Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 36
September 03, 2024

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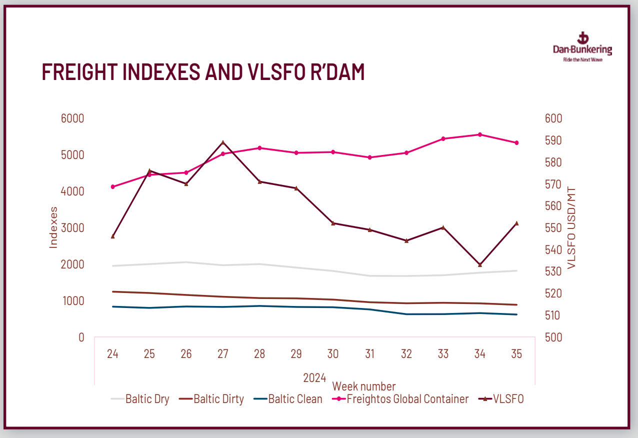
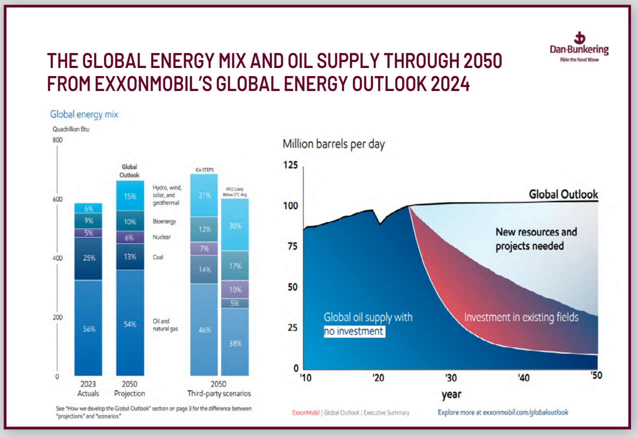
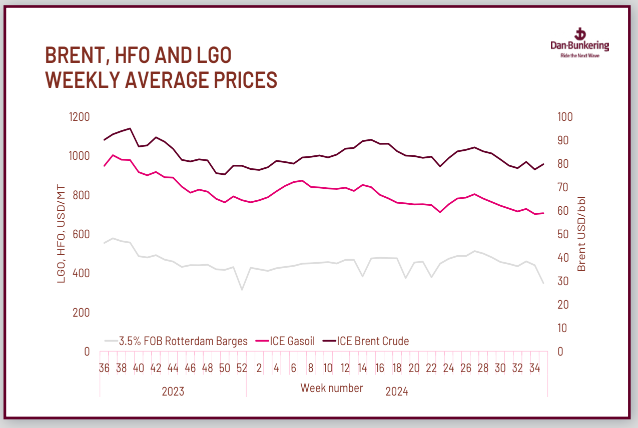
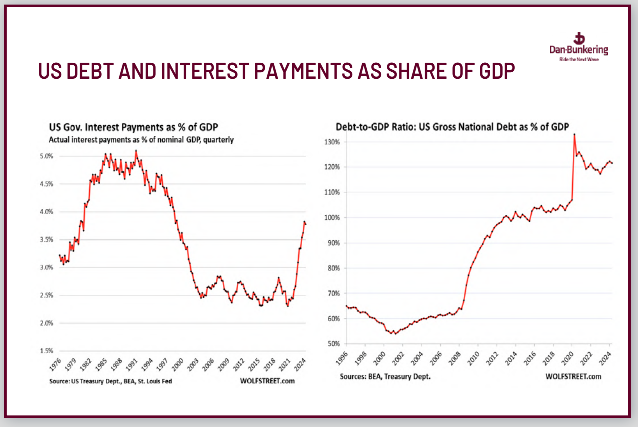








Sources: EIA.gov, ECB, investing.com, Baltic Exchange, Freightos Baltic Index, Refinitiv, Clarksons Research, U.S. Bureau of Economic Analysis, fred.stlouisfed.org, AtlantaFed, OPEC, OECD, Wolfstreet.com, Eurostat, IEA, Dan Bunkering analysis

01. ECONOMIC DATA CALENDAR

Date	Area	Topic	Expect	Prev.	Impact
03/09 15:45	USA	S&P Global Manufacturing PMI (Aug)	48.0	49.6	Economic health
16:00	USA	ISM Manufacturing PMI (Aug)	47.5	46.8	Economic health
04/09 03:45	China	Caixin Services PMI (Aug)	52.4	52.1	Economic health
07:00	India	HSBC Services PMI (Aug)	60.3	60.4	Economic health
10:00	Euro area	HCOB Services PMI (Aug)	53.3	51.9	Economic health
11:00	Euro area Brazil	PPI July (MoM)	-2.6%	-3.2%	Economic health
14:00	USA	Industrial production July (YoY)	4.0%	3.2%	Economic activity
14:30	USA	Balance of trade (Jul)	-$72.5 bn	-$73.1 bn	Oil market balance
22:30		API Crude oil stock change		-3.4 mb	Oil market balance
05/09 01:00	Korea	GDP growth rate Q2 (YoY)	2.3%	3.3%	Economic activity
08:00	Germany	Factory orders July (MoM)	-1.5%	3.9%	Economic activity
15:45	USA	S&P Global Services PMI (Aug)	55.2	55	Economic health
16:00	USA	ISM Services PMI (Aug)	51.2	51.4	Economic health
17:00	USA	EIA crude oil stocks change		-0.8 mb	Oil market balance
17:00	USA	EIA distillate stocks change		0.3 mb	Oil market balance
20:00	Brazil	Balance of trade (Aug)	$8 bn	$ 7.6 bn	Economic health
06/09 08:00	Germany	Balance of trade (Jul)	€21.9 bn	€20.4 bn	Economic health
08:45	France	Balance of trade (Jul)	-€6.6 bn	-€6 bn	Economic health
11:00	Euro Area	GDP growth rate Q2 3rd est. (YoY)	0.6%	0.5%	Economic activity
19:00	USA	Baker Hughes oil rig count		483	Oil market balance
07/09 05:00	China	Balance of trade (Aug)	$79 bn	$84.6 bn	Economic health
08/09 08:00	S. Arabia	GDP growth rate Q2 final (YoY)	-0.4%	-1.7%	Economic activity
09/09 01:50	Japan	GDP growth rate Q2 (QoQ)	0.8%	-0.5%	Economic activity
03:30	China	Inflation rate August (YoY)	0.5%	0.5%	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

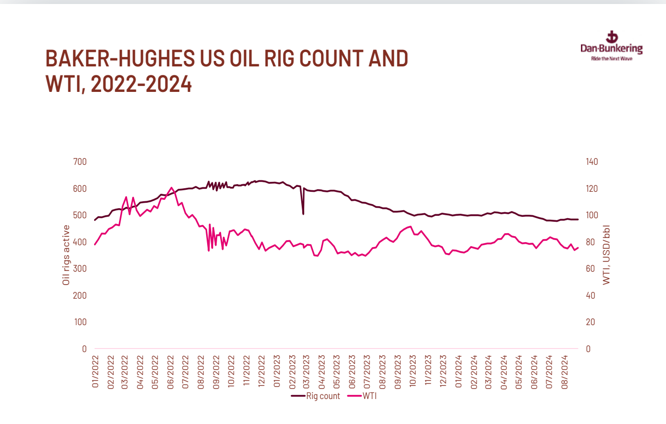
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The coming **week** sees a number Of purchasing managers' indexes. Most are services related, but for the USA, the manufacturing PMI's are published as well. The ISM PMI is considered the most relevant for the financial markets, but S&P Global also publishes. The interesting part comparing the two sources, is that while both are showing the manufacturing sector in contraction, ISM sees the PMI improving, but from a lower level than S&P Global, while the latter sees the PMI deteriorating in August. The same is observed for the services PMI's of the two companies. Both show expansion, however S&P is showing marginal improvement, at a considerably higher level than ISM, which is showing a marginal decline. Elsewhere too, the services PMI's are in expansion "territory". In China, the Caixin Services PMI is expected to show a small increase to 52.4, in India a small decrease is expected, to a still very strong reading of 60.3, whereas in the Euro area, the PMI is seen to increase quite strongly to 53.3. Korea's second quarter GDP growth is estimated at 2.3% annually, down from 3.3% in Q1. The Euro area's Q2 growth rate will see the 3rd estimate, which is expected at 0.6% annually. Japan's GDP is published as growth from Q1, at 0.8% (annualized 3.5%). Q1 saw a 0.5% fall from Q4. Saudi Arabia's Q2 GDP growth is expected at a contraction of 0.4% from Q2 2023, although still a fall, it is an improvement over the 1.7% fall registered in Q1. The balance of trade for Brazil is improving slightly in August from July levels, as does Germany's trade balance for July. The latter is expected to have increased to nearly €22 bln, as exports rose faster than imports. France's balance of trade is deteriorating, to a €6.6 bln deficit, while the US July trade balance is improving slightly, to -$72.5 bln. China continues to show very large trade surpluses, even though the August balance is lower than the July one at $79 bln.

OIL MARKET

The Baker Hughes oil rig count was unchanged at 483 last week for the third week running. The weekly average of WTI was $75.4, up $1.8. The natural gas price at Henry Hub was down slightly over $0.1 from the previous week at an average of $2.0/mmbtu.



ExxonMobil published its long-term energy outlook. The company remarks that its projection is different in approach from institutions such as the IEA, "*which provide scenarios that work backward from a hypothetical outcome to identify the factors needed to achieve that outcome.*" Based on the main growth drivers of population and rising prosperity in developing economies, ExxonMobil sees global GDP doubling by 2050. That growth drives an increase of 15% in energy demand growth, as efficiency gains mitigate absolute volume growth. Global electricity demand is set to double, transportation fuel demand by 20% as does industrial energy demand. Exxon also sees considerable growth in marine fuels demand.

The energy mix, measured on primary energy, moves from 80% fossil fuels to 68%. That mix change is predominantly the fall in coal consumption, which ExxonMobil sees falling by 39% by 2050. While solar's and wind's share grows 4x, gas grows 21% and oil grows 2%. That latter growth is essentially achieved in 2025, after which demand remains static at just over 100 mboe/d. As a sensitivity, ExxonMobil calculated the impact of a wholesale switch from internal combustion engines to 100% battery electric vehicles sales from 2035 onwards, which it believes would lead to a fully 100% electrical car fleet by 2050. Even with that switch, oil demand would drop to only some 80 mboe/d by 2050, or back to 2010 levels, as many other sectors are very hard wean off oil.

But perhaps the most stunning part of the report is on the oil supply side. ExxonMobil is by now a major producer of shale liquids next to its conventional oil output. Whereas the International Energy Agency reports that globally, natural decline in fields is around 8%, ExxonMobil reports it at 15%, predominantly due the inclusion of shale oil in the supply mix. The consequence is that continued investment is required, as otherwise, oil supply would drop dramatically. If investment in oil supply were stopped from now on, that is, no new oil fields and no further investments in existing oil fields, then oil supply collapses to below 30 mb/d by 2030. And due to the nature of shale production, the first year alone would see a drop of 15 mb/d. Investing only in existing oil fields, as advocated by the IEA, would still reduce supply by around 25 mb/d to 75 mb/d by 2030.

To put this in perspective, OPEC+ has around 5 mb/d of spare production capacity. Scrambling that capacity into production would not go far to offset the output drop elsewhere. But this is ExxonMobil's official view, the IEA will undoubtedly spend some time on the subject in its 2024 World Energy Outlook.

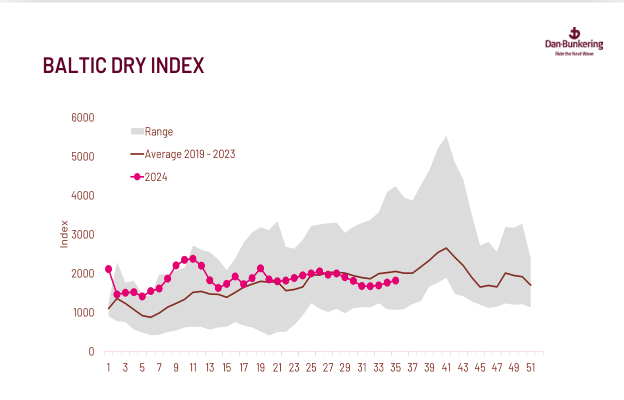
ECONOMY

Inflation data is guiding for central bank policy, although unemployment now is more prominent in the discussions too. Last week saw the Euro area inflation rate at 2.2% for August, very close to target, although core inflation (excluding food and energy) still at 2.8%. In the USA, the core personal consumption expenditure (PCE) index rose by 2% annualised in July, which is right on the Fed's target. As in Europe, the US index shows divergence in the components, with durable goods deflating (negative inflation, or getting cheaper, rather than getting less more expensive), and services inflation stubbornly high (in the USA at 3.3% annualized). In Europe, consumer confidence fell further in August to deeper negative levels, industrial sentiment improved, although also continuing at negative levels, and Q2 GDP growth is estimated at 0.6% annually. In the USA, consumer spending in real terms jumped in July. Over the past three months, real-terms spending rose nearly 5% annualized, and is up 2.7% from year-ago levels. US Q2 GDP growth had already been revised from 2.8% to 3% earlier, and with the strong consumer spending, the estimate for the third quarter was increased from 2% to 2.5% as measured by the Atlanta Fed's GDPNow model.

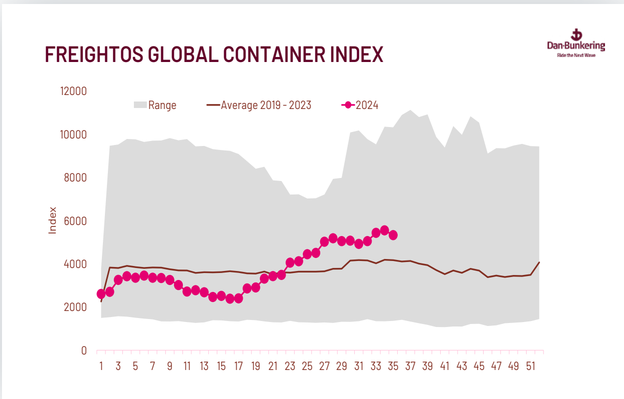
The development in US GDP is clearly positive, but at the same time, debt is ballooning and so are interest payments on that debt. Those interest payments now account for 3.8% of GDP, up from below 2.5% in 2021. More and more debt is financed with short term debt, and interest rates on that short term debt are 5%, and so the interest burden will continue to rise for some time. That will push out other spending by the government and start to reduce GDP growth. In fact, that growth slowdown should arrive anyway, as US debt is now over 120% of GDP.

VESSEL RATES

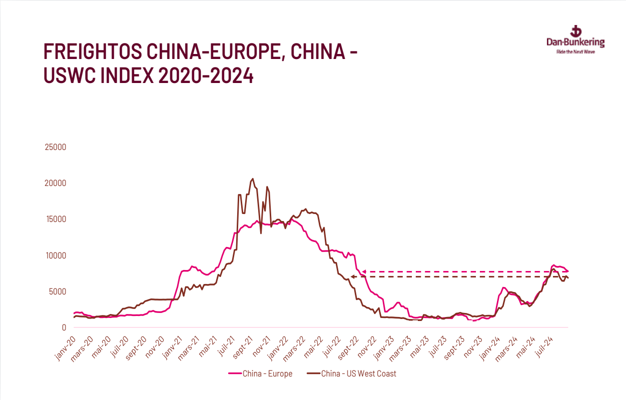
Crude oil tanker rates on the Baltic Exchange TD3 route were down around 30% after last week's 23% decrease. The t/c rates were at $20.6k/day compared to $29.6k/day a week before. Voyage rates were reported at $7.0/mt on the route on the 30th of August, down $0.9 compared to the week before. The Baltic dirty index was down 4%, or 39 points, to 881. The level remains 9% above the previous 5-year average. The clean index was down 6% from last week's level of 652 to 614. The index is now 14% below the previous 5-year average. Dry bulk rates rose 3%, or 52 points to 1814 per the Baltic Dry Index. The index is 11% 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 4% over the last week compared to the 23rd of August to $5326, as measured by the overall **Freightos Global Index**. The China to Europe rate fell 2.4% to $7769 over the same period. The China to US West Coast fell 3.6% from $7115 to $6858. 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 31.6%, up 0.4% points compared to the previous week. The congestion share represents some 9.5 mln TEU, up 0.2 mln TEU from last week.



The idle container fleet stood at 260, down 2 from last week, which itself was lowered by 19 (and indeed earlier periods were revised down quite considerably, while the daily tally fluctuates strongly).

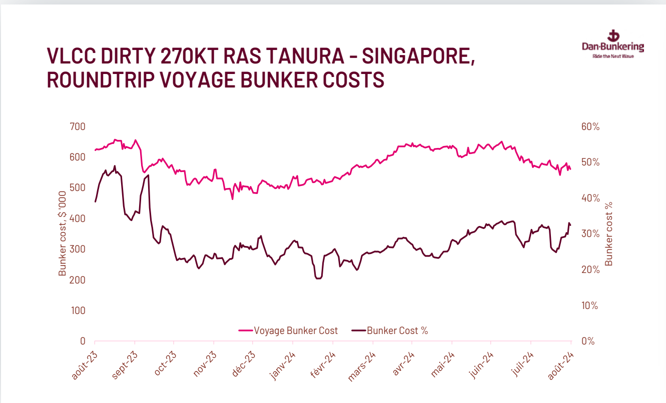


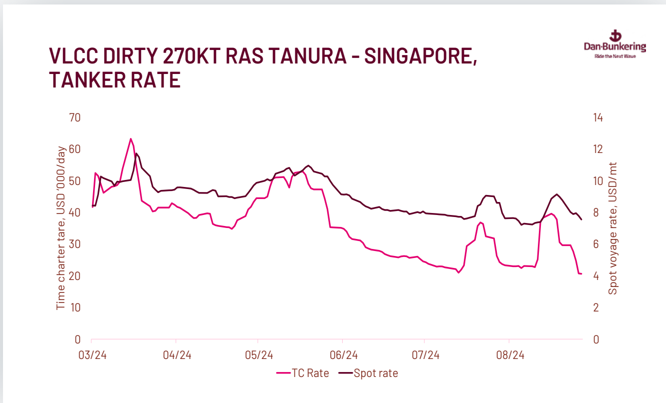
Some 2.2% of the fleet is reported idle (including those vessels retrofitted with scrubbers and those laid up and calculated in terms of TEU capacity rather than vessel numbers). That level is just above the low end of the 5-year range. The idleness per sub-segment differs considerably. Of those 260 idle container vessels, 206 are sub 3000 TEU, down 2 on last week, with another 32 of 3-6000 TEU, unchanged from last week. Those vessels represent 4.2% and 2.8% of their respective fleet sizes. Clarksons reports 2 containerships of 12-17000 TEU idle, or 0.4% of capacity, and none of 17000+ TEU.

The reported average voyage duration between China and the US West Coast is 20.8 days, down 0.3 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

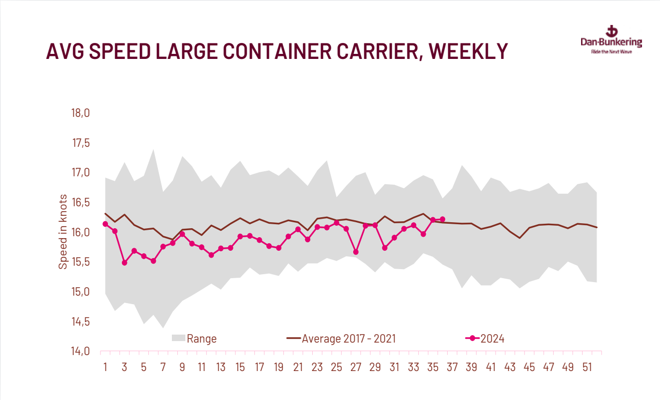
Reported tanker voyage charter rates were down at $7.0/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were down around 0.5% in Fujairah and flat in Singapore over the week through the 30th of August. Bunker costs are some 32% of the total voyage. On the basis of VLSFO, bunker costs are 43% of the total voyage. The VLSFO prices were up around 1.5% in Fujairah and down 1% in Singapore. The calculations provided are intended to be directional indications, not the actual ones that each tanker owner is experiencing.

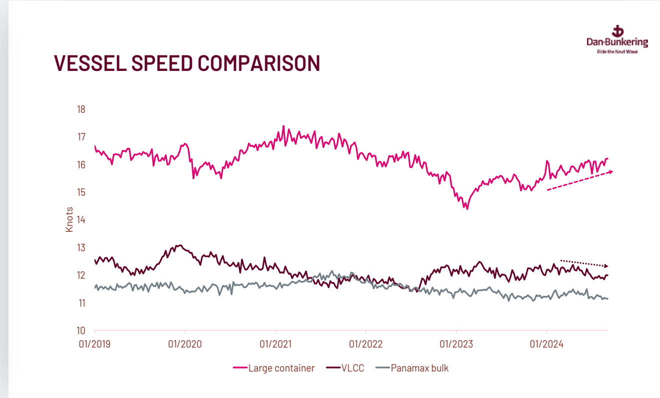




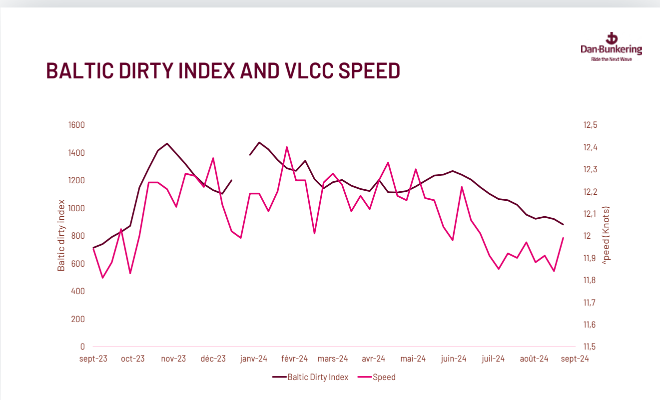
VESSEL SPEEDS

The container vessel's latest data point of 16.2 knots is up around 0.2 knots from last week as per LSEG (formerly Refinitiv) data. The current speed is back on par with the average of the 5-year period. Medium sized container vessels increased speeds by 0.1 knots to 15.2 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.

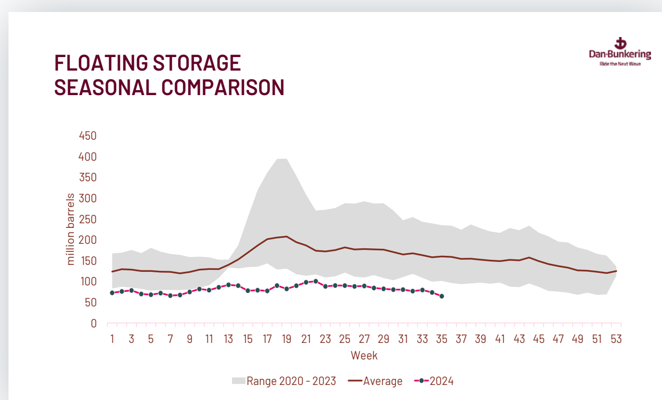




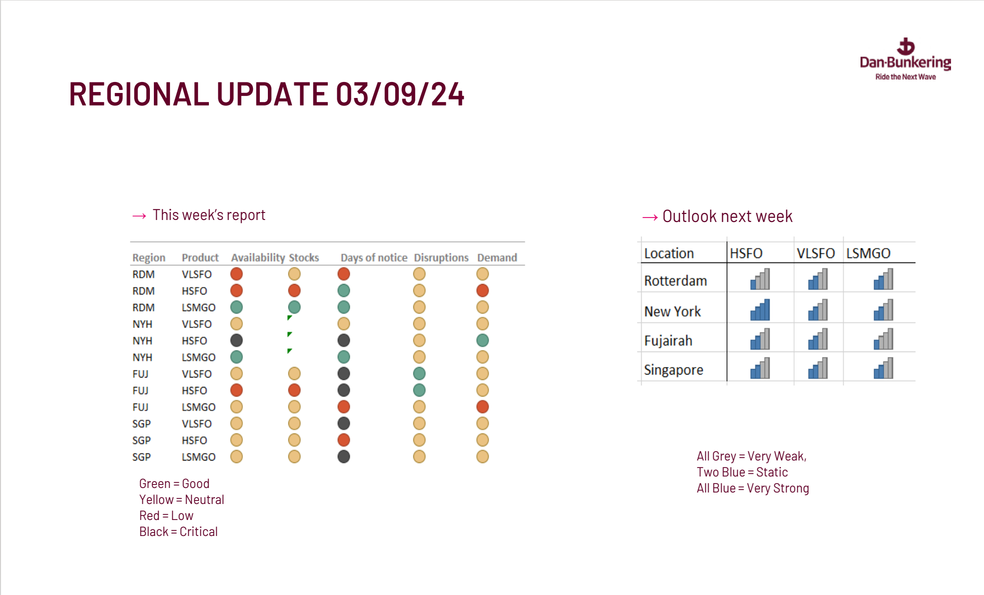
VLCC tanker speeds rose just over 0.1 knots to just below 12.0 knots. The current speed reading is also on par with the average of the range seen for the period of the year. Still, the movements in the speeds are occurring in a tiny band around that average. The freight rates, as reflected by the Baltic Dirty Index, suggest a reasonably close relationship between those rates and speeds. The idle share of the fleet was at 7.2 % in deadweight terms, up 0.5% points from the previous report (last week's data was increased by 0.1% point). The share is exceptionally high and continues to rise fast. The current reading is the highest since January 2014, the start of the data series. The idle share was up 3 mln DWT at 45 mln DWT in deadweight terms. The current number of idle vessels rose by 14 to 327 compared to last week. That too is the highest level in the series.



The floating storage (excluding the dedicated storage) stands at 73 vessels, down 9 from last week's number, which was reduced by 1. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is above 64 million barrels, down nearly 9 mb compared to last week. 32 product tankers are reported functioning as storage, accounting for over 11 mb. On last report, 39 crude tankers vessels accounted for 52 mb of stored oil, down over 8 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, but with the latest reduction is now at March 2020 levels.



03. REGIONAL REMARKS



NEW YORK

Container demand for HSFO remains very heavy going into holiday season. VLSFO demand is muted.

FUJAIRAH

Terminal delays continue in the region, with many suppliers waiting for loading allocations. This has maintained the supply delays leading to further working times to secure avails; any prompt supplies that are manageable are noted with high premiums.

Due to poor weather off the west coast of India, high swells have also hit the Fujairah region the last days, leading to the majority of suppliers halting what supplies they had lined up.

The issues are expected to ease during this week but until then, avails remain tight to secure across the full market.

ARA

HSFO

Cash to paper premiums tailed off last week, with us now seeing some sharp increases due to tightness in the market and the new month transition.

VLSFO

A sharp increase in Cash to paper premiums as we enter the new month, suppliers seeing serious tightness where we saw in some cases zero ex-wharf offerings last week. Arb to Singapore is still open, but there was a lack of outflux due to no product avails. No incoming fuel oil cargoes is additional reasoning for the negative outlook.

MGO

Market still well supplied. Discounts to ICE Gasoil tailing off slightly but we still see good availability, even on prompt deliveries.

SINGAPORE

The Asian LSFO market is expected to garner support over Sept. 2-6 amid tight availability of prompt supplies in the region, while Western arbitrage arrivals remain limited in the first half of September. The Asian HSFO market remains supported by stable bunkering activity, but the market would likely start easing in coming weeks as summer power generation demand season comes to a close.

The Asian middle distillates complex is likely to diverge over Sept. 2-6 even as regional supply remains long, with weak demand for gasoil expected to continue.

Regional indicators : prices in USD to benchmarks

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	15	FOB Rdam Barges 3.5%	5	MOPS380	55	MOPD380	24---29	MOPS380
VLSFO	6	FOB Rdam Barges 0.5%	12	MOPS 0.5%	30	MOPS 0.5%	28-34	MOPS 0.5%
LSMGO	-50	ICE Gasoil	90	MOPS GO 10ppm	15	HO	0 to -7	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	10-12	8	10
VLSFO	4-5	10-12	4	15
LSMGO	1-2	4-6	1	7

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve fell $11.8/mt at the front compared to last week in absolute terms (August 30th compared to August 23rd). The six-month fell by $10.0/mt. The curve is still in backwardation over the longer horizon but is in contango from the first through the fourth month. The time spread for the 6-month period fell $1.8 to minus $0.8/mt. The 3.5% barges' curve backwardation decreased by $6.1 to $28.3 on the 6-month contract (front month minus the six-month contract). The front fell $19.0/mt, and the six-month fell $12.9/mt. The front month spread (M0-M1) was unchanged at $8.9. The VLSFO 0.5% backwardation increased $10.9/mt to -$38.2/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 down 1% at 70% and increased $4/mt in absolute terms to -$206/mt compared to 76% or $169/mt below LGO at the front. That $169/mt is down $9/mt compared to last week's reading when the front was 75% of LGO.

Monday the 2nd saw the ICE gasoil front move down $2.75 from Friday's close of $696.5/mt. On Tuesday end-morning, the ICE Gasoil curve saw the 6-month structure increase $1. 5 compared to the Friday level, and increase $2.5 from the Monday level of $2.25/mt. The front was up, around $2/mt on Monday's level and the 6-month was down by around $0.25/mt 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 marginally compared to Friday the 30th.

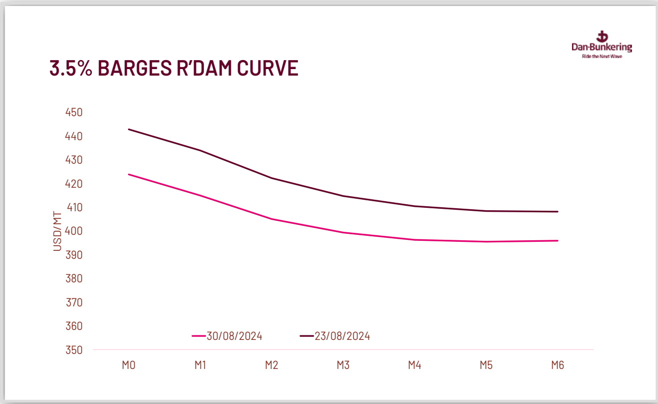
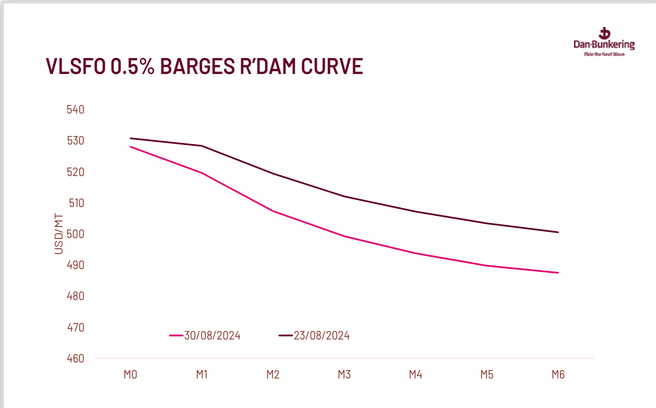
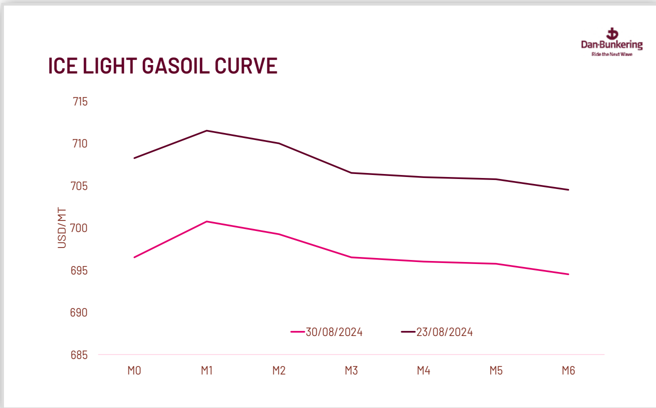
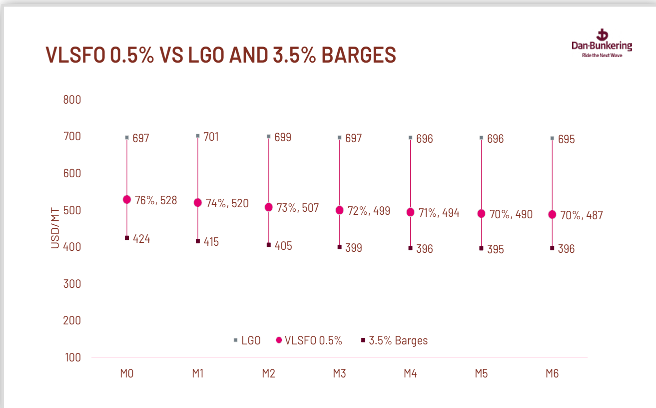


Figure 1 ARA Curve







M0 is October 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front fall by 1.7%, while the sixth-month level fell by 1.4%. The sixth month, minus the front month, is at 0.1% backwardation. As indicated above, the front month is actually 0.7% in contango to the second month, up from 0.4% last week. The Fuel Oil Rotterdam front month fell 4.3%, and the 6-month fell 3.2%. The curve is 6.7% in backwardation on the six-month horizon and sees a 2.1% (or $8.9/mt) backwardation between the front and second month, unchanged from last week. The VLSFO curve saw its backwardation increase to 7.2% as the front fell 0.5% and the back was down 2.7%.

Brent Ref:	-0.2	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	6.7	3.8	-2.3	-1.2	-2.7	-19.3	-11.8
Sep-24	11.8	4.8	-2.0	-2.6	-2.7	-19.0	-11.8
Oct-24	12.5	7.0	-5.4	-2.9	-8.7	-19.0	-10.8
Nov-24	10.7	4.7	-1.7	-2.8	-12.1	-17.3	-10.8
Dec-24	8.7	5.4	-6.2	-3.0	-12.8	-15.4	-10.0

06. OUR VIEW

As we mentioned last week, the headlines are running ahead of what is happening in the field. A week ago, Libyan oil production was about to be cancelled and some production was shut in and oil exports halted. The oil price duly rose. On Tuesday, Chinese demand concerns overshadowed Libyan halts, pushing prices down. Even OPEC's output fall in August did not much to change the picture. And a deal is announced of a potential end to the Libyan outages, and Brent drop $3/bbl and falls below $74/bbl, the lowest so far this year. The market really is faced with an underlying issue. The central banks are continuing their stance on slowing the economy down, and that is increasingly felt in the real economy. The Chinese economy is weakening, and that is reflected in demand as well. The price curves clearly indicate a weakening economy. The ExxonMobil numbers highlight the importance of transportation for oil demand. A gasoil curve moving/deepening into contango means slowing transportation demand, which reflects an economy reducing speed.

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)**