Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 15
April 9, 2024

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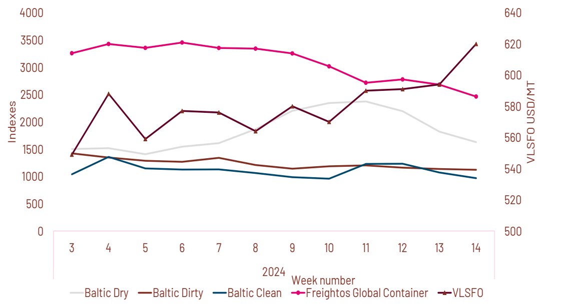
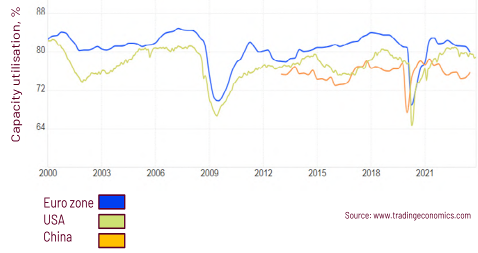
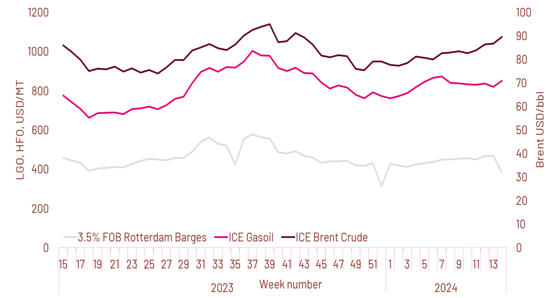
FREIGHT INDEXES AND VLSFO R'DAM



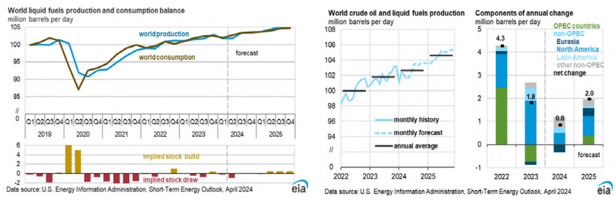
CAPACITY UTILISATION IN USA, EU AND CHINA, 2000-2024



BRENT, HFO AND LGO WEEKLY AVERAGE PRICES



US EIA SHORT TERM ENERGY OUTLOOK APRIL 2024: TIGHT MARKET



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
09/04 21:00	Argentina	Industrial production February (YoY)	-11.8%	-12.4%	Economic activity
22:30	USA	API Crude oil stock change		-2.3 mb	Oil market balance
10/04 01:50	Japan	PPI March (YoY)	0.8%	0.6%	Economic health
14:00	Brazil	Inflation rate March (YoY)	3.8%	4.5%	Economic health
14:30	USA	Core Inflation rate March (YoY)	3.7%	3.8%	Economic health
14:30	USA	Inflation rate March (YoY)	3.4%	3.2%	Economic health
16:30	USA	EIA Crude oil stocks		-0.4 mb	Oil market balance
16:30	USA	EIA Distillate stocks		-1.3 mb	Oil market balance
18:00	Russia	Inflation rate March (YoY)	7.8%	7.7%	Economic health
20:00	USA	Federal Reserve minutes			Economic health
	Korea	Legislative election			
11/04 03:30	China	Inflation rate March (YoY)	1.2%	0.7%	Economic health
03:30	China	PPI March (YoY)	-1.9%	-2.7%	Economic health
10:00	Italy	Industrial production February (YoY)	-2.8%	-3.4%	Economic activity
14:00	Mexico	Industrial production February (YoY)	2.8%	2.9%	Economic activity
14:15	Euro area	ECB interest rate decision	4.5%	4.5%	Economic health
14:30	USA	PPI March (YoY)	2.1%	2%	Economic health
	OPEC	Monthly oil market report			Oil market balance
12/04 02:00	Singapore	GDP growth rate Q1 (YoY)	2.9%	2.2%	Economic activity
03:00	Korea	Interest rate decision	3.5%	3.5%	Economic health
05:00	China	Exports March (YoY)	6%	7.1%	Economic activity
05:00	China	Imports March (YoY)	2%	3.5%	Economic activity
06:30	Japan	Industrial production February (YoY)	-3.4%	-1.5%	Economic activity
08:00	Germany	Harmonised inflation rate March (YoY)	2.3%	2.7%	Economic health
08:00	UK	GDP February (YoY)	0.1%	-0.3%	Economic activity
08:00	UK	Industrial production February (YoY)	-0.1%	0.5%	Economic activity
14:00	India	Industrial production February (YoY)	5.6%	3.8%	Economic activity
19:00	USA	Baker Hughes oil rig count		508	Oil market balance
21:00	Argentina	Inflation rate March (YoY)	315%	276%	Economic health
15/04 11:00	Euro area	Industrial production February (YoY)	-4.2%	-6.7%	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

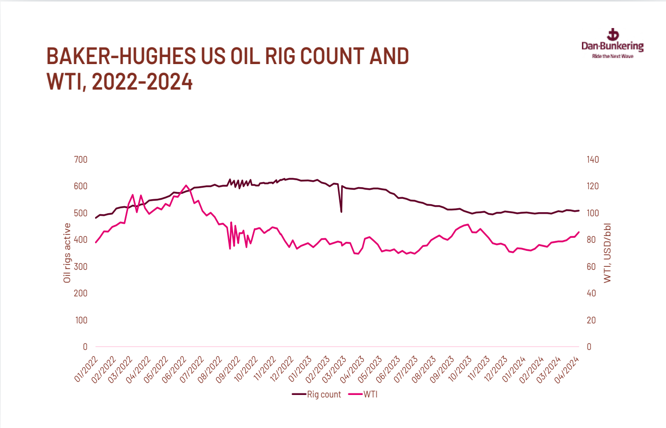
The week **sees** a raft of inflation data as well as industrial production. Furthermore, the European central bank, the ECB, will decide on its interest rate. It is expected that the bank will keep rates unchanged, with reports that rate cuts may start in June. Inflation in Argentina is expected to have increased to 315% year on year in February. Compared to that number, all other inflation numbers are benign. Brazil's March inflation is projected to have fallen from 4.5% to 3.8%. The US' inflation rate is seen rising to 3.4% in March, with the core inflation rate falling slightly from 3.8% to 3.7%. China's inflation is also expected to have risen to 1.2%, with the producer price index going less negative on an annual basis, to -1.9%. The comparable US' PPI is expected to have risen to 2.1%. German's inflation is still expected to have fallen in March, to 2.3%. The other main indicator to be published, industrial production, shows an expected 11.8% decline in February. It would be a further slowdown in an otherwise major economic contraction. In Europe, industrial production continues to decline. In Italy, February contraction is estimated at -2.8%, it is a near 24-month continuous contraction. Japan, also an OECD country, is seen to have industrial production decreased by 3.4%, while in the UK, the same indicator is projected to show a 0.1% contraction for February. On the other hand, Mexico's industrial production is seen up 2.8%, slightly less than the January rate, and India's industrial production up 5.6%, an acceleration from the January reading. The UK's GDP, which is reported on a monthly basis, is expected to have increased by 0.1% year on year, following a 0.3% contraction in January. Singapore's Q1 GDP growth is estimated at 2.9%, up from 2.2% in Q4. China's exports in March are up by 6% from March 2023, down from the 7.1% annual growth recorded in February. The country's imports are projected to have slowed down to 2% growth annually, from 3.5% growth in February. OPEC will release its monthly oil market report on the 11th. While the report does not have the same sort of market impact as the IEA's monthly report, it remains of interest with respect to the organisation's assessment of demand growth in 2024, which is much higher than any of the other agencies.

Interestingly, the IMF's World Economic Outlook is getting postponed. While last week we reported that it would be published last week, the economics calendar indicates publication on the 11th, with the IMF reporting on 8 April that the report will now be published on the 16th.

OIL MARKET

The Baker Hughes oil rig count was up 2 rigs to 508 last week. The weekly average of WTI was $85.6, up $3.5 week on week. The natural gas price at Henry Hub rose to just over $1.8/mmbtu, up 12 dollar cents on the previous week.

The EIA **published** its Short-Term Energy Outlook for April. The agency has also updated its



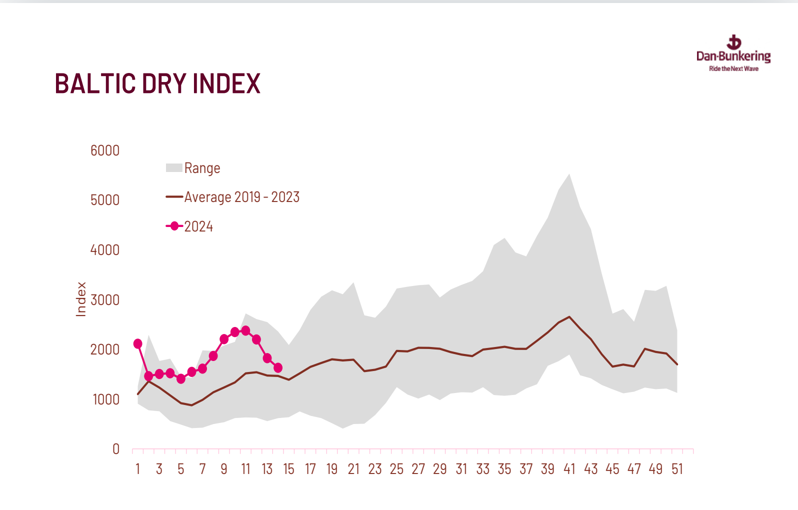
International Energy Statistics for 2022. The EIA has upped its demand assessment by 0.8 mb/d for that year from last month's report (and note the use of that word, which indicates that the data for 2022 still has uncertainty in it). With the revision, 2023 global liquids demand was increased to 102 mb/d, 2 mb/d higher than the 2022 level. The agency has also increased demand for 2024 to nearly 103 mb/d and rising to 104.3 mb/d in 2025. The demand growth in 2024 has been lowered to 0.9 mb/d, as the revision incorporated already part of the growth. The headline numbers on growth are down, the absolute levels are up. Demand growth is squarely in the non-OECD countries, that is also where the revisions have taken place. At various times in the weekly we have highlighted the long lags in actual data coming through, and the revisions are considerable. Liquids production growth is estimated at 0.8 mb/d, down from the 1.8 mb/d growth in 2023. The slowdown is entirely due to the OPEC+ voluntary cuts and general declines that are not offset by sufficient timely field developments, something discussed in last week's weekly with respect to Mexico. As a result, the EIA calculates the balance of the market to tighten considerably in the second quarter, with inventory draws of 0.9 mb/d. However, from Q3 onwards, the market should be in balance. OPEC+ is projected to bring around 0.6 mb/d on the market from July onwards, as the price of oil will rise to average $90/bbl in the second quarter, rising to over $91/bbl in Q3 and then falling just below $90/bbl in Q4. The relatively muted price reaction is a reflection of the absence of further stock draws in the projections.

ECONOMY

The US treasury secretary went to China to **discuss industrial overcapacity**. According to the US, this excess capacity leads to dumping of products in other countries. The "overproduction" is exported and sold below cost. This it is said, **causes** industries in receiving countries to falter and leads to job losses. The story of Chinese overcapacity goes back already a long time, and a quick internet search shows up articles from 15 to 20 years ago. Now the topic is partly focused on batteries and electric vehicles. Steel has been a culprit before. Average capacity utilization in the Chinese economy is estimated at around 76%. That suggests that there is 24% overcapacity, in simple terms. For comparison, capacity utilization in the USA is around 78% and in the EU it is **reported** at 79% in February, down from around 80% during 2023. In the Euro area, capacity utilization averaged just over 80% between 1985 and 2024. Discussions always turn around protection of domestic industries. It is a thing of the ages and developing economies. There even used to be a specific economic term to justify this approach, the infant industry argument. And protectionism at the receiving end of the products has also existed for a long time. Arguments are made that the Chinese overcapacity is not aligned with short term demand. Yet, industrial capacity is hardly ever in balance with short term demand. Capacity is around for two decades or more, and demand moves up and down. The shipping industry itself is a very potent example of this phenomenon. Long periods of overcapacity are followed by short periods of shortage, leading to very strong earnings, and the cycle begins anew. The offshoring of industrial capacity that has been ongoing for a long time, is now partly being reversed. But the situation today is different from when the offshoring started. China is now an industrial powerhouse, and other developing countries such as India will follow. Putting in place strong trade barriers, something that the IMF **says** leads to lower global GDP, may temporarily stave off competition, but it will lead to higher prices for domestic consumers and foreign producers may start looking for ways to circumvent the trade barriers. One solution being described in the press is Chinese companies establishing in Mexico, which is part of the NAFTA free trade zone. This too has happened before, witness Japanese car manufacturers decades ago. And there is another way to work around trade barriers. Back in the early 1980's, US trade barriers in the form of import quotas made it difficult for Japanese cars to be **imported into the USA**. Japanese car makers focused on smaller, fuel-efficient cars. It was the time when oil prices were at all time-highs. The US car manufacturers were caught off guard, having believed to be protected. And according to **Autoweek**, the US may now see a repeat of that experience with Chinese EV's. The moral of the story is that there are unintended consequences of these trade policies, which may do more harm than good. Still, trade barriers also lead to changes in seaborne trade patterns and cargo composition as manufacturing is brought closer to the end consumer markets. In the meantime, China exports are strong, and container throughput in the Chinese ports was up over 12% in February, from February 2023 levels, reaching nearly 23.5 mln TEU, while other major Asian ports saw container throughput rise over 11% annually.

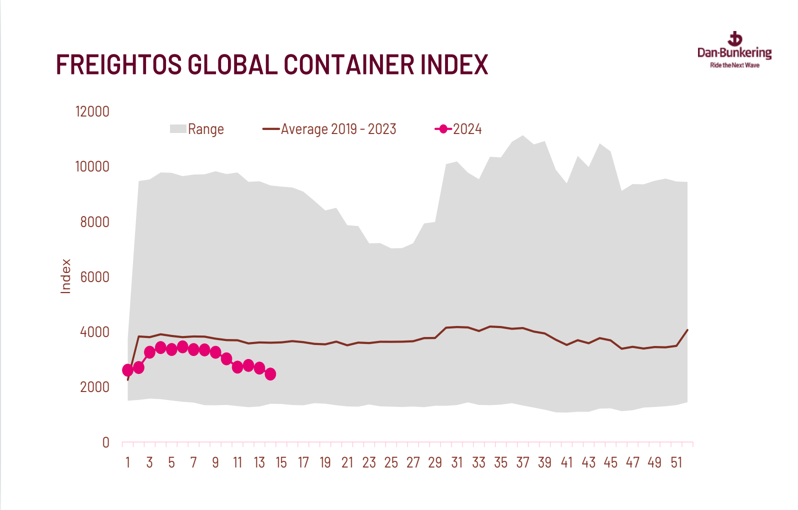
VESSEL RATES

Crude oil tanker rates on the Baltic Exchange TD3 route were down marginally, after last week's fall



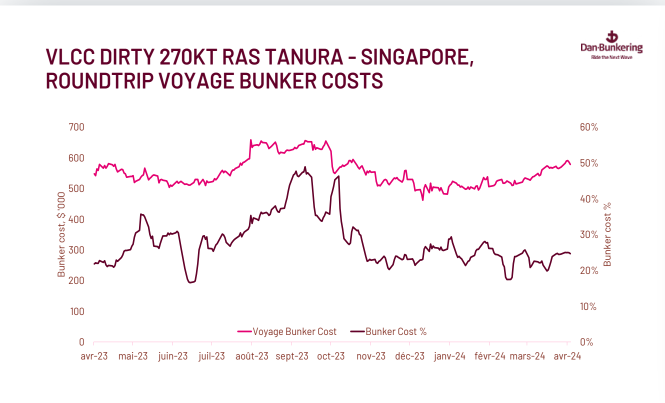
of around 5%. The t/c rates were at $41.4k/day compared to $41.5k/day a week before. Voyage rates were reported at $9.5/mt on the route on the 5th of April, up $0.1 compared to the week of the 29th. The Baltic dirty index was down 1%, or 15 points to 1122. The level is 5% above the previous 5-year average. The clean index was down 10% on last week at 968. The index is at 20% above the previous 5-year average. Dry bulk rates fell around 11% or 193 points to 1628 per the Baltic Dry Index. The index is 11% above the five-year average level seen in 2019-2023 for the week.

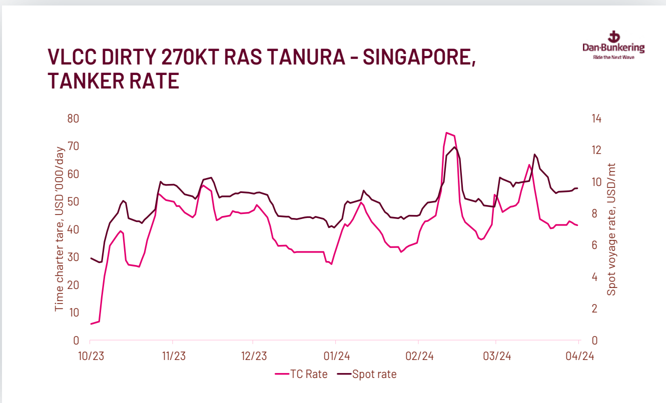
The container market fell around 8% over the last week compared to the 29nd of March to 2464 as measured by the overall **Freightos Global Index**. The China to Europe rate rose 2% to 3325 over the same period, while the return route fell over 3% or 27 points to 852. The level remains relatively high for the return route but is around the average level seen since 2017. The China to US West Coast fell over 9% from 3628 to 3294, while the return route was flat at 415. The China to US East Coast fell 19% to 4309, while the return route fell 4% to 1169. Congestion as measured by the last 7-day moving average of containerships in port, was reported at 30.8%, flat compared to the previous week, which itself was revised up by 0.4% points. The congestion share represents some 8.8 mln TEU, almost unchanged. The idle fleet stood at 261, up 9 from last week, which itself saw a six vessel downward revision in the data. Some 2.6% 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 18.2 days, down 2.2 days compared to last week. The current transit time is the lowest recorded for the past 4.5 years for which data is available. Still, as mentioned in earlier reports, early month data is typically revised upwards as the month progresses.



FREIGHT AND BUNKERS

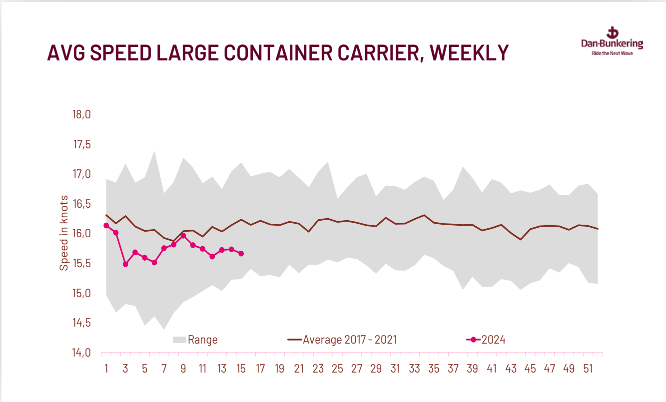
Reported tanker voyage charter rates were up, at $9.5/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were up around 1.5% in Fujairah and 4% in Singapore over the week through April 5th. Bunker costs are some 25% of total voyage. If the entire voyage is calculated on VLSFO, bunker costs are some 34%. The VLSFO prices were up nearly 2% in Fujairah and almost unchanged in in Singapore. The calculations provided are intended to be directional indications, not the actual that each tanker owner is experiencing.

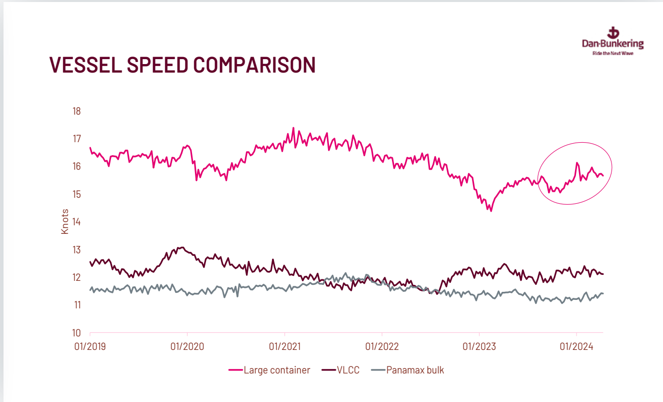




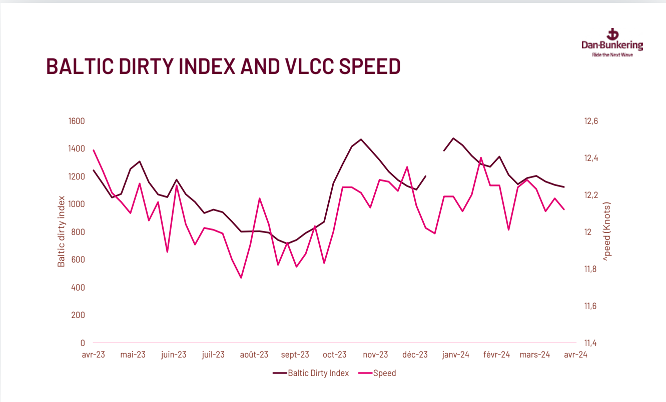
VESSEL SPEEDS

The container vessel's latest data point of 15.7 knots is unchanged 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 continue underwrite 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.

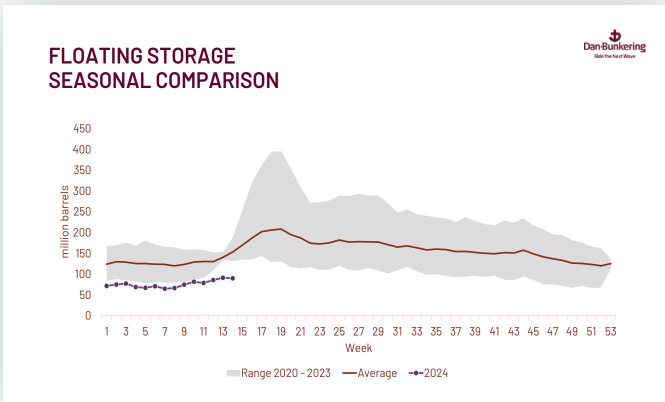




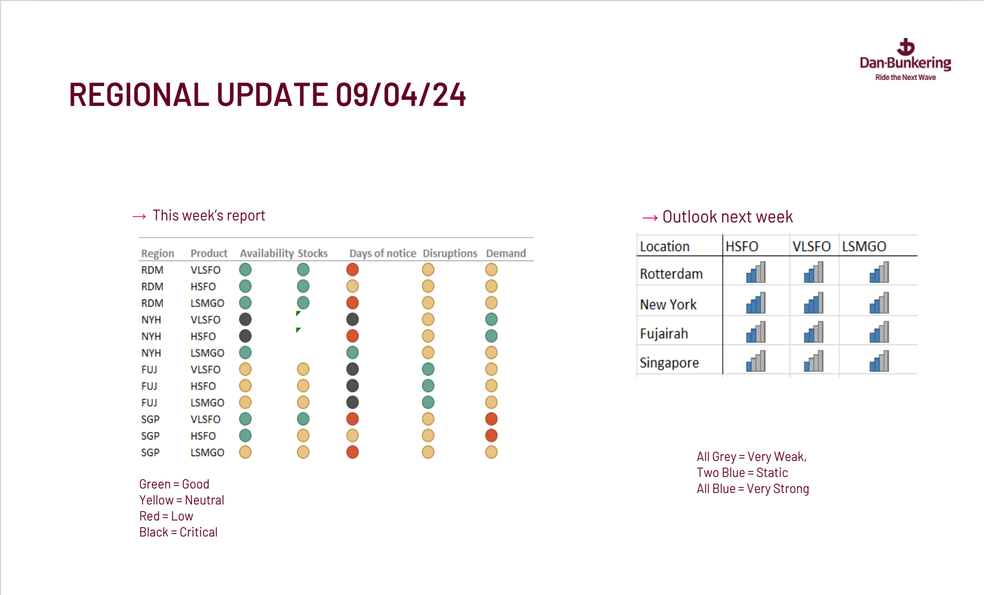
VLCC tanker speeds are down 0.1 knot at 12.1 knots. The current speed reading is near the average of the range seen for the period of the year. The idle share of the fleet was at 5% in deadweight terms, down 0.2% compared to the previous report, with the previous' week data unrevised. The share remains 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 31 mln DWT, down 1 mln dwt compared to last week. The current level is over 35% higher than the "normal" average. The current number of idle vessels rose by seven vessels to 225 compared to last week (which was revised down by 2 vessels).



The floating storage (excluding the dedicated storage) stands at 110 vessels, down 3 vessels on last week's number, which was unrevised. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is over 89 million barrels, down nearly 2 mb compared to last week. 64 product tankers are reported functioning as storage, accounting for over 25 mb. 45 crude tankers vessels accounted for nearly 64 mb of stored oil, up around 1 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

Seeing some tightness in the .5 supply on the USEC, due to extended turnaround and some cargo delays of landed barrels. HSFO demand for Q2 to be less than Q1 but we anticipate the demand in Q3 to equal Q1 or even surpass.

FUJAIRAH

Tight barging schedules at terminals leading to at least 7-10 days notice; only a few can supply on prompt with a noted premium.

Demand is steady but a notable drop during the Easter and end of Ramadan break, this trend may continue in coming days of the Eid break, with some suppliers not as reachable, leading to additional potential premiums.

ARA

There are no major changes in the situation in the ARA region. However, the BP refinery is out for maintenance from April 8th onwards. It is our view that the maintenance will make the market more balanced, but the impact will be limited.

SINGAPORE

VLSFO:

LSFO bunker premiums might continue to come under pressure amid lackluster demand in the downstream market in Singapore, while barge schedules for prompt refueling dates were likely to remain balanced against end-users' requirements in the week starting April 1. Singapore's commercial stockpiles of heavy distillates slipped 2.8% on the week to a two-week low of 21.4 million barrels in the week ended March 27, amid lower imports. Although the West-East arbitrage window currently remains shut amid the persistent geopolitical tensions in the Red Sea, Singapore's LSFO inflows from the West are expected to see an uptick in April, partly buoyed by a recent drop in freight rates.

Singapore is expected to receive around 2 million-2.2 million mt LSFO from the West in April, up from about 1.4 million-1.7 million mt scheduled in March. Demand is expected to remain constant, whereas product availabilities are likely to remain healthy for downstream early April deliveries.

HSFO:

A persistent supply glut continues to weigh on Asia's high sulfur fuel oil market, but traders were partially optimistic that firm Chinese feedstock demand for high sulfur straight run fuel oil and upcoming seasonal demand from the power generation sector during peak summer months would support the market going forward.

In Singapore, any potential uptick in downstream HSFO premiums in early April is likely to be limited by well-supplied inventories coupled with the persistent sluggish demand.

GO:

Singapore's onshore commercial stocks of middle distillates dipped 2.08% week on week to 10.13 million barrels over March 21-27, posting two consecutive weeks of decline.

Regional indicators : prices in USD to benchmarks (week to 04/04)

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	4	FOB Rdam Barges 3.5%	2	MOPS380	16	MOPS 380	14-17	MOPS380
VLSFO	9	FOB Rdam Barges 0.5%	8	MOPS 0.5%	25	MOPS 0.5%	15-19	MOPS 0.5%
LSMGO	-50	ICE Gasoil	90	MOPS GO 10ppm	0.05	HO	-2 to 0	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	8-12	5	8
VLSFO	4-6	7-12	8	10
LSMGO	4-6	7-8	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve rose $53.5/mt at the front compared to last week in absolute terms (April 5th compared to March 28th). The curve remains fully in backwardation in both absolute terms, and in relative terms. The six-month rose by $42.8/mt. The time spread for the 6-month period increased nearly $11/mt to -$34.3/mt. The 3.5% barges' curve flipped the contango at the six-month horizon and is back in contango for the first six months of the curve, although the curve is in contango through the fifth month. Backwardation is $4.5/mt at the six-month horizon. The front rose $22/mt while the six-month rose $16.5/mt. The VLSFO 0.5% backwardation increased $5.5/mt to -$33/mt, compared to a week prior.

The relative value of VLSFO compared to LGO at 6 months was down at 69% and in absolute terms up $23 at -$258/mt compared to 70% or $260/mt below LGO at the front. That $260/mt is up $29/mt on last week's reading when the front was at 72% of LGO.

Monday the 8th saw the front move down $18.5 on Friday's $870.5/mt close to reach $851/mt. On Tuesday end morning, the ICE Gasoil curve saw the 6-month backwardation decrease by around $6/mt compared to the Friday level. The front was up $3/mt on Monday's level and the 6-month was up, by $4/mt on Monday's level. At the 12-month horizon, the curve is still in backwardation. The front is down nearly 2% on Friday the 5th.

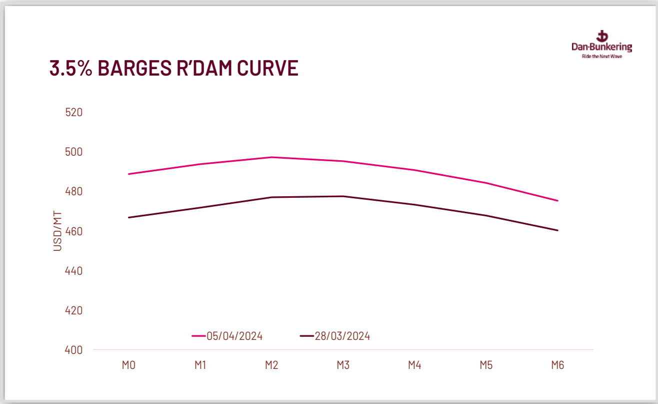
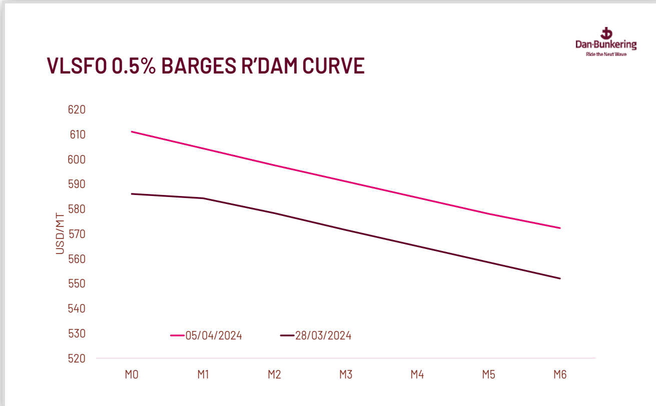
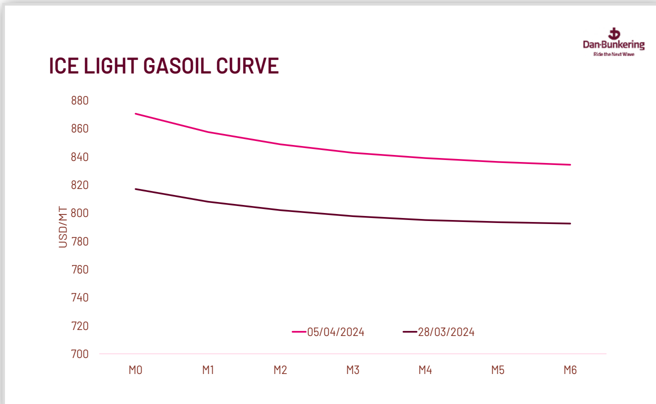
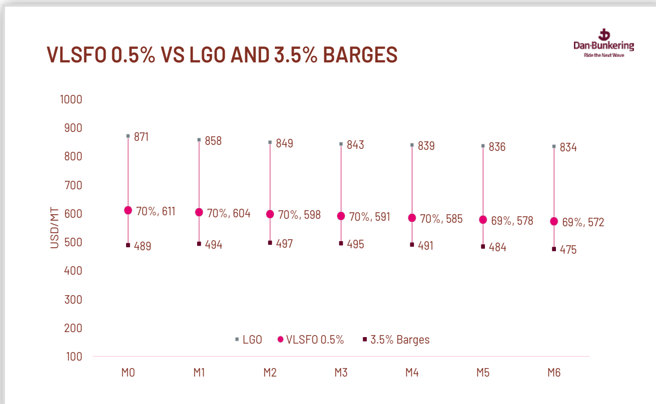


Figure 1 ARA Curve







M0 is Apr. 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front rise 6.5%, while the sixth month level rose by 5.4%. The curve trajectory is fully backwardated, with the M5-M0 at 3.9% backwardation. The Fuel Oil Rotterdam front month rose 4.7% and the 6-month rose 3.5%. The curve is 0.9% in backwardation on the six-month horizon (but stronger on the earlier months). The VLSFO curve saw its backwardation increase to 5.4% as the front rose 4.3%, while the back rose 3.5%.

Brent Ref:	3.7	June					
	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	14.0	19.5	1.3	3.7	25.0	22.0	53.5
Apr-24	15.3	18.8	1.9	2.9	26.8	17.0	62.5
May-24	17.8	19.0	3.1	2.9	26.0	16.8	55.5
Jun-24	20.5	20.3	3.4	3.0	26.0	19.8	51.0
Jul-24	22.5	21.8	3.2	3.0	26.0	22.0	47.8

06. OUR VIEW

And so, the oil price rises again above $90/bbl. Speculation is rife that the price can now go to $100 and above. The news wires talk about it, and investment banks as well. The bet is that OPEC+ will not increase production and will be quite content to see the price rise. Geopolitical considerations are given for the oil price, and considered to now be mostly priced in. So far, the situation in the Red Sea has only modestly impacted the oil trades. A truce may deflate part of the geo risk premium. And that can happen at the snap of a finger. In fact, the oil price has little to do with fundamentals at this point. The EIA estimates spare oil production capacity at nearly 5 mb/d. there is considerable overhang. US commercial crude stock levels are on the average of the 2018-2022 period. And what do these stock levels really mean, when crude oil exports are running at 4-5 mb/d? Strategic stocks have been lowered considerably. While one may believe that the US should refill its strategic stocks, an alternative can be to reduce exports. That will bring domestic US prices down, and international prices will be driven up. That is pure speculation on our part, but one has to consider all the possibilities. The point is, the price is driven by other factors than the fundamentals, and that makes for a volatile environment.

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)**