Weekly Market Report

Week 34
August 20, 2024

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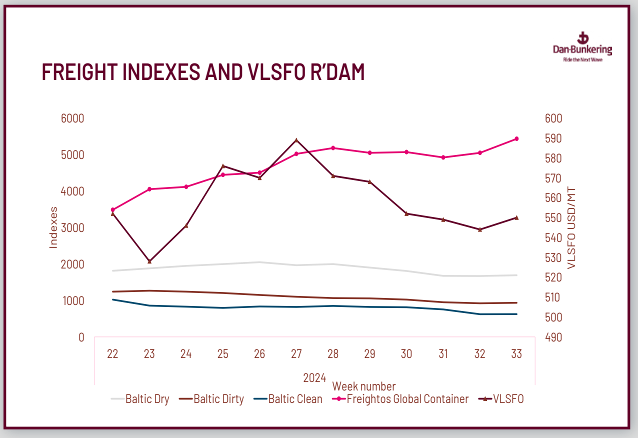
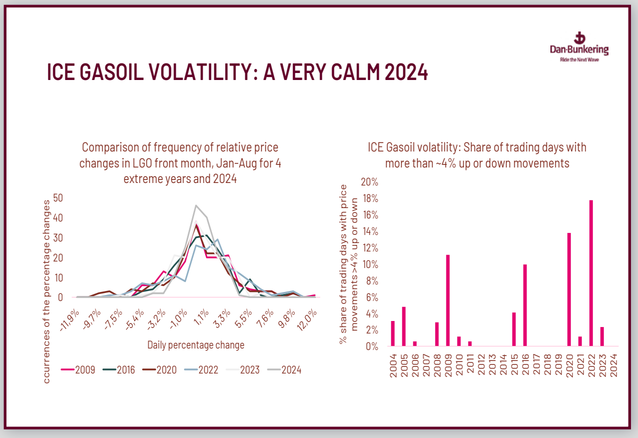
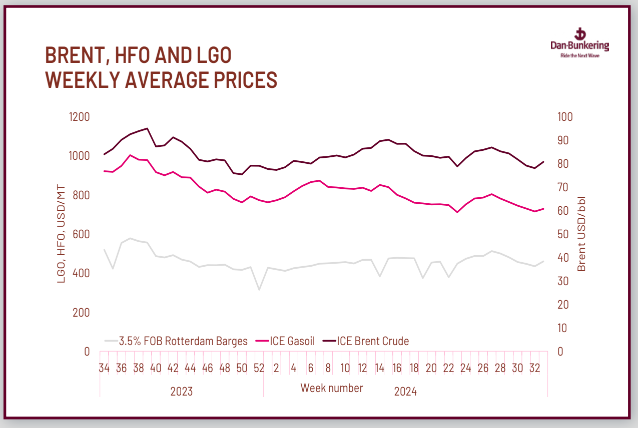
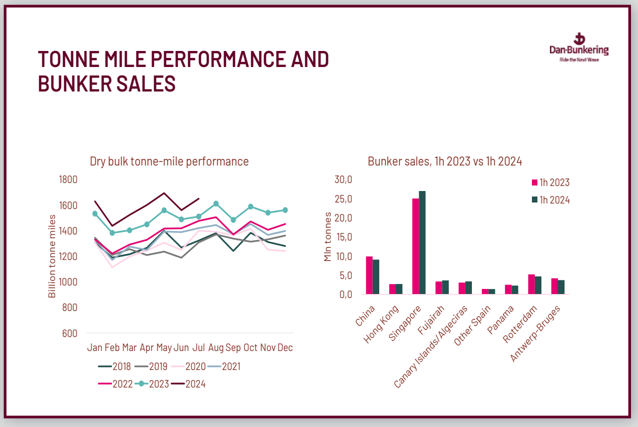








Sources: EIA.gov, ECB, investing.com, Baltic Exchange, Freightos Baltic Index, Refinitiv, Clarksons Research, U.S. Bureau of Economic Analysis, fred.stlouisfed.org, AtlantaFed, OPEC, OECD, Wolfstreet.com, Eurostat, IEA, Dan Bunkering analysis

01. ECONOMIC DATA CALENDAR

Date	Area	Topic	Expect	Prev.	Impact
20/08 22:30	USA	API Crude oil stock change		-5 mb	Oil market balance
23:00	Korea	Business confidence (Aug)	71	73	Economic health
21/08 01:50	Japan	Balance of trade (Jul)	-¥250 bn	¥224 bn	Economic health
01:50	Japan	Exports July (YoY)	10%	5.4%	Economic activity
01:50	Japan	Imports July (YoY)	13%	3.2%	Economic activity
09:30	Indonesia	Interest rate decision	6.25%	6.25%	Economic health
16:30	USA	EIA crude oil stocks change		1.4 mb	Oil market balance
16:30	USA	EIA distillate stocks change		-1.7 mb	Oil market balance
20:00	USA	FOMC minutes			Economic health
21:00	Argentina	Economic activity June(YoY)	2%	2.3%	Economic activity
22/08 03:00	Korea	Interest rate decision	3.5%	3.5%	Economic health
07:00	India	HSBC Manufacturing PMI (Aug)	58	58.1	Economic activity
08:00	S. Arabia	Balance of trade (Jun)	SAR29.7bn	SAR34.5bn	Economic health
09:15	France	HCOB Manufacturing PMI (Aug)	44.5	44	Economic activity
09:30	Germany	HCOB Manufacturing PMI (Aug)	43.7	43.2	Economic activity
10:00	Euro area	HCOB Manufacturing PMI (Aug)	46.3	45.8	Economic activity
10:30	UK	S&P Global Manufacturing PMI (Aug)	51.5	52.1	Economic activity
14:00	Mexico	GDP growth Q2 (YoY)	2.2%	1.6%	Economic activity
14:30	USA	S&P Global Manufacturing PMI (Aug)	49.5	49.6	Economic activity
16:00	Euro area	Consumer confidence (Aug)	-12.8	-13	Economic health
23/08 01:30	Japan	Inflation rate July (YoY)	2.9%	2.8%	Economic health
07:00	Singapore	Inflation rate July (YoY)	2.6%	2.4%	Economic health
16:00	USA	Fed Chair speech			Economic health
19:00	USA	Baker Hughes oil rig count		483	Oil market balance
	USA	Jackson Hole symposium			Economic health
26/08 10:00	Germany	Ifo business climate (Aug)		87	Economic
16:30	USA	Dallas Fed Manufacturing index (Aug)	-14	-17.5	Economic activity

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

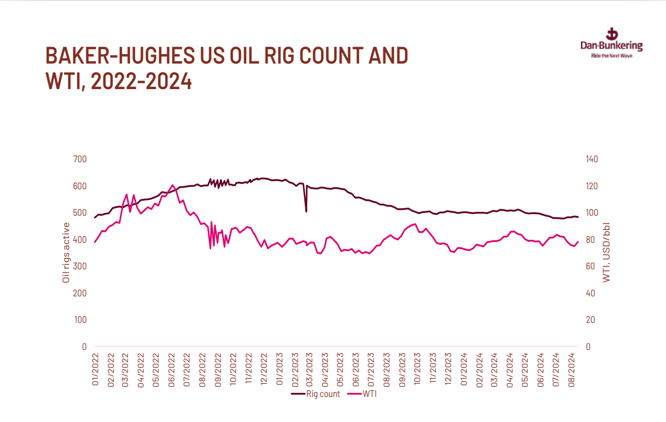
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The coming **week** sees manufacturing PMI's for a raft of countries. In the main Euro area economies, the PMI is marginally improving, although still contracting. France sees an uptick from 44 to 44.5, while in Germany, the increase is from 43.2 to 43.7. In both cases, the PMI continues at decade lows. For the Euro Area, the index is increasing from 45.8 to 46.3 and those levels too are decade lows. In the UK, the index is expansionary, but slowing down from 52.1 to 51.5, close to more normal levels of the past 10 years. The same indicator for the USA is showing a small decline, continuing to indicate marginal contraction, while in India, the indicator is almost unchanged, and strongly expansionary. Despite the US' overall relative stable PMI, the Dallas Fed manufacturing index continues to show deeply negative numbers, suggesting some disparity in the different parts of the country. Germany's Ifo business climate index will be published next Monday, and while no forecast is provided, the previous month reading was also running at decade lows. Mexico's GDP is expected to have grown by 2.2% in Q2, up from 1.6% in Q1. Saudi Arabia's trade balance is expected to have fallen in June, but still positive. Imports have fallen less than exports, with the latter clearly impacted by lower oil output and prices. Japan's balance of trade is projected to have swung from a surplus of ¥224 bn to a ¥250 bn deficit. Exports are up 10% year-on-year, while imports are up 13%. No detail is provided on the origins of the substantial increases. In June, exports were strongly up on demand from China and the USA, while imports of fuels fell. Both Indonesia and Korea are expected to keep their central bank interest rates unchanged, at 6.25% and 3.5% respectively. This week will also see the Fed chair giving a speech, which may provide indications of the September decision on interest rates. And the annual Jackson Hole symposium will be held, where the central bankers will convene.

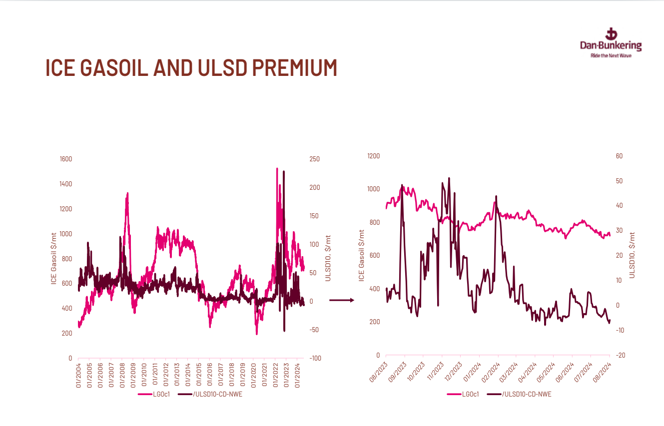
OIL MARKET

The Baker Hughes oil rig count was down by 2 rigs to 483 last week. The weekly average of WTI was $78.0, up $3.2. The natural gas price at Henry Hub was up less than $0.1 from the previous week at an average of $2.1/mmbtu.



It has been some time since we last looked at the ICE Gasoil and Brent price movements. 2022 was a truly exceptional year, with 2023 much calmer and so far, 2024 has been a calm, normal year. Of the 163 trading days through last Friday, 144 were maximum a 1 standard deviation move, or just over 2% either way from the mean. There have been no occurrences of more than 2 standard deviations. In 2022, already 30 such moves had been recorded and even in 2023, 4 occurred over the same period. The market appears to have stabilized, and as the forward curves have been indicating over the past period, demand is faltering. Contango has been prevalent on the front months since mid-July, after an earlier such period in April. The same goes for the ULSD premium to ICE gasoil, which is taken as an indication of spot strength. The premium turned negative in April, was briefly positive In June and several days in July, before turning increasingly negative again. On the 16th, the ULSD premium was at -$6, among the lowest levels so far this year.

It is not just the gasoil that has calmed down. Of the 160 trading days in 2023, 149 were within 1 standard deviation or around 2.5% daily move, with 10 moves at between 1 and 1.5 standard deviation. Interestingly, the typical strong correlation between ICE gasoil and Brent has weakened over the past 2 years, with bouts of very low correlation between the two. This happened in particular during this spring period. Over the last month, the correlation moved back towards 95%.



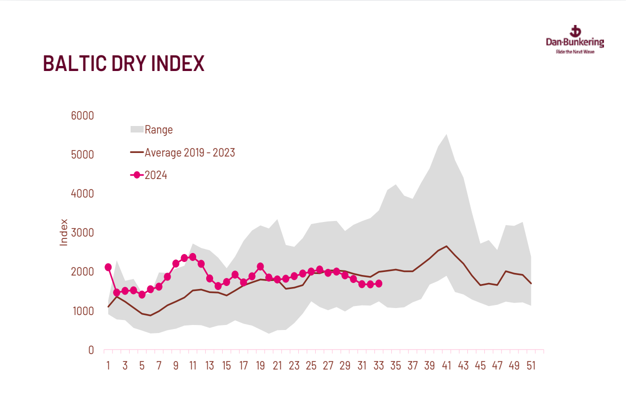
ECONOMY

The adjustments in trade relationships as well as the Red Sea diversions, have led to considerable increases in increased seaborne trade performance as measured in tonne-miles. Dry bulk tonne miles (Handymax and bigger) increased nearly 9% in the first 7 months of 2023 (and indeed over the entire year), and over the period through July 2024, tonne-miles increased another 7.5%. Tanker tonne-miles (Aframax and bigger) grew at over 4% over the period through July this year, while the same period in 2023 saw an 11+% increase from 2022. Growth in July however stalled. LNG tonne-miles increased at over 11% so far, and that increase has been recorded even during "low season". Clarksons estimates TEU-miles up 12%, with a potential of up to 17% if the situation in the Red Sea persists throughout the year.

The results are seen in bunker demand in several of the main ports. Singapore's bunker sales data for July shows an increase of 9% over June, and more than 3% from July 2023 levels. So far this year, sales have increased 7.7% to nearly 32 million tonnes. HSFO saw a 27+% increase to 11.5 million tonnes, whereas LSFO fell nearly 3%. On a similar note, sales in Fujairah increased 1.6% in July from June, reaching over 625 thousand cubic meters. Over the first 7 months, sales are up nearly 6%, reaching over 4.5 million cubic meters. And, as in Singapore, HSFO jumped considerably, by over 33%, while LSFO fell around 3.5%. The Canary Islands ports saw an increase of nearly 20% through June. These healthy growth figures are not repeated the ARA region, and that may in part be due to the Red Sea diversions. Although Port of Rotterdam data shows Q2 up 1% from Q1 (excluding LNG sales), year on year, sales were down 9%, and over the first 6 months, sales are down almost 9%. The same is visible in Antwerp. Q2 sales were down 8% on Q1 and over 13% from Q2 2023. Combined, the 9 port areas covered in the chart, China, Hong Kong, Singapore, Fujairah, Spanish ports, Rotterdam, Antwerp-Bruges and Panama, are up 1% year-on-year over the first six months.

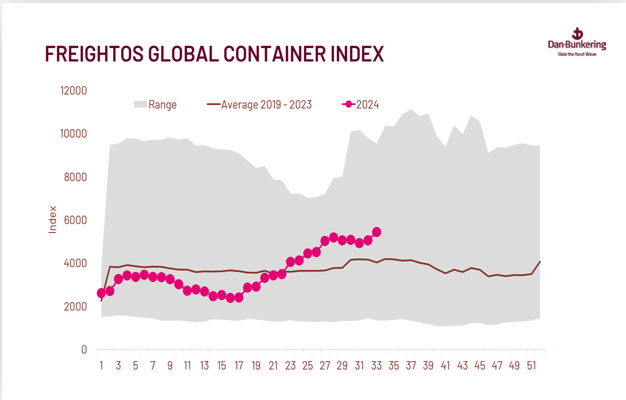
VESSEL RATES

Crude oil tanker rates on the Baltic Exchange TD3 route were up around 66% after last week's 1% decrease. The t/c rates were at $38.3k/day compared to $23k/day a week before. Voyage rates were reported at $9/mt on the route on the 16th of August, up $1.7 compared to the week before. The Baltic dirty index was up 2%, or 14 points, to 936. The level remains 16% above the previous 5-year average.



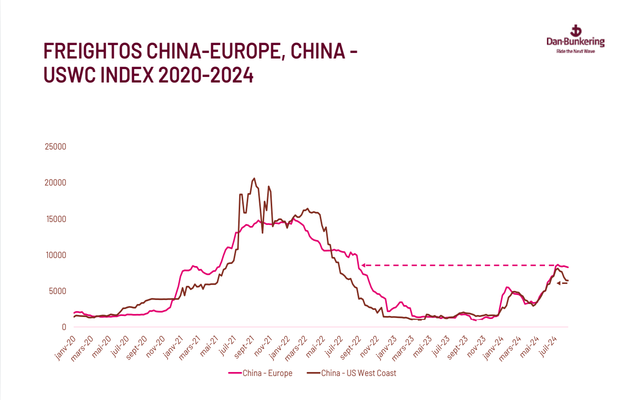
The clean index was marginally up from last week's level of 622 to 625. The index is now 13% below the previous 5-year average. Dry bulk rates rose 1%, or 21 points to 1691 per the Baltic Dry Index. The index is 15% *below* the five-year average level seen in 2019-2023 for the week. The weekly swings in the indexes are strong, and so are the movements seen in relation to the 5-year range.

The container market rose 7.6% over the last week compared to the 9th of August to $5436, as measured by the overall **Freightos Global Index**. The China to Europe rate fell close to 1% to $8264 over the same period. The China to US West Coast fell less than 0.5% from $6459 to $6429. The indexes still are at levels last seen in the months August to September 2022. Congestion, measured by the last 7-day moving average of containerships in port, was reported at just over 31.5%, up 0.3% points compared to the previous week. The congestion share represents some 9.4 mln TEU, up 0.1 mln TEU from last week.



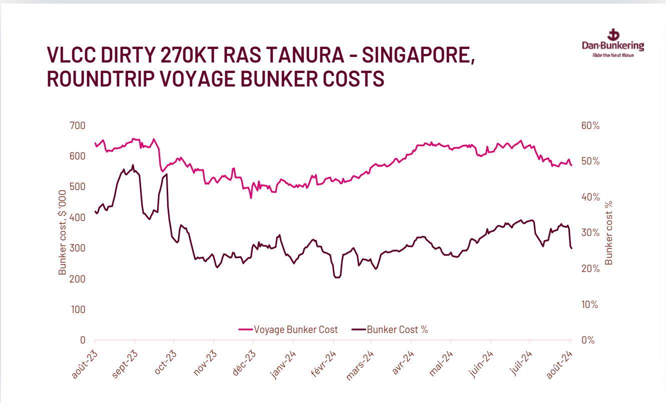
The idle container fleet stood at 272, down 5 from last week, which itself was lowered by 1. Some 2.5% of the fleet is reported idle (including those vessels retrofitted with scrubbers and those laid up and calculated in terms of TEU capacity rather than vessel numbers). That level is just above the low end of the 5-year range. The idleness per sub-segment differs considerably. Of those 272 idle container vessels, 210 are sub 3000 TEU, down 5 on last week, with another 33 of 3-6000 TEU, up 4 from last week (which itself was revised down by 4 vessels). Those vessels represent 4.1% and 3.1% of their respective fleet sizes. Clarksons reports 6 containerships of 12-17000 TEU idle, or 1.3% of capacity, and two of 17000+ TEU.

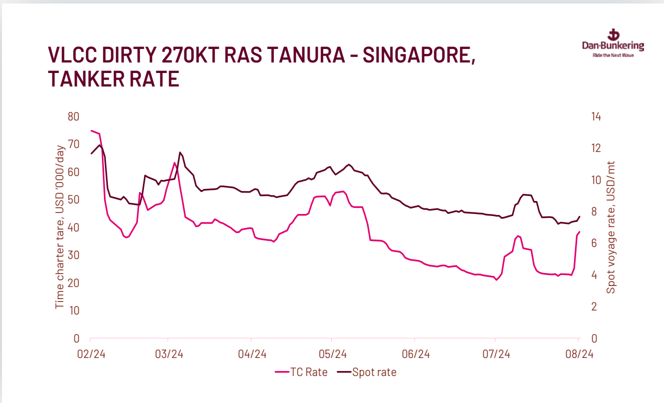
The reported average voyage duration between China and the US West Coast is 21.3 days, up 1.1 days from last week. Although the average voyage duration moves up and down from week to week, current levels are at the very low end of the longer period range.



FREIGHT AND BUNKERS

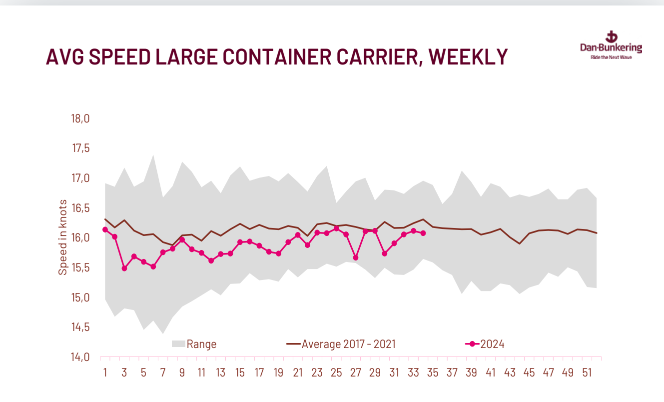
Reported tanker voyage charter rates were up at $9.0/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were down over 1% in Fujairah and mostly unchanged in Singapore over the week through the 16th of August. Bunker costs are some 26% of the total voyage. On the basis of VLSFO, bunker costs are 33% of the total voyage. The VLSFO prices were up around 2% in Fujairah and marginally up in Singapore. The calculations provided are intended to be directional indications, not the actual ones that each tanker owner is experiencing.

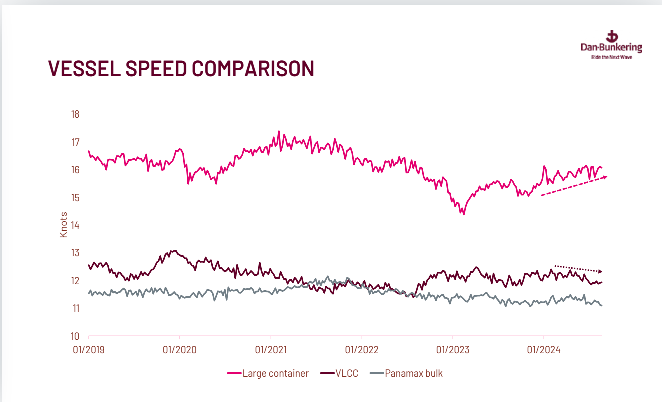




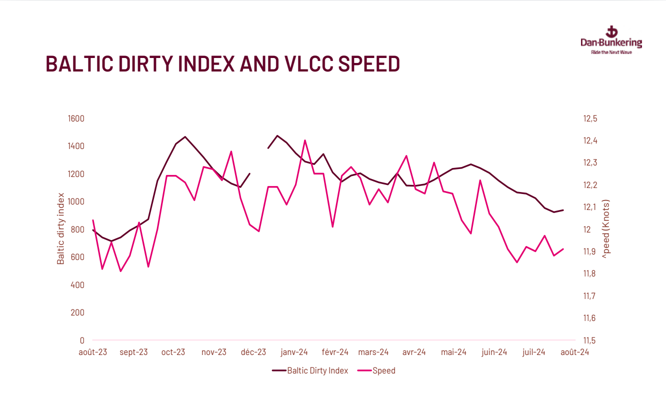
VESSEL SPEEDS

The container vessel's latest data point of 16.1 knots is up around 0.2 knots from last week as per LSEG (formerly Refinitiv) data. The current speed is still only 0.5 knots above the low end of the



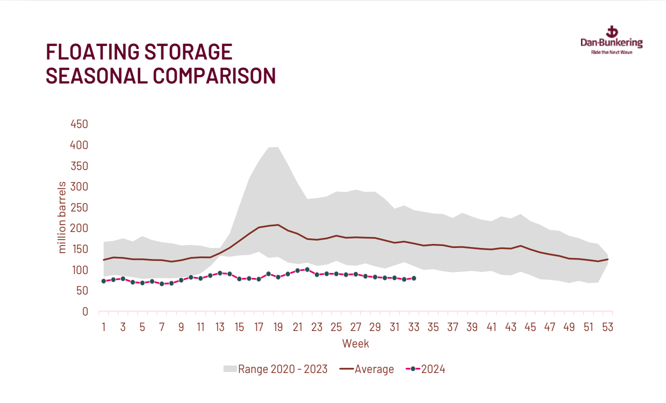


5-year period. Medium sized container vessels reduced speeds by 0.1 knots to 15.2 knots. The weekly movements in the measurements appear to be within calculation noise. Panamax bulkers reduced speed to 11.1 knots, very close to the minimum registered for the past 5 years.

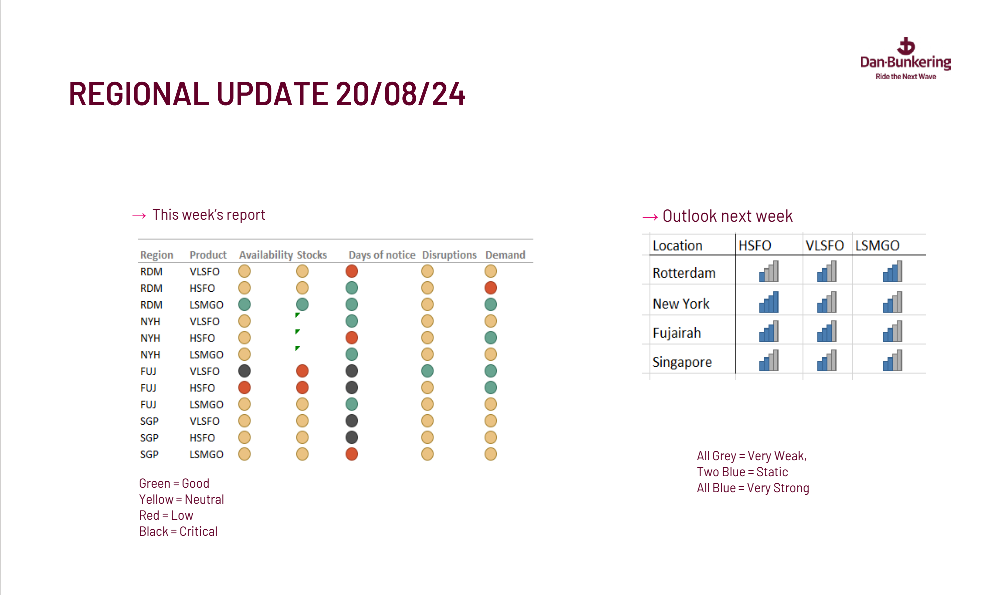


VLCC tanker speeds are almost unchanged at just above 11.9 knots. The current speed reading is 0.2 knots below the average of the range seen for the period of the year. Still, the movements in the speeds are occurring in a tiny band around that average. The freight rates, as reflected by the Baltic Dirty Index, suggest a reasonably close relationship between those rates and speeds (the correlation coefficient over a 20-week period is around 0.5). The idle share of the fleet was at 6.6 % in deadweight terms, up 0.6% points compared to the previous report (last week's data was lowered by 0.1%). 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 4.5 mln DWT to close to 42 mln DWT in deadweight terms. The current level is 45% higher than the "normal" average. The current number of idle vessels rose by 29 to 312 compared to last week (which was lowered by 2 vessels). It is the highest level since the data series started in January 2014.

The floating storage (excluding the dedicated storage) stands at 85 vessels, down 5 from last week's number, which was lowered by 1. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is above 79 million barrels, up nearly 3 mb compared to last week. 33 product tankers are reported functioning as storage, accounting for less than 13 mb. On last report, 50 crude tankers vessels accounted for 66 mb of stored oil, up over 4 mb from last week. The number of crude oil tankers as storage is in line with that seen before 2020. The number of product tankers used as storage remains elevated, but with the latest reduction is now at March 2020 levels. In early 2018, total storage amounted to 23 mb, in 19 tankers, 11 of which were crude oil carriers of 55k+ dwt.



03. REGIONAL REMARKS



NEW YORK

HSFO demand still heavy from liner segment into holiday season. Spot demand has been muted.

FUJAIRAH

A very tight VLSFO market, strong demand, coupled with cargo loading delays has seen premiums spike by more than $25/mt since trading hours opened on 20th Aug.

Earliest avails now looking 5th Aug onwards.

HSFO market also tight with some suppliers 2 Aug onwards, this has seen slots before trade at higher premiums with reduced barge options.

ARA

HSFO: Tightness increasing with continuous pull from power and bitumen sector. The arb from the West is closed with no new arrivals of incoming fuel cargoes next few weeks/early September. Tightness to persist into September. Cash to paper premiums are at their highest since early July, M1/M2 backwardation strengthened by $2.25 vs previous week highlighting the prompt tightness.

VLSFO: Market unchanged from previous week and trading rangebound. Arb to the East is still open but weakened last few days. No news on any new fixtures to Asia.

MGO: Market well supplied with stock levels at a 15month high due to record imports from the West and East. Overall bunker demand has been steady. Ahead of winter time, demand for heating oil has come in with counterparties starting to stockpile. ICE GO forward structure is weakening throughout Sep-Dec hinting towards an oversupplied market.

SINGAPORE

The Asian low sulfur fuel oil market will likely remain rangebound to marginally under pressure in the week of Aug. 19-23 amid increasing supplies in the region, while a recent strength in delivered premiums was seen curbing end-user appetite in the downstream bunker market.

Marine fuel 0.5%

Downstream in Singapore, traders expect some degree of softening for LSFO downstream premiums amid improved product and barge availabilities for earlier refueling requirements, while competition among sellers inched up in the week ended Aug. 16. While barging schedules for prompt LSFO deliveries in Singapore may gradually ease over the course of the week that began Aug. 19, the adequate stockpiles and weaker upstream valuations could also weigh on ex-wharf premiums for balance-August and September supplies.

High sulfur fuel oil

Traders in Singapore expect decent demand volumes in the HSFO segment to support downstream valuations to a certain degree, despite very ample inventories overall at the hub with some flows originating from the Middle East to keep the region well supplied for the near term. While HSFO prompt barging availabilities were considerably limited over the past couple of weeks and lifted delivered premiums as a result, expectations of progressively easing schedules towards late-August could also cap any significant upside for valuations.

HSFO demand around the Middle Eastern bunker hub of Fujairah was seen mostly lagging the potential stock build anticipated over the coming weeks, despite reasonable demand volumes, which may exert some pressure on downstream premiums in the weeks ahead.

Relatively tighter supply levels and availability of Hong Kong-delivered HSFO and average demand could support premiums the coming trading week.

Gasoil

The Asian ultra-low sulfur diesel complex is anticipated to be stable to soft over Aug. 19-23 as supply continues to outpace demand, while Singapore continues to receive imports from India.

Regional indicators : prices in USD to benchmarks

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	9	FOB Rdam Barges 3.5%	-5	MOPS380	5	MOPD380	20-25	MOPS380
VLSFO	5	FOB Rdam Barges 0.5%	30	MOPS 0.5%	5	MOPS 0.5%	19-20	MOPS 0.5%
LSMGO	-50	ICE Gasoil	65	MOPS GO 10ppm	0	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	4-5	9	5	12
VLSFO	4-5	15	2	12
LSMGO	2-3	2	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve fell $1.8/mt at the front compared to last week in absolute terms (August 16th compared to August 9th). The six-month fell by $2.5/mt. The curve is still in backwardation over the longer horizon but is in contango from the second through third month. The time spread for the 6-month period rose $0.8 to minus $3.3/mt. The 3.5% barges' curve backwardation increased by $5.5 to $33.3 on the 6-month contract (front month minus the six-month contract). The front rose $5/mt, and the six-month fell $0.5/mt as well. The front month spread (M0-M1) was increased $3 to $9.5. The VLSFO 0.5% backwardation increased $1.8/mt to -$26.3/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 unchanged at 71% and decreased $2/mt in absolute terms to -$209/mt compared to 74% or $186/mt below LGO at the front. That $186/mt is down $3/mt compared to last week's reading when the front was 74% of LGO also.

Monday the 19th saw the ICE gasoil front move down $9from Friday's close of $718.5/mt. On Tuesday end-morning, the ICE Gasoil curve saw the 6-month structure decrease by around $5/mt compared to the Friday level, down $1.5 from the Monday level of -$0.25/mt and is now the first clear mover into contango. The front was down around $15/mt on Monday's level and the 6-month was down by around $13/mt on Monday's level. The curve saw a deepening of the contango compared to Friday. The front is down around 3% compared to Friday the 16th.

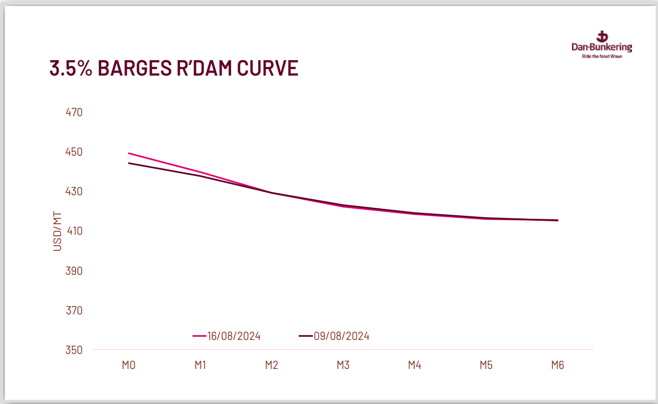
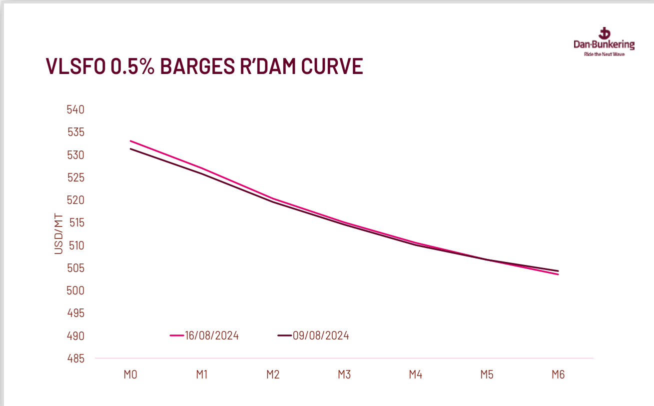
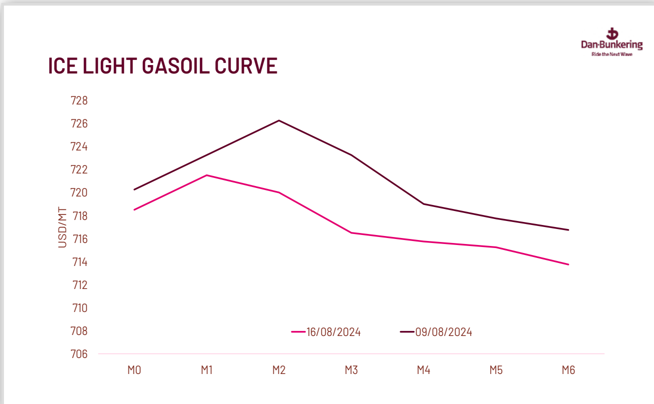
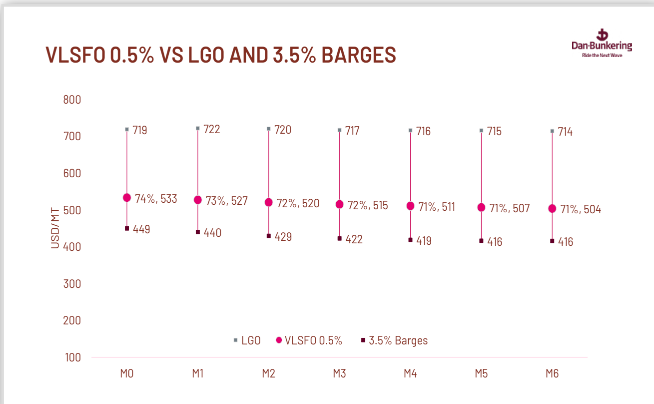


Figure 1 ARA Curve







M0 is September 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front fall by 0.2%, while the sixth-month level fell by 0.3%. The sixth month, minus the front month, is at 0.5% backwardation. As indicated above, the front month is actually 0.4% in contango to the second month. The Fuel Oil Rotterdam front month rose 1.1%, and the 6-month fell 0.1%. The curve is 7.4% in backwardation on the six-month horizon and sees a 2.2% (or $9.5/mt) backwardation between the front and second month, up 0.7% points from last week. The VLSFO curve saw its backwardation increase to 4.9% as the front rose 0.3% and the back was unchanged.

Brent Ref:	0.0	October					
	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	13.6	-2.3	-0.3	0.2	1.8	16.3	-1.8
Sep-24	14.3	-1.5	0.2	-0.1	1.8	5.0	-1.8
Oct-24	15.0	1.3	0.1	-0.3	1.3	2.0	-1.8
Nov-24	14.5	4.5	0.0	-0.3	0.8	0.0	-6.3
Dec-24	14.0	6.8	0.0	-0.2	0.5	-0.8	-6.8

Note: Singapore prices refer to August 8ht, as the markets were closed on the 9th.

06. OUR VIEW

Euro area inflation was reported at 2.6% for July, in line with expectations and still above target. Last week saw the second estimate for the area's GDP growth rate in the 2nd quarter at 0.6%. And while that is comparatively good performance for the economy, industrial production data for June showed a nearly 4% annual decline. Such production has been in near constant decline for over a year now. As a result, interest rate cuts may be on the horizon in September for the Eurozone. Finnish central bank chief Olli Rehn said that "*The recent increase in negative growth risks in the euro area has reinforced the case for a rate cut at the next ECB monetary policy meeting in September, provided that disinflation is indeed on track*". "*The bad news relates to the growth outlook. There are no clear signs of a pickup in the manufacturing sector*", and "*We must also consider that the slowdown in industrial production may not be as temporary as assumed*". The consequence of rate cuts will be a reversal of the strengthening of the Euro should the Fed not follow, or not follow as much. While that is one effect, the other is the realisation that the economy in the Eurozone is hardly doing well, signaling further weak oil demand. And that is also shown by the flipping into contango of the gasoil.

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)**