Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 16
April 16, 2024

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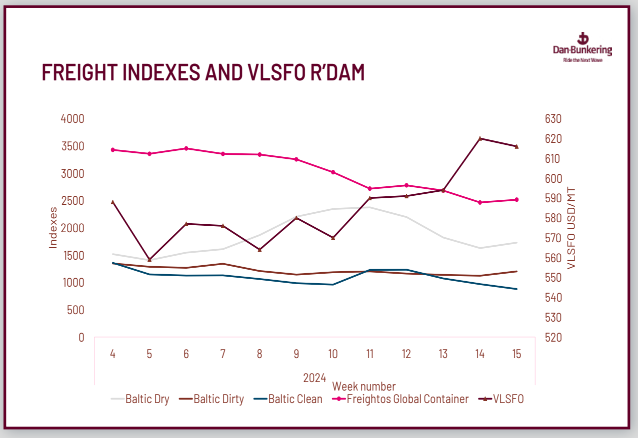
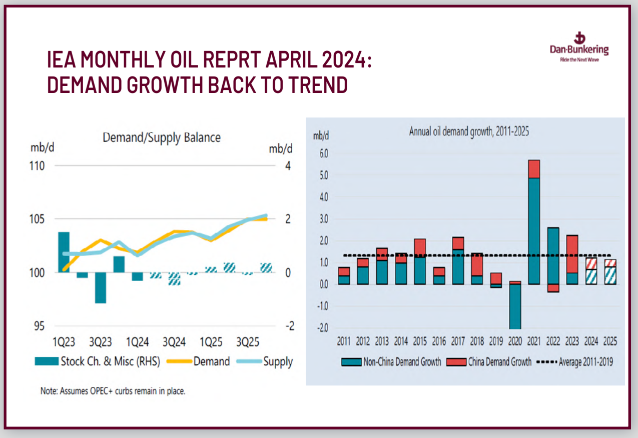
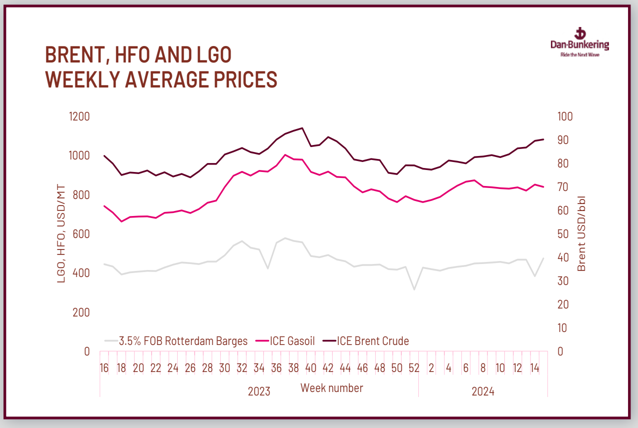
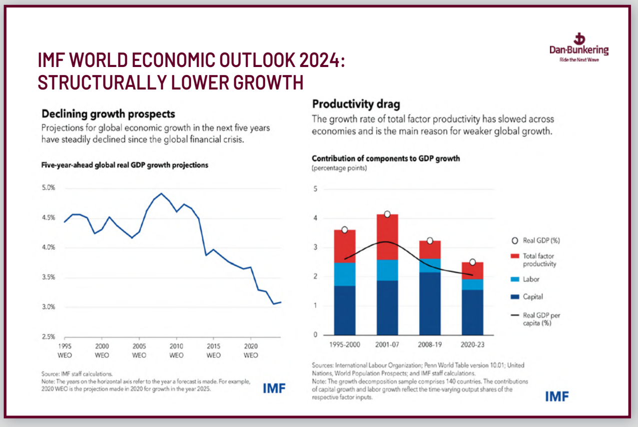








Sources: EIA.gov, ECB, investing.com, Baltic Exchange, Freightos Baltic Index, Refinitiv, Clarksons Research, U.S. Bureau of Economic Analysis, fred.stlouisfed.org, AtlantaFed, OPEC, OECD, Wolfstreet.com, Eurostat, IEA, Dan Bunkering analysis

01. ECONOMIC DATA CALENDAR

Date	Area	Topic	Expect	Prev.	Impact
16/04 15:15	USA	Capacity utilisation (Mar)	78.6%	78.3%	Economic activity
22:30	USA	API Crude oil stock change		3 mb	Oil market balance
17/04 01:50	Japan	Balance of trade (Mar)	-¥280 bn	-¥379 bn	Economic health
02:30	Singapore	Balance of trade (Mar)	$7.3 bn	$6 bn	Economic health
08:00	UK	Inflation rate March (YoY)	3.1%	3.4%	Economic health
08:00	UK	PPI Input March (YoY)	-2%	-2.7%	Economic health
08:00	UK	PPI Output March (YoY)	1.4%	0.4%	Economic health
11:00	Euro area	Inflation rate March (YoY)	2.4%	2.6%	Economic health
16:30	USA	EIA Crude oil stocks		5.8 mb	Oil market balance
16:30	USA	EIA Distillate stocks		1.6 mb	Oil market balance
	China	Foreign direct investment March (YtD)	-25%	-19.9%	Economic activity
18/04 11:00	Euro area	Construction output February (YoY)	1.1%	0.8%	Economic activity
14:30	USA	Philadelphia Fed Manufacturing index (Apr)	3.8	3.2	Economic activity
16:00	USA	Conf. Board Leading Index March (MoM)	0.1%	0.1%	Economic activity
21:00	Argentina	Balance of trade (Mar)	-$1 bn	$1.4 bn	Economic health
19/04 01:30	Japan	Inflation rate March (YoY)	2.8%	2.8%	Economic health
02:00	India	General elections starting date			
08:00	Germany	PPI March (YoY)	-4.2%	-4.1%	Economic health
10:00	Italy	Construction output February (YoY)	12%	14.8%	Economic activity
19:00	USA	Baker Hughes oil rig count		506	Oil market balance
22/04 12:00	UK	CBI Industrial trends orders (Apr)	-16	-18	Economic activity
14:00	Mexico	Economic activity February (YoY)	1.8%	2%	Economic activity
14:30	USA	Chicago Fed National activity index (Mar)	0.29	0.05	Economic activity
16:00	Euro area	Consumer confidence (Apr)	-14.2	-14.9	Economic health

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

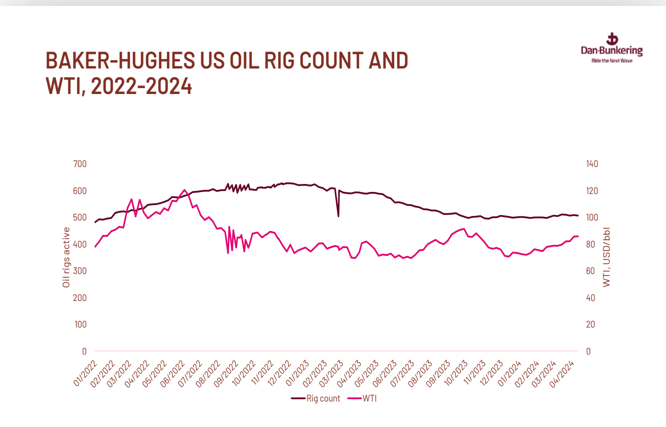
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

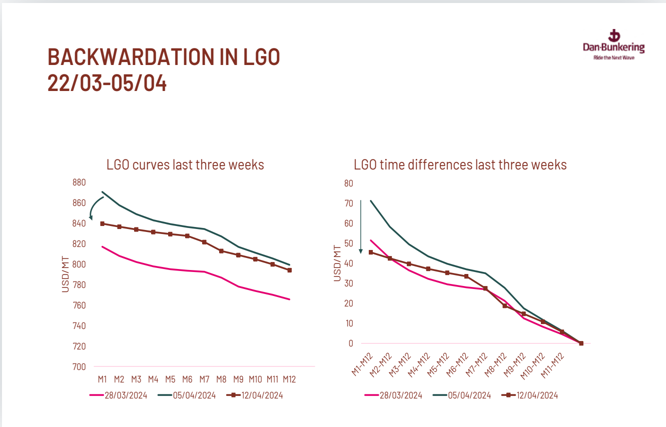
The week **is** calm. On Tuesday, the IMF will publish its World Economic Outlook. Last week we discussed the capacity utilization in the different regions in the context of the US treasury secretary's visit to China. On Tuesday, the US number for March is published, projected at 78.6%, slightly up on February. China's capacity utilization across Q1 was reported on Tuesday morning, at 75%, down from 75.9%. Note that the data point includes the country's festive season. Japan's balance of trade is estimated to have improved considerably, but still negative at ¥280 bn, whole Singapore's trade balance is seen to have improved to a more than $7 bn surplus in March. Argentina's balance of trade is projected to have turned into a deficit, as the economy is being restructured. February construction output in the Euro area is projected to have increased by 1.1%, up from 0.8% in January. Italy is projected to have seen 12% growth, strong but down from nearly 15% growth in January. US manufacturing indexes published by the regional banks of the federal reserve system are expected to show further improvements in US activity. The Philadelphia Fed is seen increasing to 3.8, while the Chicago Fed is seen up to 0.29 from 0.05. Note that these indexes have to be read in context and the way they are constructed. Data for Philadelphia for instance is **here**. In the UK, the Conference of British Industry trends orders is expected to have improved, or become less negative in April at -16, and still below the **long run average** of -13. UK inflation is slowly coming down, projected at 3.1% in March, from 3.4% in February. Producer prices on the input side are falling less, by 2% in March, while producer output prices are increasing, from 0.4% in February to 1.4% in March. The German PPI is expected to have fallen by 4.2% in March. The Euro area's inflation rate is seen falling towards 2.4%, from 2.6% in February, while the Japanese inflation rate is projected to have been steady at 2.8%.

OIL MARKET

The Baker Hughes oil rig count was down 2 rigs to 506 last week. The weekly average of WTI was $85.7, up $0.1 week on week. The natural gas price at Henry Hub fell to just below $1.8/mmbtu, down 1.5 dollar cents on the previous week.



The International Energy Agency published its monthly oil market report. The agency reports on weakening demand, based on early data for OECD deliveries. On preliminary estimates, demand growth was at 1.6 mb/d in Q1, more than 0.1 mb/d below the earlier forecast. For 2024, the IEA sees total demand growth at 1.2 mb/d, and in its first assessment of 2025 demand, next year's growth at 1.1 mb/d. Those levels are in line with long run averages. Although the headline is bearish, total liquids demand is still seen reaching an average of 103.2 mb/d in 2024, and nearly 104 mb/d in Q3, before reaching an average of 104.3 in 2025 and surpassing the 105 mb/d level in the peak third quarter. The 2024 level is slightly above the latest EIA short term outlook and the 2025 one is identical. The headline growth number, the change from year to year, can be misleading just because the base levels may be somewhat different. The IEA's view on weak demand is mainly related to transportation fuel demand. It is not just in the OECD countries that weakness is seen. The agency notes comparatively weak demand growth in China, as electric vehicle uptake is significant. In addition, aircraft fuel efficiency is improving markedly. In 2023, the airline sector saw roughly same activity as in 2019, while consuming 6% less jet fuel/kerosene. The electrification and efficiency trends lead the IEA to continue to predict "a peak in demand by the turn of the decade" in this month's report. So far, the near term appears to be running ahead of the medium term forecast the IEA published last year. That stronger absolute demand however, does not mean that the signs of weakness are not realistic. To the contrary, the weakening is clear from the gasoil and fuel oil curves movements. The market is projected to be well-balanced in the IEA's assessment, despite the OPEC+ cutbacks. Non-OPEC+ supply is growing strongly, at 1.6 mb/d, despite the slowdown in US shale liquids growth. The OPEC+ cutbacks will offset 0.8 mb/d of that growth. For 2025, non-OPEC+ growth of 1.4 mb/d is projected, more than demand growth. The IEA concludes that the call on OPEC+ crude in the second half of 2024 is only 0.2 mb/d above actual March output and next year's call would fall by 0.3 mb/d. As a result, spare crude oil production capacity will jump from over 5.2 mb/d in Q1 2024 to 5.6 mb/d in Q2 and by 2025, may rise to over 6 mb/d. In other words, the crude oil market is not just well-supplied, it also managed to keep the price from falling away.



ECONOMY

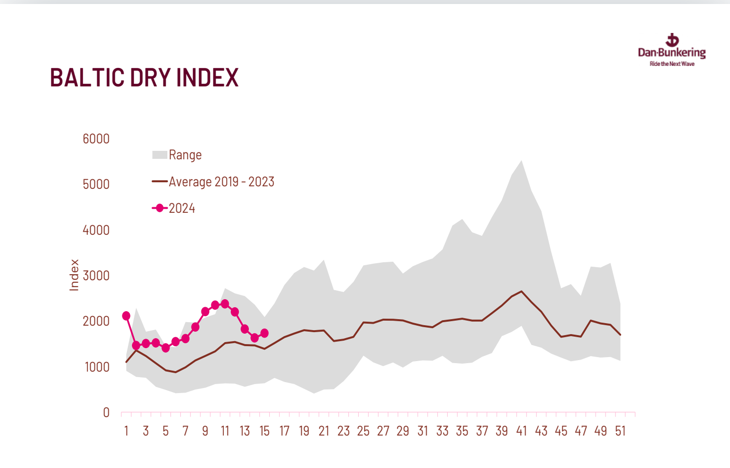
The International Monetary Fund is running its Spring sessions. The World Economic Outlook will be published on the 16th, but parts of the report have been published already. One of the topics in the new report is the **slowdown** in the global medium term growth rate. Prior to the Global Financial Crisis of 2008, real global growth rate projections have dropped from 4.5%+ to around 3%. The IMF is now warning that this trend is likely to continue if no measures are taken. The slowdown started with the advanced economies in the early 2000's and after the crisis, emerging market and developing economies followed. The drivers of the slowdown are identified as demographic developments, with a falling labour force in many of the advanced economies, and misallocation of capital investments. Combined, the factors lead to falling so-called total factor productivity (how the efficiently the two components of economic growth are deployed). The IMF estimates that around half of the growth slowdown is due to so-called persistent barriers, such as trade barriers, and inflexible labour markets. The Fund suggests that to avoid this fall towards sustained lower growth rates, well-designed policies are required that enhance competition and trade openness as well as more flexible labour markets. It also sees a strong future for the deployment of artificial intelligence. However, it adds that the potential of AI to boost labour productivity is as yet uncertain, depending on how AI is integrated within the workforce.

The risk the Fund sees from the growth slowdown, especially when occurring with high interest rates, is that debt sustainability could be put at risk. It is not just emerging economies that may struggle with higher interest rates, advanced economies too have high debt burdens. High interest rates will replace spending programs for instance directed at education. In addition, a structural shift towards slower growth may lead the private sector to slow down investment, thereby creating a self-reinforcing situation. This is not unlike the discussion in the oil market, where the projection of peak demand may be provoking reduced investment in production capacity.

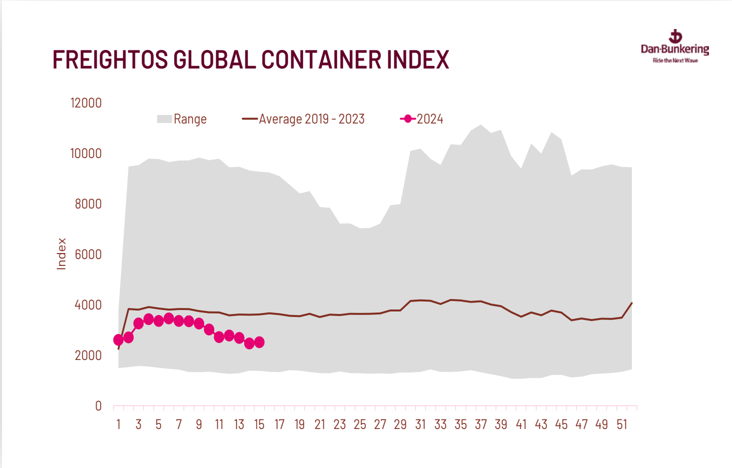
Interestingly, the observed economic slowdown coincided with a period of extremely loose monetary policy and negative interest rates. Debt was increased substantially by both the public and private sector. Now that interest rates are higher, growth prospects are harmed. What if the previous monetary policy itself was a cause of the resource misallocation that the IMF observes in its report?

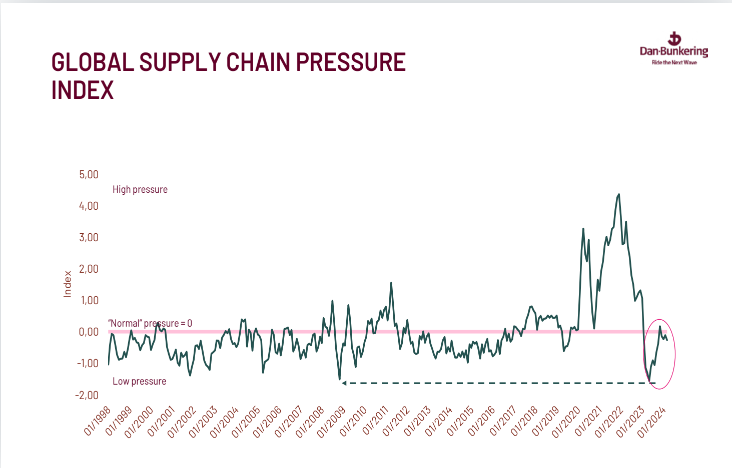
VESSEL RATES

Crude oil tanker rates on the Baltic Exchange TD3 route were down over 5% after last week's marginal fall. The t/c rates were at $39.1k/day compared to $41.4k/day a week before. Voyage rates were reported at $9.3/mt on the route on the 12th of April, down $0.2 compared to the week of the 5th. The Baltic dirty index was up 7%, or 80 points to 1202. The level is 13% above the previous 5-year average. The clean index was down 9% on last week at 879. The index is at 15% above the previous 5-year average. Dry bulk rates rose around 6% or 101 points to 1729 per the Baltic Dry Index. The index is 25% above the five-year average level seen in 2019-2023 for the week.



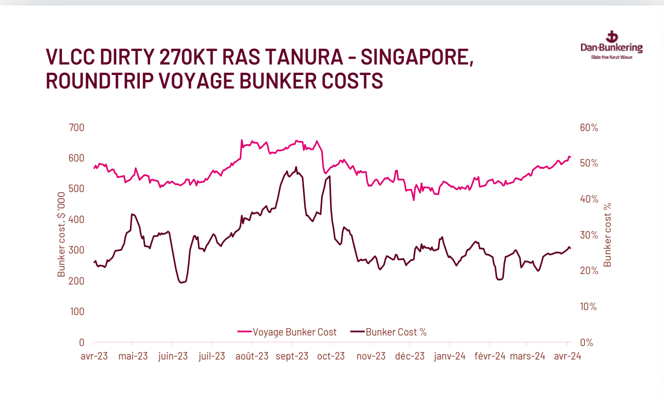
The container market rose around 2% over the last week compared to the 5th of April to 2515 as measured by the overall **Freightos Global Index**. The China to Europe rate rose 6.6% to 3545 over the same period, while the return route fell nearly 10% or 83 points to 769. The level is well below the average level seen since 2017. The China to US West Coast fell marginally from 3294 to 3288, while the return route was flat at 415. The China to US East Coast fell 1% to 4276, while the return route was flat at 1169. Congestion as measured by the last 7-day moving average of containerships in port, was reported at 30%, down 0.8% points compared to the previous week. The congestion share represents some 8.6 mln TEU, down 0.2 mln TEU. The idle fleet stood at 276, up 16 from last week, which itself saw a one vessel upward revision in the data. Some 2.6% 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 19.6 days, up 1.4 days compared to last week. The current transit time is among the lowest recorded for the past 4.5 years for which data is available. Still, as mentioned in earlier reports, early month data is typically revised upwards as the month progresses. The New York Fed published its Global Supply Pressure Chain Index, which fell to -0.27 in March. While the data has shown lower pressure over the past year, the current reading shows a clear relaxation since the start of the Red Sea disruptions.

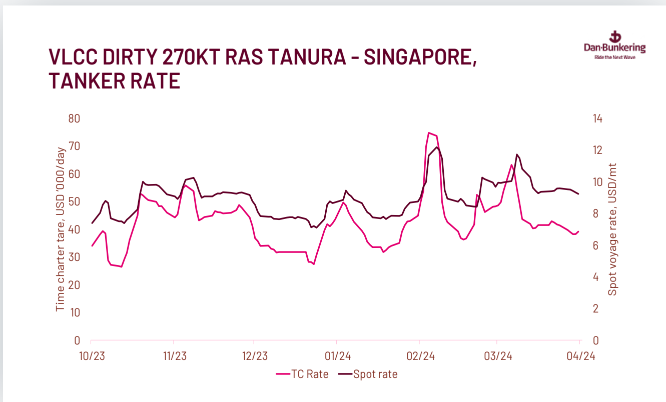




FREIGHT AND BUNKERS

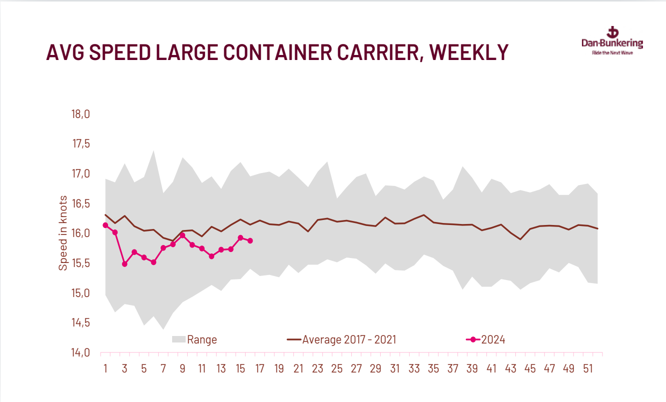
Reported tanker voyage charter rates were down, at $9.3/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were up around 4% in Fujairah and flat in Singapore over the week through April 12th. Bunker costs are some 26% of total voyage. If the entire voyage is calculated on VLSFO, bunker costs are some 34%. The VLSFO prices were down over 1% in Fujairah and almost unchanged in in Singapore. The calculations provided are intended to be directional indications, not the actual that each tanker owner is experiencing.

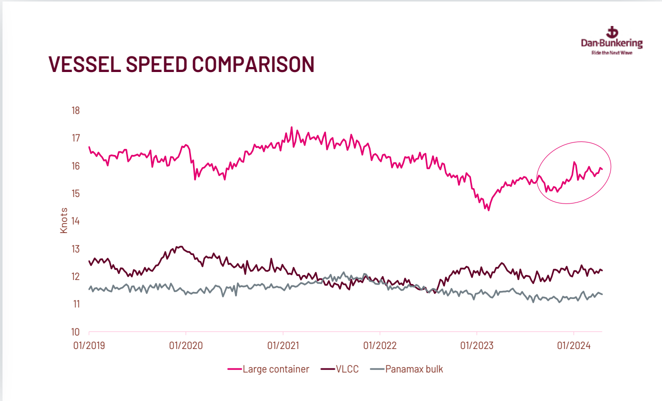




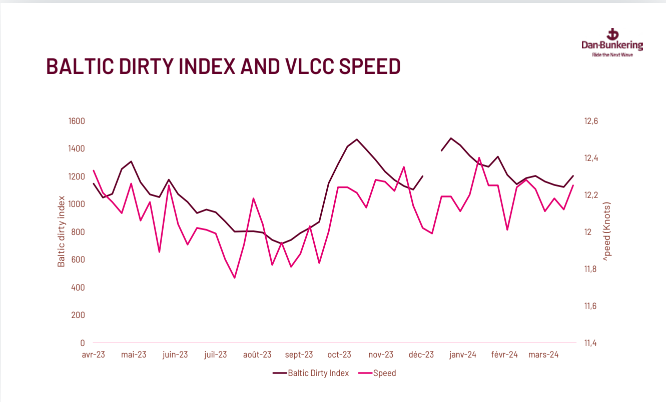
VESSEL SPEEDS

The container vessel's latest data point of 15.9 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. The combined data from the container freight rates, congestion, idle fleet, speeds as well as the latest GSCPI reading strongly suggest the market is back to reacting to the underlying demand/supply balance.

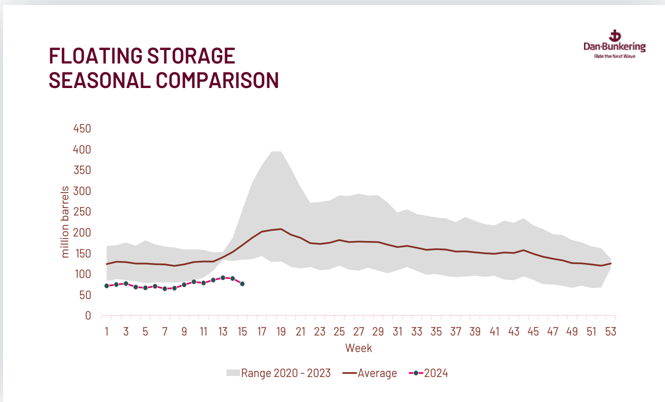




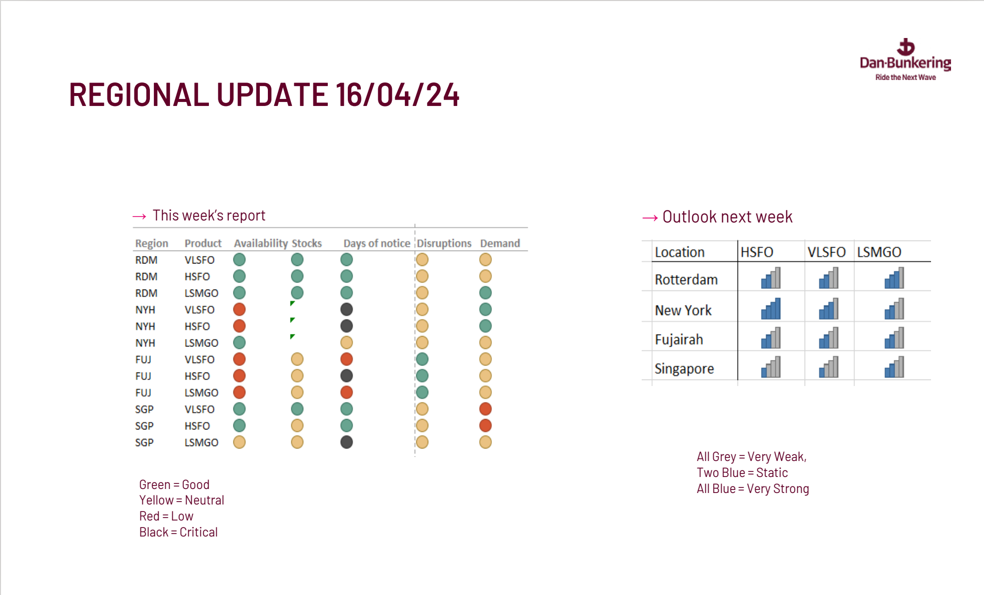
VLCC tanker speeds are up 0.1 knot at 12.1 knots. The current speed reading is near the average of the range seen for the period of the year. The idle share of the fleet was at 5.4% in deadweight terms, up 0.5% compared to the previous report, with the previous' week data revised down by 0.1% point. The share remains exceptionally high, not just for the period of the year but in a longer perspective as well. In deadweight terms, the idle share is around 34 mln DWT, up 3 mln dwt compared to last week. The current level is over 43% higher than the "normal" average. The current number of idle vessels rose by seven vessels to 237 compared to last week (which was revised up by 1 vessel).



The floating storage (excluding the dedicated storage) stands at 100 vessels, down 9 vessels on last week's number, which was revised down by 1 vessel. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is over 76 million barrels, down just over 13 mb compared to last week. 59 product tankers are reported functioning as storage, accounting for under 23 mb. 40 crude tankers vessels accounted for just over 53 mb of stored oil, down around 11 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

Container segment demand increasing a bit. Seeing a bit more demand on MGO on USEC from vessel re-routed from Baltimore. USEC presently being re-supplied HS and .5 avail improving.

FUJAIRAH

Severe weather with heavy rainfall and high winds has caused stoppages in supply from 15th and will continue into 17th PM hrs. Delays expected due to backlog created.

March bunker sales in Fujairah, climbed 11% on the month to the highest since August 2022, according to port data published April 15.

The total was 706,089 cu m, up from 637,856 cu m in February, according to the data from the port's Fujairah Oil Industry Zone. Sales of 380 CST low sulfur fuel oil, the biggest ship fuel by volume, rose 14% on the month to 463,245 cu m. The only category to show a decline was low sulfur fuel oil 180 CST, down 7.6% on the month to 924 cu m.

KPC has announced it will stop sales of VLSFO for 6 weeks as the country needs the fuel to prepare for early summer demand for power generation», according to a source familiar with KPC's operations.

We expect VLSFO pricing to increase from SIN MOPS 0.5 plus $12/mt and pass $20/mt.

ARA

ARA continued to see high stock levels both on fuel and middle distillates. Market will continue to be oversupplied on the short term. Demand has somewhat picked up but has not resulted into loading issues or delays.

SINGAPORE

VLSFO:

LSFO market is expected to remain under pressure over April 15-19 amid elevated cargo availabilities for prompt supplies coupled with lean demand from end-users in the bunker market. Higher arbitrage inflows for April, with initial estimates of around 2-2.2 million tonnes , are likely to weigh on the front-month market structure, thereby pressuring upstream valuations. Regionally, the port of Singapore also faced competition from North Asia's bunker hub of Zhoushan, where levels for downstream LSFO bunker have been hovering at discounts to the same delivered grade in Singapore since March to date.

HSFO:

Steady inflows of cargoes from Russia and the Middle East could cap any significant upside potential for upstream valuations for HSFO Market. However, fuel oil stocking activity around the Middle East in preparation for power generation demand during the upcoming summer season might also lend some degree of support for forward months. Adequate HSFO stockpiles for the bunker market are expected to cap any significant uptick to term contract ex-wharf premiums for balance-April loading dates.

GO:

Fundamentals in the Asian ultra-low sulfur gasoil complex are expected to remain weak in the week to April 19 with weak demand in Europe curtailing East-West arbitrage flows even though freight rates have softened. SG onshore commercial stocks of middle distillates rose 8.8% on the week to a more than two-year high of 11.21 million barrels over April 4-10.

Regional indicators : prices in USD to benchmarks (week to 11/04)

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	-1	FOB Rdam Barges 3.5%	-10	MOPS380	25	MOPS 380	12-15	MOPS380
VLSFO	6	FOB Rdam Barges 0.5%	15	MOPS 0.5%	40	MOPS 0.5%	12-15	MOPS 0.5%
LSMGO	-40	ICE Gasoil	95	MOPS GO 10ppm	0.05	HO	-4 to 0	MOPS GO 10ppm

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

Regional indicators : Day's notice

Product	ARA	FUJ	NYH	SGP
HSFO	3-4	10	6	7
VLSFO	2-3	7	7	8
LSMGO	2-3	5	2	7

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve fell $31/mt at the front compared to last week in absolute terms (April 12th compared to April 5th). The curve remains fully in backwardation in both absolute terms, and in relative terms. The six-month fell by $8.8/mt. The time spread for the 6-month period decreased over $22/mt to -$12/mt. The 3.5% barges' curve flipped the backwardation at the six-month horizon and is back in contango for the first six months of the curve. Contango is $3.8/mt at the six-month horizon, as the six-month time-spread rose $8.3/mt. The front fell $10.5/mt while the six-month fell $2.3/mt. The VLSFO 0.5% backwardation decreased $3.8/mt to -$29.3/mt, compared to a week prior.

The relative value of VLSFO compared to LGO at 6 months was up at 70% and in absolute terms down $9 at -$249/mt compared to 72% or $232/mt below LGO at the front. That $232/mt is down $28/mt on last week's reading when the front was at 70% of LGO.

Monday the 15th saw the front move down nearly $25 on Friday's $839.5/mt close to reach $814.25/mt. On Tuesday end morning, the ICE Gasoil curve saw the 6-month backwardation decrease by around $8/mt compared to the Friday level. The front was down $0.5/mt on Monday's level and the 6-month was up, by $0.75/mt on Monday's level. At the 12-month horizon, the curve is still in backwardation. The front is down around 3% on Friday the 12th.

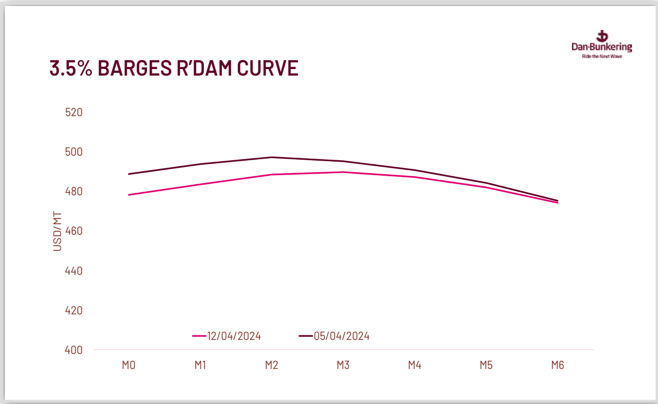
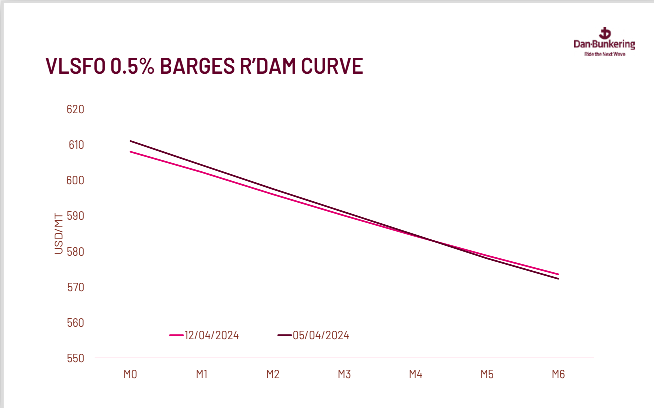
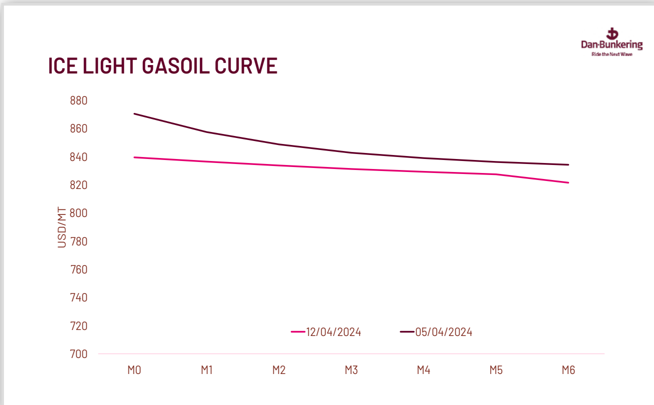
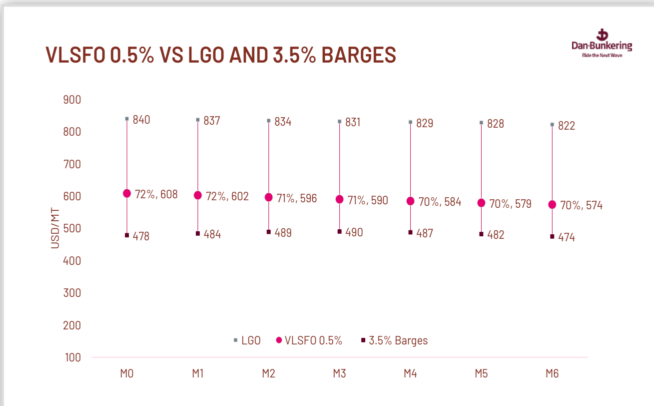


Figure 1 ARA Curve







M0 is Apr. 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front fall 3.6%, while the sixth month level fell by 1%. The curve trajectory is fully backwardated, with the M5-M0 at 1.4% backwardation. The Fuel Oil Rotterdam front month fell 2.1% and the 6-month fell 0.5%. The curve is 0.8% in contango on the six-month horizon (but stronger on the earlier months). The VLSFO curve saw its backwardation decrease to 4.8% as the front fell 0.5%, while the back rose 0.1%.

Brent Ref:	-0.7	June					
	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	-5.3	0.4	-1.3	-2.5	-3.0	-10.3	-31.0
Apr-24	-4.8	0.3	-1.8	-2.8	-3.0	-10.5	-31.0
May-24	-4.5	-0.8	-1.8	-2.4	-2.0	-10.3	-21.0
Jun-24	-4.3	495.0	-1.9	-1.9	-1.5	-8.8	-15.0
Jul-24	-3.5	0.0	-1.7	-1.5	-1.0	-5.5	-11.5

06. OUR VIEW

The IEA is not only bearish on the crude oil market, it is also skeptical about the loss of capacity at Russian refineries. It believes that around 0.5 mb/d of gross capacity may have been lost for the second quarter, but that there is considerable slack capacity in the refinery complex in the country to compensate for the loss. It quotes Kpler trade data that does not show a fall in diesel exports, and refinery diesel output dropping 0.1 mb/d, in line with crude runs of 5-5.2 mb/d. It sums the situation up as follows: *"the bigger picture in distillate markets is one of easing supply tightness, rather than concerns over a looming supply crunch."*

As we said last week, with geopolitics and single sentence headlines driving prices, volatility increases. Nothing has changed that perspective.

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)**