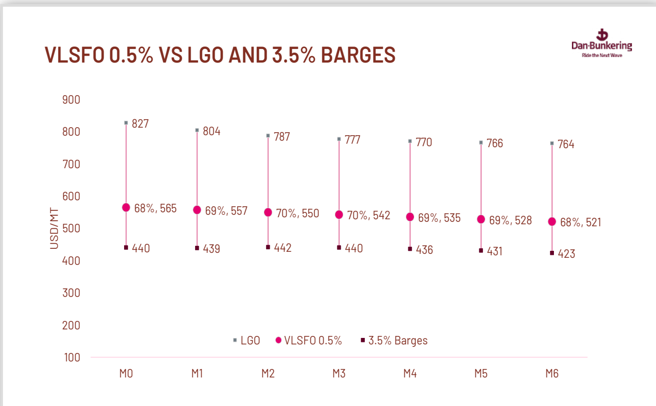


Figure 1 ARA Curve







M0 is Mar. 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front fall 2.9%, while the sixth month level fell by 2.1%. The curve trajectory is fully backwardated, with the M5-M0 at 7.4% backwardation. The Fuel Oil Rotterdam front month fell 4.3% and the 6-month fell 3%. The curve is 2.1% in backwardation on the six-month horizon. The VLSFO curve saw its backwardation decrease to 6.5% as the front fell 1.9%, while the back fell 1.4%.

Brent Ref:	-1.5	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	2.1	29.8	-3.0	-0.8	-10.8	-25.5	-25.0
Mar-24	7.8	28.3	-2.4	-1.6	-10.8	-19.8	-25.0
Apr-24	7.3	26.5	-2.6	-1.4	-9.5	-17.5	-23.3
May-24	10.8	23.0	-2.2	-1.2	-8.8	-14.5	-21.5
Jun-24	12.0	20.0	-1.9	-1.1	-8.3	-13.5	-20.0

06. OUR VIEW

The oil market agencies are publishing their monthly outlooks. The OPEC+ cuts are worked into the models, and the result is a tightening of the markets, but not for too long according to the EIA. Paradoxically, it is OPEC itself that is projecting strong increases in demand for its crude later in the year. The reason is the much higher demand forecast the OPEC Secretariat maintains then the Energy Information Administration. OPEC sees 800 kb/d more demand growth then the US agency. The EIA's remarks about risks from the Red Sea disruptions may be increasingly important. With the intensification in the Red Sea, tanker re-routing may now start to accelerate. Crude tanker transits of the Suez Canal started to drop last week, while product tanker transits were already down considerably. Still, the Kiel institute for world economy notes that the port calls in the North Sea ports are mostly back to pre-attack levels. So far, the "supply system" is functioning well, to the point that the economic impacts are considered small.

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)