Dan-Bunkering
Ride the Next Wave

Weekly Market Report

Week 14
April 2, 2024

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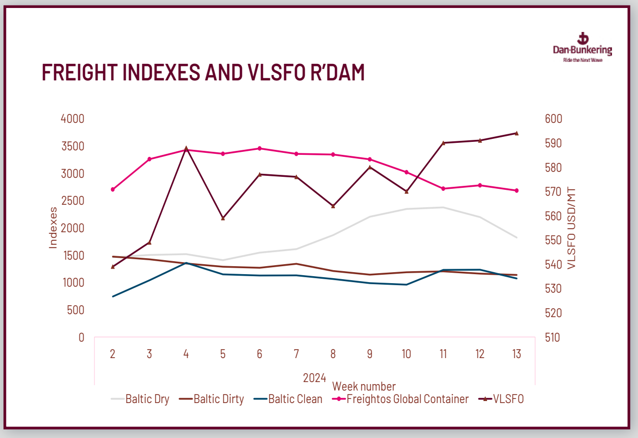
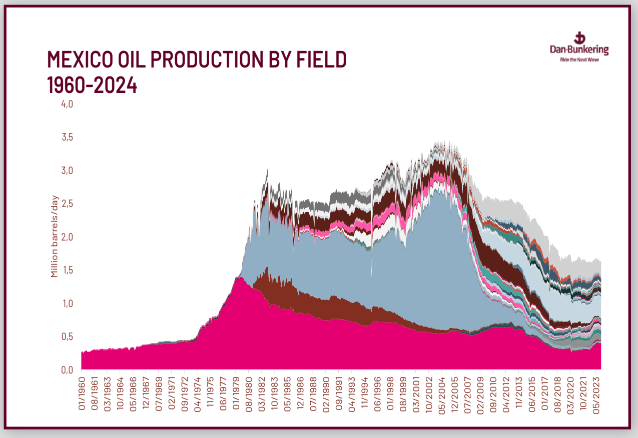
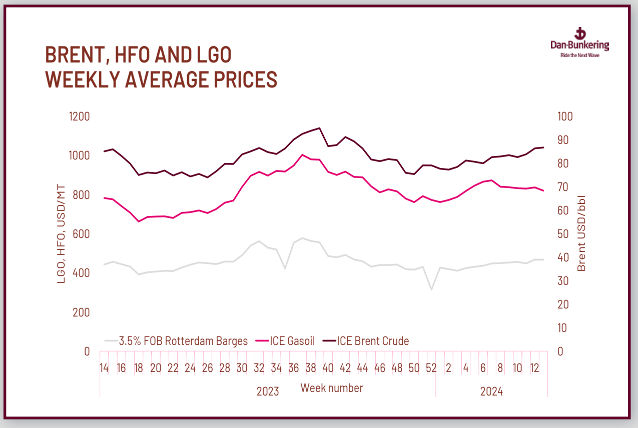
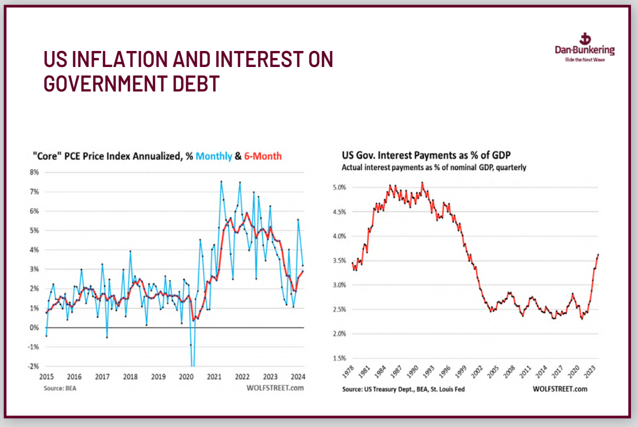








Sources: EIA.gov, ECB, investing.com, Baltic Exchange, Freightos Baltic Index, Refinitiv, Clarksons Research, U.S. Bureau of Economic Analysis, fred.stlouisfed.org, AtlantaFed, OPEC, OECD, Wolfstreet.com, Eurostat, IEA, Dan Bunkering analysis

01. ECONOMIC DATA CALENDAR

Date	Area	Topic	Expect	Prev.	Impact
02/04 16:00	USA	Factory orders February (MoM)	1.3%	-3.6%	Economic activity
22:30	USA	API Crude oil stock change		9.4 mb	Oil market balance
03/04 09:00	Turkey	Inflation rate March (YoY)	69%	67.1%	Economic health
11:00	Euro area	Inflation rate March (YoY)	2.6%	2.6%	Economic health
11:00	Euro area	Core inflation rate March (YoY)	2.8%	3.1%	Economic health
14:00	Brazil	Industrial production February (MoM)	-0.2%	-1.6%	Economic activity
16:00	USA	ISM Services PMI (March)	52.4	52.6	Economic activity
16:30	USA	EIA Crude oil stocks		3.2 mb	Oil market balance
16:30	USA	EIA Distillate stocks		-1.2 mb	Oil market balance
	OPEC+	Ministerial meeting			Oil market balance
04/04 07:00	India	HCOB Composite PMI (Mar)	61.3	60.6	Economic activity
10:00	Euro area Euro area	HCOB Services PMI (Mar)	51.1	50.2	Economic activity
11:00	Mexico	PPI February (MoM)	-8.3%	-8.6%	Economic health
14:00	USA	Consumer confidence (Mar)	43	47	Economic health
14:30	USA	Balance of trade (Feb)	-$68 bn	-$67 bn	Economic health
14:30	USA	Exports (Feb)	$258 bn	$257 bn	Economic activity
14:30	Brazil	Imports (Feb)	$326 bn	$325 bn	Economic activity
20:00		Balance of trade (Mar)	$7.7 bn	$5.5 bn	Economic health
05/04 06:30	India	RBI Interest rate decision	6.5%	6.5%	Economic health
08:00	Germany	Factory orders February (MoM)	0.9%	-11.3%	Economic activity
08:45	France	Industrial production February (MoM)	0.7%	-1.1%	Economic activity
11:00	Euro area	Retail sales February (MoM)	-0.2%	0.1%	Economic health
14:30	USA	Average hourly earnings March (YoY)	4.1%	4.3%	Economic health
15:30	USA	IMF World economic outlook			Economic health
19:00	USA	Baker Hughes oil rig count		506	Oil market balance
08/04 08:00	Germany	Balance of trade (Feb)		€ 27.5 bn	Economic health
09:00	Turkey	Industrial production February (YoY)	4.9%	1.1%	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

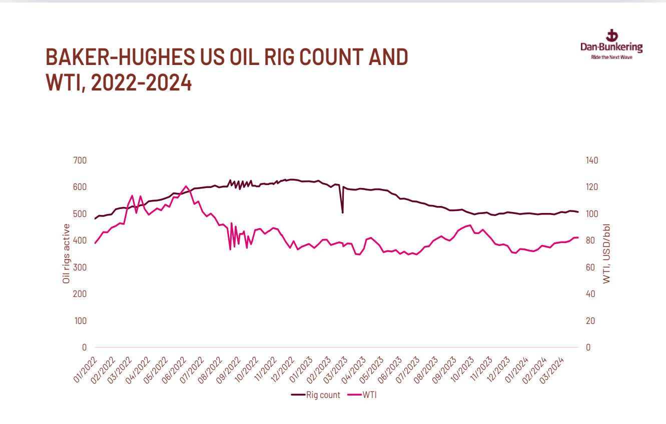
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The week **sees** the release of the April update of the World Economic Outlook published by the IMF. Factory orders in the USA are expected to have risen slightly month on month in February, reversing part of the January decline; In Germany too, a small monthly increase is seen for February, after a more than 11% contraction in January. These datapoints underpin the Bundesbank assessment of very low economic growth in the country in 2024. Industrial production in Brazil is expected to have contracted slightly in February, following a contraction in January. In France, a small reversal of the January fall is expected, while in Turkey a healthy expansion of nearly 5% is projected, year on year, following a January expansion. Inflation data is expected for the Euro area. The headline inflation in March is expected unchanged at 2.6% year on year, with core inflation, excluding food and energy which are considered too volatile, to have slowed to 2.8% annually from 3.1% in February. The producer prices in the Euro area continue to fall significantly, with February likely recording again a fall of over 8%. A substantial part of the fall is due to lower energy prices, with TTF gas prices less than half in February this year compared to February 2023 (nearly €26/mWh this February compared to nearly €53/mWh a year ago).In Turkey, inflation continues to accelerate, with March inflation expected to have reached 69%, up from just over 67% in February. Producer prices in the country are projected to have increased by nearly 50% over the same period. The balance of trade in the USA is expected to have continued its traditional negative path, with both exports and imports mostly unchanged from their levels seen in January. The Brazilian trade balance is projected to have improved further, netting the country nearly $8 bn in March, up from $5.5 bn in February. Germany's balance of trade will be published next Monday. The January balance was a positive € 27.5 bn, but the February balance may actually be impacted by the Red Sea disruptions. Rounding off, the OPEC+ ministerial meeting will take place on Wednesday. Some noise may enter the market, moving the oil price.

OIL MARKET

The Baker Hughes oil rig count was down 3 rigs to 506 last week. The weekly average of WTI was $82, up $0.1 week on week. The natural gas price at Henry Hub remained just below $1.7/mmbtu, down 2 dollar cents on the previous week. That average masks the dip to $1.61/mmbtu beginning of the week, before rising back to over $1.76/mmbtu.



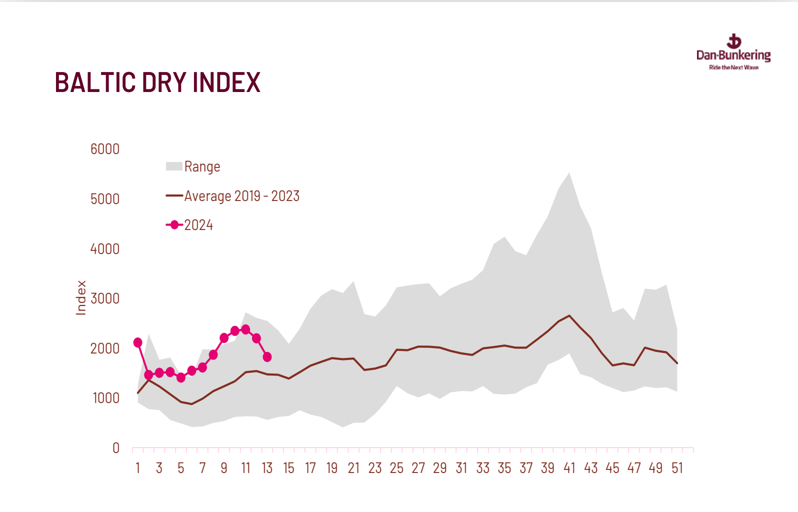
While the underinvestment theme sounds like yesterday's story, over the past week two very illustrative stories have been published. They clearly illustrate the slow-motion nature of underinvestment and the time it takes to see the real-world effects. The first one is of Mexican national oil company Pemex and the oil production levels of Mexico. Even though more international oil companies have entered the country to produce oil, Pemex is the single largest producer by far. The company has been beset by funding issues, partly due to the requirements of the state, which takes dividends and taxes from the company. In the late 2010's, the company embarked on a program to rapidly develop new oil fields to offset the strong losses from natural declines in its old fields. It was partially successful. Overall country production had **dropped** from 3.4 mb/d at its peak twenty years ago. Production was supposed to go back up to 3 mb/d and then to 2.5 mb/d by 2024. Last week, Pemex data **showed** that production had fallen towards 1.55 mb/d in February, the lowest level in 45 years. It is difficult to push production back up without significant investments, even if the resource base may be there. The country's production is a lesson in how hard it is to sustain production once around half the resource base has been produced. The second illustration comes from Exxon Australia. There the major is one of the gas producers. It has now **warned** that among others due to regulatory delays, the continuous timely development of the gas resources is in peril. The company said that by 2030 domestic gas supply available to southern states will decrease by 44%. One third of the anticipated gas demand on the country's east coast in 2030 has to come from fields not yet developed. Developing fields takes considerable time, so that delays now, result in supply problems down the line. The longer the investment hiatus, the bigger the supply shortfall. And while peak oil is seen as a fringe theory, the fact is that oil and gas fields peak and then decline. **Johan Sverdrup** is Norway's third largest field and produces around one-third of Norway's output. The field was **discovered** in 2010 and started production in 2019 and output was boosted by a second phase in late 2022. Production was driven higher than initially forecast, reaching over 0.75 mboe/d. But the field is announced to start decline in 2025. And the impact on the expected production profile of project partner AkerBP is clear from the company's latest **investor presentation**. The company's production is set to fall before rebounding from new projects. The point is that oil and gas production need constant investment to be maintained.

ECONOMY

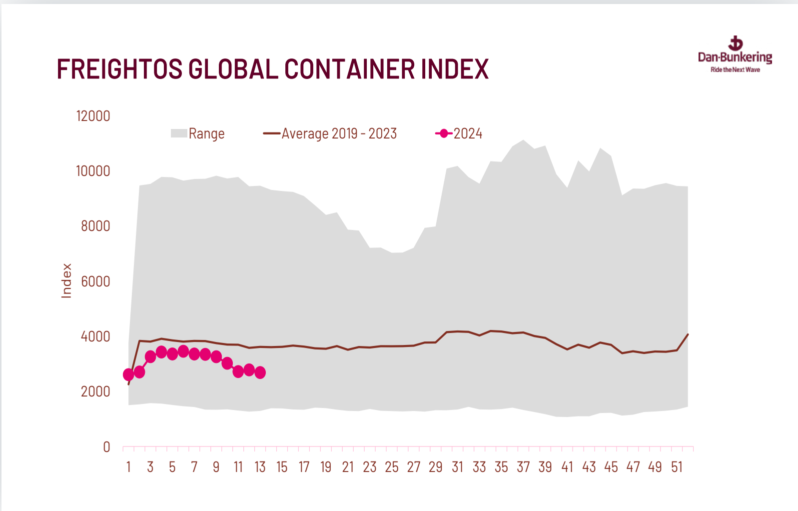
The US core Personal Consumption Expenditure index **rose** by 3.2% annualised in February. That followed an upwardly revised January PCE of 5.6% annualised (from 5.1% in the earlier estimate). These numbers pushed the 6-month average annualised PCE to 2.9%. That is the highest reading since July. The US Fed refers to the 6-month measure as it shows a trend instead of monthly movements, which tend to be volatile. The target rate is 2%. So the inflation rate is moving up, instead of down. The main element driving the upward revision is the core service PCE. Te January number was increased from 7.1% to 7.9%. Service inflation tends to be very sticky, or does not easily turn negative. Energy and durable goods inflation has been negative for an extended period, driving much of the fall in inflation, but those items are starting to turn around. In February, the durable price index turned positive. It is not for nothing that the US Fed officials mention wait and see about the need to cut interest rates. The higher interest rates are **driving up** the spending on the US debt, which itself is exploding higher. What happens is that gradually low-interest rate debt is replaced by higher rate debt and in addition new debt is added too, compounding the interest bill to the US government (it is an illustration, as the same is happening elsewhere). The average interest rate on the US government debt rose to 3.2%, just more than double the level of February 2022. The rate is still relatively low, but with the replacement and additional issuing process, the rate will continue to rise. With that, interest payments as a share of US GDP have risen to 3.6%, close to where it was some 25 years ago, and going in the wrong direction. The problem really is that the policy is that inflation needs to be countered, while the government debt rises rapidly. At some point, one of the two has to give way. For now, it seems likely that debt will continue to grow and accommodate higher interest rates. This will put downwards pressure on the oil price. That call for higher rates for longer will only become louder if the oil price creeps up, or just remains where it is for a while, as on annual comparison basis, that would result in oil-price driven inflation (for instance in gasoline, but also producer prices).

VESSEL RATES

Crude oil tanker rates on the Baltic Exchange TD3 route were down nearly 6%, after last week's fall of around 30%. The t/c rates were at $41.5k/day compared to nearly $44k/day a week before. Voyage rates were reported at $9.4/mt on the route on the 29th of March, down $0.2 compared to the week of the 22nd. The Baltic dirty index was down 2%, or 24 points to 1137. The level is 10% above the previous 5-year average. The clean index was down 13% on last week at 1072. The index is at 21% above the previous 5-year average. Dry bulk rates fell around 17% or 375 points to 1821 per the Baltic Dry Index. The index is over 24% above the five-year average level seen in 2019-2023 for the week.



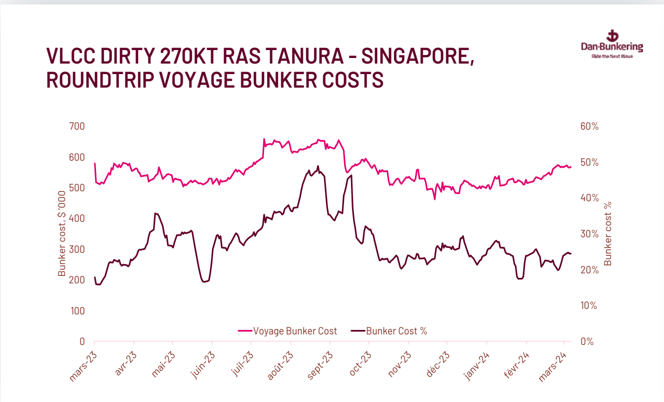
The container market rose around 4% over the last week compared to the 22nd of March to 2725 as measured by the overall **Freightos Global Index.** The China to Europe rate rose 2% to 3258 over the same period, while the

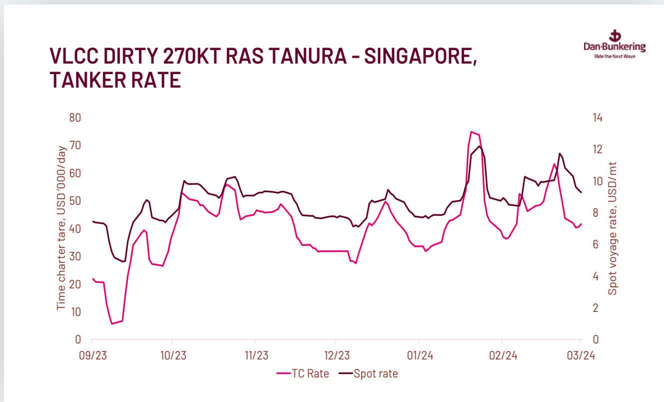


return route rose over 18% or 137 points to 879. The level remains relatively high for the return route but is almost on the average level seen since 2017. The China to US West Coast fell nearly 3% from 3729 to 3628, while the return route rose 13% from 367 to 415. The China to US East Coast was marginally up at 5291, while the return route jumped 57% to 1214. Congestion as measured by the last 7-day moving average of containerships in port, was reported at 30.4%, up 0.3% points compared to the previous week. The congestion share represents some 8.6 mln TEU, almost unchanged. The idle fleet stood at 258, down 15 from last week, which itself saw a two vessel downward revision in the data. Some 2.5% 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 20.1 days, down 0.2 days compared to last week. The current transit time is at levels seen in 2019 through mid-2020.

FREIGHT AND BUNKERS

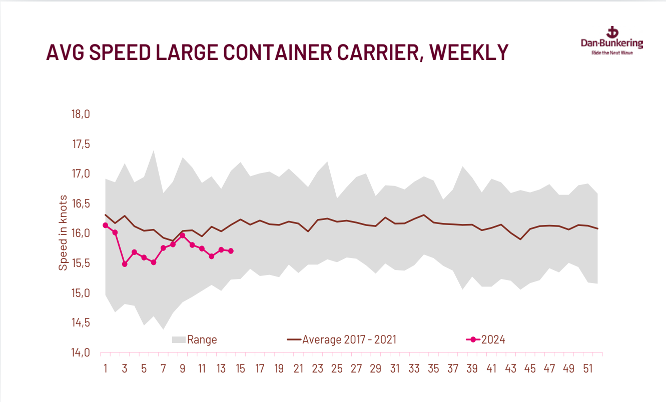
Reported tanker voyage charter rates were down, at $9.4/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices were up less than 1% in Fujairah and in Singapore over the week through March 29th. Bunker costs are some 25% of total voyage. If the entire voyage is calculated on VLSFO, bunker costs are some 34%. The VLSFO prices were almost unchanged in Fujairah and up around 1% in Singapore. The calculations provided are intended to be directional indications, not the actual that each tanker owner is experiencing.

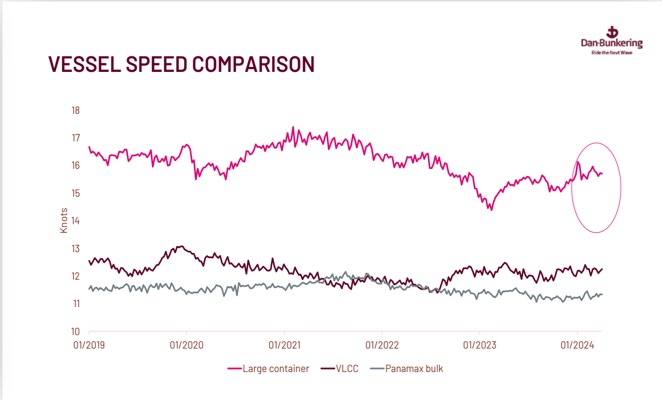




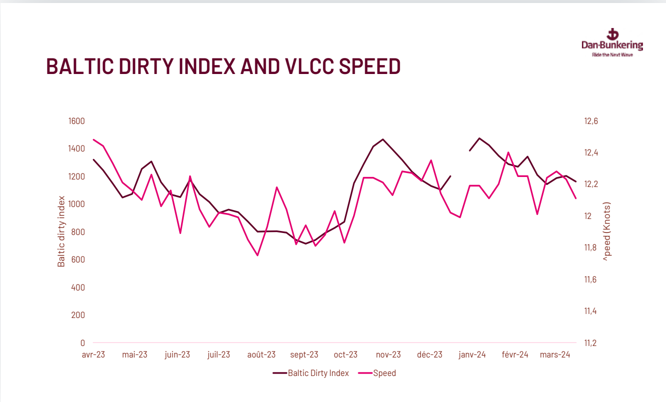
VESSEL SPEEDS

The container vessel's latest data point of 15.7 knots is up 0.1 knots 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 to improve 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.

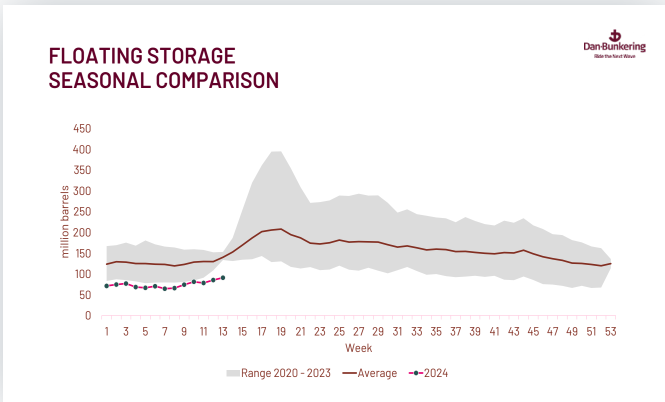




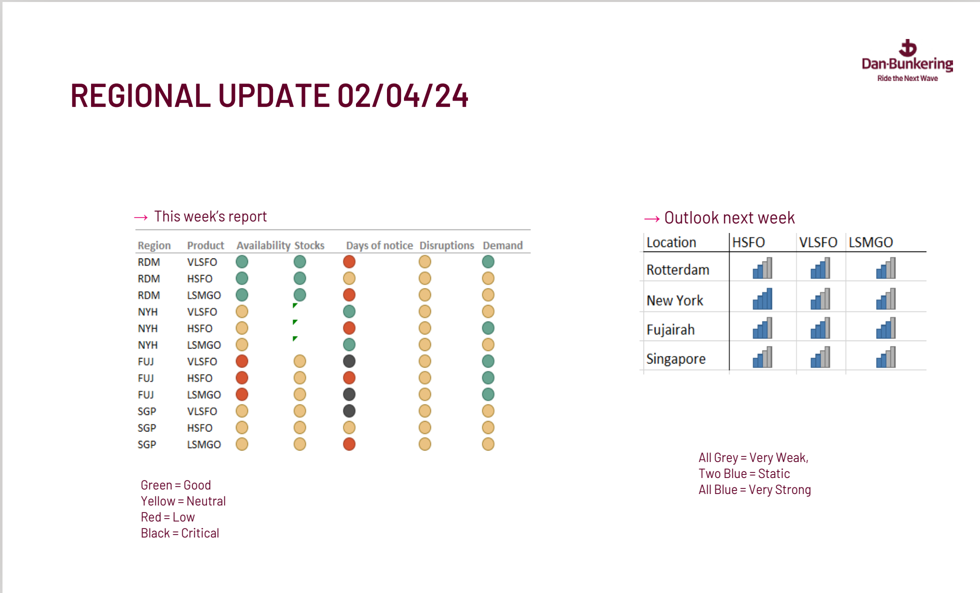
VLCC tanker speeds are up 0.1 knot at 12.2 knots. The current speed reading is at the average of the range seen for the period of the year. The idle share of the fleet was at 5.1% in deadweight terms, unchanged compared to the previous report, with the previous' week data revised down by 0.1% point. The share remains exceptionally high, not just for the period of the year but in a longer perspective as well. In deadweight terms, the idle share is around 32 mln DWT, down less than 0.5 mln dwt compared to last week. The current level is nearly 40% higher than the "normal" average. The current number of idle vessels rose by four vessels to 215 compared to last week (which was revised down by 2 vessels).



The floating storage (excluding the dedicated storage) stands at 113 vessels, up 8 vessels on last week's number, which was revised down by 2 vessels. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is nearly 91 million barrels, up nearly 7 mb compared to last week. 68 product tankers are reported functioning as storage, accounting for nearly 28 mb. 44 crude tankers vessels accounted for nearly 63 mb of stored oil, up around 2 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

We are seeing some mixed demand into Q2 and Q3, and Panama Canal issues causing shipping delays up to NYH. Hearing Q3 will be considerably stronger in demand vs Q2.

FUJAIRAH

Demand is strong in Fujairah across all grades. Barge schedules are tight with lead times approximately 10 days out. Inquiries before this are seeing prompt premiums with VLSFO trading up to plus $30/mt against SIN MOPS 0.5 for prompt supplies.

ARA

Demand is picking up but only to the extent that the market is becoming more balanced.

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.

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. The fall in inventories came from a high base with stocks of gasoil and jet fuel/kerosene reaching more than a two-year high.

Regional indicators : prices in USD to benchmarks (week to 28/03)

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	4	FOB Rdam Barges 3.5%	-11	MOPS380	5	MOPS 380	15-20	MOPS380
VLSFO	9	FOB Rdam Barges 0.5%	15	MOPS 0.5%	-5	MOPS 0.5%	12-15	MOPS 0.5%
LSMGO	-40	ICE Gasoil	95	MOPS GO 10ppm	0.03	HO	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	7	5	8
VLSFO	4-6	10	3	12
LSMGO	4-6	7	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve fell $6.8/mt at the front compared to last week in absolute terms (March 29th compared to March 22nd). The curve remains fully in backwardation in both absolute terms, and in relative terms. The six-month rose by $4.3/mt. The time spread for the 6-month period decreased $11/mt to -$23.5/mt. The 3.5% barges' curve decreased the backwardation at the six-month horizon and is now in contango for the first six months of the curve. Contango is $1/mt at the six-month horizon. The front rose $3/mt while the six-month rose $6.5/mt. The VLSFO 0.5% backwardation decreased $4/mt to -$27.5/mt, compared to a week prior.

The relative value of VLSFO compared to LGO at 6 months was flat at 70% and in absolute terms down $2 at -$235/mt compared to 72% or $231/mt below LGO at the front. That $231/mt is down $9/mt on last week's reading when the front was at 71% of LGO.

Monday the 1st saw the front move up $5.5 on Thursday's $817/mt to reach $822.5/mt. On Tuesday end morning, the ICE Gasoil curve saw the 6-month backwardation increase by around $3/mt compared to the Thursday level. The front was up $17/mt on Monday's level and the 6-month was also up, by over $14/mt on Monday's level. At the 12-month horizon, the curve is still in backwardation. The front is up nearly 3% on Thursday the 28th.

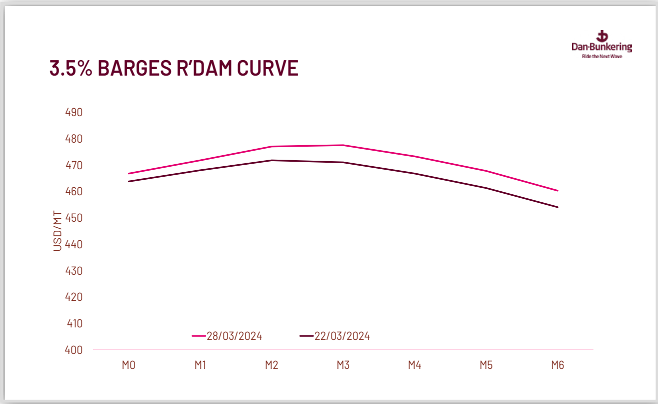
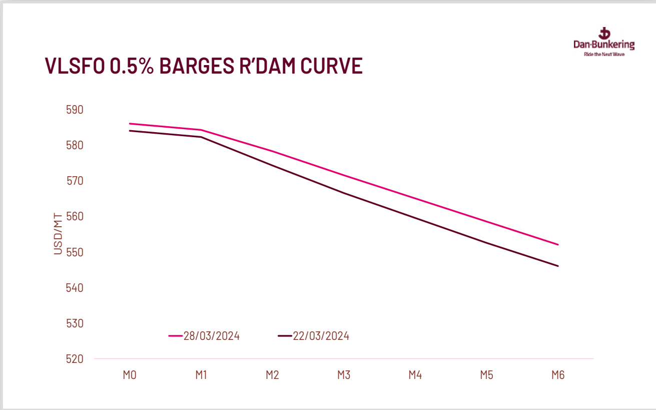
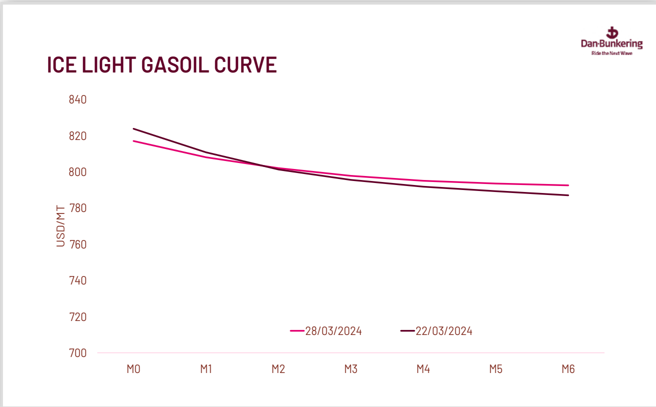
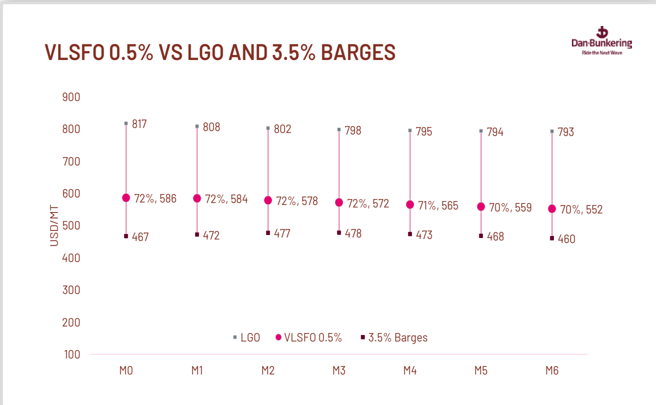


Figure 1 ARA Curve







M0 is Apr. 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front fall 0.8%, while the sixth month level rose by 1.1%. The curve trajectory is fully backwardated, with the M5-M0 at 2.9% backwardation. The Fuel Oil Rotterdam front month rose 0.6% and the 6-month rose 1.4%. The curve is 0.2% in backwardation on the six-month horizon (but stronger on the earlier months). The VLSFO curve saw its backwardation decrease to 4.7% as the front rose 0.3%, while the back rose 1.1%.

Brent Ref:	2.1	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	-0.8	2.2	1.8	-0.4	2.0	4.0	-6.8
Apr-24	-1.0	1.5	-0.4	-0.3	2.0	3.0	-6.8
May-24	0.5	0.8	0.7	0.3	2.0	3.8	-2.8
Jun-24	2.3	2.0	1.1	0.7	4.0	5.3	0.8
Jul-24	3.3	3.0	1.2	0.9	5.0	6.5	2.3

06. OUR VIEW

Wednesday will see the OPEC+ ministerial meeting, with most watchers expecting no changes in policy. February production in the OPEC+ countries was reportedly down by another 50+kb/d. US PMI data for March was expansionary, and immediately interpreted as bullish for oil. However, part of the PMI rise was due to rising input costs and rising output prices. That drives inflation. A stronger economy with relatively high interest rates. China's manufacturing activity expanded for the first time in six months in March, suggesting stronger economic performance in that country. At the same time, geopolitical risks to the oil price continue to increase, or at least the perception of elevated risks. Sanctions on Venezuela may be re-instated this month when the current licence expires on the 18th. Venezuela's oil exports in March rose to the highest level since early 2020, reaching nearly 0.9 mb/d. Brent moved above $89/bbl on Tuesday, the first time since October. Inflation is driven up by higher energy prices. More uncertainty creates a volatile mix.

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)**