Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 31
July 30, 2024

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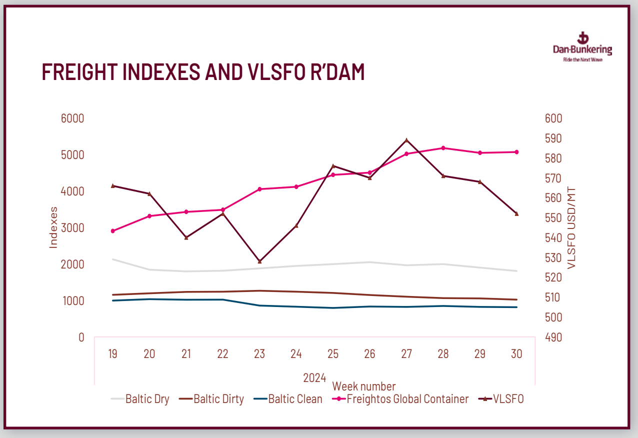
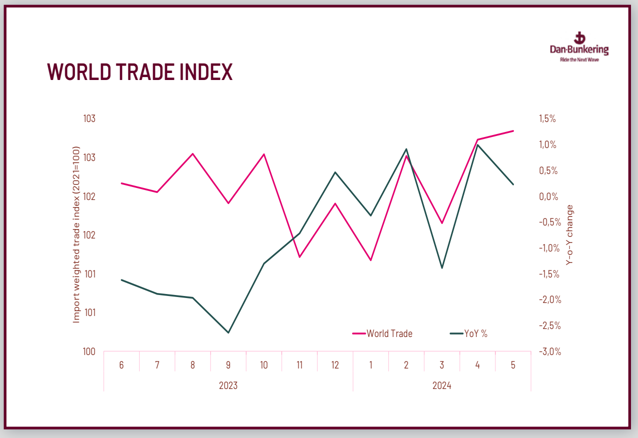
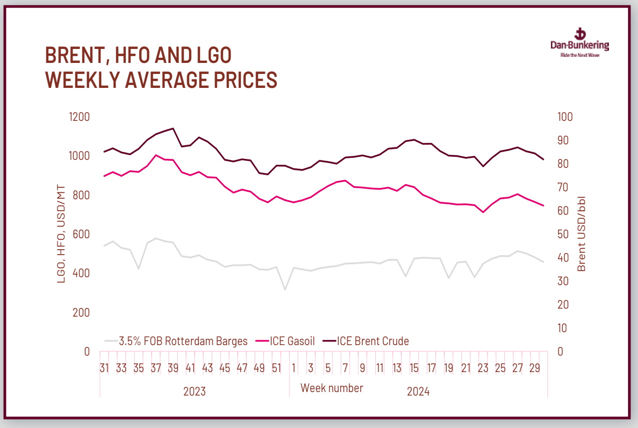
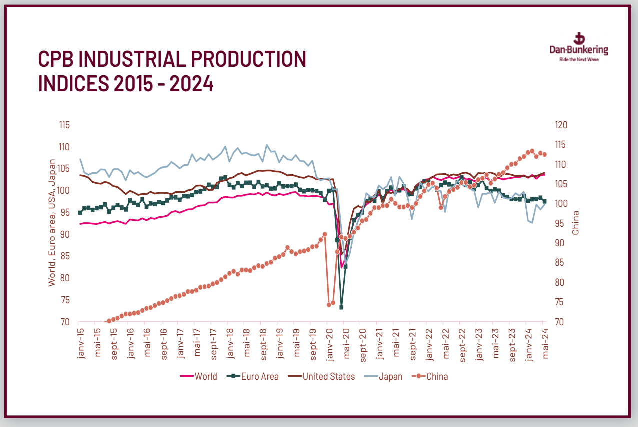








Sources: EIA.gov, ECB, investing.com, Baltic Exchange, Freightos Baltic Index, Refinitiv, Clarksons Research, U.S. Bureau of Economic Analysis, fred.stlouisfed.org, AtlantaFed, OPEC, OECD, Wolfstreet.com, Eurostat, IEA, Dan Bunkering analysis

01. ECONOMIC DATA CALENDAR

Date	Area	Topic	Expect	Prev.	Impact
30/07 22:30	USA	API Crude oil stock change		-3.9 mb	Oil market balance
31/07 01:00	Korea	Industrial production June (YoY)	2.5%	3.5%	Economic activity
01:50	Japan	Industrial production June (YoY)	1.3%	1.1%	Economic activity
03:30	China	NBS manufacturing PMI (Jul)	49.2	49.5	Economic health
03:30	China	NBS non-manufacturing PMI (Jul)	50.1	50.5	Economic health
06:00	Japan	BoJ interest rate decision	0.1%	0.1%	Economic health
08:00	S. Arabia	GDP growth rate Q2 (YoY)	-0.5%	-1.7%	Economic activity
11:00	Euro Area	Inflation rate July (YoY)	2.3%	2.5%	Economic health
16:30	USA	EIA crude oil stocks change		-3.7 mb	Oil market balance
16:30	USA	EIA distillate stocks change		-2.7 mb	Oil market balance
20:00	USA	US Fed interest rate decision	5.5%	5.5%	Economic health
23:30	Brazil	Interest rate decision	10.5%	10.5%	Economic health
01/08 02:00	Korea	Exports July (YoY)	17%	5.1%	Economic activity
02:00	Korea	Imports July (YoY)	14.5%	-7.5%	Economic activity
03:45	China	Caixin manufacturing PMI (Jul)	51.5	51.8	Economic health
07:00	India	HSBC manufacturing PMI (Jul)	58.5	58.3	Economic health
09:55	Germany	HCOB manufacturing PMI (Jul)	42.6	43.5	Economic health
10:00	Euro Area	HCOB manufacturing PMI (Jul)	45.6	45.8	Economic health
13:00	UK	BoE interest rate decision	5%	5.25%	Economic health
16:00	USA	ISM manufacturing PMI (Jul)	48.2	48.5	Economic health
02/08 08:45	France	Budget balance (Jun)	-€130 bn	-€113.5 bn	Economic activity
10:00	UN	FAO world food price index		120.6	Economic health
14:00	Brazil	Industrial production June (YoY)	1.5%	-1%	Economic activity
16:00	USA	Factory orders June (MoM)	-3%	-0.5%	Economic health
19:00	USA	Baker Hughes oil rig count		482	Oil market balance
05/08 06:00	Indonesia	GDP growth rate Q2 (YoY)	4.5%	5.1%	Economic activity
11:00	Euro Area	PPI June (YoY)	1.9%	-4.2%	Economic health

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

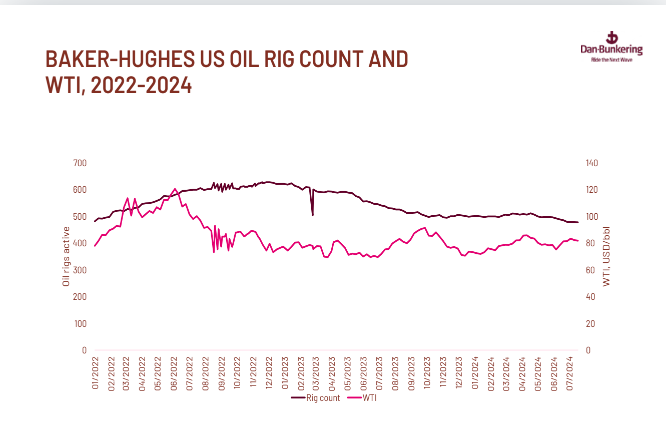
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The coming **week** has two major types of data releases. The first is about the physical economy. Industrial production data for Korea is showing a deceleration to 2.5% annual growth in June from 3.5% in May, while Japan's industrial production accelerated to 1.3% growth. In Brazil, production swung from an annual fall in May to an increase of 1.5% in June. More indirect data relates to the manufacturing purchasing manager's indexes. The Chinese National Bureau of Statistics PMI for July shows a falling PMI, moving deeper into contraction, while non-manufacturing is still expanding, but only barely as indicated by the 50.1 index. The Caixin manufacturing PMI for China is still showing expansion in July but slowing down. India's manufacturing PMI is seen increasing to further strong expansion, while Germany's equivalent PMI is expected to retreat further into deep contraction, at 42.6. The index keeps hovering around the low ends of the past 5 years. The wider Euro Area is clearly impacted by what happens in Germany. The overall area's index is also expected to fall further into contraction. In the USA, the Institute for Supply Management's manufacturing index is also expected to show a continuing and intensifying contraction, at 48.2. GDP growth in Saudi Arabia in Q2 is projected to have been negative at -0.5%, as in Q1, the impact is partly from the oil production cutback decisions in April last year. Indonesia's GDP growth is slowing down, but still at 4.5%. The second set of data is about the monetary side of the economy. Major interest rate decisions are announced. Japan's Bank of Japan and the US Federal Reserve are expected to keep rates unchanged at respectively 0.1% and 5.5%. The same goes for the Brazilian central bank, which is projected to keep the rate at 10.5%. it is the Bank of England that is expected to reduce rates by 0.25% to 5%. Another interesting data point is the French budget balance, which in June deteriorated further. The country was already warned recently by the European Commission to bring the budget deficit back from 8% to below the 3% limit that is set by the treaty. So far, this does not seem to be happening, and if implemented, will create severe strain in the country.

OIL MARKET

The Baker Hughes oil rig count was up 5 rigs at 482 last week. The weekly average of WTI was $77.9, down $3.7. The natural gas price at Henry Hub was almost unchanged from the previous week at an average of $2.1/mmbtu.



Three of the 8 major international energy companies, which were previously known as the international oil companies, have now reported Q2 financial results. Normalised profits were down 21% from Q1 but still up over 41% from Q2 2023, at $8.7 bln. The more interesting element is that capital expenditure is up 15%. Capital spending, which includes all other parts of the companies and not just upstream oil and gas, was lower from the 3rd quarter last year through the 1st quarter this year. As we have highlighted over the past years, spending on share buybacks and dividends outpaced investment in the companies' core activities. This quarter, that is no longer the case, at least not for the three companies covered: ENI, Equinor and TotalEnergies. The companies spent $8.6 bln on capital investments, while they spent $7.3 bln on shareholders. That $7.3 bln is still a very high number in historical perspective, but a trend may be set now back to productive investment in the companies themselves. The sentiment is reflected by the large so-called service companies, Baker-Hughes, SLB and Halliburton. Those companies see a slowdown in US focused spending, but strong growth in non-US or international spending. Growth is seen in Latin America, West Africa and the Middle East beyond 2024. Those first two areas are strongly offshore driven, with Guyana fields continuously being developed and TotalEnergies mentioning upcoming investment decision on the neighbouring Suriname Block 58 field development where an FPSO is envisaged. Furthermore, the Namibian discoveries will drive activity.

ECONOMY

The Dutch Central Planning Bureau **published** its World Trade Monitor for May. World trade increased by 0.1% from March levels. This headline number is again somewhat distorted, as the CPB indicates that the April figure was revised downwards. Earlier, the CPB estimated the increase in April to be 1.5% over March levels, but it revised that to an increase of 1.1%. Year-on-year, trade is up around 0.2%.

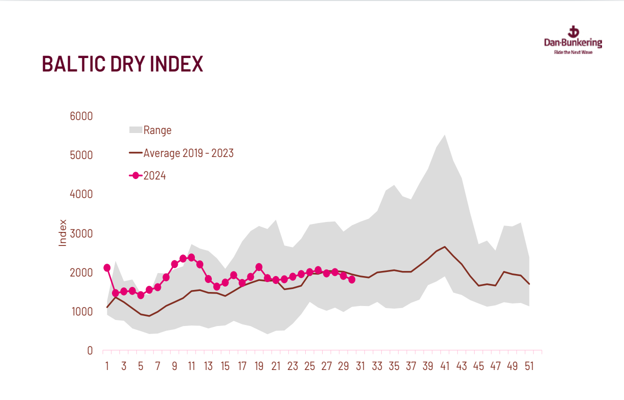
The monitor shows that imports decreased for the EU, the UK and China on annual comparison. Imports also fell for those countries from April. The Eurozone fell nearly 2% from April and 6.7% yearly. US imports fell 0.5% from April and rose 4.3% year on year, while imports into the UK fell over 5% from April and over 7% year on year. On the exports side a slightly brighter picture emerged. Exports rose 0.8% from April levels, with all the advanced economies, except the others category, falling. Combined the advanced economies exports dropped 1.2% from April and 0.5% annually. China recorded a substantial increase, at 5.3% from April and nearly 10% annually, as did emerging Asia excluding China, by over 7% from April levels, and nearly 11% annually. World industrial production is up 0.1% from April and up 0.8% on year-ago levels. The Eurozone saw output fall 2.8% yearly and Japan by 0.4%, while Africa/Middle East also saw output rise by over 1% annually. The USA was up 0.3% yearly, while the advanced Asian countries were up nearly 3%, and China was up by 5.9%. Month on month, China was slightly down however.

As we highlighted a month ago on the release of the April trade data, the slowdown of the seaborne trade in May signalled the slowdown in overall trade. The latest Clarksons trade data for June shows seaborne trade growing nearly 3%, which suggests an acceleration in the overall global trade levels.

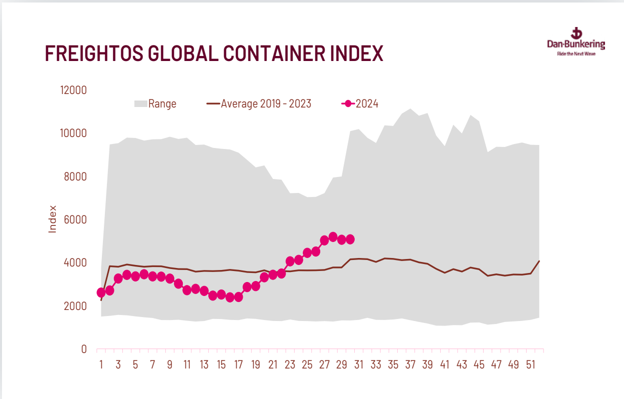
What the data continue to indicate is the deterioration of the advanced economies, and that of the EU, UK and Japan in particular. The CPB rebased its data to now be indexed at 2021 levels rather than 2010 levels, hence the much lower index figure used now. May data shows the Euro Area at 3% below that 2021 index level. The UK is down 3.5% and Japan 3.3%. Only the USA among these economies is substantially ahead in those few years, by around 4%. The emerging economies are up 10%, with China alone up 12%. And that increase is despite China opening up more slowly than the other economies.

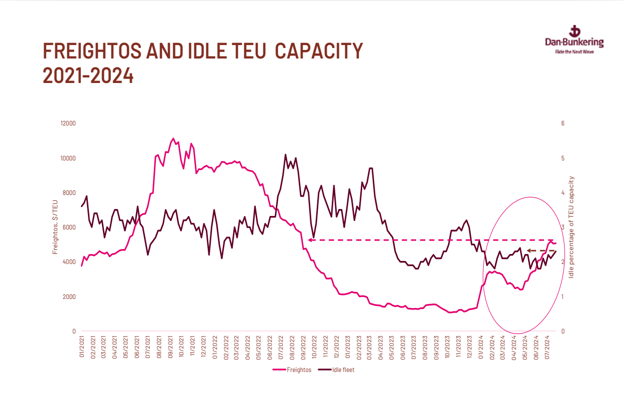
VESSEL RATES

Crude oil tanker rates on the Baltic Exchange TD3 route were up over 10% after last week's 30% increase. The t/c rates were at $32.4k/day compared to $29.3k/day a week before. Voyage rates were reported at $8.6/mt on the route on the 26th of July, up $0.2 compared to the week of the 19th. The Baltic dirty index was down 3%, or 33 points, to 1023. The level remains 25% above the previous 5-year average. The clean index was down 1% from last week's level at 814. The index is 24% above the previous 5-year average. Dry bulk rates fell 5% or 94 points to 1808 per the Baltic Dry Index. The index is 7% 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 less than 0.5% over the last week compared to the 19th of July to $5072, as measured by the overall **Freightos Global Index**. The China to Europe rate fell over 0.5% to $8369 over the same period. The China to US West Coast fell nearly 1.5% from $7738 to $7628. 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 30.0%, down 0.7% points compared to the previous week. The congestion share represents some 8.9 mln TEU, down 0.2 mln TEU from last week. Freightos **reports** that "*Congestion at major Asian container hubs is not as bad as a few weeks ago, but is still a factor tying up capacity and causing delays, including some redistribution of vessels – and congestion – to other ports in the region, now including Taiwan. Even with this congestion, there are signs of easing conditions on the main East-West lanes like reports of lower utilization levels and a dip in freight rates after two and half months of increases. Prices across these lanes that fell 1% to 4% last week still remain extremely elevated, but this dip may signal that pressure on rates is past its peak. This decrease in pressure is likely partially due to major carriers and new, smaller entrants adding capacity to transpacific and Asia – Europe services as demand and spot rates surged in the last two months.*"



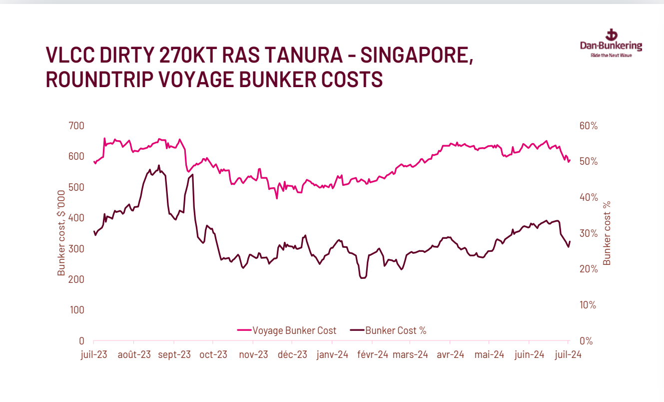


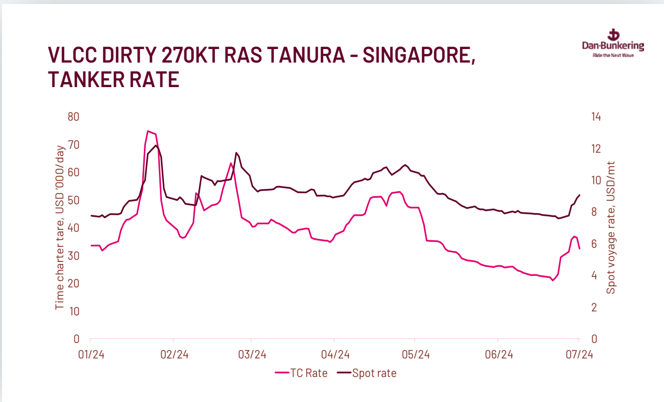
The idle container fleet stood at 278, up 9 from last week, which itself was unchanged. Some 2.3 % of the fleet is reported idle (including those vessels retrofitted with scrubbers and those laid up and calculated in terms of TEU capacity rather than vessel numbers). That level continues just above the low end of the 5-year range. The idleness per sub-segment differs considerably. Of those 269 idle container vessels, 221 are sub 3000 TEU, up 6 on last week, with another 23 of 3-6000 TEU, down 3 from last week. Those vessels represent 4.1% and 2.2% of their respective fleet sizes. Clarksons reports 9 containerships of 12-17000 TEU idle, or 1.9% of capacity, and none of 17000+ TEU.

The reported average voyage duration between China and the US West Coast is 20.6 days, up 0.4 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

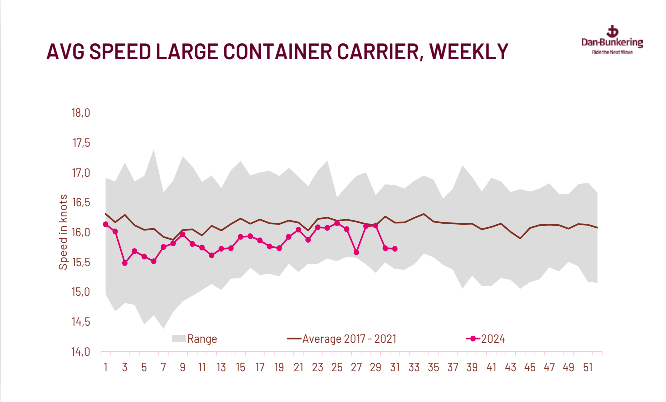
Reported tanker voyage charter rates were up at 8.6/mt on the Ras Tanura – Singapore route, having touched over $9 during the week. Heavy fuel oil prices were down around 5% in Fujairah and up around 1% in Singapore over the week through the 26th of July. Bunker costs are some 28% of the total voyage. On the basis of VLSFO, bunker costs are 35% of the total voyage. The VLSFO prices were down just below 2% in Fujairah and up less than 0.5% in Singapore. The calculations provided are intended to be directional indications, not the actual ones that each tanker owner is experiencing.

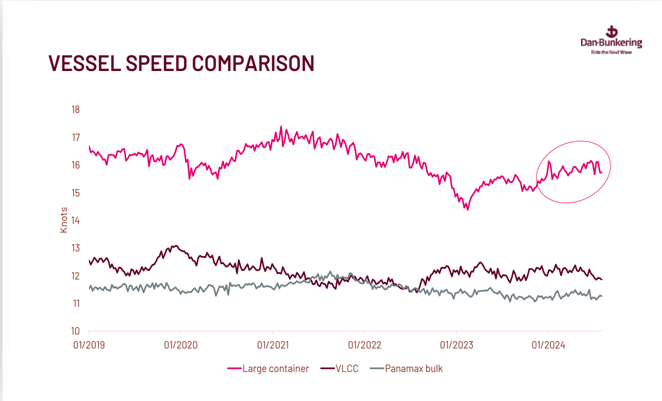




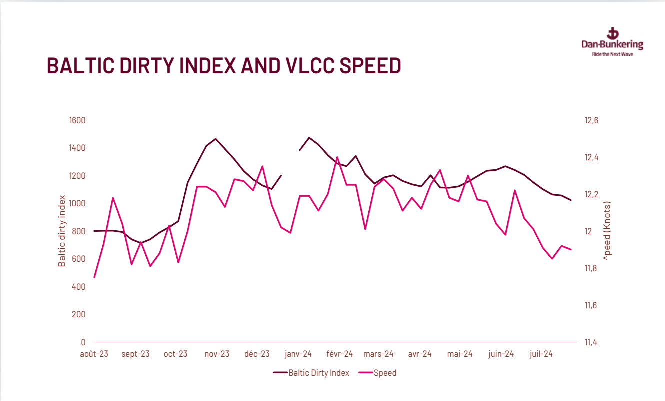
VESSEL SPEEDS

The container vessel's latest data point of 15.7 knots is down nearly 0.4 knots from last week as per LSEG (formerly Refinitiv) data. This is the third time this year that such a large weekly speed correction occurs in the data. The current speed is only 0.3 knots above the low end of the 5-year period. Medium sized container vessels decreased speeds to 15.1 knots. The weekly movements in the measurements appear to be within calculation noise. Analyst reports are coming in that the implementation of the emissions regulations are resulting in slower steaming across vessel segments.

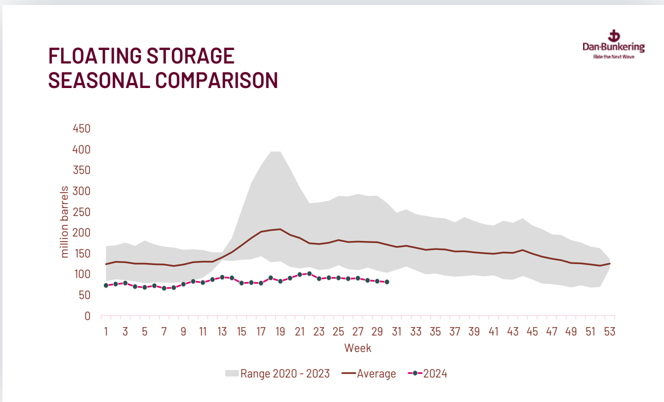




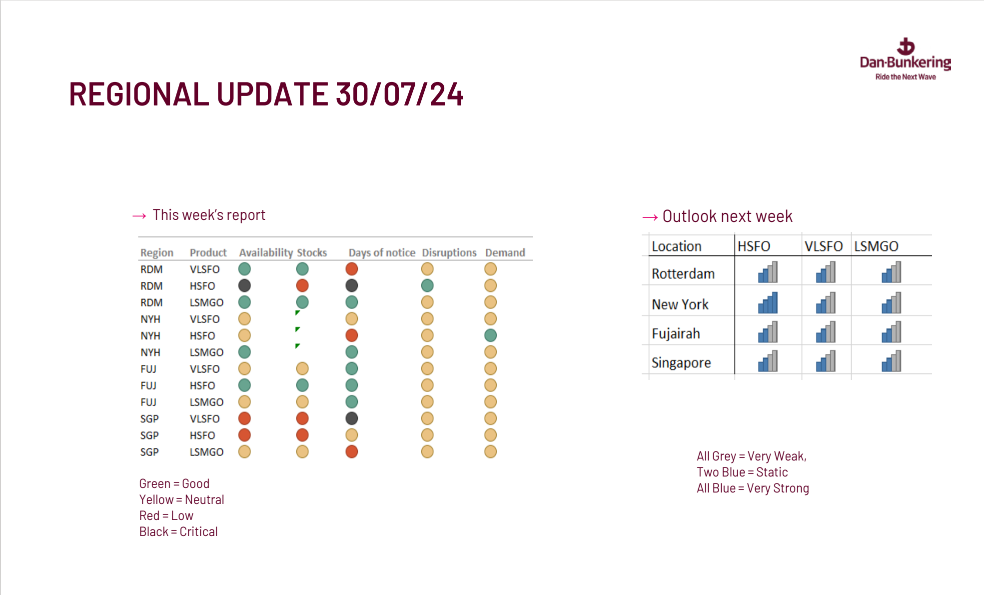
VLCC tanker speeds are down over 0.1 knots to 11.9 knots. The current speed reading is on par with the average of the range seen for the period of the year. Still, the movements in the speeds are occurring in a tiny band around that average. The freight rates, as reflected by the Baltic Dirty Index, suggest a reasonably close relationship between those rates and speeds. The idle share of the fleet was at 5.6% in deadweight terms, down 0.2% 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 down some 1 mln DWT to close to over 35 mln DWT in deadweight terms. The current level is 28% higher than the "normal" average. The current number of idle vessels fell by 11 to 268 compared to last week (which was lowered by 2).



The floating storage (excluding the dedicated storage) stands at 97 vessels, down 5 vessels from last week's number, which was lowered by 1 to 102. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is below 81 million barrels, down 2 mb compared to last week. 45 product tankers are reported functioning as storage, accounting for below 16 mb. On last report, 50 crude tankers vessels accounted for over 64 mb of stored oil, unchanged from last week. 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

Container demand on HSFO has been heavy. Spot traffic for bunker been muted in NYH.

FUJAIRAH

Stocks of heavy residues fell by 588,000 barrels, down 5.9% on the week as they stood at 9.415 million barrels, falling below the 10-million-barrel level.

Fujairah inventories of both HSFO and LSFO declined as the month-end nears, with bunker premiums buoyed, while some market participants have taken advantage of the softening prices to take positions.

Strengthening supply-demand dynamics in Singapore are also expected to lend support to Fujairah which is trading lower.

HSFO avails are good with lead times reducing from 7-9 days to 3-4 days with VLSFO mkt seeing a similar status.

ARA

HSFO

Overall fuel demand was slow during previous week. Market still relatively tight on the prompt, however loading delays to slow down. 2 new FO cargoes are expected to arrive out of the West coming weeks. On the paper market, intermonth spreads M1/M2 found some support vs previous week. FO market is expected to remain supportive during summer period due to pull from bitumen sector and potential demand from power sector. The Q4 forward curve weakened vs previous week pointing towards a better supplied market by the end of the year.

VLSFO

Market is becoming slightly tighter on the prompt. East-West spreads firmed versus previous week opening arbitrage opportunity towards the East. News was picked up 2 aframax vessels being fixed for loading in August with destination Singapore. The paper structure on the front strengthened versus previous week putting upward pressure to the market on the back of the recent fixtures.

MGO

Market remains well supplied with demand being muted. ICE GO futures intermonth spreads M1/M2 & M2/M3 weakened vs previous week showing a contango structure into October highlighting a well-supplied market.

SINGAPORE

Spot trading activities around both the key bunker hubs of Singapore was reportedly decent overall amid a slight flat price drop, leading buyers to meet forward refueling requirements for August dates on the first trading day of the week started July 29, traders said. Commercial stockpiles of heavy distillates for Singapore dipped 1.4% from a four-week high in the week to July 24 as exports surged, the latest Enterprise Singapore data showed. The stocks declined to 19.9 million barrels as of July 24, from 20.1 million barrels a week earlier, according to the Enterprise Singapore data. Singapore exported 460,335 mt fuel oil in the week to July 24, rising more than threefold from 118,109 mt in the previous week, and the highest since 511,623 mt in March 20.

Berthing congestions in the Singapore hub have affected the low sulfur fuel oil segment and boosted downstream premiums, while demand in the high sulfur fuel oil market has been largely stable. Congestions at local terminals delayed berthing schedules of LSFO bunker barges, limiting the availability of prompt refueling slots, with some sellers waiting to secure cargoes to supply downstream buyers.

Downstream HSFO premiums have improved recently amid slightly higher cash valuations in the upstream market, while stocks were adequate. Barging schedules have been sufficient, or slightly tighter than usual at times, depending on the refueling requirements of end-users.

Regional indicators : prices in USD to benchmarks

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	10-13	FOB Rdam Barges 3.5%	-12	MOPS380	0	MOPD380	11-13	MOPS380
VLSFO	7	FOB Rdam Barges 0.5%	8	MOPS 0.5%	-5	MOPS 0.5%	10-13	MOPS 0.5%
LSMGO	-40	ICE Gasoil	70	MOPS GO 10ppm	0	HO	-6 to 4	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	7	4	5	8
VLSFO	5	5	4	12
LSMGO	2	1	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve fell $18.3/mt at the front compared to last week in absolute terms (July 26th compared to July 19th). The six-month fell by $19.8/mt. The curve is in backwardation over the longer horizon but is in contango from the second through fourth month. The time spread for the 6-month period rose $1.4 to minus $7/mt. The 3.5% barges' curve saw a fall in the backwardation, which is at $28.8 on the 6-month contract (front month minus the six-month contract). The front fell $22.8/mt, and the six-month fell $21.3/mt. The front month spread (M0-M1) fell from $4.5 to $3.3. The VLSFO 0.5% backwardation increased $0.8/mt to -$27.8/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 down 1% point at 70% and increased $5/mt in absolute terms to -$222/mt compared to 73% or $201/mt below LGO at the front. That $201/mt is up $5/mt compared to last week's reading when the front was 74% of LGO.

Monday the 29th saw the ICE gasoil front move down $3/mt from Friday's close to reach $733.5/mt. On Tuesday end-morning, the ICE Gasoil curve saw the 6-month structure decrease by around $1/mt compared to the Friday level, down $1.25 from the Monday level of $7.25/mt. The front was down around $5/mt on Monday's level and the 6-month was down by around $4/mt on Monday's level. The curve saw a weakening of the backwardation compared to Friday. The front is down around 1% compared to Friday the 26th.

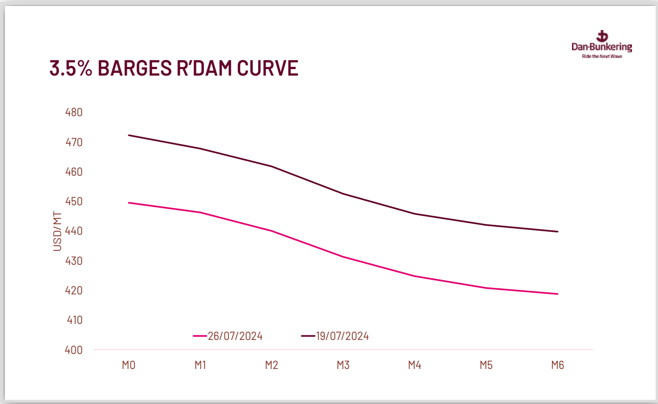
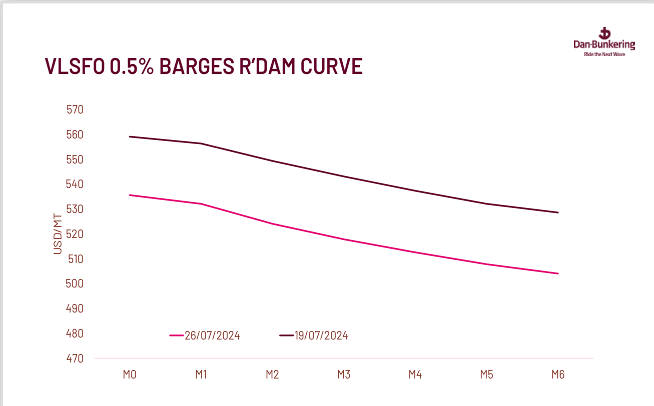
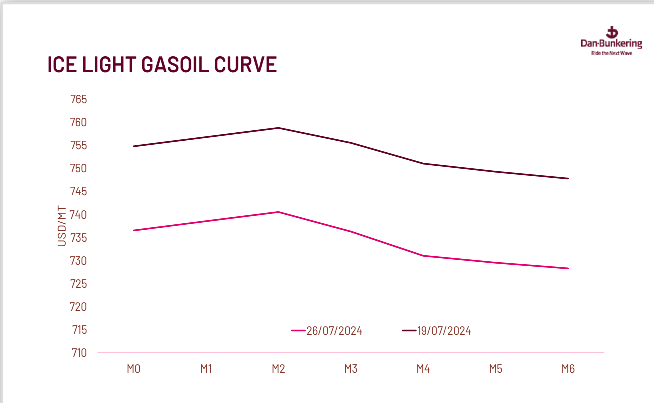
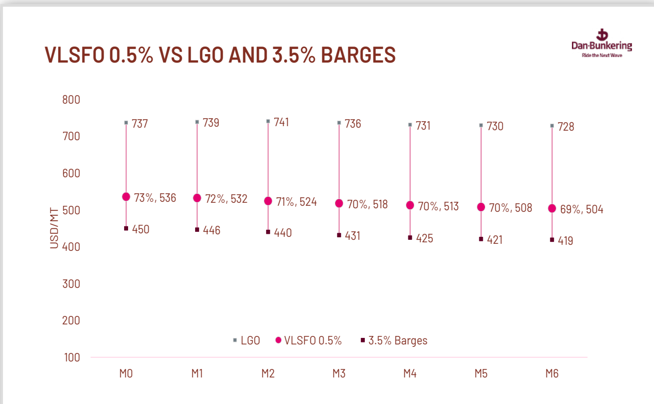


Figure 1 ARA Curve







M0 is August 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front fall by 2.4%, while the sixth-month level fell by 2.6%. The sixth month, minus the front month, is at 1% backwardation. As indicated above, the front month is actually 0.3% in contango to the second month. The Fuel Oil Rotterdam front month fell 4.8%, and the 6-month fell 4.8% also. The curve is 6.4% in backwardation on the six-month horizon and sees a 0.7% (or $3.2/mt) backwardation between the front and second month, $1.3/mt weakening. The VLSFO curve saw its backwardation increase to 5.2% as the front fell 4.2% and the back fell 4.6%.

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	-13.9	-14.8	-1.9	0.3	-23.5	-22.0	-18.3
Jul-24	-12.5	-11.8	-0.7	-1.1	-23.5	-22.8	-18.3
Aug-24	-13.0	-14.5	-1.1	-1.1	-24.3	-21.5	-18.3
Sep-24	-14.0	-15.0	-0.9	-1.3	-25.3	-21.8	-18.3
Oct-24	-14.3	-16.5	-1.0	-1.2	-25.3	-21.3	-19.3

06. OUR VIEW

US second quarter GDP rose at 2.8% annualised. It is a hot print that will likely force the US Fed to wait and see with respect to interest rate cuts. Core CPI was stronger, also the revised May number Services inflation remains stubbornly high. In the Eurozone, Q2 growth rates were paltry. For the area as a whole, GDP grew by 0.6% annually, with France and Italy at around 1%. It is Germany that dragged the zone's growth really down, as the country saw its economy contract by 0.1%. Eurozone inflation is still above target, but moving down, and the ECB may be forced to cut rates in the hope of giving the economy a boost. However, as other non-US central banks will experience, cutting further before the US means a strengthening of the USD. And although the relationship between the USD and the oil price is not 1:1 at any moment in time, there is a strong and inverse relationship between the two. This week will see the US Fed decide on rates. Downward pressure on the oil price will likely follow if there is a divergence between policies. Not right now, but it will build. The US Fed will also give a press conference, which pundits will read for guidance at what comes next in September. So far, the pundits have been wrong, and the bank decided to stay on the side of caution.

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)**