Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 13
March 26, 2024

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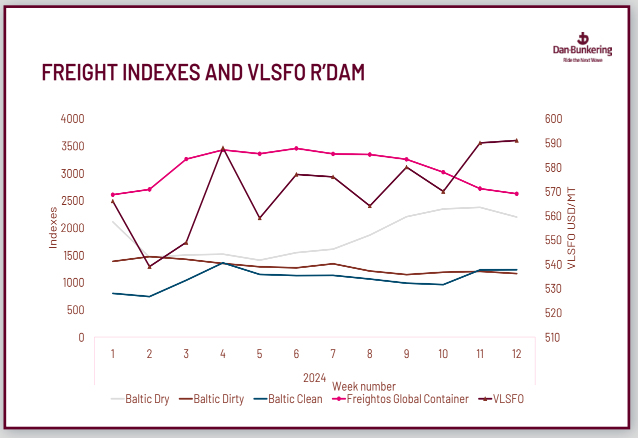
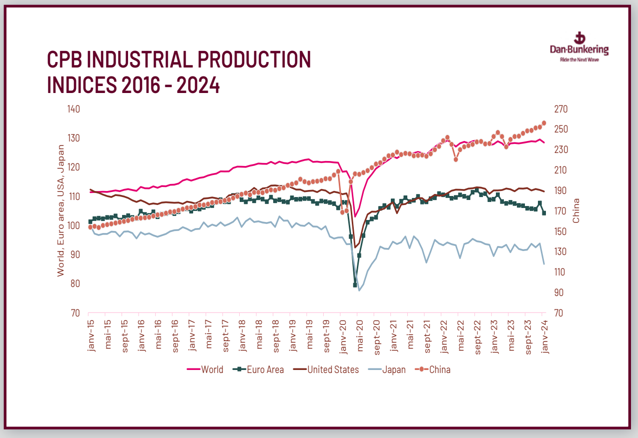
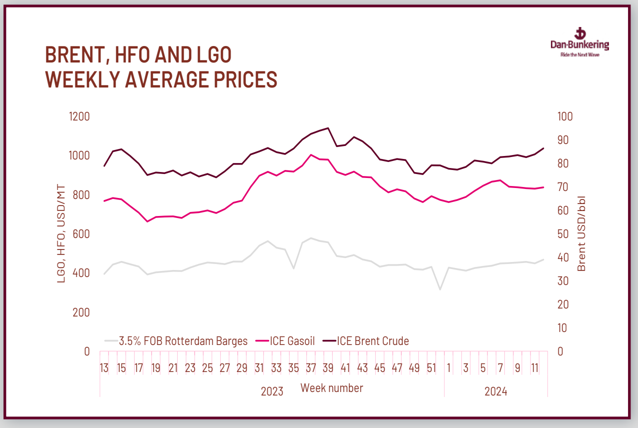
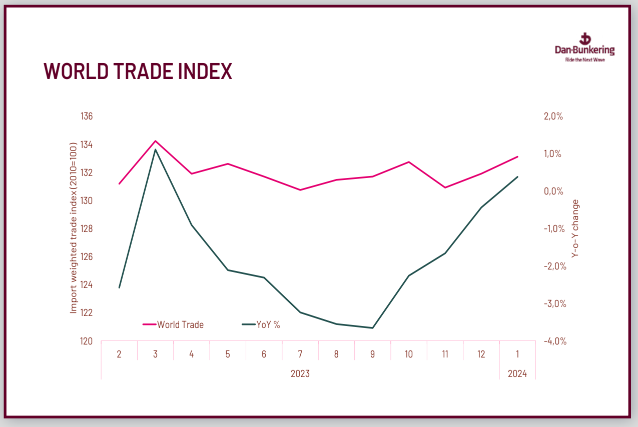








Sources: EIA.gov, ECB, investing.com, Baltic Exchange, Freightos Baltic Index, Refinitiv, Clarksons Research, U.S. Bureau of Economic Analysis, fred.stlouisfed.org, AtlantaFed, OPEC, OECD, Wolfstreet.com, Eurostat, IEA, Dan Bunkering analysis

01. ECONOMIC DATA CALENDAR

Date	Area	Topic	Expect	Prev.	Impact
26/03 16:00	USA	CB consumer confidence (Mar)	106.5	106.7	Economic health
21:00	Argentina	Economic activity January (YoY)	-1.9%	-4.5%	Economic activity
22:30	USA	API Crude oil stock change		-1.5 mb	Oil market balance
27/03 12:00	Euro area	Economic sentiment (Mar)	96	95.4	Economic health
12:00	Euro area	Consumer confidence (Mar)	-14.9	-15.5	Economic health
12:00	Euro area	Industrial sentiment (Mar)	-7	-9.5	Economic health
12:00	Euro area	Services sentiment (Mar)	8	6	Economic health
16:00	Argentina	Consumer confidence (Mar)	38.3	36.4	Economic health
16:30	USA	EIA Crude oil stocks		-1.9 mb	Oil market balance
16:30	USA	EIA Distillate stocks		0.1 mb	Oil market balance
	Russia	GDP January (YoY)	4.0%	4.6%	Economic activity
28/03 07:00	Singapore	PPI February (YoY)	0.9%	-3%	Economic health
09:00	UK	GDP growth rate Q4 final (YoY)	-0.2%	0.1%	Economic activity
09:00	Turkey	Economic confidence index (Mar)	99.4	99	Economic health
13:00	Italy	PPI February (YoY)	-9.5%	-10.7%	Economic health
14:30	USA	GDP growth rate Q4 final (YoY)	3.2%	4.9%	Economic activity
29/03 01:00	Korea	Industrial production February (YoY)	9.4%	12.9%	Economic activity
01:50	Japan	Industrial production February (YoY)	-2%	-1.5%	Economic activity
09:45	France	PPI February (YoY)	-4.4%	-5.5%	Economic health
12:00	Italy	Harmonised inflation rate February (YoY)	1.3%	0.8%	Economic health
14:30	USA	Core PCE price index February (YoY)	2.7%	2.8%	Economic health
14:30	USA	Personal income February (YoY)	0.3%	1%	Economic health
19:00	USA	Baker Hughes oil rig count		509	Oil market balance
01/04 03:45	China	Caixin manufacturing PMI (Mar)	51	50.9	Economic health
16:30	USA	ISM manufacturing PMI (Mar)	50	47.8	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

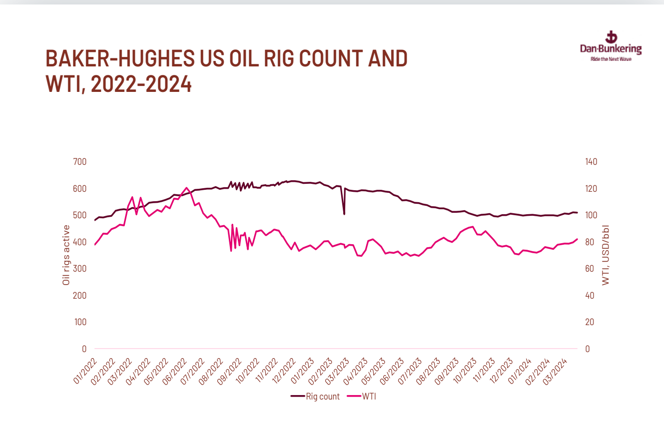
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The week **sees** a number of sentiment indicators, as well as inflation data. US consumer confidence is expected to remain positive, while the same indicator for the Euro area is becoming less negative, going to better than -15. To put that number in perspective, the data series shows not a single month in the history of positive confidence in the area. Still, the current reading comes after a very deep trough, but is still far from "normal". Turkish economic confidence is expected to have improved to 99.4, although that is still negative (less than 100). Argentina's consumers' confidence is projected to have improved as well, although still negative (less than 50), but in circumstances where an economic experiment of sorts is underway. Industrial sentiment in the Euro area is still negative, but improving, while the service sector sentiment is expanding. Chinese purchasing manager's index for March is seen up to 51, while the US equivalent from the Institute of Supply Management, is projected to have moved to equal positive and negative (50), from majority negative in February. Industrial production in Korea is seen growing slower in February than in January, but still up well over 9% annually. Japan is projected to have seen another fall in industrial production in February, accelerating to a 2% annual fall from 1.5% in January. The UK's GDP growth rate for the fourth quarter will be finalised, expected at a contraction of 0.2% year-on-year, while the US' equivalent is expected to have a final reading of 3.2% growth. With the GDP data, the inflation data is published as well. the US core PCE price index for February is expected to have fallen to 2.7%. The producer price inflation (PPI) in Singapore is projected to have reversed into a positive number in February, to nearly 1%, from a deflation of -3% in January. French PPI is seen continuing to fall at over 4%, while in Italy, the PPI is seen falling at nearly 10%. The question is at what point these PPI's translate into falling consumer prices and not just slowing down rises in consumer prices.

OIL MARKET

The Baker Hughes oil rig count was down 1 rig to 509 last week. The weekly average of WTI was $81.9, up $2.4 week on week. It is the first time since early November 2023 than WTI closed above $80 on average. The natural gas price at Henry Hub was at just below $1.7/mmbtu, down less than 1 dollar cent on the previous week. The past few weeks have seen very low levels of the US natural gas prices.



ENI, the Italian energy company, **said** in its latest capital markets update, that it will lower its net capital expenditure over the coming five-year period by 20% compared to last year's plan. At the same time, returning cash to shareholders through dividends and share buybacks is increased. The long-term plan is to grow natural gas production to more than 60% of the upstream portfolio by 2030 and over 90% by 2050. Just like the Shell and the GEFC projections on LNG, ENI sees considerable growth in LNG over the next five years. Upstream production is to grow around another 10% between 2023 and 2030, to reach 1.8-1.9 mboe/d. Interestingly, the company **sees** upstream production peaking in 2030. The strong focus on shareholder returns underpins a reluctance to invest in upstream production. Previously, an oil price-profit cycle as experienced over the past few years would have triggered very strong investment. So far, this is not occurring. This can be seen in the light of the recent spat between OPEC and the IEA. OPEC **clearly** says that the IEA itself has "*contributed significantly*" to investment uncertainty by insisting that there is no need for investment in new oil and gas fields in the IEA's net zero pathway. OPEC adds that the uncertainty has the "*potential to lead to major energy chaos, not the desired energy security.*" It is not just OPEC who highlights this. US lawmakers said the same recently to the IEA **according** to Rigzone and voiced concern that the IEA is no longer providing "*policymakers with balanced assessments of energy and climate proposals.*"

At the same time, the EIA **highlighted** that in 2023, crude oil and natural gas exploration and production (E&P) companies increased spending on mergers and acquisitions (M&A) to $234 billion, the most in real 2023 dollars since 2012. Recent dealmaking marks a return to the previous trend of consolidation among oil companies in the United States after transactions declined amid significant oil market volatility in 2020 and 2022. The consolidation leads to larger companies owning more producing assets. Chevron could account for 6% of total US crude oil and natural gas production if the HESS acquisition materialises. Likewise, ExxonMobil could become the biggest at nearly 7%, or 1/3 mb/d, if the Pioneer Natural Resources acquisition materialises. What the EIA did not add, is that typically, such acquisitions lead to lower overall production growth, as efficiencies are sought and portfolio optimisation is pursued. However, in light of the geopolitical risks, also this result may turn out differently. One of the goals of the ExxonMobil-Pioneer acquisition is to reduce overall risk in the production portfolio by increasing domestic, that is US, crude oil production according to the EIA.

ECONOMY

The Dutch Central Planning Bureau **published** its world trade monitor. World trade volume grew 1% from December and was marginally up from January 2023. The discrepancy between advanced and emerging economies remains stark. The Euro area imports declined over 8% in January, following a 7% decline in December. UK import fell by around 5% and Japanese imports fell nearly 12%. Overall emerging economies imports increased 1.5%. Emerging economies imports are up 5%, with the December data revised from a slight fall to a more than 1% growth. China's imports were up over 8% (and the December number was upped to nearly 7%). On the export side, Euro area and UK exports are down 2% and nearly 10% respectively in January from January 2023. US exports fell 1% in January, with Japanese exports growing nearly 2%. Emerging markets' exports went up well over 6% in January. Chinese exports grew over 15% and 3% respectively.

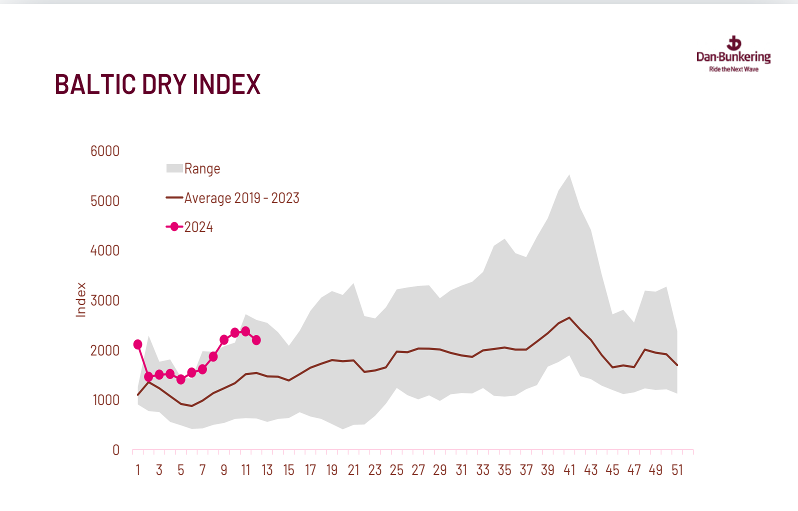
Industrial production is up less than 0.5% globally in January, with the Euro area down nearly 4.5%, the United States down less than 0.5% and China up 5.5%. Europe's industrial production index level fell back to 104.2 (base year is 2010=100). Apart from the 2020 shutdown, the current level is back to levels seen in 2016. Last week's economic data for Japan underscores the trade monitor data. Industrial production in the country fell 1.5% year from January 2023 levels.

Last week also saw the US Federal Reserve decide to leave the interest rates unchanged. However, the 1st year rate projection fell to 3.9% from 4.6% and for the second year, the rate projection fell to 3.1% from 3.6%. Fed officials are discussing making a first rate cut before summer Holidays. Policymakers still plan to cut interest rates three times this year, similar to the quarterly forecasts in December. The interest rate plot by the Federal Reserve also indicated three cuts in 2025, one fewer than in December, and three more reductions in 2026. Meanwhile, US GDP growth is seen higher in 2024 (2.1% vs 1.4% in the December projection). The Bank of England also held rates unchanged, but the bank indicated rate cuts in June are forthcoming. Both the Mexican and Brazilian central banks started cutting rates last week, while the Turkish central bank increased rates against forecast/expectations, from 45% to 50%.

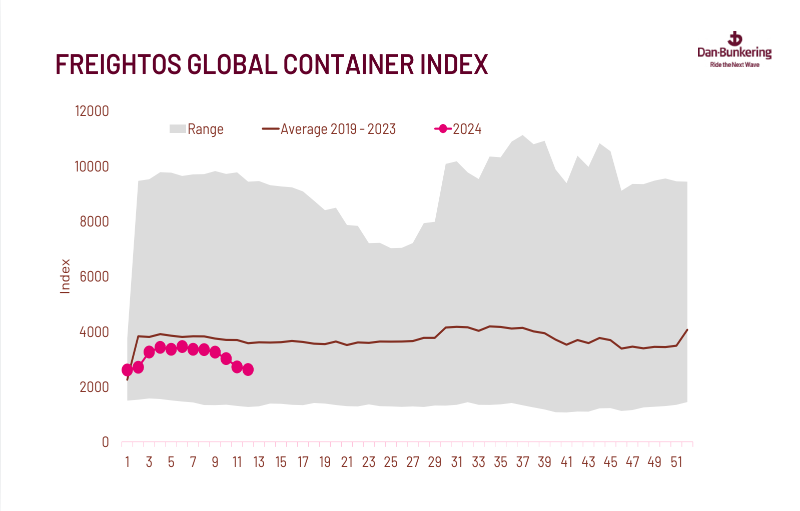
Still, although rate cuts may now be in view, the Fed just upgraded its view on inflation - projecting that the PCE index excluding food and energy would rise at a 2.6% annual rate by year-end, compared with 2.4% in its December projections. If the data shows that inflation is picking up, the Fed may yet again postpone easing.

VESSEL RATES

Crude oil tanker rates on the Baltic Exchange TD3 route were down over 30%, after last week's rise of around 12%. The t/c rates were at $43.6k/day compared to nearly $58k/day a week before. Voyage rates were reported at $9.6/mt on the route on the 22nd of March, down $2.1 compared to the week of the 15th. The Baltic dirty index was down 3%, or 41 points to 1161. The level is 8% above the previous 5-year average and is continuing back toward the average. The clean index



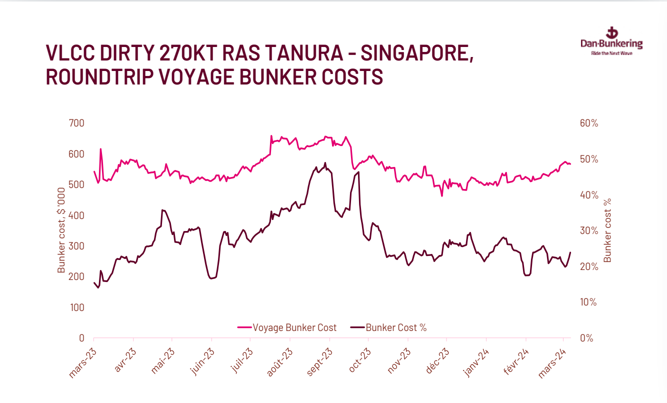
was marginally up on last week at 1233. The index is at 44% above the previous 5-year average. Dry bulk rates fell around 7% or 178 points to 2196 per the Baltic Dry Index. The index is over 40% above the five-year average level seen in 2019-2023 for the week.

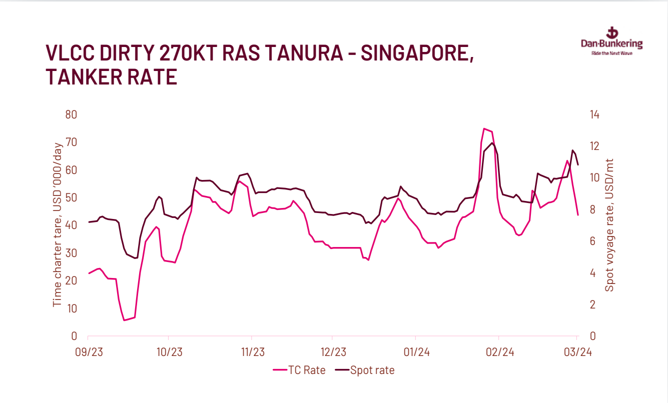


The container market fell over 3% over the last week compared to the 15th of March to 2623 as measured by the overall **Freightos Global Index.** The China to Europe rate lost nearly 18% to 3189 over the same period, while the return route fell 7 points to 742. The level remains high for the return route. US destined routes moved down as well. The China to US West Coast fell over 12% from 4244 to 3729, while the return route rose from 356 to 367. The China to US East Coast fell by 10%, reaching 5284. Congestion as measured by the last 7-day moving average of containerships in port, was reported at 30.1%, up 0.8% points compared to the previous week. The congestion share represents some 8.6 mln TEU, up over 0.2 mln TEU on that same week. The idle fleet stood at 275, unchanged from last week, which itself saw a single vessel downward revision in the data. Some 2.3% of the fleet is reported idle (including those vessels retrofitted with scrubbers and those laid-up). Reported average voyage duration between China and the US West Coast is at 20.3 days, unchanged compared to last week. The current transit time is at levels seen in 2019 through mid-2020.

FREIGHT AND BUNKERS

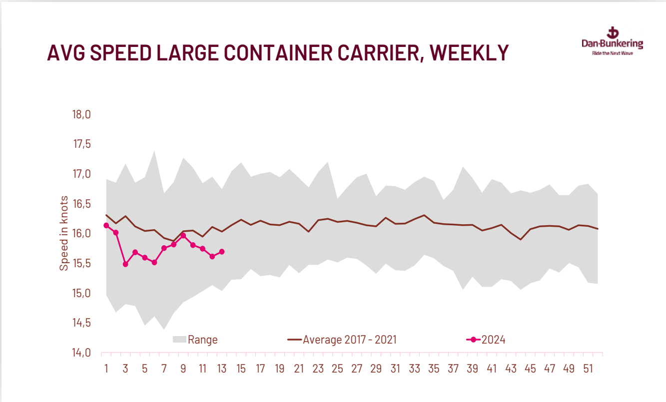
Reported tanker voyage charter rates were down, at $9.6/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were down around 1% in Fujairah and mostly unchanged in Singapore over the week through March 22nd. Bunker costs are some 24% of total voyage. If the entire voyage is calculated on VLSFO, bunker costs are some 33%. The VLSFO prices were almost unchanged in Fujairah and down around 1% in Singapore. The calculations provided are intended to be directional indications, not the actual that each tanker owner is experiencing.

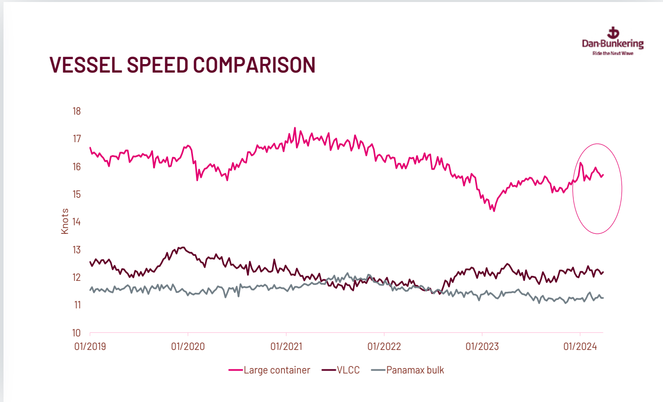




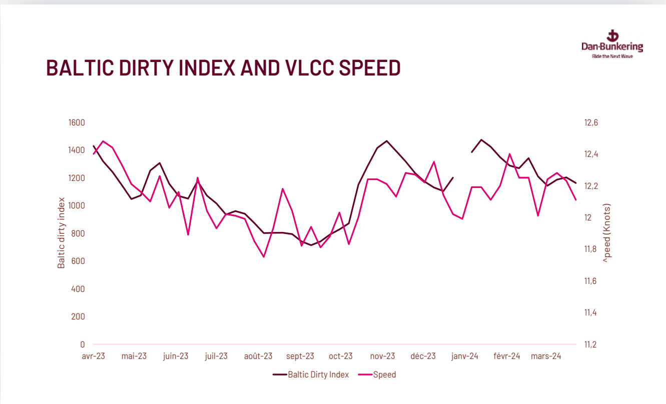
VESSEL SPEEDS

The container vessel's latest data point of 15.6 knots is down 0.1 knots compared to last week. The weekly movements in the measurements appear to be within calculation noise which may be revised. The combined data from the container freight rates, congestion, idle fleet and speeds improve the suggestion that the initial adjustment reaction to the Red Sea situation is past and the market is reacting to the underlying demand/supply balance it appears.

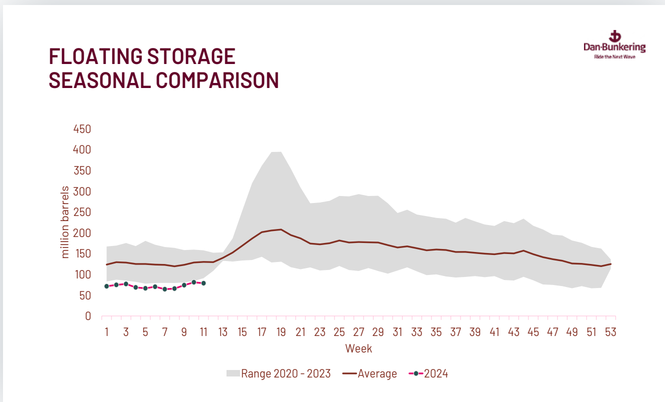




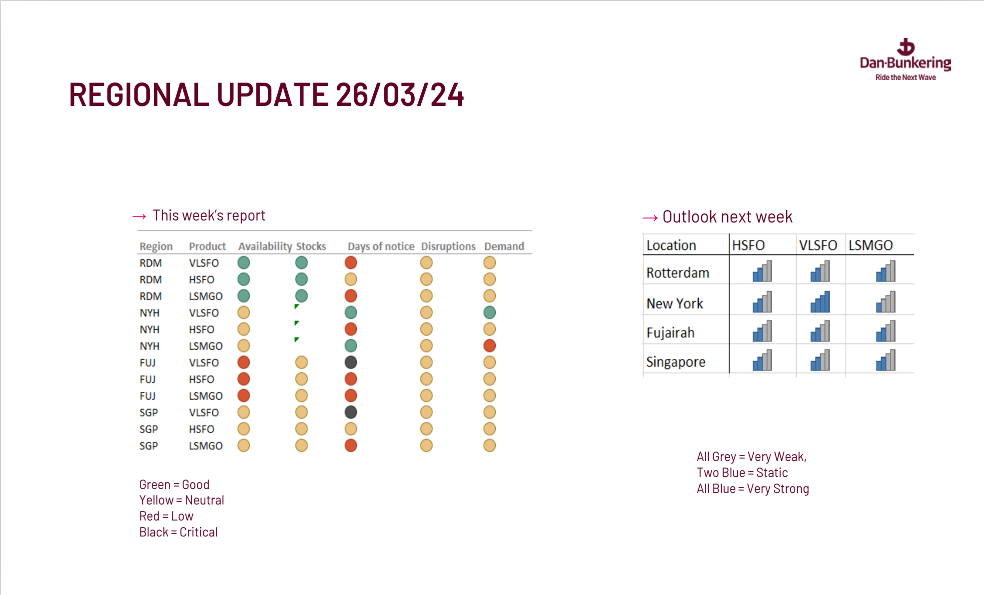
VLCC tanker speeds are down 0.1 knot at 12.1 knots. The current speed reading is at the average of the range seen for the period of the year. The idle share of the fleet was at 5.2% in deadweight terms, unchanged compared to the previous report, with the previous' week data unrevised. The share remains exceptionally high, not just for the period of the year but in a longer perspective as well. In deadweight terms, the idle share is around 32 mln DWT, down less than 0.5 mln dwt compared to last week. The current level is nearly 50% higher than the "normal" average. The current number of idle vessels was unchanged at 213 compared to last week (which was revised down by 1 vessel).



The floating storage (excluding the dedicated storage) stands at 107 vessels, up 13 vessels on last week's number, which was revised down by 1 vessel. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is nearly 86 million barrels, up over 7 mb compared to last week. 64 product tankers are reported functioning as storage, accounting for nearly 25 mb. 42 crude tankers vessels accounted for nearly 61 mb of stored oil, up over 4 mb on last report. The number of crude oil tankers as storage is still at levels seen in mid-2019.



03. REGIONAL REMARKS



NEW YORK

Demand remains strong from liners.

FUJAIRAH

Demand across Middle East ports has picked up in the past week after a quiet 1H March.

HSFO avails are good from 1st Apr onwards with slots tight before this.

VLSFO avails are very tight up to 2nd Apr. High premiums before this.

ARA

Demand is picking up somewhat again which makes the market more balanced than it has been for a while. We are hearing about some loading delays from different suppliers but nothing that is affecting avails or premiums/discounts as of yet.

SINGAPORE

VLSFO:

The Asian low sulfur fuel oil market would remain under pressure in the week March 25-29, weighed down by more than adequate prompt supplies and sluggish downstream bunkering demand. Steady exports from Kuwait and relatively higher arbitrage volumes coming in from Europe are expected to keep the Asian LSFO market well-supplied in the near term. However, they are not expecting the market to flip into a contango structure anytime soon.

Availability for prompt barge slots was largely adequate. Traders hoped that volumes will be higher in April, but the market is expected to remain bearish as buying appetite for April cargoes remain sluggish. Suppliers are reluctant to lower premiums for ex-wharf and delivered bunker fuel in Singapore despite recent weakness in downstream demand, as the ongoing situation in the Red Sea has resulted in higher costs.

HSFO:

Asia's high sulfur fuel oil market continues to struggle with abundant supplies, but strong Chinese feedstock demand and a gradual uptick in summer utility demand would likely bolster the market in the coming weeks. In Singapore, end-user demand in the HSFO segments around Singapore was seen mostly slow, or average at best in the week ended March 22, with end-users hoping for a drop in bunker prices in April.

GO:

The middle distillates market is expected to continue trending down over March 25-29 as unviable arbitrage economics keep a tight lid on regional outflows. Fundamentals in the Asian gasoil complex are likely to hold steady March 25-29 amid persistent oversupply as arbitrage lanes remain shut.

Regional indicators : prices in USD to benchmarks (week to 22/03)

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	2	FOB Rdam Barges 3.5%	-15	MOPS380	15	MOPS 380	13-16	MOPS380
VLSFO	8	FOB Rdam Barges 0.5%	15	MOPS 0.5%	-5	MOPS 0.5%	11-12	MOPS 0.5%
LSMGO	-55	ICE Gasoil	95	MOPS GO 10ppm	0	HO	10-28	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	7	5	8
VLSFO	4-6	10	3	12
LSMGO	4-6	5	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve fell $14.8/mt at the front compared to last week in absolute terms (March 22nd compared to March 15th). The curve remains fully in backwardation in both absolute terms, and in relative terms. The six-month fell by $9/mt. The time spread for the 6-month period decreased $5.8/mt to -$34.5/mt. The 3.5% barges' curve decreased the backwardation at the six-month horizon and remains in contango for the first five months of the curve. Backwardation is $2.5/mt at the six-month horizon. The front rose $2/mt while the six-month rose $2.8/mt. The VLSFO 0.5% backwardation decreased $3.8/mt to -$31.5/mt, compared to a week prior.

The relative value of VLSFO compared to LGO at 6 months was up 1% at 70% and in absolute terms down $8 at -$237/mt compared to 71% or $240/mt below LGO at the front. That $240/mt is down $10/mt on last week's reading when the front was at 69% of LGO.

Monday the 25th saw the front move up $6.5 on Friday's $823.75/mt to reach $830.25/mt. On Tuesday end morning, the ICE Gasoil curve saw the 6-month backwardation decrease by around $2/mt compared to the Friday level. The front was down $6/mt on Monday's level and the 6-month was down, by less than $4/mt on Monday's level. At the 12-month horizon, the curve is still in backwardation. The front is almost flat on Friday the 22nd.

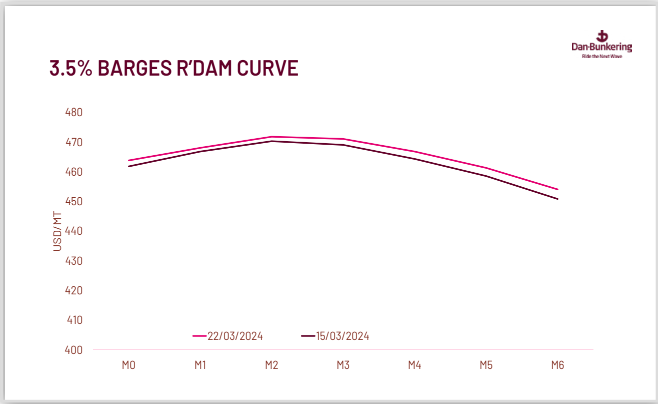
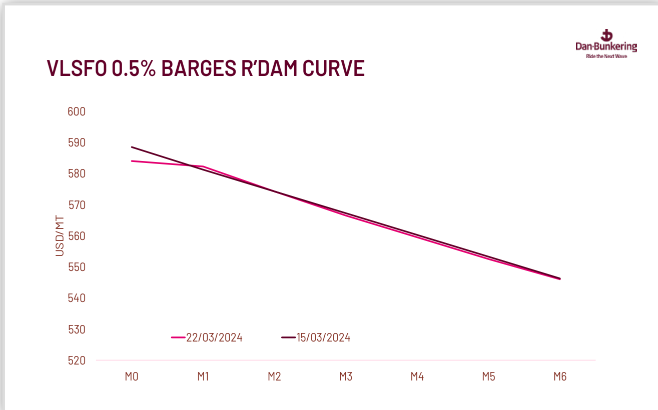
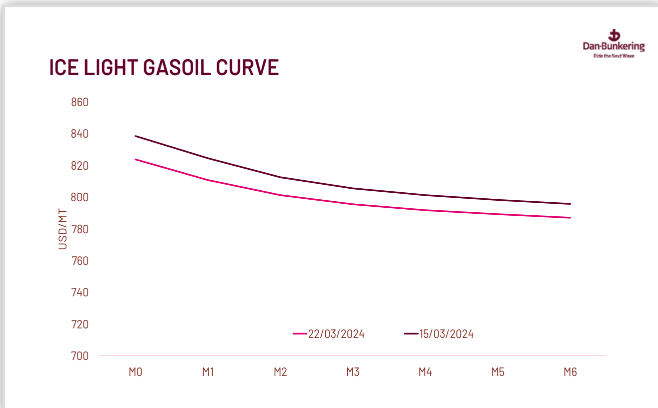
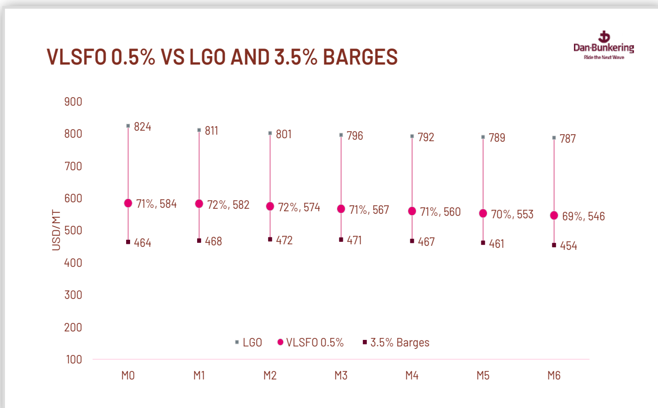


Figure 1 ARA Curve







M0 is Apr. 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front fall 1.8%, while the sixth month level fell by 1.1%. The curve trajectory is fully backwardated, with the M5-M0 at 4.2% backwardation. The Fuel Oil Rotterdam front month rose 0.4% and the 6-month rose 0.6%. The curve is 0.5% in backwardation on the six-month horizon. The VLSFO curve saw its backwardation decrease to 5.4% as the front fell 0.8%, while the back fell 0.1%.

Brent Ref:	0.1	May					
	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	-0.2	3.8	-2.8	-1.1	-4.5	4.0	-14.8
Apr-24	-0.8	3.0	-0.5	0.0	-4.5	2.0	-14.8
May-24	0.5	3.8	0.0	0.7	1.0	1.3	-13.8
Jun-24	1.0	6.3	-0.3	1.1	0.0	1.5	-11.3
Jul-24	2.0	7.3	-0.5	1.1	-0.8	2.0	-10.0

06. OUR VIEW

The noise in the oil market is increasing. Brent is rising, but not very fast. Crude oil production cuts are unlikely to be reversed before June according to OPEC sources reported by Reuters. It may give support to the oil price. The US strategic storage is slowly being refilled. And the commercial stock levels in the US were slightly down, two weeks ago. But those draws coincided with strong exports. That is an item which is easily overlooked when considering about US stocks. Those exports have reached nearly 5 mb/d in the same week of the 15th. Refinery outages in Russia are increasing. But the impact will only become clear over time, as data from exports comes in. In the meantime, there is strong positioning on expectations. Money markets speculate and lead to more noise. The price moves up and down on changing data, just like the interest rates and the hopes for rate cuts.

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)**