Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 21
May 21, 2024

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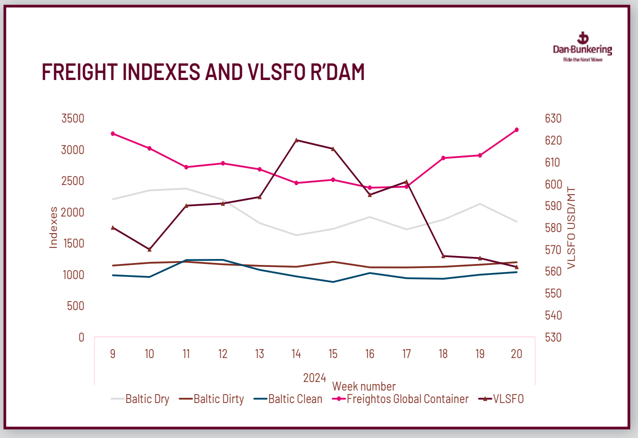
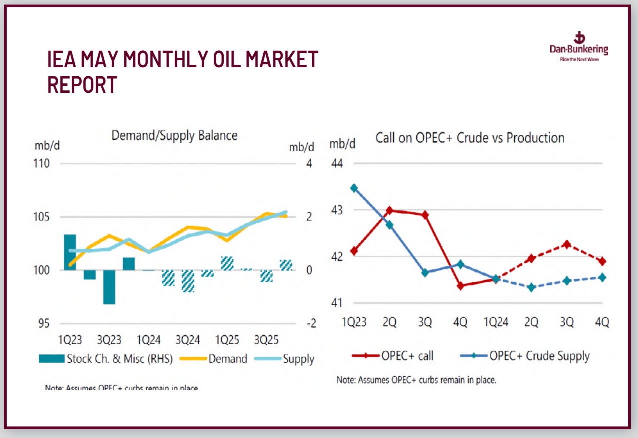
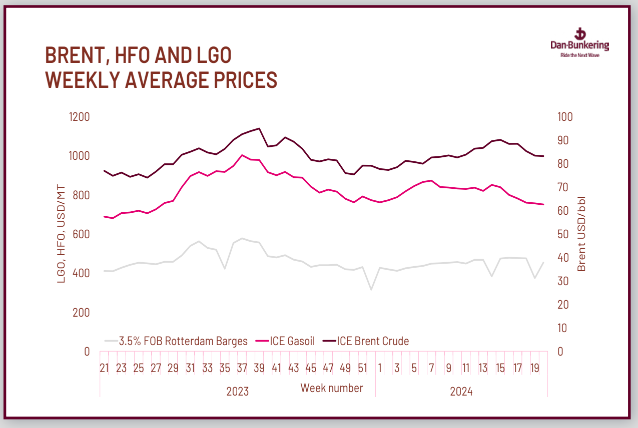
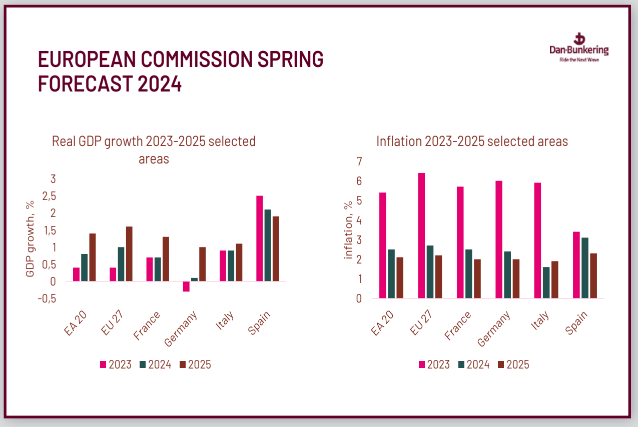








Sources: EIA.gov, ECB, investing.com, Baltic Exchange, Freightos Baltic Index, Refinitiv, Clarksons Research, U.S. Bureau of Economic Analysis, fred.stlouisfed.org, AtlantaFed, OPEC, OECD, Wolfstreet.com, Eurostat, IEA, Dan Bunkering analysis

01. ECONOMIC DATA CALENDAR

Date	Area	Topic	Expect	Prev.	Impact
21/05 22:30	USA	API Crude oil stock change		-3.1 mb	Oil market balance
23:00	Korea	Business confidence (Apr)	72	73	Economic health
22/05 01:50	Japan	Balance of trade (Apr)	-¥300 bn	¥366 bn	Economic health
01:50	Japan	Exports April (YoY)	11.1%	7.3%	Economic activity
01:50	Japan	Imports April (YoY)	9%	-4.9%	Economic activity
08:00	UK	Inflation rate April (YoY)	2.3%	3.2%	Economic health
08:00	UK	PPI input April (YoY)	-2%	-2.5%	Economic health
09:30	Indonesia	Interest rate decision	6.25%	6.25%	Economic health
14:30	USA	EIA Crude oil stocks		-2.5 mb	Oil market balance
16:30	USA	EIA Distillate stocks		-0.0 mb	Oil market balance
20:00	USA	FOMC minutes			Economic health
21:00	Argentina	Economic activity March (YoY)	-5.8%	-3.2%	Economic activity
23/05 02:00	Singapore	GDP growth rate Q1 (YoY)	2.7%	2.2%	Economic activity
03:00	Korea	Interest rate decision	3.5%	3.5%	Economic health
07:00	India	HSBC manufacturing PMI (May)	58.4	58.8	Economic activity
07:00	Singapore	Inflation rate April (YoY)	2.7%	2.7%	Economic health
09:30	Germany	HCOB manufacturing PMI (May)	44	42.5	Economic activity
10:00	Euro Area	HCOB manufacturing PMI (May)	46	45.7	Economic activity
10:30	UK	S&P manufacturing PMI (May)	49.7	49.1	Economic activity
14:00	Mexico	GDP growth rate Q1 (YoY)	1.6%	2.5%	Economic activity
24/05 01:30	Japan	Inflation rate April (YoY)	2.3%	2.7%	Economic health
07:00	Singapore	Industrial production April (YoY)	-0.3%	-9.2%	Economic activity
08:00	Germany	GDP growth rate Q1 (YoY)	-0.2%	-0.2%	Economic activity
14:30	USA	Durable goods orders (MoM)	-0.5%	2.6%	Economic activity
19:00	USA	Baker Hughes oil rig count		497	Oil market balance
27/05 10:00	Germany	Ifo business climate	91.5	89.4	Economic health
10:00	Germany	Ifo expectations	91.7	89.9	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

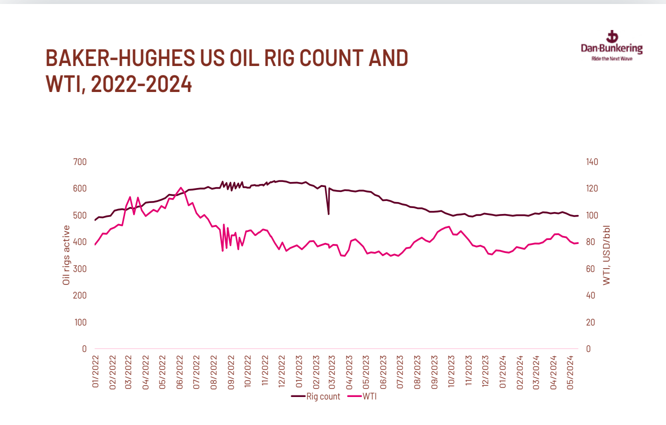
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The week **sees** publication of manufacturing purchasing manager indexes. In Germany, in May, the harmonized measure is expected to have improved to 44. While the number is an improvement, on a longer historical perspective, the reading is very low. In April the index was up, not because output was rising, but because output was falling slower, export orders fell at the slowest rate in a year and job cuts decreased. The Euro area equivalent is projected to have marginally increased to 46, with similar observations as in Germany in April, things getting better because they are getting worse at a slower rate. For the UK, the indicator is more optimistic and nearly back to expansionary. In India in comparison, the PMI is expected to have slowed a little to 58.4, which is strongly expansionary, and among the highest readings over the past 10 years. Singapore's GDP grew by 2.7% in Q1, up from 2.2% in Q4, with industrial production falling still in April but only by 0.3% from a year ago, after a more than 9% contraction in March. Mexico's GDP is projected to have increased by 1.6% in Q1, considerably slower than the 2.5% seen in Q4. Argentina's economic activity is likely to have contracted by nearly 6% in March, up from over 3% contraction in February. The economic adjustments underway will continue to show deep corrections to output. Inflation in the UK in April is believed to have slowed down to 2.3% from 3.2% in March, with producer input prices falling by a slower 2% in the same month. However, the month-on-month data is showing the same input prices rising. Inflation in Singapore is seen at 2.7%, while in Japan it is seen down to 2.3%. Both Korea and Indonesia will set their interest rates, expected to remain unchanged at 3.5% and 6.25% respectively. Japan's balance of trade is expected to have turned into a deficit again, with exports rising over 11%, but imports also rising strongly, by 9%, after a fall of nearly 5% in March.

OIL MARKET

The Baker Hughes oil rig count was up 1 rig to 497 last week. The weekly average of WTI was $79, up $0.3 week on week. The natural gas price at Henry Hub rose to an average of $2.45/mmbtu, up 23 dollar cents on the previous week. On Friday, the gas price rose to over $2.62.



The International Energy Agency published its monthly oil market report for May. The agency revised down its assessment of global demand growth by 140 kb/d to 1.1 mb/d, while leaving 2025 growth mostly unchanged. The downward revision for 2024 was due to very weak OECD data for the first quarter. While part of the weakness in OECD demand occurred in the USA, the brunt was borne in OECD Europe and Germany in particular and focused on gasoil/diesel. European gasoil demand already fell 210 kb/d in 2023, but in the first quarter declined another 140 kb/d. The IEA gives three main reasons for the falling demand: switching of cars from diesel to other engine types, fewer heating degree days requiring less home heating oil and declining industrial activity. In addition, activity at European petrochemical plants is falling, resulting in declines in naphtha, LPG, and ethane demand. Nearly 75% of the fall in OECD demand of these products is in Germany, as the country's industrial base is under severe pressure.

Asian demand is set to grow by nearly 1 mb/d in 2024, with China becoming considerably less important in the demand mix of growth in 2025. OECD demand is set to fall to 45.6 mb/d in 2024, with non-OECD rising to 57.5 mb/d and in 2025, the OECD is likely to continue its slow descent, with the OECD growing towards 59 mb/d. Each of the nearly 1.4 billion people in the OECD consume around 12 barrels each per year, against the 6.7 billion people consuming just over 3 barrels each per year. there appears to be ample scope for longstanding increases in oil consumption in the non-OECD area.

On the supply side, the IEA has lowered its non-OPEC+ growth due to heavy maintenance and logistical constraints. Non-OPEC+ growth is estimated at 1.4 mb/d in 2024 and in 2025 as well. OPEC+ is assumed to keep its voluntary cuts in place, resulting in a 0.8 mb/d fall in the organisation's output this year, while next year would see a 0.3 mb/d increase even in the case of sustained cuts. As a result of the non-OPEC+ results in the first quarter, the IEA sees the call on OPEC+ rising to 42 mb/d in Q2 and further to 42.3 mb/d in Q3, before falling back to just below 42 mb/d in Q4. In April, the group produced 41.4 mb/d, so to avoid strong stockdraws based on the modest demand growth that the IEA is projecting, the group will have to reverse part of its output cuts. The group was producing above its own target in April. Effective spare capacity is estimated at 5.9 mb/d by the IEA, well above the US EIA assessment, putting a strong price depressing element in the market that requires very strong OPEC+ cohesion.

ECONOMY

The European Commission **published** its Spring 2024 economic forecasts last week. The commission sees a somewhat better economic growth in 2024 than in its winter assessment, with the Euro Area growing 0.8%, and accelerating to 1.8% in 2025. At the same time, inflation is projected to fall to 2.5% in 2024 and further to 2.1% in 2025. Wage growth should ensure that purchasing power will achieve 2021 levels in 2025. The so-called southern rim is outpacing the northern part of the area, which the commission interprets as continuing convergence of the member states. The EC says that the "*markets*" suggest short term interest rates will decrease to 3.2% by end 2024 and further to 2.6% by end 2025. That should drive personal consumption and investment, although the manufacturing sector is experiencing overcapacity (euphemistically described as operating below normal capacity utilisation rates). The interesting part is on trade.

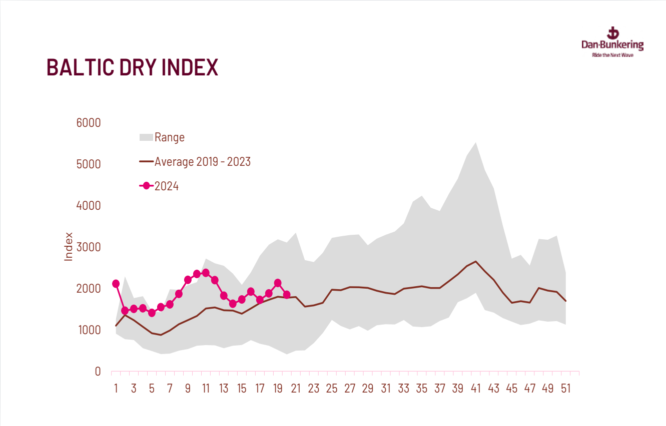
The commission notes that economic growth outside the EU remained resilient but did not "*spur demand for EU exports*". Nevertheless, the institution sees merchandise trade rebounding, with the trade elasticity converging towards what it calls the "*new normal*" of around 1; that is, every % growth in real GDP will be accompanied by a 1% growth in merchandise trade. It used to be higher in the past. Growth of EU exports of goods and services is projected at 1.4% in 2024 and 3.1% in 2025, which should help the weakened manufacturing sector according to the commission. Imports are also set to grow, which results in only a marginally positive, if any positive, contribution to GDP growth. (Note that exports are a net contributor to GDP and imports a net negative to GDP). The commission also notes that the ECB may decide to postpone rate cuts until service sector inflation is under control, while governments need to cut their budget deficits, which can depress economic activity.

In addition, the report has a **section** on the impact of China on the global economy and the EU in particular. The European Commission believes that the structural slowdown in China, combined with the country's current growth model, which continues to focus on developing its industrial and manufacturing capacity, will likely "*continue to pose challenges for the EU economy*". China is the number two goods trade partner and the largest supplier. The EU has run a persistent deficit, which has rapidly increased over the past few years. Total imports have grown over 40% since 2019, while exports grew only 12%. One probably must see the latest visits to China by the EU heads as trying to rebalance the trade relationship. (The Chinese customs data **show** a 5.3% fall in exports to the EU in 2023 and a 4.6% rise in imports from the EU, while exports to the EU outpace the imports by nearly two to one).

Yet, the EC's assessment is somewhat double-edged. While it believes China should switch to a more consumer driven economy, a structural slowdown will also result in slower global growth. Developing countries relying on commodity exports to China could see lower export income and greater economic uncertainty. At the same time, ASEAN countries could also be strongly impacted, if decoupling pressures continue (that is a move towards a more fragmented world). The EC notes that the developed world would be mostly affected through the trade channel. The choice of words is interesting; in the same chapter of the report, the EC highlights that in 2001 China was classified as a lower middle-income country, by 2010 it was upper middle income and in 2022, it was within 8% of being a high-income country. The latter is the same qualification the Western economies have.

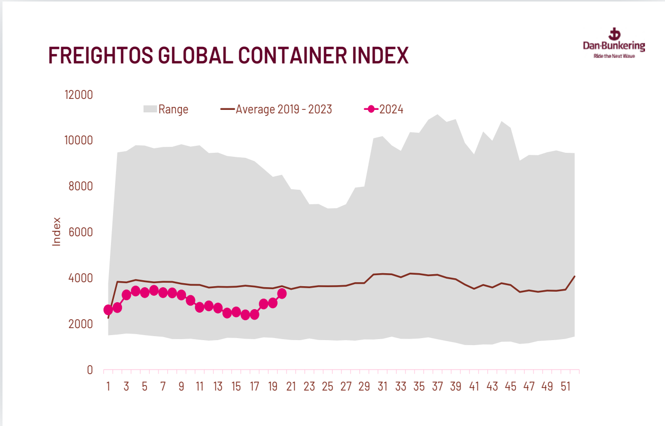
VESSEL RATES

Crude oil tanker rates on the Baltic Exchange TD3 route were up nearly 3% after last week's 15% increase. The t/c rates were at $52.5k/day compared to $51k/day a week before. Voyage rates were reported at above $10.8/mt on the route on the 17th of May, up $0.1 compared to the week of the 10th. The Baltic dirty index was up 3%, or 40 points to 1195. The level is 30% above the previous 5-year average. The clean index was up 4% on last week at 1036. With that move, the index is 38% above the previous 5-year average. Dry bulk rates fell 13% or 285 points to 1844 per the Baltic Dry Index. The



BALTIC DRY INDEX

index is 4% above the five-year average level seen in 2019-2023 for the week. The weekly swings in the indexes are strong. The latest moves in the tanker rates are contrarian to "normal" seasonal moves.

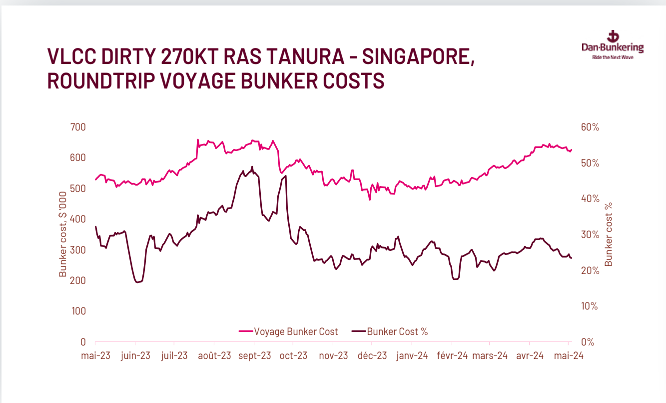


FREIGHTOS GLOBAL CONTAINER INDEX

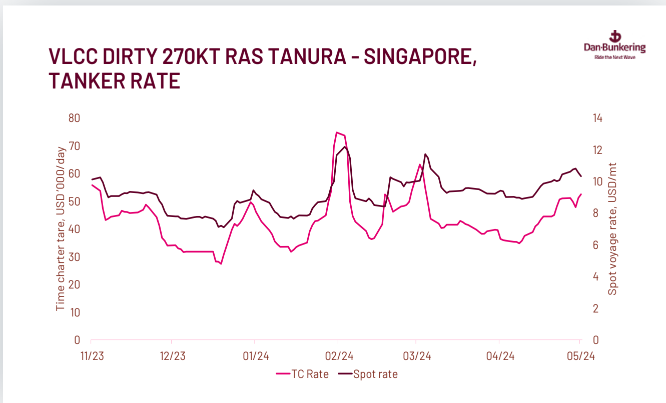
The container market rose 14% over the last week compared to the 10th of May to $3315 as measured by the overall **Freightos Global Index**. The China to Europe rate rose 11% to $4603 over the same period. The China to US West Coast rose 12% from $3873 to $4333. The overall Freightos index is back to the average of the 5-year average, as is the China-Europe index. The China to US West Coast is still 20% below that same period average. Congestion as measured by the last 7-day moving average of containerships in port, was reported at 29.5%, down 0.4% points compared to the previous week. The congestion share represents some 8.6 mln TEU, almost unchanged from last week. The idle fleet stood at 260, down 13 from last week, which itself saw a 2-vessel downward revision in the data. Some 2.1% of the fleet is reported idle (including those vessels retrofitted with scrubbers and those laid-up). That is just at the low end of the 5-year range. Reported average voyage duration between China and the US West Coast is at 19.7 days, up 1.1 days on last week.

FREIGHT AND BUNKERS

Reported tanker voyage charter rates were up, at $10.8/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were down less than 1% in Fujairah and down over 1% in Singapore over the week through May 17th. Bunker costs are some 23% of total voyage. If the entire voyage is calculated on VLSFO, bunker costs are some 28%. The VLSFO prices were down almost 2% in Fujairah and up over 2% in Singapore. The calculations provided are intended to be directional indications, not the actual that each tanker owner is experiencing.



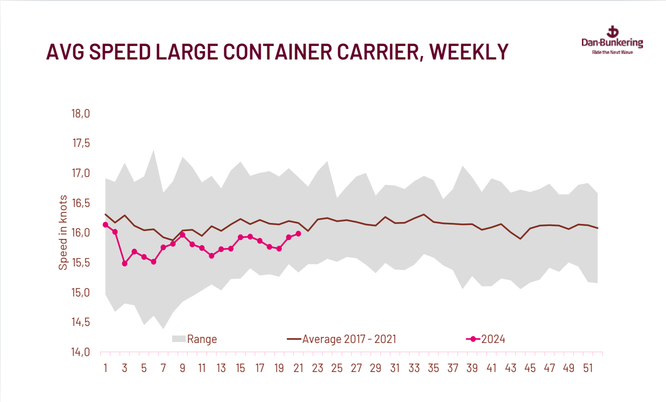
VLCC DIRTY 270KT RAS TANURA - SINGAPORE, ROUNDTRIP VOYAGE BUNKER COSTS

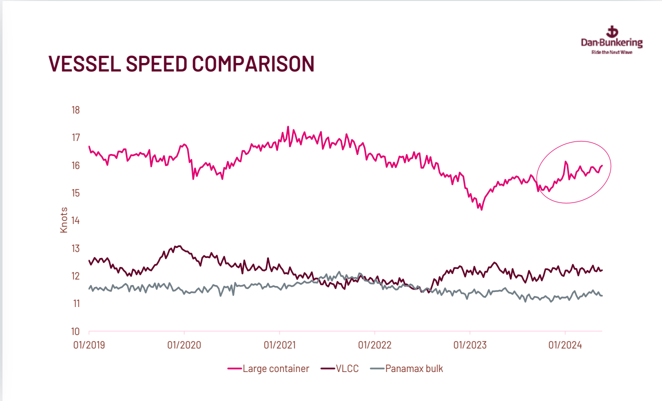


VLCC DIRTY 270KT RAS TANURA - SINGAPORE, TANKER RATE

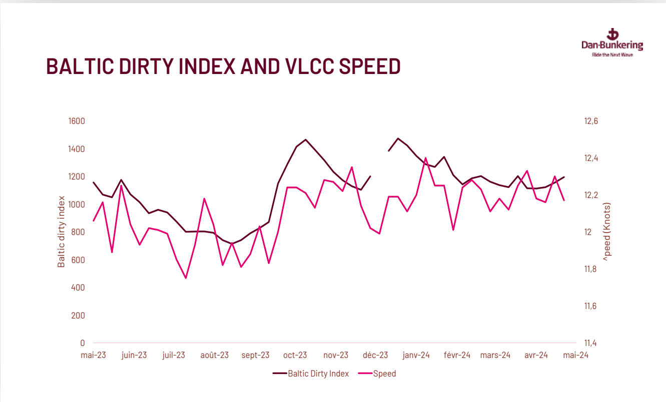
VESSEL SPEEDS

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.

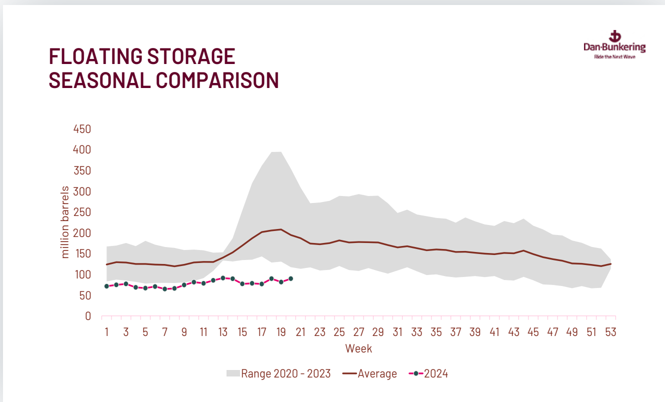




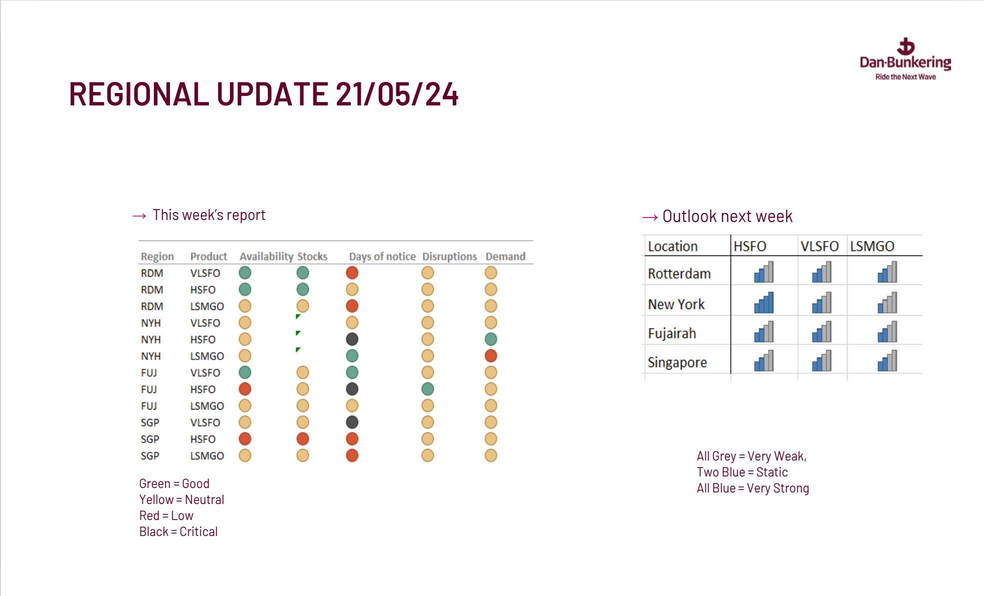
VLCC tanker speeds are continue unchanged at 12.2 knots. The current speed reading is 0.2 knots above the average of the range seen for the period of the year. Still, the movements in the speeds are occurring in a very small band around that average. The idle share of the fleet was at 5.5% in deadweight terms, flat compared to the previous report (last week's data was revised down 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 still over 34 mln DWT, down 0.5 mln DWT from last week. The current level is 30% higher than the "normal" average. The current number of idle vessels rose by 8 vessels to 260 compared to last week (which was lowered by 1 vessel).



The floating storage (excluding the dedicated storage) stands at 123 vessels, up 6 vessels from last week's number, which was revised down by 2 vessels. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is below 90 million barrels, up 9 mb compared to last week. 77 product tankers are reported functioning as storage, accounting for 31 mb. 45 crude tankers vessels accounted for well over 58 mb of stored oil, up nearly 8 mb on last report. The number of crude oil tankers as storage is still at levels seen in mid-2019. The number of product tankers used as storage remains elevated.



03. REGIONAL REMARKS



NEW YORK

Starting to see tenders for 2025; demand at present still strong for HSFO from liner segment.

FUJAIRAH

Fujairah April sales figures were released with total volume 642,694cbm, this represents a volume rise of 7% on year and HSFO sales 35% higher on year.

The Fujairah VLSFO market is heavily oversupplied. There are plenty of cargoes in the market and to compound issues demand is weak. Del prices have tumbles to single digits against MOPS 0.5.

HSFO on the other side is very tight, cargoes pulled into power generation and suppliers waiting to load. Lead times are 9-10 days for inquiries so fix early to avoid higher premiums.

ARA

HSFO and VLSFO are still well balanced. MGO is still seeing problems with refineries, but avails can still be found.

SINGAPORE

VLSFO:

The LSFO market will likely see some support over May 20-24 as some traders are expecting an uptick in downstream bunker demand, and a drawdown in inventories amid fewer arbitrage arrivals from the West. Amid a backdrop of slow LSFO demand, which fell short of stronger expectations, most market players foresee intensifying competition among sellers, thus capping any potential upside to delivered premiums.

Stockpiles around Singapore were expected to remain adequate for buyers' LSFO downstream requirements for the near term, while slots for prompt refuelling dates are likely to stay ample across the week.

HSFO:

The HSFO market is expected to remain steady amid limited supplies and healthy bunker demand, while peak summer power generation demand will likely start picking up in the coming weeks. In addition, steady streams of spot inquiries also supported overall HSFO demand in Singapore, less-than-ample stockpiles could limit any downside to delivered valuations.

Gasoil:

Sentiment in the Asian middle distillates market will likely remain soft May 20-24, as the complex remains riddled with oversupply concerns amid a lack of outlets for excess barrels within the region due to unviable East-West arbitrage economics.

Singapore's onshore commercial stocks of middle distillates fell 8.95% to a 10-week low of 10.12 million barrels over May 9-15. Singapore remained a net exporter of gasoil.

Regional indicators : prices in USD to benchmarks (week to 15/05)

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	7	FOB Rdam Barges 3.5%	8	MOPS380	10	MOPD380	19-20	MOPS380
VLSFO	8	FOB Rdam Barges 0.5%	2	MOPS 0.5%	8	MOPS 0.5%	9-11	MOPS 0.5%
LSMGO	-15	ICE Gasoil	120	MOPS GO 10ppm	0.02	HO	-/-4 -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	4-6	9	6	10
VLSFO	4-6	2	4	12
LSMGO	4-6	4	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve rose $2/mt at the front compared to last week in absolute terms (May 17th compared to May 10th). The six-month rose by $1.5/mt, while intermediate contracts by $8-10/mt. The while curve over the 6-month period is in contango. The time spread for the 6-month period decreased $0.5/mt to plus $2.5/mt. The 3.5% barges' curve is in contango for the first five months of the curve (two more than last week) but shows a $5.3 backwardation on the 6-month contract (front month minus the six-month contract). Contango is $5/mt at the two-month horizon and $8/mt at the three-month horizon. The front fell $7.5/mt while the six-month rose $5.3/mt. The VLSFO 0.5% backwardation decreased $4/mt to -$19/mt, compared to a week prior. The front month compared to the second month is only at $1.3/mt in backwardation.

The relative value of VLSFO compared to LGO at 6 months flat at 70% and in absolute terms up $4 at -$232/mt compared to 72% or $210/mt below LGO at the front. That $210/mt is up $8/mt on last week's reading when the front was at 73% of LGO.

Monday the 20th saw the ICE gasoil front move up $3/mt on Friday's $762.5/mt close to reach $765.5/mt. On Tuesday end morning, the ICE Gasoil curve saw the 6-month structure increase by around $1.25/mt compared to the Friday level. The front was down $6/mt on Monday's level and the 6-month was down by nearly $6/mt on Monday's level. At the 12-month horizon, the curve is still in backwardation, but in sustained contango through the 6th month, a decrease of the structure by 1 month. The front is down less than 1% compared to Friday the 17th.

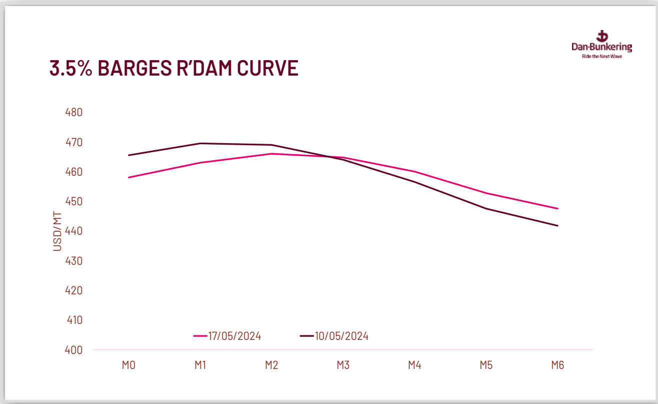
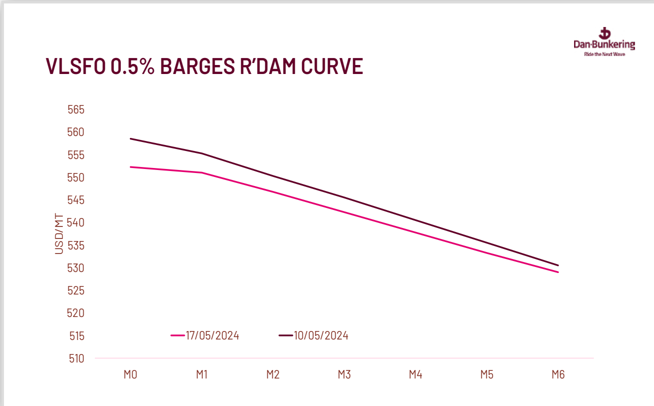
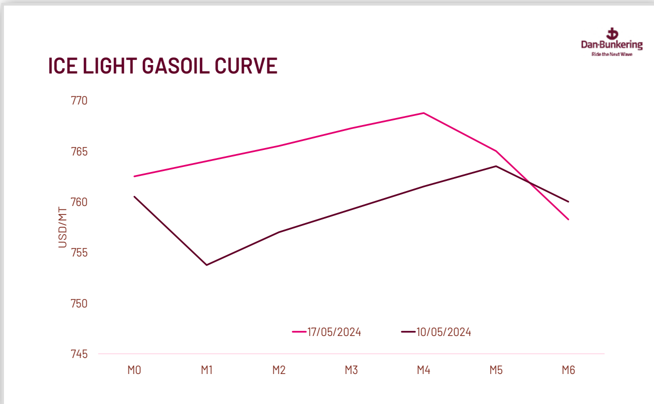
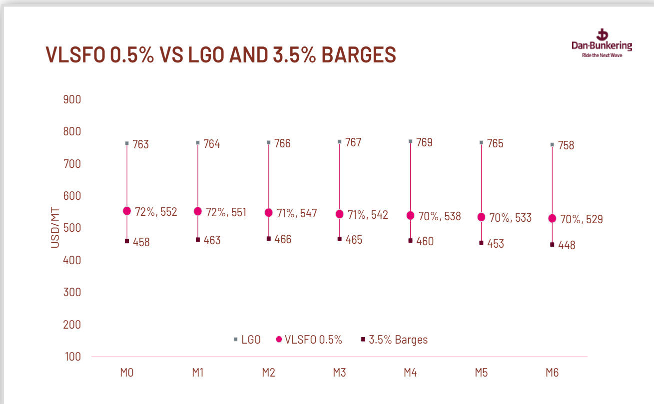


Figure 1 ARA Curve







M0 is June 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front rise 0.3%, while the sixth month level rose by 0.2%. The curve trajectory is in contango. The sixth month minus the front month is at 0.3% contango. The Fuel Oil Rotterdam front month fell 1.6% and the 6-month rose 1.2%. The curve is 1.1% in backwardation on the six-month horizon, but in contango through the fifth month. The VLSFO curve saw its backwardation decrease to 3.4% as the front fell 1.1%, while the back fell 0.4%.

Brent Ref:	1.2	July					
	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	-9.1	-9.0	1.2	0.4	-6.3	-6.5	2.0
Jun-24	-8.5	-6.8	1.0	0.4	-6.3	-7.5	2.0
Jul-24	-9.5	-7.3	1.7	0.8	-4.3	-6.5	10.3
Aug-24	-8.5	-7.0	1.8	1.3	-3.5	-3.0	8.5
Sep-24	-6.8	-5.5	1.8	1.6	-3.3	0.8	8.0

06. OUR VIEW

The IEA is making a clear link in its report this month between industrial activity and oil demand. The organisation never really hid the link, but what is coming into question here, is to what extent the professed improvements in energy intensity of the western economies is reflecting structural efficiency gains, or rather de-industrialisation itself. GDP in Germany is stalling at best and has been falling already. Manufacturing and industrial output continue to fall. At some point, the de-industrialisation may create substantial problems for the wider economy. And then, the falling oil intensity of the economy will not reflect improving efficiency or transitioning away from oil, but rather a straight impoverishment.

Furthermore, demand in non-OECD is seen expanding, boosted by an ever-growing middle class. The IEA did not include in its review of OECD demand the ever-declining middle class in the OECD region itself.

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)**