Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 29
July 16, 2024

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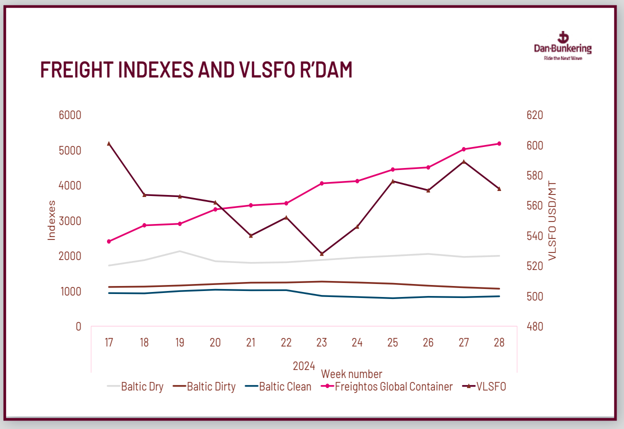
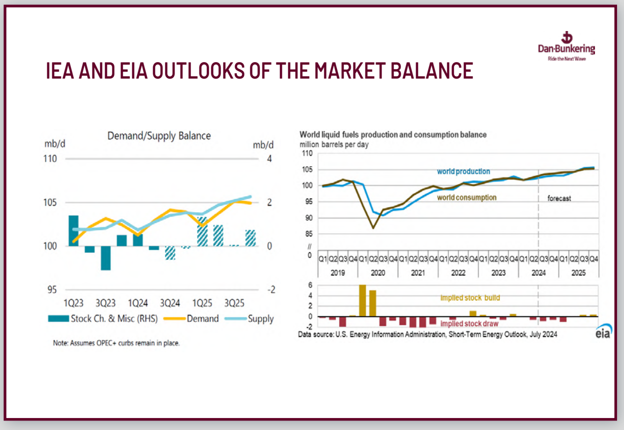
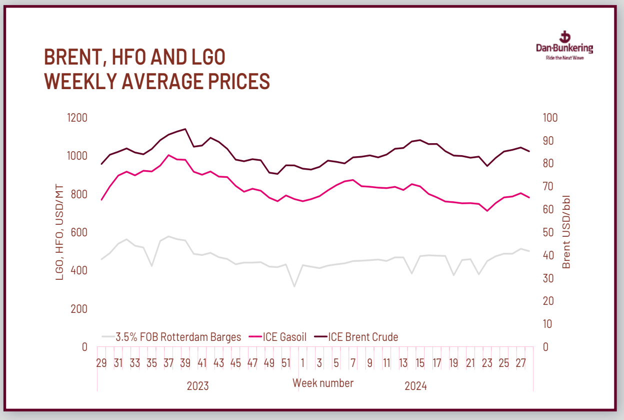
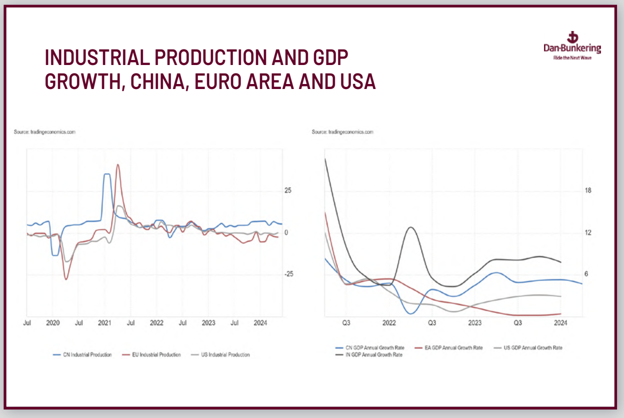








Sources: EIA.gov, ECB, investing.com, Baltic Exchange, Freightos Baltic Index, Refinitiv, Clarksons Research, U.S. Bureau of Economic Analysis, fred.stlouisfed.org, AtlantaFed, OPEC, OECD, Wolfstreet.com, Eurostat, IEA, Dan Bunkering analysis

01. ECONOMIC DATA CALENDAR

DATE	AREA	TOPIC	EXPECT	PREV.	IMPACT
16/07 22:30	USA	API Crude oil stock change		-1.9 mb	Oil market balance
17/07 03:30	Singapore	Balance of trade (Jun)	$6.4 bn	$4.6 bn	Economic health
08:00	UK	Inflation rate June (YoY)	2%	2%	Economic health
09:30	Indonesia	Interest rate decision	6.25%	6.25%	Economic health
11:00	Euro area	Inflation rate June (YoY)	2.5%	2.6%	Economic health
15:15	USA	Capacity utilisation	78.7%	78.2%	Economic activity
15:15	USA	Industrial production June (YoY)	0.4%	0.1%	Economic activity
16:30	USA	EIA crude oil stocks change		-3.5 mb	Oil market balance
16:30	USA	EIA distillate stocks change		4.9 mb	Oil market balance
18/07 01:50	Japan	Balance of trade (Jun)	-¥200 bn	-¥1221 bn	Economic activity
01:50	Japan	Exports June (YoY)	6.4%	13.5%	Economic health
01:50	Japan	Imports June (YoY)	9.3%	9.5%	Economic health
14:15	Euro area	ECB interest rate decision	4.25%	4.25%	Economic health
16:00	USA	CB leading index June (MoM)	-0.3%	-0.5%	Economic activity
19/07 01:30	Japan	Inflation rate June (YoY)	2.8%	2.8%	Economic health
08:00	Germany	PPI June (YoY)	-1.6%	-2.2%	Economic health
08:00	UK	Retail sales June (YoY)	1.2%	1.3%	Economic activity
19:00	USA	Baker Hughes oil rig count		478	Oil market balance
	China	Foreign direct investment June (YoY)	-28.8%	-28.2%	Economic activity
22/07 14:00	Mexico	Economic activity May (YoY)		5.4%	Economic activity
14:30	USA	Chicago Fed National Activity Index (Jun)	0.3	0.18	Economic activity
23:00	Korea	PPI June (YoY)	2.8%	2.3%	Economic health

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

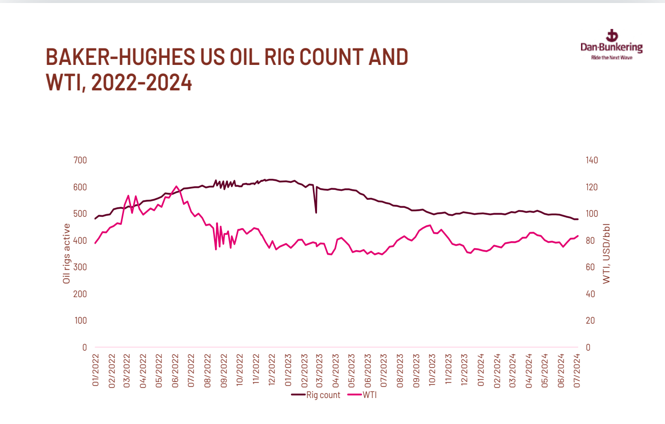
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The coming **week** is comparatively calm in economic news releases. The major point is the interest rate decision by the ECB on Thursday. It is expected that the bank will keep the rate unchanged at 4.25%. The Euro area inflation rate for June is projected to have slowed to 2.5% year on year, from 2.6% in May. So, although on its way to the 2% target, the bank is likely to interpret this as necessary for continued tight policy. The UK's inflation rate is already at the Bank of England target of 2% and expected to have remained at that level in June, In Japan also, the inflation rate is unchanged, at 2.8%. The producer price index in Germany is seen falling less quickly, at -1.6%, while Korea's PPI is seen increasing faster by 2.8%. Singapore's balance of trade is expected to have increased to $6.4 bn, which is towards the higher end of the monthly surpluses that Singapore consistently registers. Japan's trade balance is seen improving from a 1.2 trillion Yen deficit to a 200 billion Yen deficit. Exports are projected to have increased by 6.4%, approximately half the 12.5% growth recorded in May, while imports are projected to continue growing at 9.3%. The discrepancy between the growth numbers of both exports and imports and the tightening balance is a result of the large jump in exports in June 2023, while imports were essentially flat between May and June 2023. Industrial production in the USA is expected to have grown by 0.4% in June, with the Chicago Fed national activity index also showing growth. However, the Conference Board's leading index is indicating a further month on month fall in June. The country's capacity utilisation is up 0.5% points, to 78.7%. that is around the levels that utilisation has been since last year. The number is rather cyclical and has been trending sideways for nearly a decade. Note that this is a very contentious indicator in the trade discussion about China and its industrial policy as China's capacity utilization is several percentage points below that of the USA. Foreign direct investment in China continues to fall. The cumulative change from 2023 is up to 28.8% from 28.2% recorded in May.

OIL MARKET

The Baker Hughes oil rig count was down 1 rig at 478 last week. The weekly average of WTI was $82.1, down $1.2. The natural gas price at Henry Hub fell to an average of $2.3/mmbtu, down 10 dollar cents from the previous week.



The three agencies published their oil market reports for July. The OECD's IEA kept its demand growth forecast nearly unchanged at below 1 mb/d for 2024, even though absolute levels were lowered. The agency reports very weak demand growth in Q2 of just above 700 kb/d, as Chinese demand contracted in both

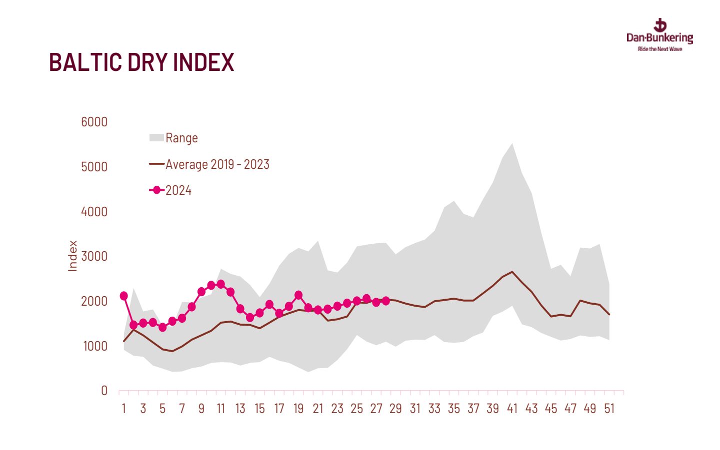
April and May. On the supply side, non-OPEC+ is still seen growing by 1.5 mb/d in 2024, with OPEC+ offsetting this increase by over 700 kb/d, resulting in weak global supply growth. For 2025, this picture is set to change as OPEC+ reverses its output policy, while demand growth remains below 1 mb/d. Consequently, the IEA view on the market balance is generally bearish, with a stock draw of 0.8 mb/d in Q3 this year and 0.4 mb/d in Q4, before seeing stockbuilds throughout 2025. In effect, the agency is suggesting that OPEC+ should not reverse its policy too fast if prices are to be kept elevated. The US' Energy Information Administration in its Short-Term Energy Outlook also sees a weak oil market, though stronger than the IEA. Firstly, the EIA sees demand growth at 1.1 mb/d in 2024 and then an acceleration to 1.6 mb/d in 2025. The agency projects oil supply growth of 0.6 mb/d in 2024, less than the IEA, and 2.2 mb/d in 2025, well above the IEA. The EIA's market balance is one of draws through the second quarter of 2025, before fully balanced markets for the latter two quarters of 2025. As a result, the agency sees Brent at $86/bbl on average for 2024, and $88/bbl on average for 2025. On a quarterly basis, the EIA projects Brent at nearly $90/bbl in Q4 and nearly $91/bbl in Q1 before dropping back to $86 come Q4 2025. It is OPEC which maintains the most elevated demand forecast. Like the other agencies, the demand forecast is unchanged from June. OPEC has a 2.2 mb/d expansion in 2024 and another 1.8 mb/d in 2025. In absolute terms, the OPEC projects 2024 demand at 104.5 mb/d, the IEA at 103.1 mb/d and the EIA has demand at 102.9 mb/d. For 2025, the agencies see 106.3 mb/d, 104 mb/d and nearly 105 mb/d respectively. By late 2025, OPEC for instance sees demand above 107 mb/d, well above the absolute peak of global oil demand that the IEA projects in its medium-term outlook.

Apart from these differences in assessments of absolute demand and supply levels, OPEC sees a substantial need for the Declaration of Compliance countries. Those countries are producing around 40.9 mb/d, 1.6 mb/d below the 42.5 mb/d needed according to the OPEC Secretariat. That need increases to 43.9 mb/d by Q4 and 44.7 mb/d in Q3 2025. Those numbers suggest a very substantial reversal of the OPEC+ output decisions. But in the end, it appears that one side of the market is trying to talk the market down and the other side is talking the market up, leaving the actual market into a fairly static situation.

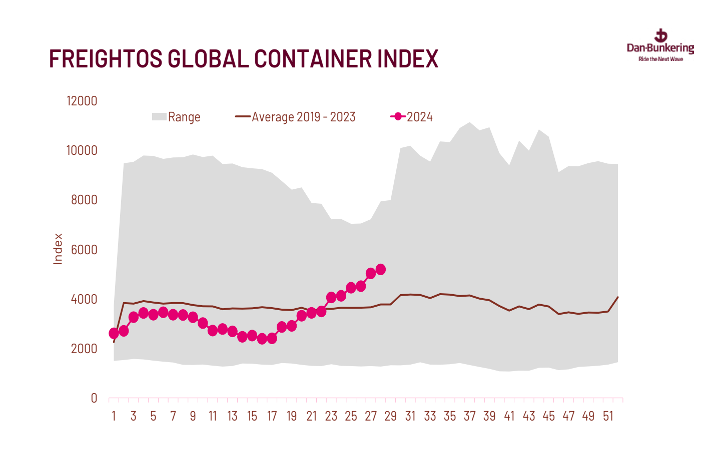
ECONOMY

The Chinese economy grew at a substantially lower rate than expected in Q2. GDP growth was reported at 4.7% from year ago levels. That was 0.3% points below market expectations and 0.6% lower than Q1 growth numbers. The Chinese government aims for an approximate 5% growth rate, but at present trends, this target may be difficult to reach. The IMF has a growth rate of 4.6% for 2024, before slowly slowing down over the next 5 years. The Communist Party of China is holding its third plenum, which is a major meeting held roughly once every five years to map out the general direction of the country's long-term social and economic policies. In recent decades, the third plenum has focused on long-term economic reforms. This week, the third plenum will outline efforts to promote advanced manufacturing, revise the tax system to curb debt risks, manage a vast property crisis, boost domestic consumption and revitalise the private sector. One of the economic goals includes a boost of per capita gross domestic product (GDP) to the level seen in moderately developed nations by 2035. Typically, the plenums take a long view, rather than focus on short term economic issues. Apart from the GDP data, China's industrial production was up 5.3% in line with forecasts, while industrial capacity utilisation was reported at 74.9%, higher than forecast and 1.3% point higher than in Q1. India reported 5.9% growth in its industrial production, above the 5% forecast. Euro area industrial production in May was reported down by 2.9% annually, only marginally better than the 3.1% fall in April. Expectations were for a more moderate 2% fall. There is a clear discrepancy between development in the so-called advanced economies and the developing countries. This will increasingly manifest itself in seaborne trade patterns.

VESSEL RATES



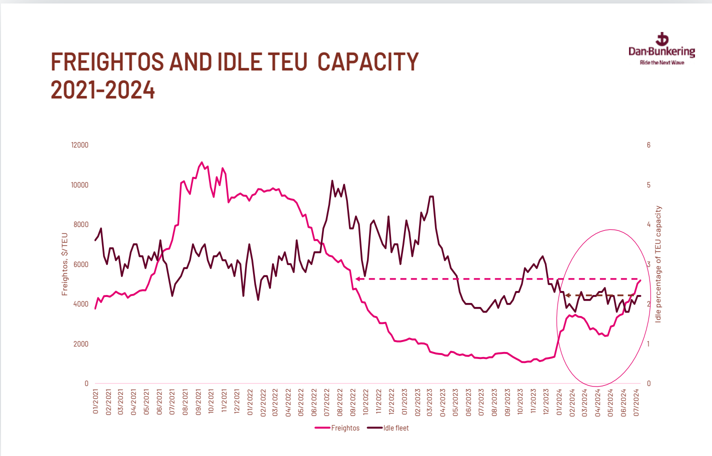
Crude oil tanker rates on the Baltic Exchange TD3 route were down 5.3% after last week's 7.5% decrease. The t/c rates were at $22.5k/day compared to $23.7k/day a week before. Voyage rates were reported at $7.7/mt on the route on the 12th of July, down $0.2 compared to the week of the 5th. The Baltic dirty index was down 3%, or 38 points, to 1064. The level remains 33% above the previous 5-year average. The clean index was up 3% from last week's level at 849. The index is 29% above the previous 5-year average. Dry bulk rates rose 2% or 31 points to 1997 per the Baltic Dry Index. The index is 1% 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 rose over 3% over the last week compared to the 5th of June to $5182, as measured by the overall **Freightos Global Index**. The China to Europe rate rose nearly 3% to $8632 over the same period. The China to US West Coast rose over 2% from $7930 to $8101. The indexes continue to rise 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 30.7%, up 0.2% points compared to the previous week. The congestion share represents some 9.1 mln TEU, up 0.1 mln TEU from last week. The overall congestion levels may now be underreporting the actual impact of the Red Sea diversions, as the vessels are on longer voyages, and therefore less in port.

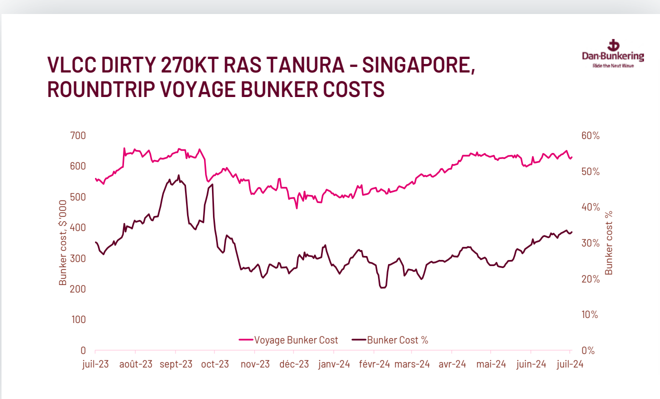
The idle fleet stood at 270, down 17 from last week, which itself was lowered by 4 vessels. Some

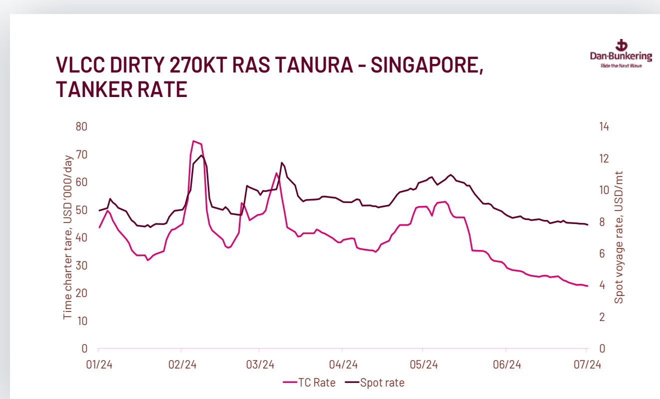
2.2 % of the fleet is reported idle (including those vessels retrofitted with scrubbers and those laid up and calculated in terms of TEU capacity rather than vessel numbers). That level continues just above the low end of the 5-year range. Here as well, the overall number disguises imbalances in sub-segments. Of those 270 idle container vessels, 213 are sub 3000 TEU, down 22 on last week, with another 30 of 3-6000 TEU, unchanged from last week. Those vessels represent 4.1% and 2.7% of their respective fleet sizes. Clarksons reports 8 containerships of 12-17000 TEU idle, or 1.7% of capacity, double last week's tally, and none of 17000+ TEU. The reported average voyage duration between China and the US West Coast is 20.7 days, up 0.8 days from last week.



FREIGHT AND BUNKERS

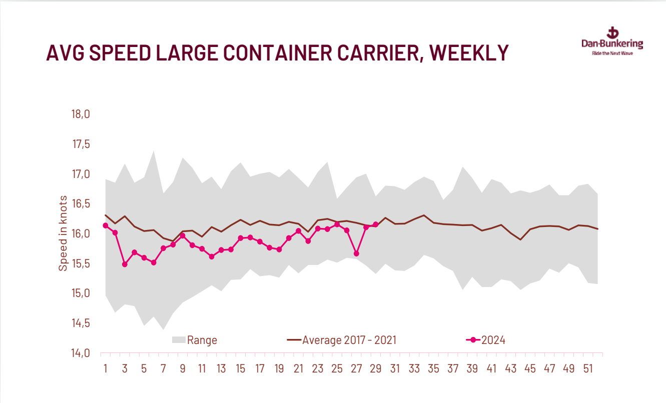
Reported tanker voyage charter rates were down at $7.7/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were down around 1.5%in Fujairah and Singapore over the week through the 12th of July. Bunker costs are some 33% of the total voyage. If the voyage is calculated on VLSFO, bunker costs are 41%. The VLSFO prices were down just over 1% in Fujairah and more than 2% in Singapore. The calculations provided are intended to be directional indications, not the actual ones that each tanker owner is experiencing.

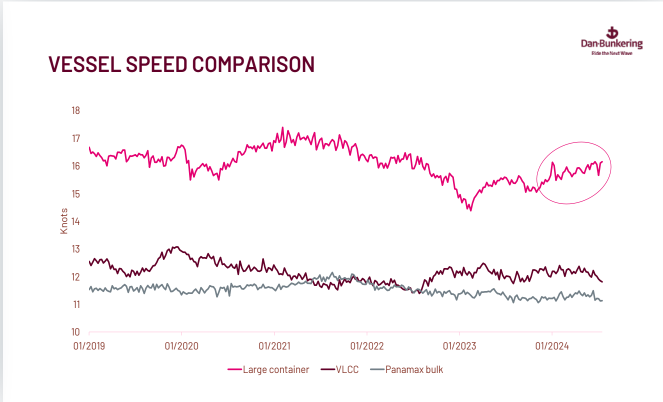




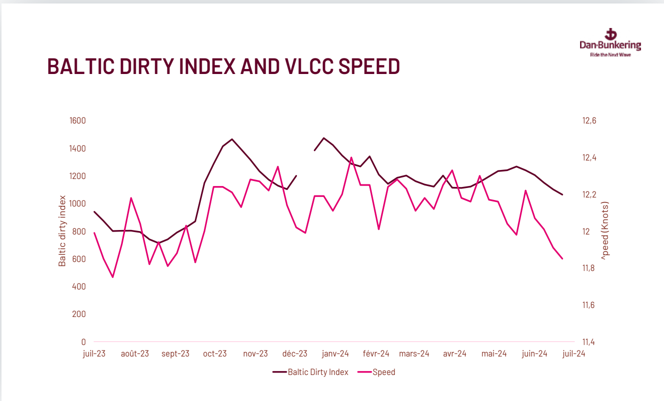
VESSEL SPEEDS

The container vessel's latest data point of 16.1 knots is up over 0.4 knots from last week. It is a full reversal of the speed reduction last week. The changes suggest that the measurement may have seen outliers in the data which impacted the overall speed observations. Medium sized container vessels increased speeds to 15 knots. The weekly movements in the measurements appear to be within calculation noise.

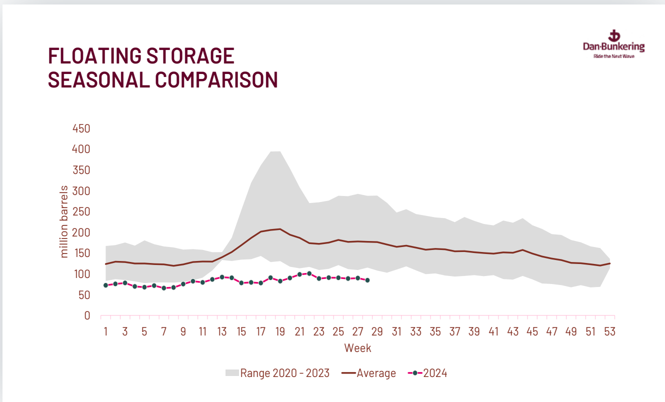




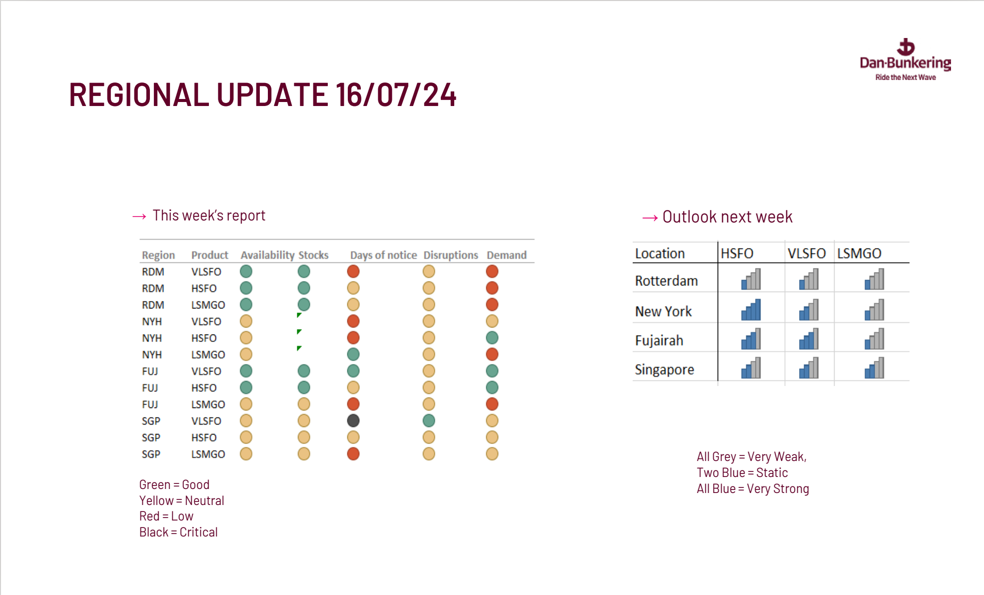
VLCC tanker speeds are down 0.1 knots to 11.8 knots. The current speed reading is on par with the average of the range seen for the period of the year. Still, the movements in the speeds are occurring in a tiny band around that average. The idle share of the fleet was at 6.2% in deadweight terms, up 0.4% points compared to the previous report (last week's data was unchanged). 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 nearly 3 mln DWT to close to 39 mln DWT in deadweight terms. The current level is 40% higher than the "normal" average. The current number of idle vessels rose by 14 to 282 compared to last week (which was decreased by 1 vessel).



The floating storage (excluding the dedicated storage) stands at 109 vessels, down 4 vessels from last week's number, which was unchanged at 113. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is below 85 million barrels, down 5 mb compared to last week. 54 product tankers are reported functioning as storage, accounting for 20 mb. On last report, 53 crude tankers vessels accounted for over 64 mb of stored oil, down around 4 mb. The number of crude oil tankers as storage is in line with that seen before March 2020. The number of product tankers used as storage remains elevated.



03. REGIONAL REMARKS



NEW YORK

Demand static. New supplier has joined the slate in NYH focused on MGO and ULSD.

FUJAIRAH

Majority of the suppliers have cleared their backlogs which were affected from the bad weather/ loading issues from a few weeks back, so looks like suppliers have more open slots and keen to fix business at relatively sharper levels compared to last week.

ARA

Market is tight on the prompt for both HSFO and VLSFO, with export loadings on opening arbitrage seen. Still, low demand is pushing discounts and premiums on all products.

SINGAPORE

VLSFO: The Asian low sulfur fuel oil market would likely remain rangebound over July 15-19 as traders expect the supply-demand fundamentals to stay relatively balanced in the near term. Although the West-East LSFO arbitrage window has been mostly viable in recent trading sessions, traders said they were not seeing any sizeable increase in fixtures from Europe to Asia.

High stocks of LSFO are likely to pressure downstream valuations and cap ex-wharf premiums too, while the supply and demand dynamics are balanced at best. As the end-users' LSFO demand around Singapore hub has been moderate at best, competition is expected to stiffen in the near term with sellers keen to offer more aggressively and move cargoes, especially in the face of competition from other key regional ports in Asia.

HSFO: Asian high sulfur fuel oil market would likely remain partly supported by limited availability of non-sanctioned supplies and seasonal power generation needs, but moderate spot bunkering demand could weigh on the fundamentals. Strong supplies of HSFO around Singapore might continue to cap potential upsides to downstream bunker premiums, especially amid quieter demand in the spot market lately. Although HSFO nominations basis delivered term contracts were expected to remain stable for the near term, barging schedules for prompt refueling dates should stay adequate during the week of July 15-19.

Gasoil: Sentiment in the Asian middle distillates complex is anticipated to be stable-to-soft July 15-19, as trade participants await the award levels for August-loading gasoil and jet fuel/kerosene cargoes for further pricing clarity. The recent cleaning up of VLCCs to trade clean cargoes out of the Persian Gulf into Europe could divert some gasoil barrels away from Asia over July 15-19 but trade sources cautioned that this trend could be short-lived and that regional supply may build up amid seasonal demand lull.

Regional indicators : prices in USD to benchmarks

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	5	FOB Rdam Barges 3.5%	-10	MOPS 380	5	MOPS 380	11-13	MOPS380
VLSFO	6	FOB Rdam Barges 0.5%	12	MOPS 0.5%	7	Brent	9-12	MOPS 0.5%
LSMGO	-42	ICE Gasoil	80	MOPS GO 10ppm	-0.05	HO	-3 to 13	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	4-6	6	5	8
VLSFO	4-6	5	5	12
LSMGO	3-5	5	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve *fell* $28.3/mt at the front compared to last week in absolute terms (July 12th compared to July 5th). The six-month fell by $28.3/mt also. The curve is in backwardation, but unstable over the second through third month. The time spread for the 6-month period was unchanged at *minus* $11.3/mt. The 3.5% barges' curve also saw no change in the backwardation, which is at $38.5 on the 6-month contract (front month minus the six-month contract). The front fell $12.5/mt, and the six-month fell $12.5/mt too. The VLSFO 0.5% backwardation decreased $1.3/mt to -$24.3/mt compared to a week prior. The curve is still in full backwardation.

The relative value of VLSFO compared to LGO at 6 months is up 1% point at 70% and decreased $12/mt in absolute terms to -$226/mt compared to 73% or $213/mt below LGO at the front. That $213/mt is down $10/mt compared to last week's reading when the front was 72% of LGO.

Monday the 15th saw the ICE gasoil front move down $5.5/mt from Friday's $779.25/mt close to reach $773.75/mt. On Tuesday mid-morning, the ICE Gasoil curve saw the 6-month structure increase by around $1/mt compared to the Friday level, unchanged from the Monday level of $11.25/mt. The front was down around $7/mt on Monday's level and the 6-month was down by $5.5/mt on Monday's level. The curve saw a weakening of the backwardation compared to Friday. The front is down over 1% compared to Friday the 12th.

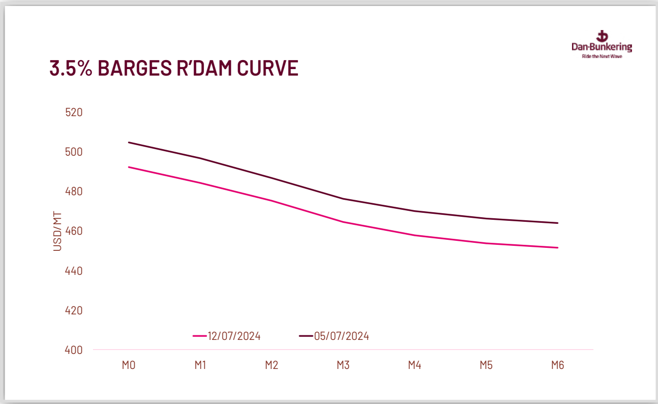
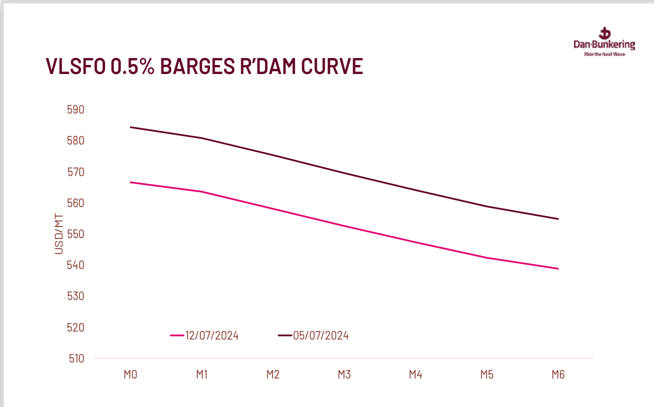
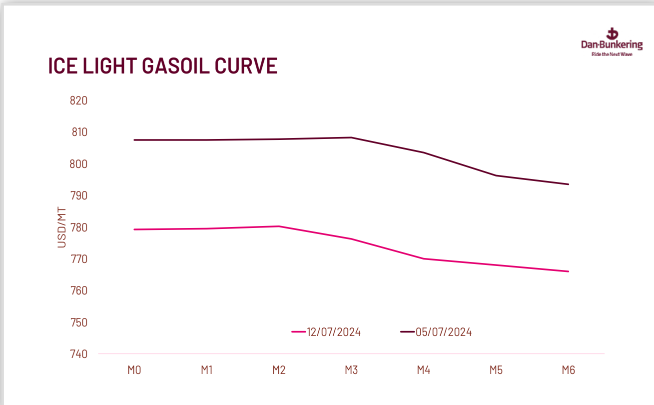
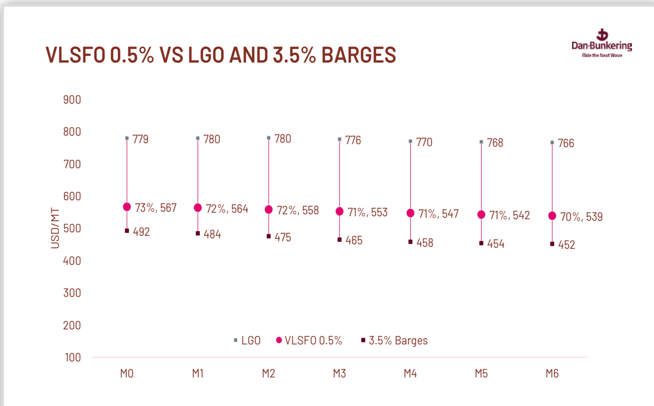


Figure 1 ARA Curve







M0 is August 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front fall by 3.5%, and the sixth-month level fell by 3.5% too. The sixth month, minus the front month, is at 1.4% backwardation, unchanged from last week. The Fuel Oil Rotterdam front month fell 2.5%, and the 6-month fell 2.7%. The curve is 7.8% in backwardation on the six-month horizon and sees a 1.6% (or $8/mt) backwardation between the front and second month. The VLSFO curve saw its backwardation decrease to 4.3% as both the front and the back fell 3%.

Brent Ref:	-1.5	September					
	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	-16.1	-12.2			-17.8	-23.0	-28.3
Jul-24	-17.3	-10.3	-2.8	-1.8	-17.8	-12.5	-28.3
Aug-24	-16.5	-7.5	-2.8	-1.8	-17.3	-12.5	-28.0
Sep-24	-14.8	-6.5	-2.5	-1.8	-17.3	-11.5	-27.5
Oct-24	-13.0	-6.0	-2.5	-1.7	-17.0	-11.8	-32.0

US Gulf yesterday's price difference not included as market was closed 5th of July.

06. OUR VIEW

With the latest inflation data suggesting a return to target for the central banks, the "markets" start to expect interest rate cuts. Then, the expectation will be that lower rates will drive commodity prices up. While the financial side of the market anticipates and incorporates expected changes in the current price, it will later revert as it reacts to reality. So far, the central banks have hardly cut, and they keep reiterating that their decisions will be data-dependent. In the USA, the services inflation is strong, up 7% annualized in June. The services are 62% of the PPI, so the impact is considerable, and that will flow through into overall inflation sooner or later. Furthermore, even if rate cuts are implemented, there is a considerable time-lag before those work through into the real economy. The typical reaction time is 18-24 months. For all intent and purposes, the effects of the hikes are only now starting to show up in the data, and that data shows slowdowns across the economy.

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)**