Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 25
June 18, 2024

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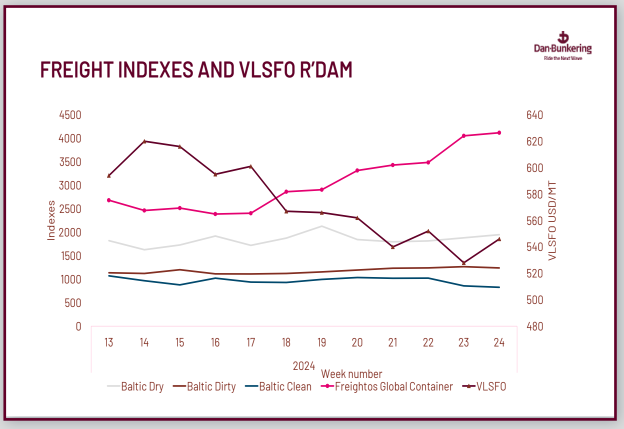
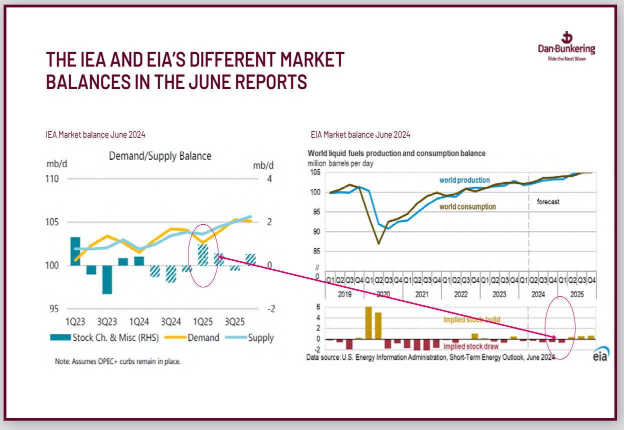
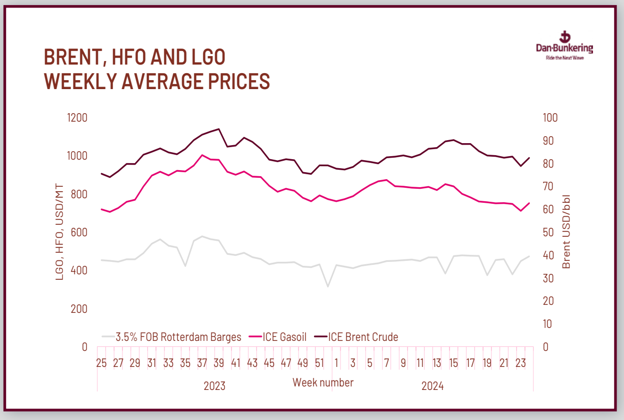
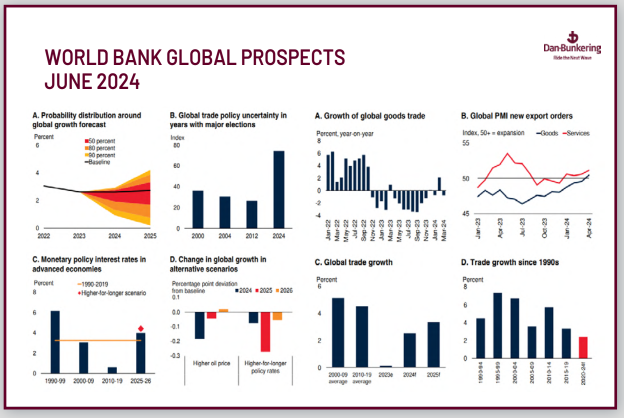








Sources: EIA.gov, ECB, investing.com, Baltic Exchange, Freightos Baltic Index, Refinitiv, Clarksons Research, U.S. Bureau of Economic Analysis, fred.stlouisfed.org, AtlantaFed, OPEC, OECD, Wolfstreet.com, Eurostat, IEA, Dan Bunkering analysis

01. ECONOMIC DATA CALENDAR

DATE	AREA	TOPIC	EXPECT	PREV.	IMPACT
18/06 15:15	USA	Industrial production	-0.2%	-0.5%	Economic activity
22:30	USA	API Crude oil stock change		-2.4 mb	Oil market balance
	China	Foreign direct investment Year to Date May (YoY)	-28.1%	-27.9%	Economic activity
19/06 01:50	Japan	Balance of trade (May)	-¥1300bn	-¥462.5bn	Economic health
06:00	Indonesia	Balance of trade (May)	$ 1bn	$3.5bn	Economic health
08:00	UK	Inflation rate May (YoY)	1.9%	2.3%	Economic health
08:00	UK	PPI output May (YoY)	1.9%	1.1%	Economic health
11:00	Euro area	Construction output April (YoY)	1.1%	0.1%	Economic activity
21:00	Argentina	Balance of trade (May)	$1.7bln	$1.8bn	Economic health
23:30	Brazil	Interest rate decision	10.5%	10.5%	Economic health
20/06 08:00	Germany	PPI May (YoY)	-3.1%	-3.3%	Economic health
09:30	Indonesia	Interest rate decision	6.25%	6.25%	Economic health
10:00	Italy	Construction output April (YoY)	4.5%	3.8%	Economic activity
13:00	UK	BoE interest rate decision	5.25%	5.25%	Economic health
17:00	USA	EIA Crude oil stocks		3.7 mb	Oil market balance
17:00	USA	EIA Distillate stocks		0.9 mb	Oil market balance
21/06 01:30	Japan	Inflation rate May (YoY)	2.5%	2.5%	Economic health
07:00	India	HSBC Manufacturing PMI (June)	57	57.5	Economic health
09:15	France	HCOB Manufacturing PMI (June)	47.3	46.4	Economic health
09:30	Germany	HCOB Manufacturing PMI (June)	46.8	45.4	Economic health
10:00	Euro area	HCOB Manufacturing PMI (June)	48.5	47.3	Economic health
10:30	UK	S&P Global Manufacturing PMI (June)	51.5	51.2	Economic health
14:00	Mexico	Economic activity April (YoY)	-0.9%	-1.3%	Economic activity
15:45	USA	S&P Global Manufacturing PMI (June)	51.5	51.3	Economic health
16:00	USA	CB Leading index May (MoM)	-0.2%	-0.6%	Economic activity
19:00	USA	Baker Hughes oil rig count		488	Oil market balance
24/06 10:00	Germany	Ifo business climate (June)	93	89.3	Economic health
12:00	UK	CBI industrial trends orders	-21	-33	Economic activity

Source: Economic Calendar (tradingeconomics.com); selection of topics based on main market movers for the week, times CET (UTC+2); definitions can be found **here**

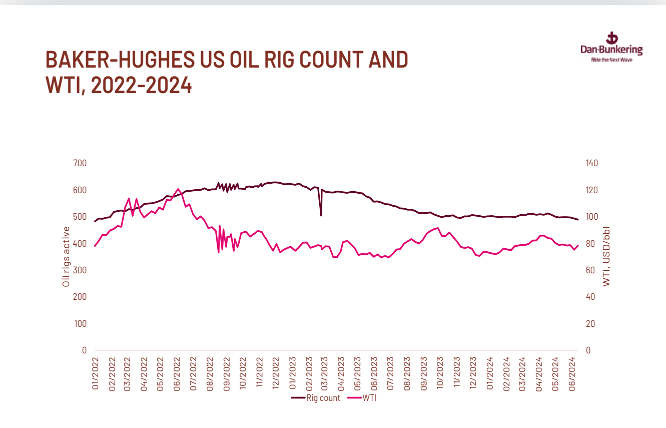
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The week ahead sees the Bank of England deciding on the interest rate. It is generally expected that the bank will keep rates unchanged at 5.25%, as it is said to be concerned about high services inflation and anxious not to be drawn into the election campaign. The Indonesian central bank is also expected to keep rates unchanged at 6.25%. Brazil's central bank will likely keep its rates unchanged at 10.5%. Manufacturing purchasing manager indexes for June show improvement in the leading European economies and the Euro area. Still, the indexes remain in contraction in France, Germany and the Euro area. In the UK, the index increased slightly at expansion levels. The same movement is happening in the USA, where the index is marginally expansionary. The index is expected to have fallen marginally in India but still strongly expansionary. In contrast to the PMIs, construction output in the Euro area is seen growing, and in Italy, that sector of activity is even seen increasing by 4.5% in April. The Conference Board's leading index in the USA is projected to show another monthly decline. In the UK, the Confederation of British Industries trends orders are seen at -21, an improvement from a month earlier. Over a long horizon since the 1970s, the index has been 'primarily negative, illustrating a slow but continuing de-industrialisation. Balances of trade are published for Japan and Indonesia. Japan's trade balance is expected to have turned deeply negative in May. Indonesia's trade balance is projected to have fallen to a still positive $1 bln in May. Argentina's balance of trade is expected to have improved further. The country's balance improved earlier as imports dropped considerably due to falling purchasing power. Foreign direct investment in China is considered to have fallen further on a cumulative basis. Year on year, it is down over 28%. The current trade political antagonism towards China from the EU and the USA will likely contribute to the fall.

OIL MARKET

The Baker Hughes oil rig count was down four rigs to 488 last week. The weekly average of WTI was $78.2, up $3.1. The natural gas price at Henry Hub rose to an average of $2.98/mmbtu, up 22 dollar cents from the previous week.



The IEA released its monthly oil market report for June, which is a shortened version this month. The agency also published its medium-term outlook, which we will report on next week. Two things stand out from the report. The first is that demand growth was reduced to below 1 mb/d. The agency is now the lowest of the three main agencies. The demand growth reduction came in the wake of weak OECD deliveries. While the

OPEC secretariat agrees with that assessment in its latest report, it estimates non-OECD demand to grow by 1.7 mb/d. The IEA sees that region's growth at 1.1 mb/d, while the OECD falls by 0.2 mb/d. The second point is the interpretation of the OPEC+ decision to reverse the voluntary production cuts. The organisation notes that OPEC+ has said that the decision can be paused or even walked back given market circumstances, and as a result does not include any material increase of OPEC+ in output. For 2025, the OPEC+ increase is assumed to be around 0.3 mb/d. The balance of the market is therewith relatively tighter despite the lower demand growth assumption. For Q3, a draw of 0.8 mb/d is now foreseen, followed by a much smaller 0.3 mb/d draw, before the market turns into surplus. Those stock draws follow on the heels of stocks that are currently building substantially. Onshore stocks in the US and China rose both in April and May. Oil on the water dropped significantly after strong rises in April. Despite the builds, the OECD industry levels are still below the 5-year average, although that one may see in relation to weak demand growth, if not outright contraction. Still, the point is that the projected stock draws are based on the assumption that OPEC+ will not make good on its June policy decision. The market balance is very weak on this approach and accordingly, OPEC will have to retract its reversal and probably tighten further in 2025 in order to avoid a price fall. This is clearly the most bearish of the three reports.

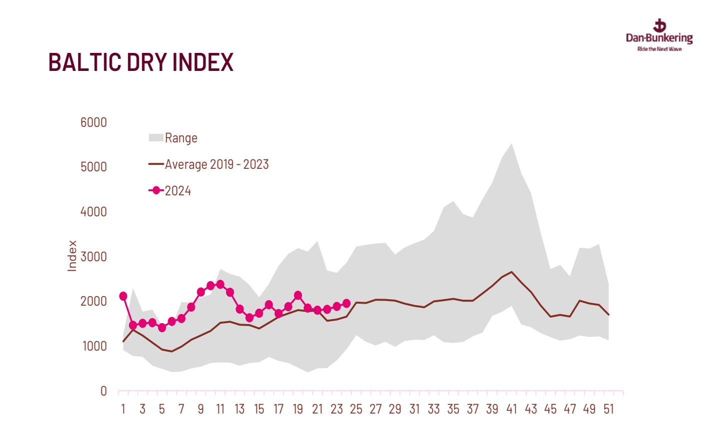
The EIA on the contrary assumes that OPEC+ will start the reversal from Q4 onwards. The US agency's balance is showing a 0.6 mb/d draw in Q3 and a 0.5 mb/d draw in Q4. In addition, it expects a further draw of 0.7 mb/d in Q1 2025, where the IEA sees a nearly 1 mb/d build in stocks. Despite the continued draw, the EIA's Brent price forecast is only for a modest uptick in Brent during that quarter to $88/bbl.

ECONOMY

The US Federal Reserve decided to keep rates unchanged, once again, at 5.25%. The higher-for-longer approach continues. The central bank wants to be sure that inflation is firmly close to its 2% target. It is not just the current decision; the bank also published its so-called dot-plot. It is the projection of the different participants' opinions on how they see the US economy evolve. That dot-plot now shows only 1 cut of 0.25% in 2024. Slowly but surely, rate cuts are pushed back.

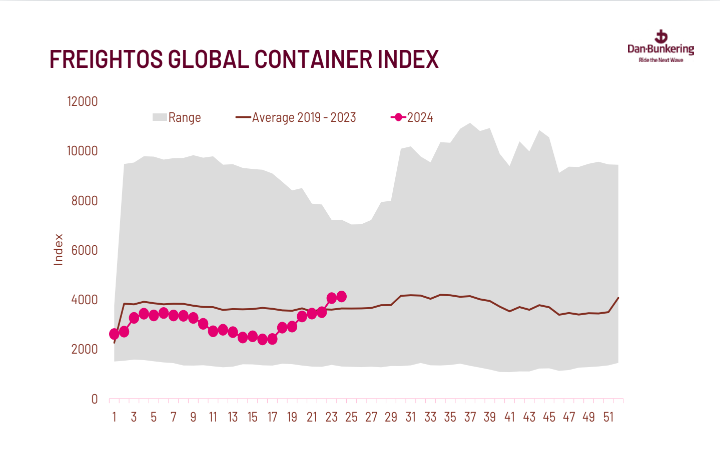
The World Bank released its Global Economic Prospects. The bank expects a stabilisation of the global economy seeing 2.6% growth and increasing very marginally to 2.7% in 2025 and 2026. That growth is well below the 3.1% seen prior to 2020. Overall, developing economies are projected to grow 4% on average over 2024-25, slightly slower than in 2023. Growth in low-income economies is expected to accelerate to 5% in 2024 from 3.8% in 2023. In advanced economies, growth is set to remain steady at 1.5% in 2024 before rising to 1.7% in 2025. Global risks remain tilted to the downside despite the possibility of some upside surprises. Escalating geopolitical tensions could lead to volatile commodity prices, while further trade fragmentation risks additional disruptions to trade networks. Already, trade policy uncertainty has reached exceptionally high levels. That is exerting a further drag on global trade. The World Bank suggests that neither the Red Sea diversions nor the Panama Canal disruptions have substantially increased supply chain pressures or lengthened supply delivery times. Global trade growth is projected to pick up to 2.5% this year, well below the 2000-2019 average, before increasing to 3.4% in 2025 and 2026. The bank sees a weaker trade to GDP relationship, reflecting slow investment growth and the persistence of trade restrictions.

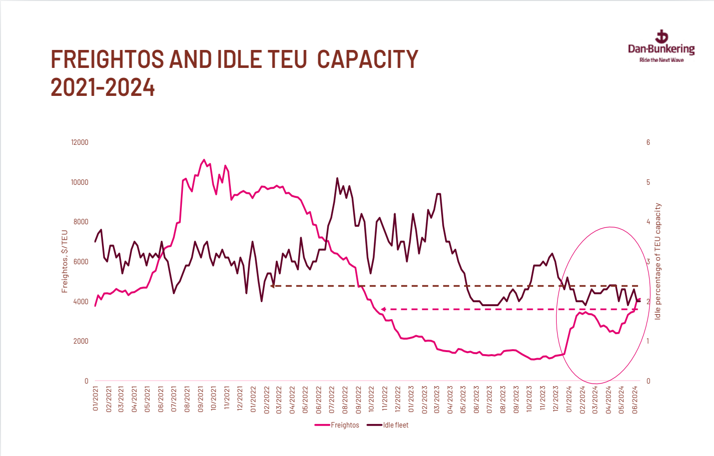
VESSEL RATES



Crude oil tanker rates on the Baltic Exchange TD3 route were down 11% after last week's 10% decrease. The t/c rates were at $28.2k/day compared to $31.6k/day a week before. Voyage rates were reported at $8.2/mt on the route on the 14th of June, down $0.3 compared to the week of the 7th. The Baltic dirty index was down 2%, or 27 points, to 1240. The level is 50% above the previous 5-year average. The clean index was down 3% from last week's level at 828. The index is 19% above the previous 5-year average. Dry bulk rates rose 4% or 67 points to 1948 per the Baltic Dry Index. The index is 18% above 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 rose nearly 2% over the last week compared to the 7th of June to $4119, as measured by the overall **Freightos Global Index**. The China to Europe rate rose over 5% to $6480 over the same period. The China to US West Coast rose over 1% from $5888 to $5969. The indexes have now risen back to levels last seen in the months August to September 2022. The Red Sea disruptions with their knock-on effects on fleet deployment as well as reported strong demand continue driving up rates. Congestion, measured by the last 7-day moving average of containerships in port, was reported at 30%, down 0.7% points compared to the previous week. The congestion share represents some 8.8 mln TEU, down 0.2 mln TEU from last week. The idle fleet stood at 256, up 10 from last week, which saw a 6-vessel downward revision in the data. Some 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

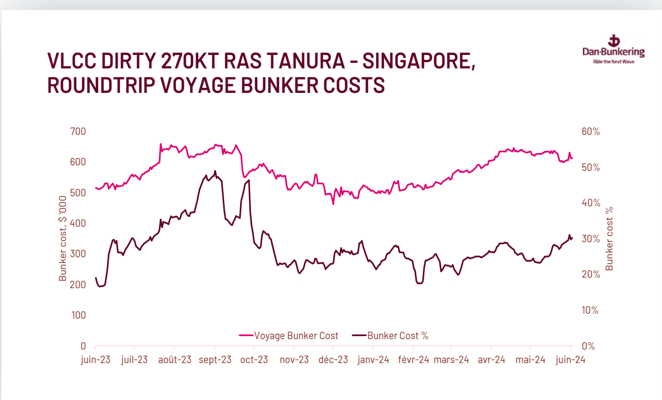


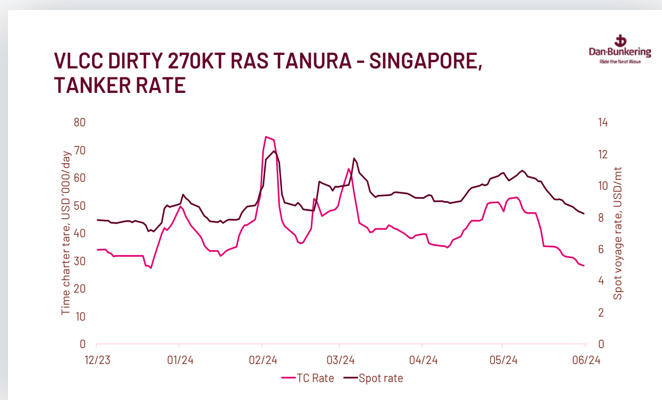


vessel numbers). That is just above the low end of the 5-year range. The reported average voyage duration between China and the US West Coast is 20 days, down 1 day from last week.

FREIGHT AND BUNKERS

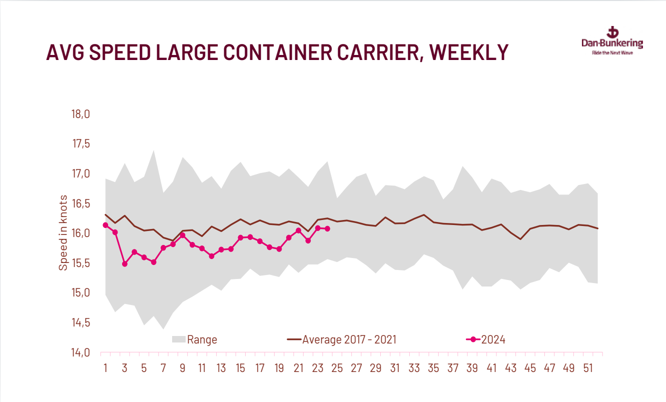
Reported tanker voyage charter rates were down at $8.2/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were up more than 2% in Fujairah and Singapore over the week through the 14th of June. Bunker costs are some 30% of the total voyage. If the voyage is calculated on VLSFO, bunker costs are 36%. The VLSFO prices were up over 2% in Fujairah and more than 3% in Singapore. The calculations provided are intended to be directional indications, not the actual ones that each tanker owner is experiencing.

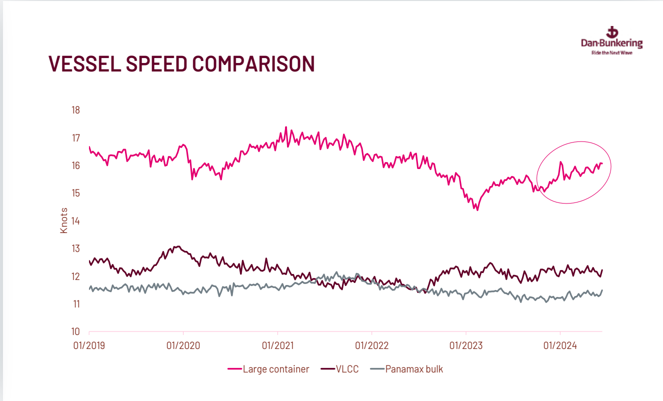




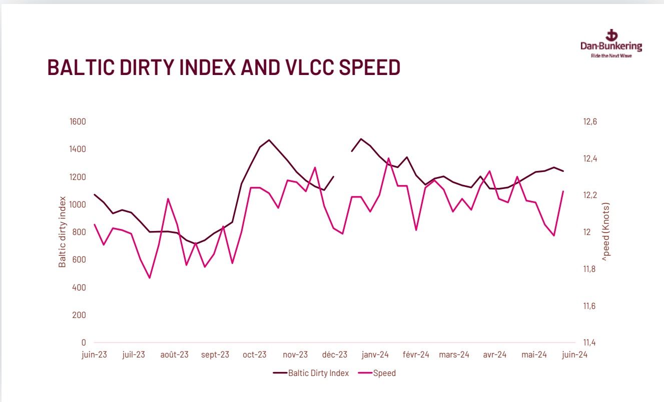
VESSEL SPEEDS

The container vessel's latest data point of 16.1 knots is unchanged from last week. Medium sized container vessels increased speed by 0.1 knots to 15.2 knots. The weekly movements in the measurements appear to be within calculation noise, which may be revised.

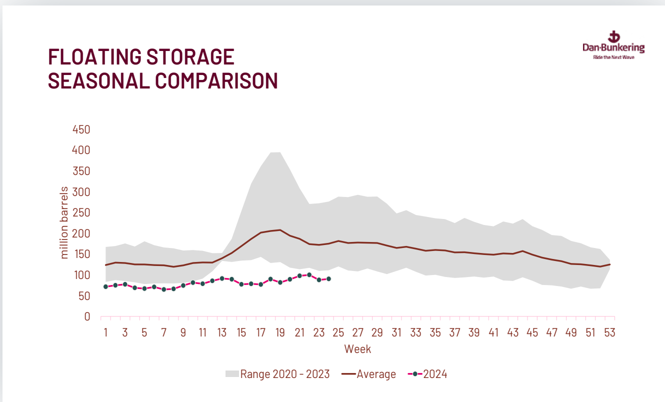




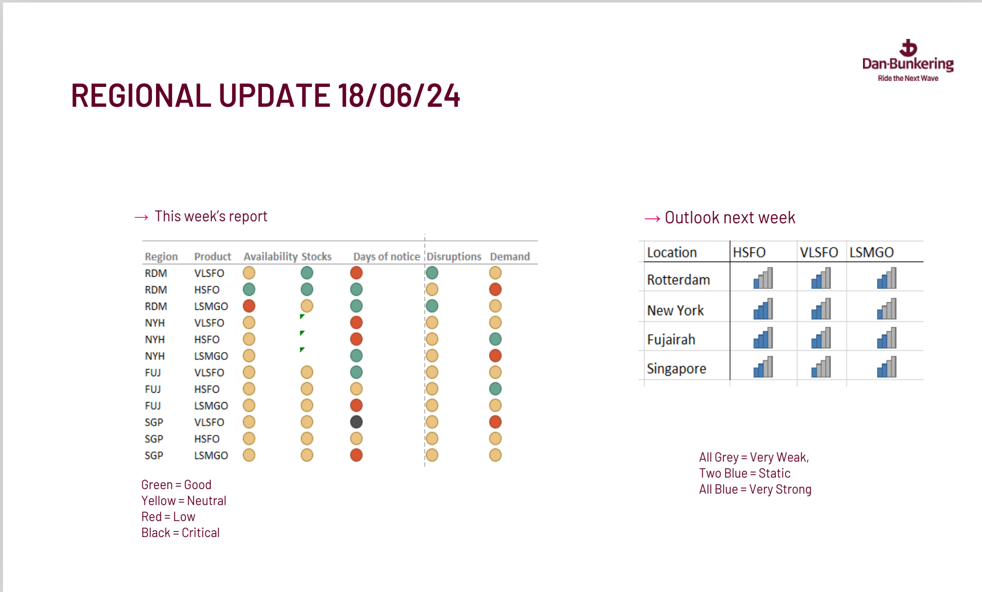
VLCC tanker speeds are flat at 12 knots. The current speed reading is on par with the average of the range seen for the period of the year. Still, the movements in the speeds are occurring in a tiny band around that average. The idle share of the fleet was at 5.8% in deadweight terms, up 0.2% points compared to the previous report (last week's data was revised down by 0.1% point). The share remains exceptionally high, not just for the period of the year but in a longer perspective as well. The idle share was up 1 mln DWT to over 36 mln DWT in deadweight terms as the previous week was revised down by the same amount. The current level is 30% higher than the "normal" average. The current number of idle vessels rose by 20 to 281 compared to last week (which was decreased by 8 vessels).



The floating storage (excluding the dedicated storage) stands at 124 vessels, up 2 vessels from last week's number, which was lowered by 8 vessels. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is above 90 million barrels, up over 2 mb compared to last week. 71 product tankers are reported functioning as storage, accounting for 26 mb. On last report, 52 crude tankers vessels accounted for nearly 64 mb of stored oil, up over 5 mb. Despite the current halting, the number of crude oil tankers as storage is slowly creeping up. The number of product tankers used as storage remains elevated. However, last week's numbers were revised down quite substantially to the point that this week's readings would have been flat had no revisions taken place.



03. REGIONAL REMARKS



NEW YORK

Liner segment still lifting heavily. Spot demand has been waning.

FUJAIRAH

Fujairah May bunker sales drop to six-month low. HSFO sales up are up approximately 30% on year, with total volume down 0.8% on year. Bunker sales at the Port of Fujairah in May dropped 3.5% month on month, with all product categories showing declines except for lubricants.

The total for HSFO, VLSFO, and LSMGO fell to 615,401mt last month, the lowest since November 2023. Compared with a year earlier, the volume was 0.8% lower.

HSFO sales continue to be strong with its market share up to 25-30% of total sales at Fujairah.

ARA

Loading delays are encountered regarding VLSFO, otherwise no changes in the situation in the region.

SINGAPORE

VLSFO:

The LSFO is expected to come under persistent pressure from ample supply over June 18-21, while lackluster downstream valuations will cap the potential upside for overall sentiment. Demand has been moderate, the LSFO delivered premiums have been rangebound at high single-digits to the low teens, amid adequate barge availabilities for prompt dates. Lackluster downstream bunker demand is expected to continue into the trading week ending June 21, as supply of the grade continues to be more than sufficient to meet demand. While a small number of suppliers can deliver stems on a prompt basis, the majority of the market is only able to meet requirements with lead times of 8-10 days ahead.

HSFO:

The HSFO market is likely to find decent support from peak summer demand from utility sectors in the Middle East, as demand in downstream bunker markets has maintained healthy levels. Lower availability of non-sanctioned barrels around key hubs may lend upstream valuations some degree of support in the meantime, though overall cargo availabilities were still seen to be sufficient for bunker deliveries in the near term. The slight supply tightness is expected to ease with cargo replenishments arriving in the ports in H2 June, while demand is expected to remain rather steady into the week ending June 21.

Gasoil:

The Gasoil market may soften over June 18-21 due to plentiful regional gasoil supply. Fundamentals in the Asian gasoil market are expected to remain weak in the week to June 21, as the complex faces downward pressure from long regional supply.

Regional indicators : prices in USD to benchmarks

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	7	FOB Rdam Barges 3.5%	-7	MOPS 380	-3	MOPS 380	13-18	MOPS380
VLSFO	4	FOB Rdam Barges 0.5%	8	MOPS 0.5%	2	MOPS 0.5%	10-11	MOPS 0.5%
LSMGO	-18	ICE Gasoil	230	MOPS GO 10ppm	0	HO	-7 to +3	MOPS GO 10ppm

NYH HSFO barrel to MT: 6.36 and NYH VLSFO to MT: 6.9, NYH LSMGO versus HO in $/gallon, NYH Brent 6.75

Regional indicators : Day's notice

Product	ARA	FUJ	NYH	SGP
HSFO	3	6	5	8
VLSFO	4-5	5	5	12
LSMGO	3	5	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve rose $40/mt at the front compared to last week in absolute terms (June 14th compared to June 7th). The six-month rose by $25.3/mt. The curve is in unstable over the first 4 months and then moves into backwardation. The time spread for the 6-month period decreased $14.8/mt to *minus* $9/mt, showing a very strong move. The 3.5% barges' curve strengthened the backwardation, which is at $27.5 on the 6-month contract (front month minus the six-month contract). The front rose $14.5/mt while the six-month rose $12.3/mt. The VLSFO 0.5% backwardation increased $3/mt to -$11.8/mt compared to a week prior. The front month is again higher than the second month, reversing the move towards contango on the VSLFO. The curve is still in backwardation.

The relative value of VLSFO compared to LGO at 6 months is flat at 70% and rose $6/mt in absolute terms to -$228/mt compared to 70% or $226/mt below LGO at the front. That $226/mt is up $18/mt on last week's reading when the front was 71% of LGO.

Monday the 17th saw the ICE gasoil front move up $5/mt on Friday's $762.3/mt close to reach $767.3/mt. On Tuesday end morning, the ICE Gasoil curve saw the 6-month structure increase by around $0.5/mt compared to the Friday level. The front was up around $1.5/mt on Monday's level and the 6-month was up by $1/mt on Monday's level. The curve saw a strengthened backwardation. The front is up nearly 1% compared to Friday the 14th.

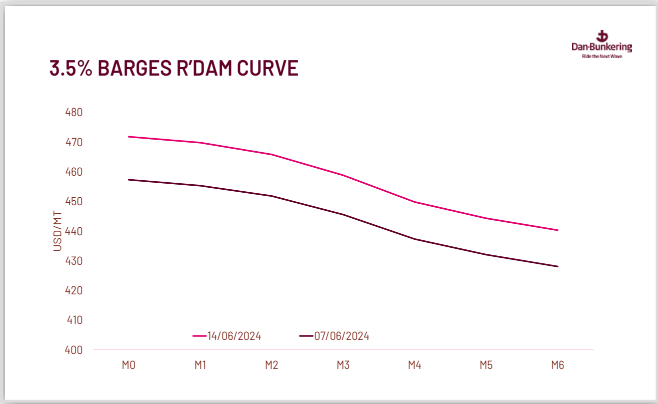
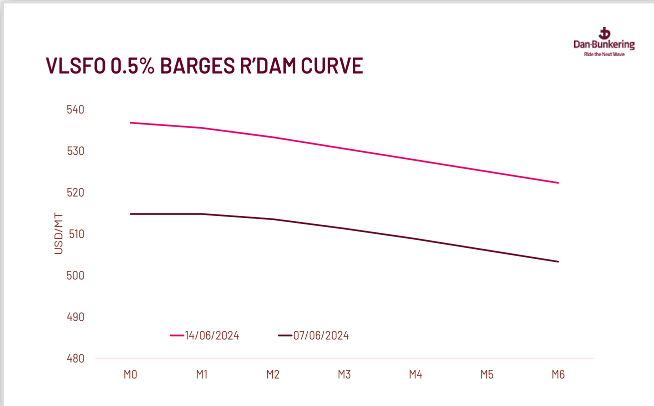
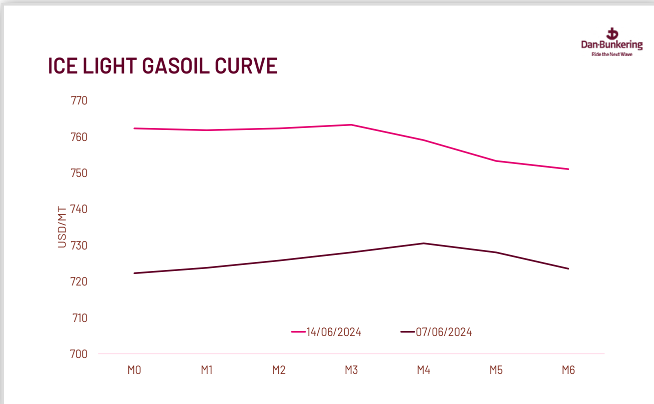
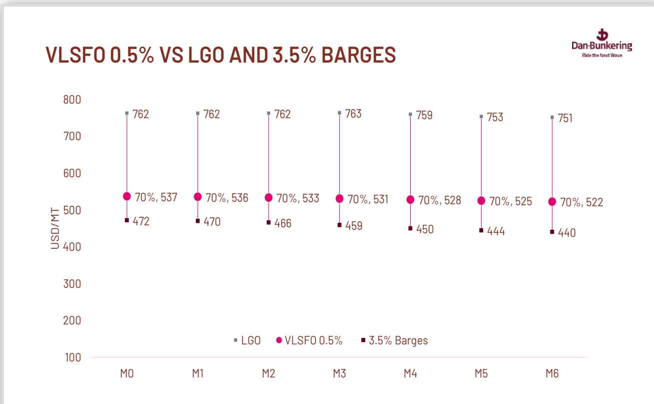


Figure 1 ARA Curve







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05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front rise by 5.5%, while the sixth-month level rose by 3.5%. The sixth month, minus the front month, is at 1.2% backwardation, down from 0.8% contango last week. The Fuel Oil Rotterdam front month rose 3.2%, and the 6-month rose 2.8%. The curve is 5.8% in backwardation on the six-month horizon. The VLSFO curve saw its backwardation increase to 2.2% as the front rose 4.3% while the back rose 3.8%.

Brent Ref:	3.0	August					
	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	23.1	15.5	3.5	2.2	22.0	17.8	40.0
Jun-24	21.3	14.3	1.4	1.9	22.0	14.5	40.0
Jul-24	22.8	15.5	1.9	1.9	20.8	14.5	38.0
Aug-24	21.3	14.8	1.9	1.8	19.8	14.0	36.5
Sep-24	20.8	14.3	1.8	1.8	19.3	13.3	35.3

06. OUR VIEW

The Euro area's inflation rate came in at the expected 2.6%, while wage growth in the Euro area in Q1 was reported at 5.3% year-on-yea, close to double the 2.8% the markets expected. Note that the central banks want to see low wage inflation, in order to see lower overall inflation and avoid a wage-price spiral. The June ZEW economic sentiment index for June was expansionary, contrary to expectations. The gauge measuring current conditions was however unchanged. Yet, in Germany, the high-frequency data is suggesting deteriorating circumstances. The current conditions index dropped again deep into negative territory. The economic sentiment index also deteriorated and came in below expectations.

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)**