Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 30
July 23, 2024

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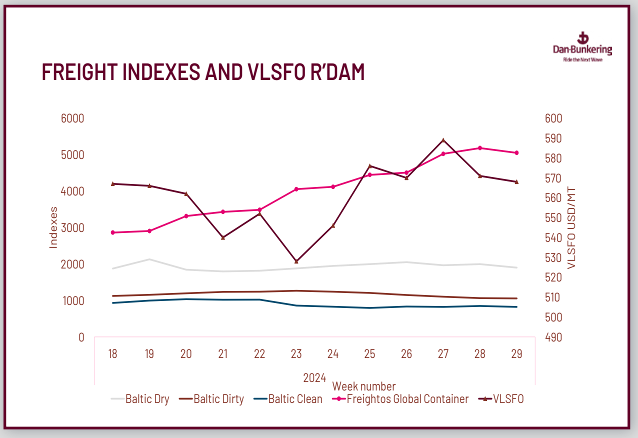
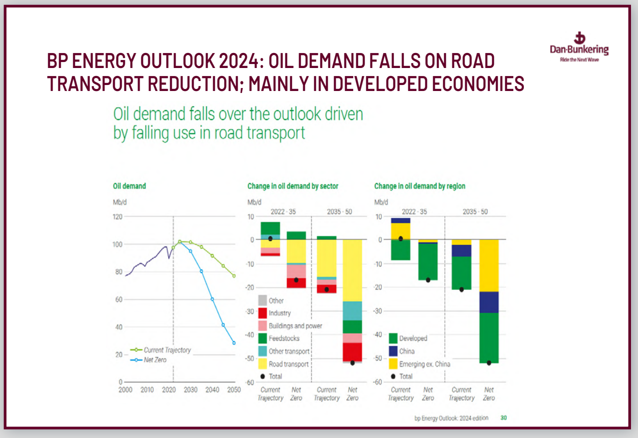
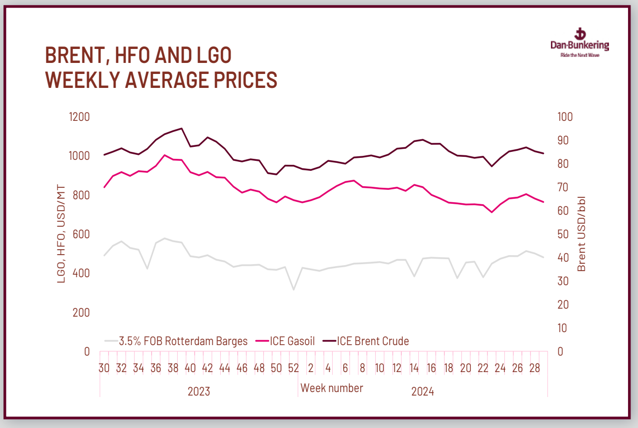
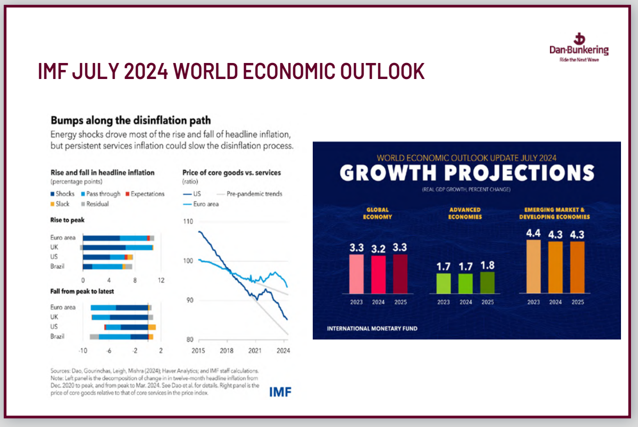








Sources: EIA.gov, ECB, investing.com, Baltic Exchange, Freightos Baltic Index, Refinitiv, Clarksons Research, U.S. Bureau of Economic Analysis, fred.stlouisfed.org, AtlantaFed, OPEC, OECD, Wolfstreet.com, Eurostat, IEA, Dan Bunkering analysis

01. ECONOMIC DATA CALENDAR

Date	Area	Topic	Expect	Prev.	Impact
23/07 22:30	USA	API Crude oil stock change	0.7 mb	-4.4 mb	Oil market balance
24/07 07:00	India	HSBC Manufacturing PMI flash (Jul)	58.4	58.3	Economic activity
08:00	Germany	GfK Consumer confidence (Aug)	-21.7	-21.8	Economic health
09:15	France	HCOB Manufacturing PMI (Jul)	45.8	45.4	Economic activity
09:30	Germany	HCOB Manufacturing PMI (Jul)	43.8	43.5	Economic activity
10:00	Euro area	HCOB Manufacturing PMI (Jul)	46.0	45.8	Economic activity
10:30	UK	S&P Global Manufacturing PMI (Jul)	51.1	50.9	Economic activity
15:45	USA	S&P Global Manufacturing PMI (Jul)	51.8	51.6	Economic activity
16:30	USA	EIA crude oil stocks change	0.7 mb	-4.9 mb	Oil market balance
16:30	USA	EIA distillate stocks change		3.5 mb	Oil market balance
25/07 01:00	Korea	GDP growth rate Q2 (YoY)	2.8%	3.3%	Economic activity
08:45	France	Business confidence (Jul)	98.4	99	Economic health
10:00	Germany	Ifo business climate (Jul)	89	88.6	Economic health
10:00	Germany	Ifo current conditions (Jul)	88.5	88.3	Economic health
12:00	UK	CBI Business optimism index (Q3)	15	9	Economic health
12:00	UK	CBI Industrial Trends Orders (Jul)	-14	-18	Economic activity
14:30	USA	Durable goods orders June (MoM)	0.3%	0.1%	Economic activity
14:30	USA	GDP growth rate Q2 (QoQ)	2.5%	1.4%	Economic activity
14:30	USA	GDP Price index Q2 (QoQ)	2.6%	3.1%	Economic health
26/07 07:00	Singapore	Industrial production June (YoY)	0.3%	2.9%	Economic activity
10:00	Euro area	Consumer inflation expectations (Jun)	2.7%	2.8%	Economic health
14:00	Mexico	Balance of trade (Jun)	-$0.8 bn	$ 2 bn	Economic health
14:30	USA	PCE price index June (YoY)	2.5%	2.6%	Economic health
14:30	USA	Core PCE price index June (YoY)	2.5%	2.6%	Economic health
19:00	USA	Baker Hughes oil rig count		477	Oil market balance
29/07 07:00	Singapore	PPI June (YoY)	5%	2.6%	Economic health
16:30	USA	Dallas Fed manufacturing index (Jul)		-15.1	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

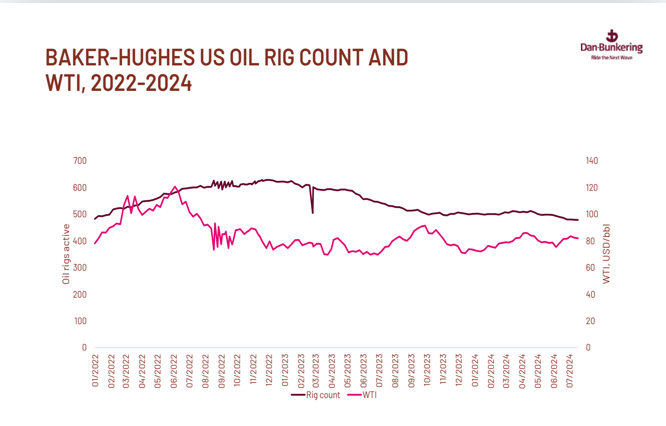
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The coming **week** sees manufacturing purchasing manager's indexes for six countries and regions. All are showing minimal improvements in the indexes. However, those of France, Germany and the wider Euro area remain in contraction, whereas those for the UK, the USA and India are in expansion. India's index level is showing strong expansion, as the regular manufacturing output data shows as well. While the USA as a whole is showing manufacturing expansion according to the PMI, and durable goods orders are increasing month on month, the Dallas Fed manufacturing index is still negative. Singapore's industrial production is projected to have grown by nearly 3% year on year in June, up considerably from May. The weaker readings in the PMI's in Europe are also reflected in the French business confidence, which is falling, while in Germany the Ifo business climate is slightly up, but still not in positive territory. The same goes for the Ifo current conditions for Germany. In the USA, the advance estimate of the Q2 GDP growth is expected to show 2.5% annualised growth, strongly up from Q1. The price index is moving to the US Federal Reserve target, at 2.5%, 0.1% lower than in May. Contrary to the slowdown in the USA, in Singapore, the producer price index is nearly doubling to 5%.

OIL MARKET

The Baker Hughes oil rig count was down 1 rig at 477 last week. The weekly average of WTI was $81.7, down $0.4. The natural gas price at Henry Hub fell to an average of $2.1/mmbtu, down 20 dollar cents from the previous week.



BP **published** its Energy Outlook 2024 recently, focusing on the key trends and uncertainties around the energy transition. One of the major cases the study makes, is that the transition the world is currently undergoing, is the first one in history where new energy sources will not lead to higher overall primary energy consumption but are now leading to substitution. As BP describes it: "*This occurs only when the growth of the 'new' energy – this time low carbon energy – exceeds the increase in total global energy demand, so that the use of the 'old' energy – in this case unabated fossil fuels – declines in absolute terms.*" While this point of switch from addition to substitution is not immediate, it will be achieved, depending on the scenario somewhere in the next decade and a half. The company describes how the current transition path is too slow and may lead to a "*costly and disorderly*" adjustment pathway by the mid 2030's. Part of the transition pathway is oil. BP sees oil demand falling over the outlook period, driven by falling use in road transport, itself a function of increased electricity use. Oil demand is set to peak in the remainder of the current decade, before falling towards 80-100 mb/d by 2035. A substantial part of that fall is concentrated in developed economies. BP projects a fall from 45 mb/d in 2022 to between 7-20 mb/d come 2050. The numbers are of interest, but even more interesting is the implication of changing trade patterns. If the lower end of the projection materializes, and that would require very substantial policy implementation, including social behaviour changes BP says, then the flow of oil to and from the developed economies will slow to a trickle. This includes refinery operations, which itself implies considerable industrial re-arrangement in the developed economies. That process has been ongoing for many years now, but the scale of the reduction BP describes implies an acceleration. Between 2022 and 2035, refinery throughput falls by somewhere between 5 and 15 mb/d in the Atlantic Basin, depending on the scenario, followed by another 10-20 mb/d by 2050. The concentration of the decline in demand in road transport implies a major reduction in diesel/gasoil and gasoline demand. On the oil supply side, BP projects little change in the balance between OPEC+ and non-OPEC+ over the next decade in its high consumption scenario. US tight oil will grow to a peak of 16 mb/d by the end of the 2020's, after which Brazil and Guyana will pick up the fall in US output that moving beyond peak output implies. With the projected peak of demand, the discussion about a resource-driven peak in supply is not really required, especially not in the low oil demand case. It is an interesting turn of events from 20 years ago, when peak oil was the main topic and how it would drive oil prices up. That peak in oil supply may be due to less oil in the ground that can be produced, or less production capacity being developed. However, not discussing the resource constraints, makes it harder to ascertain what the implications are for the oil price. Is a peak in demand and a relatively rapid decline leading to a market that is oversupplied in the next few years? Or will it trigger as OPEC suggests, a considerably slowdown in investments in oil capacity, which could then still lead to a balanced or even short market?

ECONOMY

The International Monetary Fund **published** its July update to the World Economic Outlook. "*Global growth is projected to be in line with the April 2024 World Economic Outlook (WEO) forecast, at 3.2 percent in 2024 and 3.3 percent in 2025. Asia's emerging market economies remain the main engine for the global economy. Growth in India and China is revised upwards and accounts for almost half of global growth. Yet prospects for the next five years remain weak, largely because of waning momentum in emerging Asia.*"

The fund notes that services inflation is holding up progress on disinflation. Services inflation accounts for over 60% of the inflation in the USA and was reported at 7% annualised in June. That will make central banks hesitant to commit to rapid or extensive rate cuts. The IMF says, "*Upside risks to inflation have thus increased, raising the prospect of higher for even longer interest rates, in the context of escalating trade tensions and increased policy uncertainty.*"

If the central banks, and the US Federal Reserve in particular, choose to keep rates higher for

If the central banks, and the US Federal Reserve in particular, choose to keep rates higher for longer, that *"(…) would put overall growth at risk, with increased upward pressure on the dollar and harmful spillovers to emerging and developing economies."*.

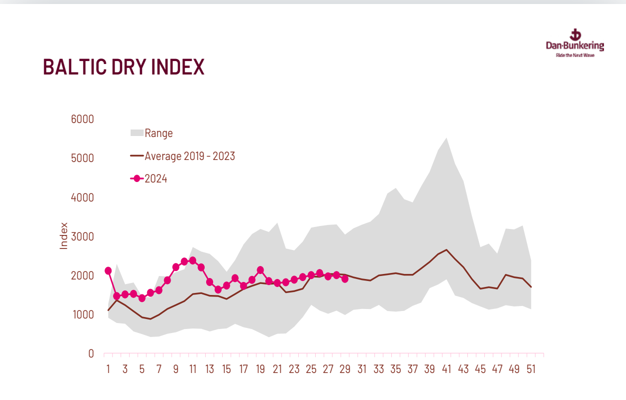
Apart from the concerns about inflation, the IMF sees two further risks to the global outlook. The first is indebtedness. The high debt-to-GDP ratios in many countries will, at some point, require policy adjustments. That means that public budgets need to be reduced, lowering spending on all sorts of policies. The European Commission recently said that several countries in the European Union will have to cut their budgets to come back within rules. So, it is not just the IMF highlighting the issue. These high debt levels also increase the exposure to higher interest rates on that debt, especially when it needs to be rolled over and increased.

The second element that could lower economic growth is increased trade measures. As the fund puts it: *"The gradual dismantling of our multilateral trading system is another key concern. More countries are now going their way, imposing unilateral tariffs or industrial policy measures whose compliance with World Trade Organization rules is questionable at best. Our imperfect trading system could be improved, but this surge in unilateral measures isn't likely to deliver lasting and shared global prosperity."*

The outlook appears to contain considerable downside risk, with the trade policy being a clear and everyday element in the news cycle. It has a direct impact on shipping as well, as is seen in the data.

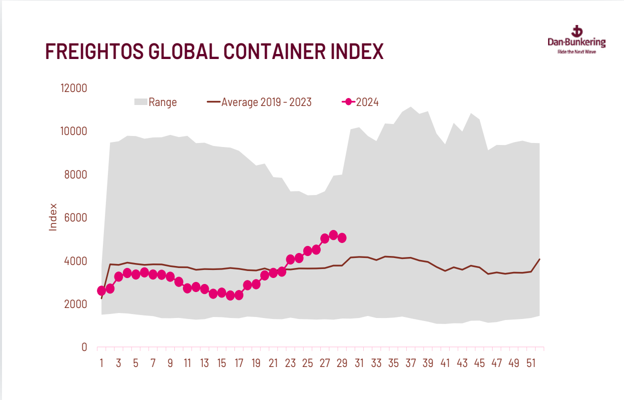
VESSEL RATES

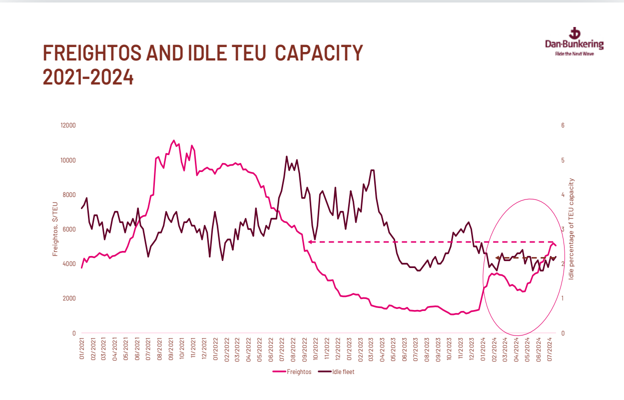
Crude oil tanker rates on the Baltic Exchange TD3 route were up 30% after last week's 5.3% decrease. The t/c rates were at $29.3k/day compared to $22.5k/day a week before. Voyage rates were reported at $8.4/mt on the route on the 19th of July, up $0.7 compared to the week of the 12th. The Baltic dirty index was down 1%, or 11 points, to 1056. The level remains 31% above the previous 5-year average.



The clean index was down 3% from last week's level at 822. The index is 26% above the previous 5-year average. Dry bulk rates fell 5% or 95 points to 1902 per the Baltic Dry Index. The index is 5% 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 fell 2.5% over the last week compared to the 12th of July to $5050, as measured by the overall **Freightos Global Index**. The China to Europe rate also fell 2.5% to $8420 over the same period. The China to US West Coast fell 4.5% from $8101 to $7738. Despite the falls, the indexes are at levels last seen in the months August to September 2022. Freightos last week mentioned that rates may have peaked. It noted that daily rates are ticking lower, and major carriers have announced no surcharge increases for later this month or August on the major trade lanes. According to Freightos, capacity adjustments may also lead to rate pressure, while there are **indications** that European importers of lower-margin goods are reducing their shipments.. Congestion, measured by the last 7-day moving average of containerships in port, was reported at 30.0%, down 0.7% points compared to the previous week. The congestion share represents some 8.9 mln TEU, down 0.2 mln TEU from last week. The overall congestion levels may now be underreporting the actual impact of the Red Sea diversions, as the vessels are on longer voyages, and therefore less in port. However, if the pressure is coming off, then this should be reflected in the congestion levels as well.



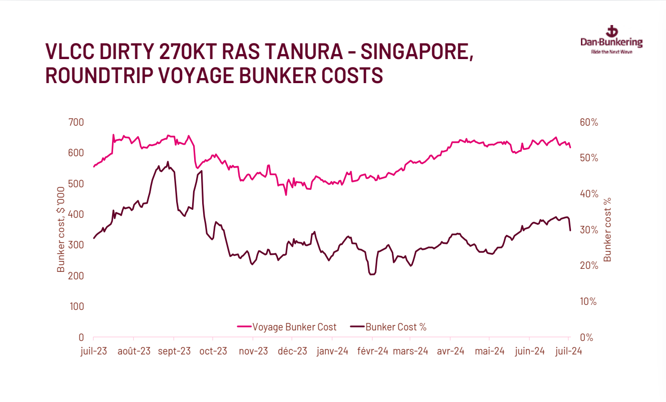


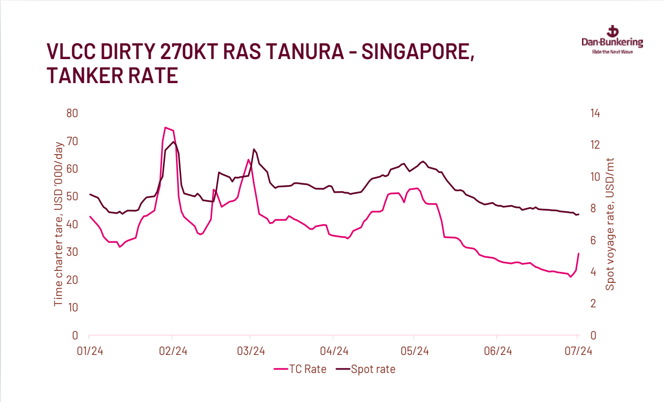
The idle container fleet stood at 269, down 1 from last week, which itself was lowered by 2 vessels. Some 2.2 % of the fleet is reported idle (including those vessels retrofitted with scrubbers and those laid up and calculated in terms of TEU capacity rather than vessel numbers). That level continues just above the low end of the 5-year range. The idleness per sub-segment differs considerably. Of those 269 idle container vessels, 215 are sub 3000 TEU, up 22 on last week, with another 26 of 3-6000 TEU, down 4 from last week. Those vessels represent 4.0% and 2.5% of their respective fleet sizes. Clarksons reports 7 containerships of 12-17000 TEU idle, or 1.7% of capacity, and one of 17000+ TEU, or 0.5% of TEU capacity. The Freightos index moved up considerably over the past weeks, with the idle fleet continuing at comparatively low levels and as illustrated with the sub-segment data, the idle fleet strongly prevalent in the small feeder segment.

The reported average voyage duration between China and the US West Coast is 20.2 days, down 0.5 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

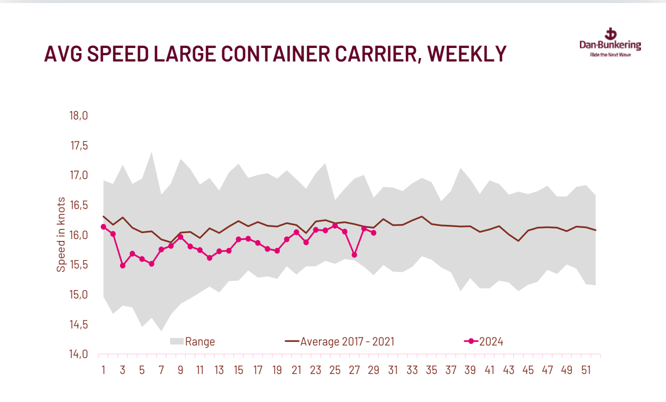
Reported tanker voyage charter rates were down at $7.9/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were down 1.1%in Fujairah and marginally down in Singapore over the week through the 5th of July. Bunker costs are some 33% of the total voyage. If the voyage is calculated on VLSFO, bunker costs are 40%. The VLSFO prices were up less than 1% in Fujairah and more than 2% in Singapore. The calculations provided are intended to be directional indications, not the actual ones that each tanker owner is experiencing.

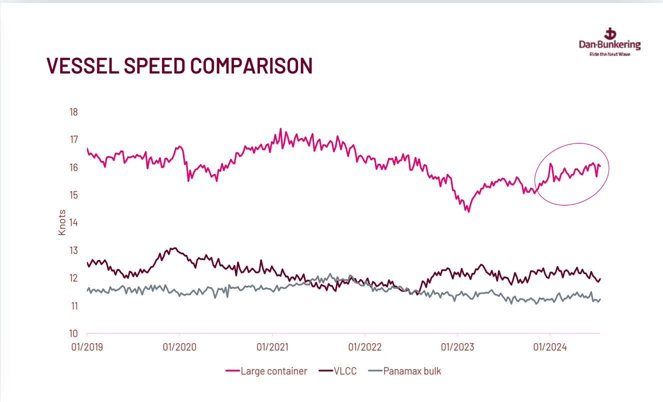




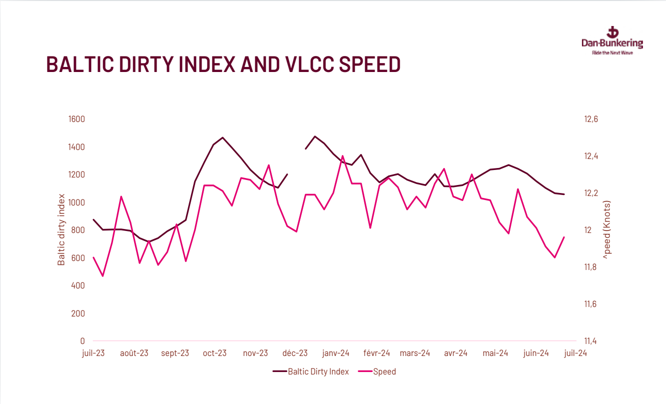
VESSEL SPEEDS

The container vessel's latest data point of 16.0 knots is down less than 0.1 knots from last week as per LSEG (formerly Refinitiv) data. The current speed is just below the average of the 5-year period. Medium sized container vessels increased speeds to 15.2 knots. The weekly movements in the measurements appear to be within calculation noise. Over the past years, the average vessel speeds have come down substantially. Based on an index where the observed speed in 2008 was equal to 100, in June, the average container vessel speed had dropped to 73.6 according to Clarksons data. The current container fleet average of 14 knots, is down over 5 knots since 2008. That fall in speeds occurred quite quickly, as by early 2012, speeds had dropped to 16 knots. From thereon, the slowdown has been steady, reaching the current levels by late 2022. Since then, the monthly movements have been relatively small around those 14 knots.



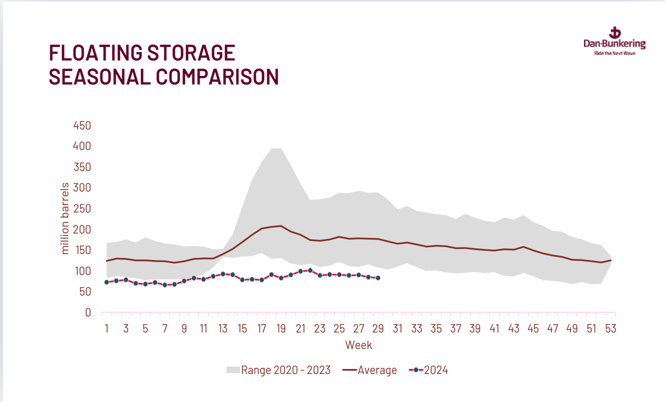


VLCC tanker speeds are up over 0.1 knots to 12 knots. The current speed reading is on par with the average of the range seen for the period of the year. Still, the movements in the speeds are occurring in a tiny band around that average. The freight rates, as reflected by the Baltic Dirty Index, suggest a reasonably close relationship between those rates and speeds. The idle share of the fleet was at 5.8% in deadweight terms, down 0.4% 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

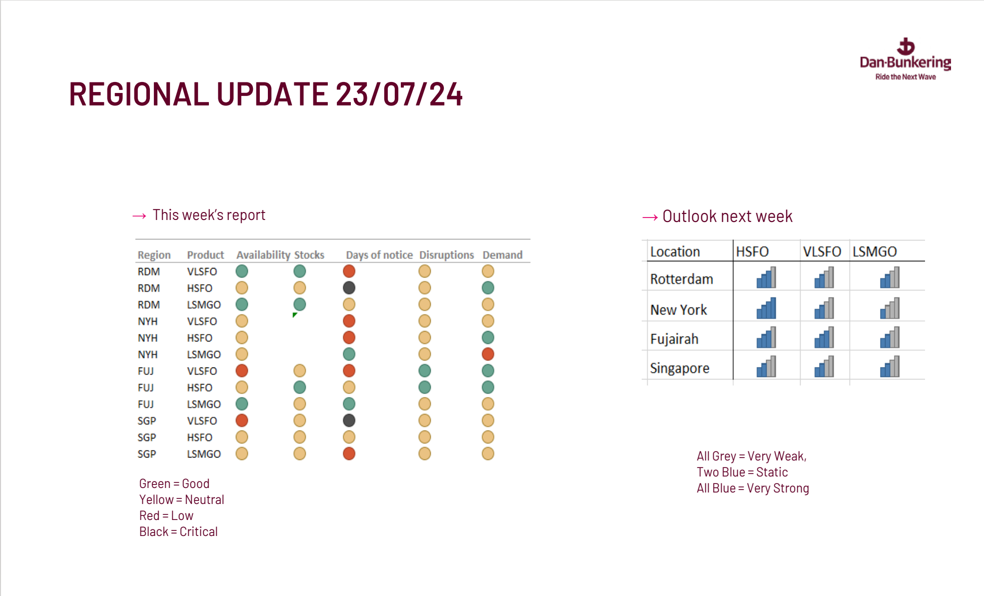


in a longer perspective as well. The idle share was down some 2.5 mln DWT to close to over 36 mln DWT in deadweight terms. The current level is 30% higher than the "normal" average. The current number of idle vessels fell by 1 to 281 compared to last week (which was unchanged).

The floating storage (excluding the dedicated storage) stands at 101 vessels, down 7 vessels from last week's number, which was unchanged at 109. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is below 83 million barrels, down 2 mb compared to last week. 49 product tankers are reported functioning as storage, accounting for 18 mb. On last report, 51 crude tankers vessels accounted for over 64 mb of stored oil, unchanged 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.



03. REGIONAL REMARKS



FUJAIRAH

Fujairah stocks of heavy residues rose by 582,000 barrels, up 6.2% on the week as they stood at 10.003 million barrels, returning above the 10-million-barrel level.

Demand in July has been strong with good sales of VLSFO and HSFO.

Bad weather continues to disrupt bunker STS causing schedules to tighten balance July.

A 10-day lead time suggested to avoid higher premiums across all grades.

ARA

HSFO:

Market remains tight on the front on the back of late cargo arrivals and good demand during previous week. Over the weekend we have seen some loading delays at Vopak terminal. ARA market is awaiting new cargo arrivals from the West, expect avails to improve into the start of August.

The front curve on paper side, balance month/M1 & M1/M2 weakened over the last couple of days also hinting towards a better supplied market throughout the rest of Q3.

VLSFO:

Overall very low sulfur market remains well supplied. East-West spreads have firmed over last couple of weeks potentially creating an arbitrage opportunity, however no news on any cargo fixtures out of ARA. The low sulfur market (utility spec) is weak on the front due to lack of demand from power generation, hence some of the volume can end up on the marine pool (HSFO & VLSFO).

MGO:

Market is well supplied on the back of continuous incoming cargoes on middle distillates from West & East of Suez. Muted demand seen from industrial sector both on high sulfur GO (1000 ppm) and from a heating oil perspective (50ppm). ICE GO futures M1/M2 & M2/M3 weakened showing a contango structure highlighting a well-supplied market.

SINGAPORE

VLSFO:

The Asian low sulfur fuel oil fundamentals would likely be under pressure over July 22-26, as the market starts trading more H2 August-loading cargoes, when higher arbitrage arrivals from the West are expected to add to the existing stockpiles. Although the first half of August is still expected to stay relatively supported, sluggish downstream activity in the world's largest bunkering hub of Singapore continues to weigh on the LSFO market, which is also expected to see increasing regional supplies in the near term. In Singapore, demand in the downstream bunker is expected to be choppy in the trading week beginning July 22, as aggressive competition, in light of sufficient inventories, have resulted in uneven market fundamentals.

HSFO:

Asian high sulfur fuel oil market is expected to continue garnering support due to tighter availability of non-sanctioned cargoes amid stable bunker demand and some seasonal strength coming from summer power generation demand. Some bunker traders expect potential upswings in prices early in the trading week, as local bunker suppliers attempt to push up premiums to rake in higher profits. However, supply-demand dynamics of the grade is expected to remain steady and hence, any bullishness in prices will be short-lived.

LSMGO:

The Asian middle distillates complex will likely be weighed down by lacklustre demand July 22-26, resulting in a build in regional stockpiles with swing barrels from India exacerbating the current supply glut amid unfavourable East-West arbitrage economics. Sentiment in the Asian gasoil complex may continue to soften July 22-26 with refiners maintaining production rates despite seasonal demand lull, as refinery cracks for the middle distillate remain in positive territory.

Singapore's onshore commercial stocks of middle distillates rose 31.83% on the week to 11.15 million barrels over July 11-17, an 11-week high.

Regional indicators : prices in USD to benchmarks

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	9	FOB Rdam Barges 3.5%	-12	MOPS380	5	MOPD380	11-13	MOPS380
VLSFO	5	FOB Rdam Barges 0.5%	10	MOPS 0.5%	7	MOPS 0.5%	10-13	MOPS 0.5%
LSMGO	-40	ICE Gasoil	70	MOPS GO 10ppm	-0.05	HO	-6 to 4	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	5-7	6	5	8
VLSFO	4-6	7	5	12
LSMGO	3-5	2	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve fell $24.5/mt at the front compared to last week in absolute terms (July 19th compared to July 12th). The six-month fell by $18.8/mt. The curve is in backwardation over the longer horizon but moved back into contango from the second through fourth month. The time spread for the 6-month period fell $5.8 to minus $5.5/mt. The 3.5% barges' curve also saw a fall in the backwardation, which is at $30.3 on the 6-month contract (front month minus the six-month contract). The front fell $20/mt, and the six-month fell $11.8/mt. The front month spread (M0-M1) fell from $8 to $4.5. The VLSFO 0.5% backwardation increased $2.8/mt to -$27.0/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 1% point at 71% and decreased $9/mt in absolute terms to -$217/mt compared to 74% or $196/mt below LGO at the front. That $196/mt is down $17/mt compared to last week's reading when the front was 73% of LGO.

Monday the 22nd saw the ICE gasoil front move down $10.5/mt from Friday's $754.75/mt close to reach $744.25/mt. On Tuesday mid-morning, the ICE Gasoil curve saw the 6-month structure increase by around $2.5/mt compared to the Friday level, up $2 from the Monday level of $6/mt. The front was up around $8/mt on Monday's level and the 6-month was up by $6/mt on Monday's level. The curve saw a strengthening of the backwardation compared to Friday. The front is down around 0.3% compared to Friday the 19th.

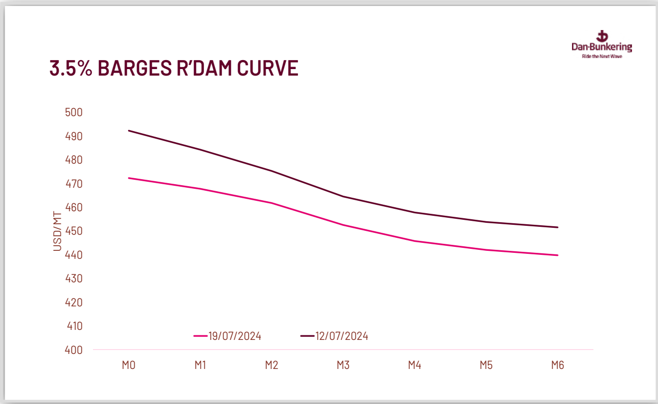
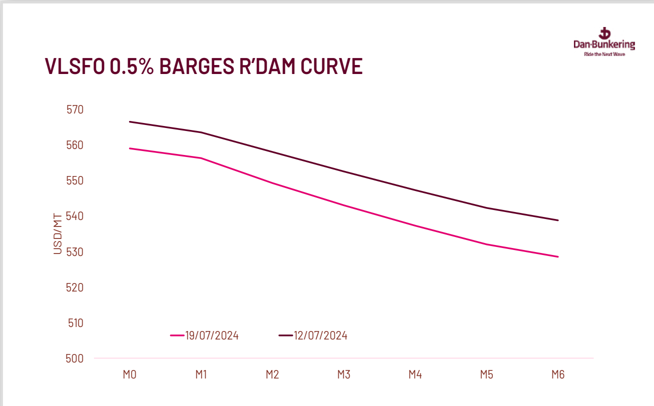
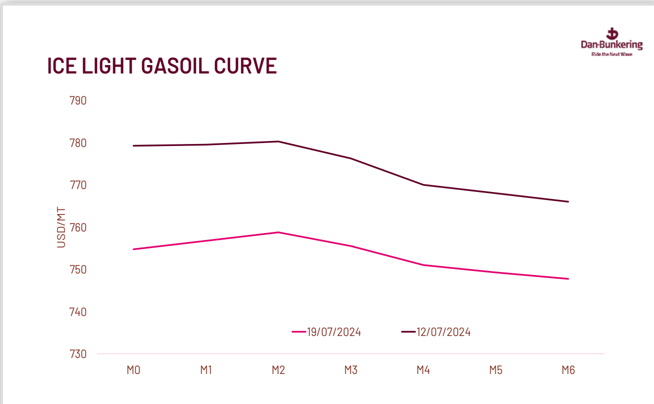
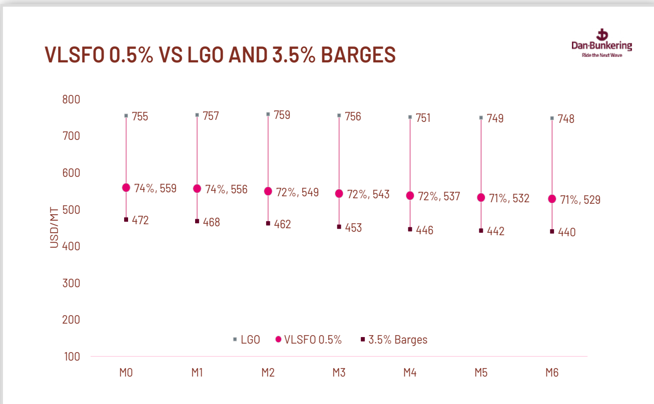


Figure 1 ARA Curve







M0 is August 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front fall by 3.1%, while the sixth-month level fell by 2.4%. The sixth month, minus the front month, is at 0.7% backwardation, half last week's levels. As indicated above, the front month is actually 0.3% in contango to the second month. The Fuel Oil Rotterdam front month fell 4.1%, and the 6-month fell 2.6%. The curve is 6.4% in backwardation on the six-month horizon and sees a 1% (or $5.5/mt) backwardation between the front and second month. The VLSFO curve saw its backwardation increase to 4.8% as the front fell 1.3% and the back fell 1.8%.

Brent Ref: **-2.4** **September**

	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	-7.5	-11.0	-3.0	-4.7	-7.5	-19.5	-24.5
Jul-24	-5.8	-12.0	-3.5	-3.7	-7.5	-20.0	-24.5
Aug-24	-6.5	-9.8	-2.7	-3.4	-7.3	-16.5	-22.8
Sep-24	-6.8	-7.3	-3.4	-3.1	-8.8	-13.5	-21.5
Oct-24	-7.3	-6.3	-3.4	-3.1	-9.5	-12.0	-20.8

06. OUR VIEW

The ECB held its rate unchanged last week. The discussion turns around incoming data. The ECB updates its outlook by September, and the bank considers that a better moment to decide what to do with the interest rates. It is worried about services inflation, which is running at over 4%, and is only expected to start to cool down by 2025. The reason is, the bank says, that the wage increases to catch up with the earlier inflation are having their effects in 2024. It believes that next year's increases will be much more moderate, pushing down services inflation, which will then bring down overall inflation. At least that is the hope and expectation. The US Federal Reserve is likewise expected to keep its rate unchanged until September. This week will see the Q2 GDP growth rate for the USA, and if that rate is strong, it is more likely than not that the bank will be very modest with a rate cut. In short, the monetary policy for now is not indicating any immediate support for oil prices.

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)**