Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 38
September 17, 2024

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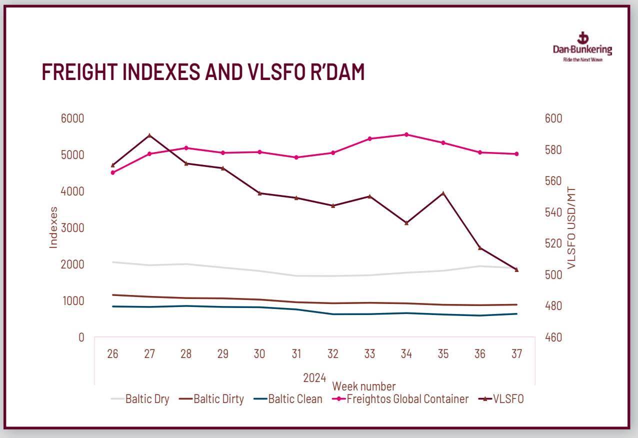
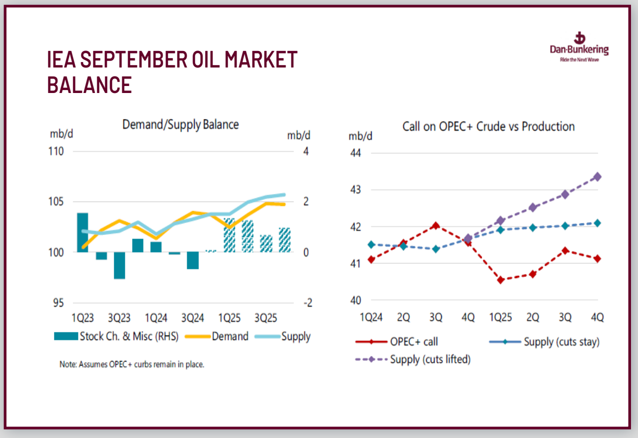
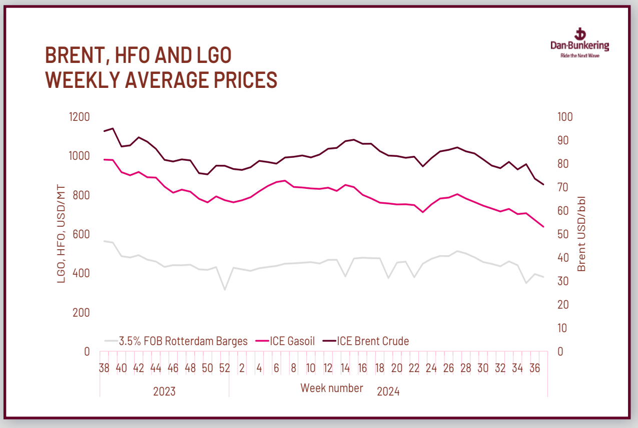
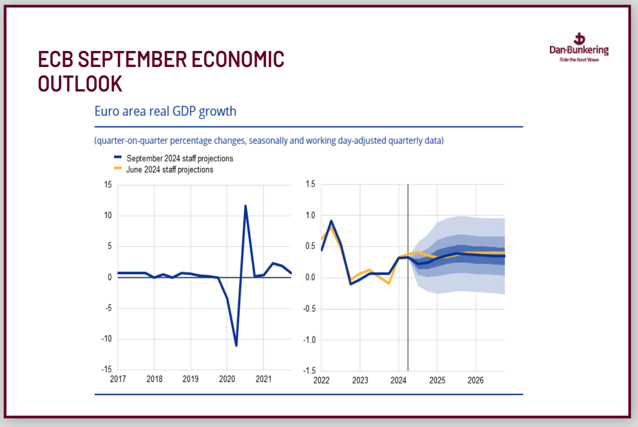








Sources: EIA.gov, ECB, investing.com, Baltic Exchange, Freightos Baltic Index, Refinitiv, Clarksons Research, U.S. Bureau of Economic Analysis, fred.stlouisfed.org, AtlantaFed, OPEC, OECD, Wolfstreet.com, Eurostat, IEA, Dan Bunkering analysis

01. ECONOMIC DATA CALENDAR

Date	Area	Topic	Expect	Prev.	Impact
17/09 22:30	USA	API Crude oil stock change		-2.8 mb	Oil market balance
18/09 01:50	Japan	Balance of trade (Aug)	-¥1290 bn	-¥621 bn	Economic health
01:50	Japan	Machinery orders July (YoY)	-1%	-1.7%	Economic activity
08:00	UK	Inflation rate August (YoY)	2.1%	2.2%	Economic health
09:30	Indonesia	Interest rate decision	6.25%	6.25%	Economic health
11:00	Euro Area	Inflation rate August (YoY)	2.2%	2.8%	Economic health
16:30	USA	EIA crude oil stocks change		0.8 mb	Oil market balance
16:30	USA	EIA distillate stocks change		2.3 mb	Oil market balance
20:00	USA	US Fed Interest rate decision	5.25%	5.5%	Economic health
20:00	USA	FOMC economic projections			Economic activity
23:30	Brazil	Interest rate decision	10.75%	10.5%	Economic health
19/09 13:00	Turkey	TCMB Interest rate decision	50%	50%	Economic health
13:00	UK	BoE Interest rate decision	5%	5%	Economic health
21:00	Argentina	Balance of trade (Aug)	$1.4 bn	$1.6 bn	Economic health
20/09 01:30	Japan	Inflation rate August (YoY)	3%	2.8%	Economic health
06:00	Japan	BoJ Interest rate decision	0.25%	0.25%	Economic health
08:00	Germany	PPI August (YoY)	-0.8%	-0.8%	Economic health
08:45	France	Business confidence (Sep)	99	99	Economic health
16:00	Euro Area	Consumer confidence flash (Sep)	-13.1	-13.5	Economic health
19:00	USA	Baker Hughes oil rig count		488	Oil market balance
22/09 07:00	India	HSBC Manufacturing PMI (Sep)	54	57.5	Economic activity
10:00	Euro Area	HCOB Manufacturing PMI (Sep)	47.6	45.8	Economic activity
11:00	UK	S&P Global Manufacturing PMI (Sep)	51.9	52.5	Economic activity
15:45	USA	S&P Global Manufacturing PMI (Sep)	47.8	47.9	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

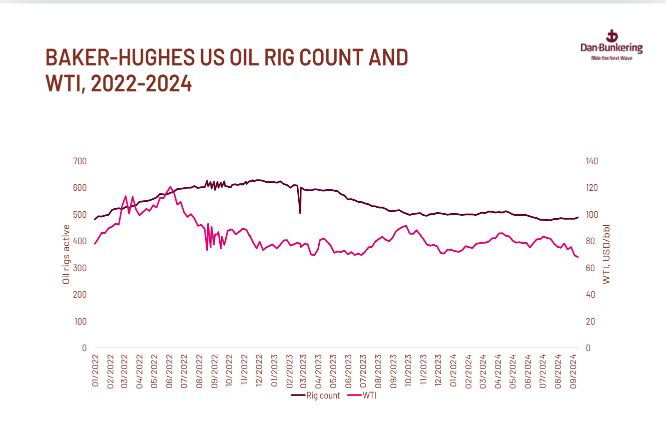
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The coming **week** sees a flurry of central bank interest rate decisions. The most important one, is that of the US Federal Reserve. Although the expectation is for "only" a 0.25% cut, financial markets appear to be betting on a deeper, surprise cut of 0.5%. The Bank of England is expected to keep its rate unchanged at 5%. The Bank of Japan has the lowest rate at 0.25% and is projected to hold it at that level, while the Turkish central bank will likely hold its rate at 50%. Indonesia too is considered to keep the rate unchanged at 6.25%, whereas the central bank of Brazil may lower by 0.25% to 10.5%. Inflation is moving closer towards central bank targets. In the UK, the August rate is estimated at 2.1%, while in the Euro area, the rate is now seen plunging from 2.8% to 2.2%. In Japan, inflation is still increasing, which has been a policy target. Japan's trade balance is deteriorating once more, with the August number estimated to have doubled from July levels, reaching a nearly ¥1.3 trillion deficit. Exports continue to expand, but slower than in July, at 9%, whereas imports continue to grow at double-digit levels, or over 15%. That latter increase is despite considerable strengthening of the Yen, making imports cheaper in Yen terms. Machinery orders in the country are down again in July, by 1%, following a 1.7% fall in June. Manufacturing PMI's in India, the UK and the USA are pointing to a slowdown. In India, the index is still expansionary, but at lower levels, as is the index for the UK manufacturing sector. In the USA, the index falls back marginally, deepening the contraction. In the Euro area, the index is also pointing towards contraction, but less than in August. Consumer confidence too has improved slightly in the Euro area, but remains negative.

OIL MARKET

The Baker Hughes oil rig count was up 5 at 488 last week after a four-week long static count at 483. The weekly average of WTI was $67.9, down $1.2. The natural gas price at Henry Hub was up less than $0.1 from the previous week at an average of nearly $2.3/mmbtu.



After last week's ultra-bullish report from the OPEC secretariat and the bullish one from the US EIA, the IEA followed suit with a quite bearish report. And that bearishness does not come from the moderate adjustment the agency made to its demand projections. Those were already very low, at around 0.9 mb/d for 2024 and 2025, with the non-OECD just below/above 1 mb/d for 2024 and 2025 respectively. The OECD is set to decline outright in both years. The IEA describes China's economy in a very dark manner, and talk about "*China's industrial malaise*", which drives down gasoil consumption. For the US, there are some "*recent economic jitters*", and other

OECD countries face "*structural headwinds and anaemic growth*". Whatever the rhetoric about the different economic blocs, demand appears to be faltering, although it should be remembered that the IEA in the past often underestimated demand growth, especially in periods of adjustment. For now, however, it is saying that the numbers trend in demand reinforces its "*expectation that global demand will plateau by the end of this decade.*"

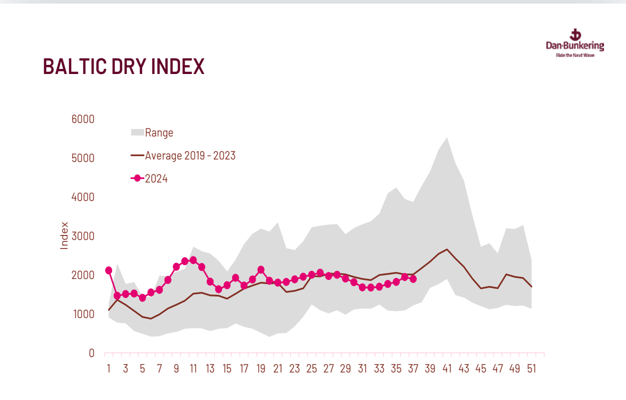
It is on the supply side that the IEA sees strong performance, despite the OPEC+ decision to extend the voluntary cuts. Non-OPEC+ supply is set to increase by 1.5 mb/d in 2024 and by around the same amounts in 2025. Most of the additional oil comes from the USA, Guyana, Canada and Brazil, while in 2025, Kazakhstan (part of OPEC+) will drive up output as the Tengiz field expansion is set to boost output. And probably less on the radar is Saudi NGL output growth, as it is not part of the oil quotas, and thus not part of the call on OPEC+ calculation. The agency warns that the Libyan outages can have considerable impact in September, as output dropped below 0.5 mb/d in early September. However, on the 16th, Reuters reported that crude oil exports had already significantly increased in the week before. So, the market balance is set for significant slackening from Q1 onwards, even in the case that all the voluntary cuts remain in place throughout 2025. If that is the case, the market should start to show significant weakening over the next few months already in the form of a structure change.

ECONOMY

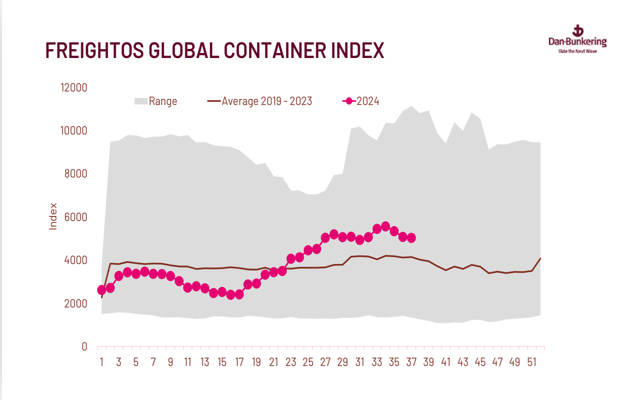
The ECB lowered its interest rate by 0.25% last week, as inflation is moving towards target, and the tightening cycle can be reversed now. However, the ECB **cautions** about a strong growth impulse from that policy change. It warns that the remaining effects of the high rates will continue into 2026. Real GDP growth has been lowered for all the three years 2024 through 2026, as consumption is slower to react than earlier assumed, as is the case with business investment. Net trade in the first half of 2024 boosted Euro GDP, and the ECB projects that this will remain the case through 2026. Global trade (excluding the euro area), which includes services and non-seaborne trade, is seen growing by over 3% over the next two years, which drives so-called foreign demand for EU exports, also well over 3% annually. On a global level, the headline consumer price index falls below 3% in 2026 due to the restrictive monetary policy in the major economies. For the euro area, inflation (including food and energy) falls below 2% in 2026. Real GDP growth is set to accelerate to 1.3% in 2025 and then 1.5% in 2026. But note that these remain relatively lacklustre levels. Inflation includes the energy component, and the ECB uses the Brent forward price curve for oil. As that curve is in backwardation, the inflation is built-in by definition; the latest curve used by the ECB sees Brent falling towards $76/bbl in 2025 and $73/bbl in 2026, and a marginally stronger Euro compared to the USD at $1.10/EUR. Natural gas prices are projected to rise to over €41/MWh in 2025 before falling back to over €35/MWh in 2026; while the EU ETS allowances are assumed to rise to nearly €74/tonne in 2025 and then to over €76/tonne in 2026. The energy component of inflation remains important. Last week's Draghi report to the European Union spoke of the detrimental effects of the energy cost to the European economy, and that of the industrial part of the economy in particular. The ECB calculates that the energy inflation in 2024 is around -1.4% (deflation) after a 2% deflation in 2023. Those negative prints reduced the overall inflation by 0.9% points in 2023 and 0.4% points this year. For 2025 an d2026, energy is still projected to be below the other inflation components and therefore pull overall inflation down. But if oil prices turn out some 15% higher in 2025 and gas prices 21%, then real GDP growth is 0.1%-point lower and so-called HICP inflation 0.8-points higher. While that upside may be very high from the current point of view, it translates into around $86/barrel, only around $3-4/bbl for the current year. The question then is, what will the ECB do, if the oil market becomes as tight as the EIA and OPEC suggest and crude oil will move towards that higher end, driving up inflation? Or is the ECB following the IEA projection of imminent and sustained surplus through 2025. Which brings up another problem for the ECB projection on oil prices. As the bank uses the forward curve to feed its model, sustained oversupply will be reflected in a contango structure, so that prices will be higher in the future. The correction that the IEA projection implies would have to be considerable along the curve. It is entirely possible but will entail policy adjustments by the oil producers. There is no clear-cut path forward in this respect, other than that a broad-based economic slowdown occurs, in which energy prices drop, as demand falls, in which case interest rates can be low, because there is less demand for credit, as there is less demand in the economy overall. It may be entirely the case that the monetary policy has been too tight for too long in an overall weak economic setting in the first place, as it was masked by monetary flood during the pandemic and its rebound.

VESSEL RATES

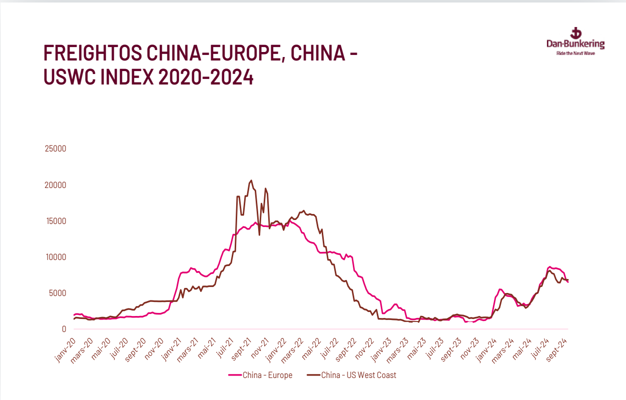
Crude oil tanker rates on the Baltic Exchange TD3 route were up around 24% after last week's 28% increase. The t/c rates were at $32.7k/day compared to $26.3k/day a week before. Voyage rates were reported at $8.1/mt on the route on the 13th of September, up $0.9 compared to the week before. The Baltic dirty index was up over 1%, or 13 points, to 883. The level is 12% above the previous 5-year average. The clean index rose 8% from last week's level of 585 to 632. The index is 9% *below* the previous 5-year average. Dry bulk rates fell 2.5%, or 51 points to 1890 per the Baltic Dry Index. The index is 6% 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 less than 1% over the last week compared to the 6th of September to $5019, as measured by the overall **Freightos Global Index**. The China to Europe rate fell over 4% to $6507 over the same period. The China to US West Coast again fell marginally from $6837 to $6819. The indexes still are at levels last seen in the summer months of 2022. Congestion, measured by the last 7-day moving average of containerships in port, was reported at 30.4%, down 0.4% points compared to the previous week. The congestion share represents some 9.2 mln TEU, down 0.1 mln TEU from last week.



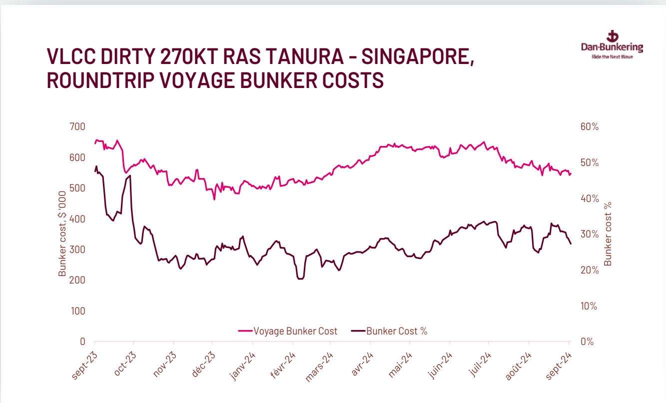
The idle container fleet stood at 268, down 38 vessels from last week, which itself was lowered by 4. The latter weeks have shown some very strong moves in the idle counts. Around 2.3% of the fleet is reported idle (including those vessels retrofitted with scrubbers and those laid up and calculated in terms of TEU capacity rather than vessel numbers). That level is back to the low end the 5-year range after a single week of elevated idleness. The fall occurred mainly in the sub-3000 TEU segment, but other segments saw increases as well. Of those 268 idle container vessels, 213 are sub 3000 TEU, down 27 on last week, with another 30 of 3-6000 TEU, down 5 from last week. Those vessels represent 4.5% and 2.5% of their respective fleet sizes. Clarksons reports 5 ships of 12-17000 TEU idle, or 1.1% of capacity, and one of 17000+ TEU.

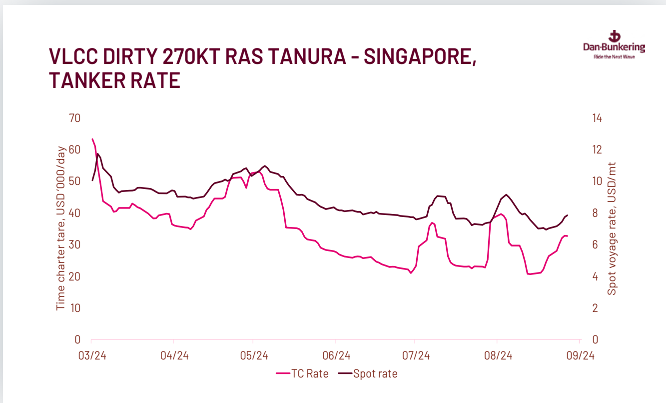


The reported average voyage duration between China and the US West Coast is 20.4 days, up 0.5 days from last week. Although the average voyage duration moves up and down from week to week, current levels are at the very low end of the longer period range.

FREIGHT AND BUNKERS

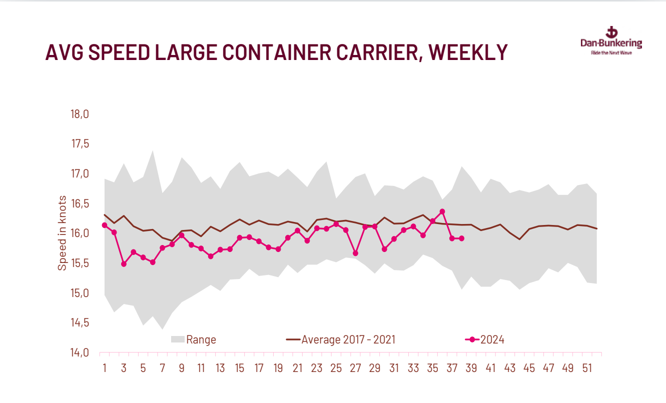
Reported tanker voyage charter rates were up at $8.1/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were down around 1 % in Fujairah and up over 5% in Singapore over the week through the 13th of September. Bunker costs are some 27% of the total voyage. On the basis of VLSFO, bunker costs are 35% of the total voyage. The VLSFO prices were down around 6-7% in Fujairah and Singapore. The calculations provided are intended to be directional indications, not the actual ones that each tanker owner is experiencing.

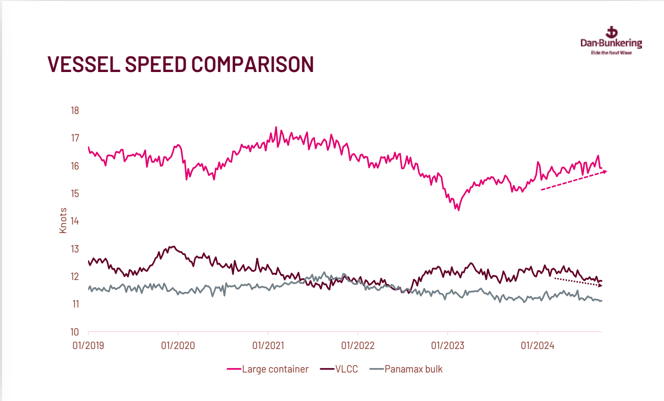




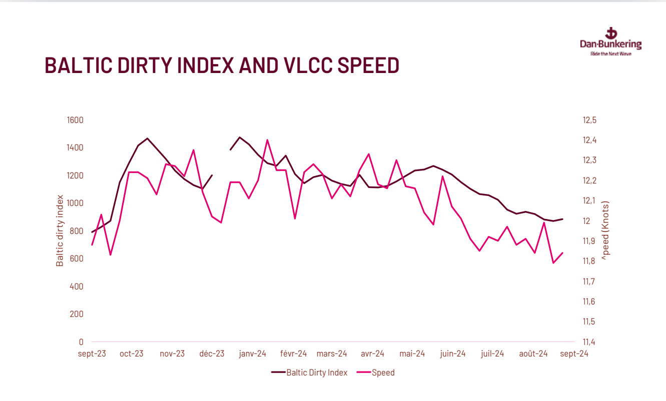
VESSEL SPEEDS

The container vessel's latest data point of 15.9 knots is down around 0.4 knots from last week as per LSEG (formerly Refinitiv) data. The current speed is back below the average of the 5-year period. Medium sized container vessels slowed down by 0.2 knots to 15.0 knots. The weekly movements in the measurements appear to be within calculation noise. Panamax bulkers maintained speed to at 11.1 knots, very close to the minimum registered for the past 5 years.

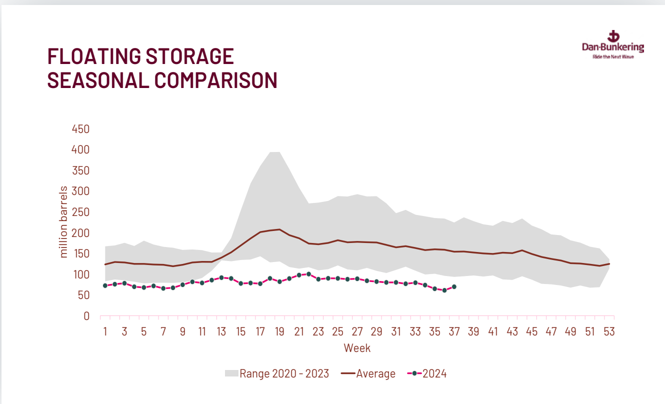




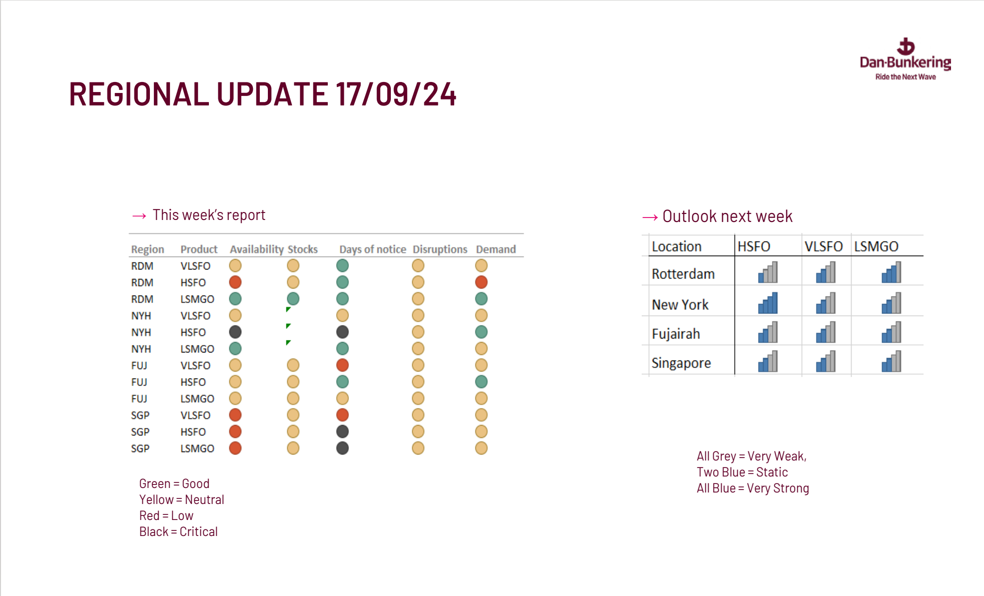
VLCC tanker speeds were unchanged at 11.8 knots. The current speed reading is now on par with the minimum of the range seen for the period of the year. Still, the movements in the speeds are occurring in a tiny band. The freight rates, as reflected by the Baltic Dirty Index, suggest a reasonably close relationship between those rates and speeds. The idle share of the fleet was at 6.7 % in deadweight terms, up 0.1% points from the previous report (last week's data was lowered by 0.1% points). The share is still exceptionally high despite the correction to the historical data. The idle share was up 0.7 mln DWT at 44.7 mln DWT in deadweight terms. The current number of idle vessels rose by 3 to 330 compared to last week. That level remains the highest level in the series.



The floating storage (excluding the dedicated storage) stands at 88 vessels, up 8 from last week's number, which was reduced by 3. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is below 70 million barrels, up nearly 9 mb compared to last week. 48 product tankers are reported functioning as storage, accounting for over 18 mb. On last report, 37 crude tankers vessels accounted for 51 mb of stored oil, up over 6 mb from last week. The number of crude oil tankers as storage is in line with that seen before 2020. The number of product tankers used as storage remains elevated.



03. REGIONAL REMARKS



NEW YORK

Heavy demand from liners for HSFO and seeing steady demand for VLSFO.

FUJAIRAH

Bunker Sales recently released for the Port of Fujairah climbed to the highest in five months in August led by an almost 15% gain in low-sulfur marine gasoil from July. Compared with the prior year, sales were 3.2% lower.

The total of 660,484 cubic meters sold in August was the most since March and the second consecutive monthly gain. Sales of low-sulfur marine gasoil climbed to 35,957 cu m, almost 18% higher than August 2023. Sales of low-sulfur fuel oil 380 CST, the biggest product sold, climbed 5% on the month and fell 4.1% from a year earlier.

Sept is sluggish so far compared to Aug but HSFO remains to keep strong market share with large stems seen in the market, the product tightness is expected to easy moving into 2H Sept where premiums have traded at SIN MOPS 380 plus $25.00/mt a YtD high and should fall as barges start to reload.

ARA

Loading delays on fuel oil causing some disruptions in market - prompt deliveries certainly difficult on this front. This is an issue across all suppliers participating in the MOC window. This is expected to have a knock-on effect into the next couple of weeks.

MGO still well supplied and can find prompt product within 24 hours in many cases.

SINGAPORE

The Asian low sulfur fuel oil market is expected to see some pressure in the week of Sept. 16-20 from increasing near-term supplies and easing end-user appetite in the world's largest bunkering hub of Singapore following a recent rally in downstream premiums.

Although Western arbitrage arrivals into Singapore are estimated to be higher in coming weeks, some traders expect the Asian LSFO fundamentals to garner support from strong Chinese demand. Elevated premiums in the downstream LSFO market capped end-users' appetite recently in Singapore, while buyers sought to compare prices of similar delivered grades in alternative resupply locations.

The Asian high sulfur fuel oil market remains buoyed by stable downstream bunker demand amid a dearth of non-sanctioned supplies, according to traders. HSFO demand at the Singapore hub is likely to remain at fairly healthy levels, buoying downstream premiums too. However, more inflows of HSFO towards the end-September and early-October period could pose some downside to overall valuations.

Seasonal utility demand from South Asian countries such as Bangladesh and Sri Lanka were gradually weakening and would likely weigh on HSFO fundamentals going forward. HSFO exports from Fujairah to Singapore, which have already increased in August, are expected to carry on the momentum as summer months in the Middle East end.

Regional indicators : prices in USD to benchmarks

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	13	FOB Rdam Barges 3.5%	20	MOPS380	70 on spot basis	MOPD380	20-24	MOPS380
VLSFO	8	FOB Rdam Barges 0.5%	10	MOPS 0.5%	0	MOPS 0.5%	22-26	MOPS 0.5%
LSMGO	-45	ICE Gasoil	190	MOPS GO 10ppm	-0.05	HO	-5 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	4-5	5	8	15
VLSFO	3-4	7	4	10
LSMGO	2-3	4	1	7

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve fell $1/mt at the front compared to last week in absolute terms (September 13th compared to September 6th). The six-month fell by $3.3/mt. The curve is in backwardation again, although swirly on between months. The time spread for the 6-month period fell $2.3 to minus $0.5/mt. The 3.5% barges' curve backwardation increased by $3.1 to $14.9 on the 6-month contract (front month minus the six-month contract). The front rose $14/mt, and the six-month rose $10.9/mt. The front month spread (M0-M1) decreased $2.9 to $8.4. The VLSFO 0.5% backwardation fell $9.5/mt to -$22/mt compared to a week prior. The curve is still in full backwardation.

The relative value of VLSFO compared to LGO at 6 months is up 2%-points at 72% and decreased $9/mt in absolute terms to -$185/mt compared to 75% or $163/mt below LGO at the front. That $163/mt is up $2/mt compared to last week's reading when the front was 75% of LGO.

Monday the 16th saw the ICE gasoil front move down $7.25 from Friday's close of $649.5/mt. On Tuesday end-morning, the ICE Gasoil curve saw the 6-month structure decrease $3.5 compared to the Friday level, and deepened $0.5 from the Monday level of -$2.5/mt. The front was down, around $2.5/mt on Monday's level and the 6-month was down less than $2 on Monday's level. On the front months, M1/M2, the curve saw a continuation of the contango compared to Friday. The front is down 0.5% compared to Friday the 13th.

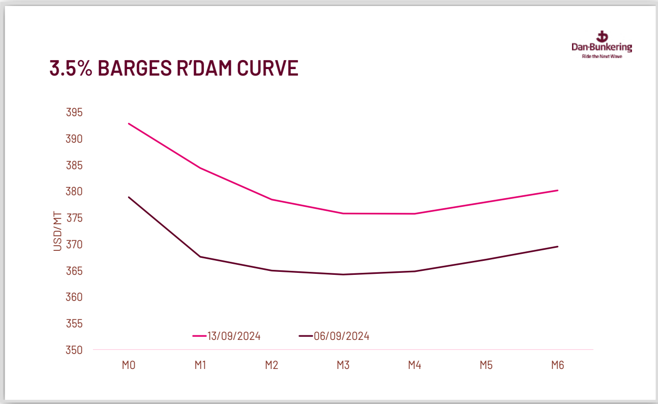
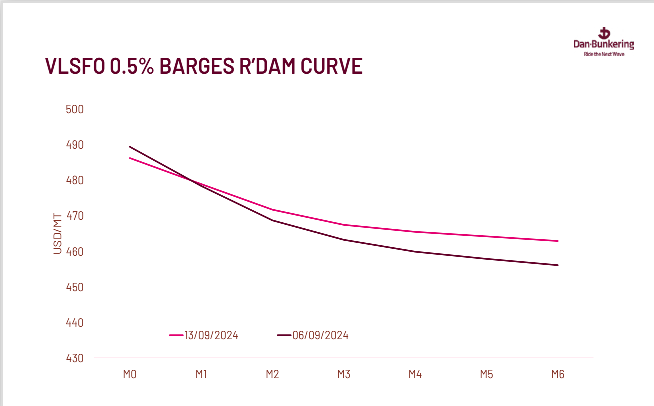
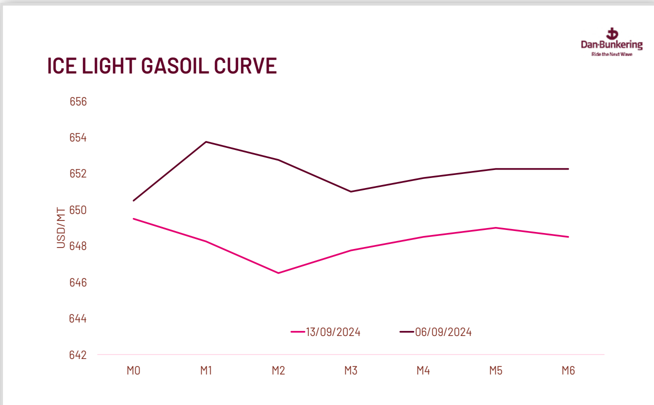
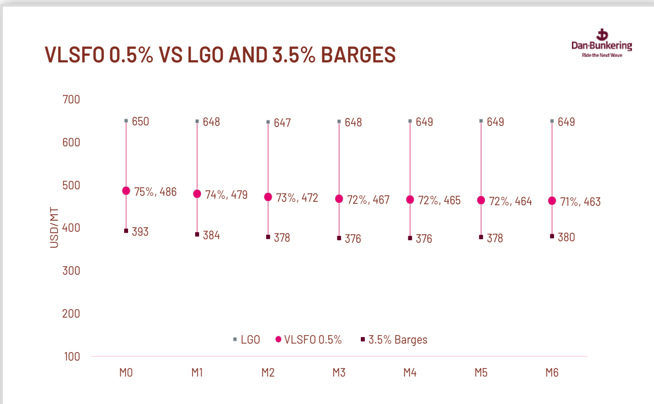


Figure 1 ARA Curve







M0 is October 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front *fall* by 0.2%, while the sixth-month level fell by 0.5%. The sixth month, minus the front month, is at 0.1% backwardation. Last week's contango pattern has been reversed over the first months of the contracts. The Fuel Oil Rotterdam front month rose 3.7%, and the 6-month rose 3%. The curve is 3.8% in backwardation on the six-month horizon and sees a 2.2% (or $8.4/mt) backwardation between the front and second month, down $1.9 from last week. The VLSFO curve saw its backwardation decrease to 4.5% as the front fell 0.6% and the back was up 1.4%.

Brent Ref: 0.5 November

	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	-34.3	14.2	-0.4	2.2	-3.2	21.0	-1.0
Oct-24	-36.7	11.6	0.2	2.2	-3.2	14.0	-1.0
Nov-24	-24.1	10.5	0.5	1.8	0.6	16.8	-5.5
Dec-24	-15.9	5.9	1.0	1.5	3.0	13.5	-6.3
Jan-25	-11.9	4.1	1.2	1.5	4.2	11.6	-3.3

06. OUR VIEW

This week, our view is somewhat different.

We are excited to inform you that we will be introducing a new format for our weekly report with changes of our analyst starting next week.

What you can expect:

- A short update on immediate occurrences in the market,
- A new and improved Bunker Port Brief which will navigate you through an expanded list of ports,
- Charts of the week which will give you a quick overview of recent developments.

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)**