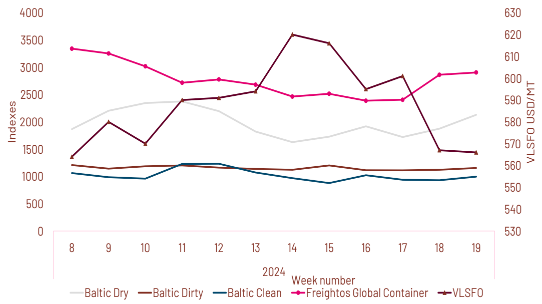
Dan-Bunkering
Ride the Next Wave

Weekly Market Report

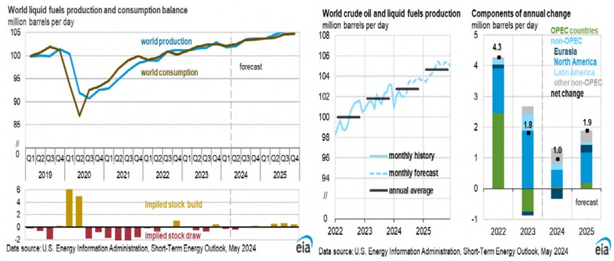
Week 20
May 14, 2024

Latitude
N 55°30'23.8458"
Longitude
E 9°43'44.7468"

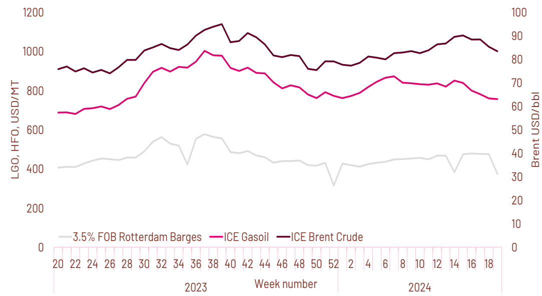
FREIGHT INDEXES AND VLSFO R'DAM



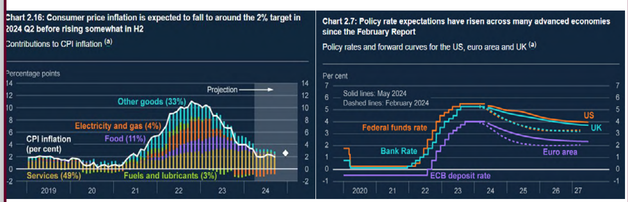
EIA MAY SHORT TERM ENERGY OUTLOOK



BRENT, HFO AND LGO WEEKLY AVERAGE PRICES



BANK OF ENGLAND MAY MONETARY POLICY REPORT INFLATION AND INTEREST RATES



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
14/05 21:00	Argentina	Inflation rate April (YoY)	299.3%	287.9%	Economic health
22:30	USA	API Crude oil stock change		0.5 mb	Oil market balance
	OPEC	Monthly oil market report			Oil market balance
15/05 06:00	Indonesia	Balance of trade (April)	$3.9 bn	$4.5 bn	Economic health
08:00	Saudi Arabia	Inflation rate April (YoY)	1.5%	1.6%	Economic health
08:45	France	Inflation rate April (YoY)	2.2%	2.3%	Economic health
11:00	Euro area	GDP growth rate Q2 (YoY)	0.4%	0.1%	Economic activity
11:00	Euro area	Industrial production March (YoY)	-3.2%	-6.4%	Economic activity
14:30	USA	Core inflation rate April (YoY)	3.7%	3.8%	Economic health
14:30	USA	Inflation rate April (YoY)	3.5%	3.4%	Economic health
16:30	USA	EIA Crude oil stocks		-1.3 mb	Oil market balance
16:30	USA	EIA Distillate stocks		0.56 mb	Oil market balance
18:00	Russia	GDP growth rate Q1 (YoY)	5.4%	4.9%	Economic activity
	India	Balance of trade (April)	-$15 bn	-$15.6 bn	Economic health
	OECD	IEA monthly oil market report			Oil market balance
16/05 01:50	Japan	GDP growth rate Q1 (YoY)	-1.3%	0.4%	Economic activity
06:30	Japan	Industrial production March (YoY)	-6.7%	-3.9%	Economic activity
10:00	Italy	Inflation rate April (YoY)	0.9%	1.2%	Economic health
14:30	USA	Phil. Fed Manufacturing index (May)	4	15.5	Economic activity
15:15	USA	Industrial production April (YoY)	0.1%	0%	Economic activity
15:15	USA	Capacity utilisation (April)	78.4%	78.4%	Economic activity
17/05 03:30	Singapore	Balance of trade (April)	$4.45 bn	$4.67 bn	Economic health
04:00	China	Industrial production April (YoY)	4.8%	4.5%	Economic activity
11:00	Euro area	Inflation rate April (YoY)	2.4%	2.4%	Economic health
19:00	USA	Baker Hughes oil rig count		496	Oil market balance
	China	Foreign direct investment April Ytd (YoY)	-25%	-26.1%	Economic activity
20/05 08:00	Germany	PPI April (YoY)	-3.1%	-2.9%	Economic health
23:00	Korea	Consumer confidence	100.7	100	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

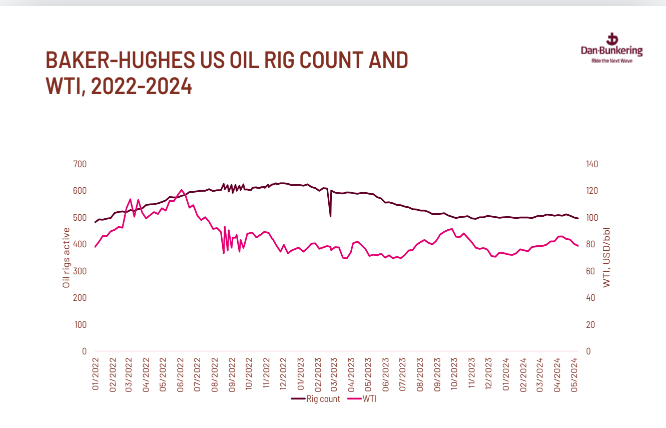
02. WHAT IS HAPPENING IN THE ECONOMY

AHEAD

The week **sees** the OPEC and IEA monthly oil market reports published; expect some movement in price especially with the IEA report should the agency revise its views on the market balance. The IEA report is slated for publication Wednesday, typically around 10 am CET. Inflation rates will be published for a raft of countries. Saudi Arabia's rate is expected to have slowed to 1.5%, France's to 2.2%, Italy's to 0.9%. For the Euro area as a whole, inflation is steady at 2.4%, while US inflation is seen up to 3.5%, although the core inflation rate is slightly down to 3.7% (that is the rate excluding food and energy). Argentina's rate we refer to, just to illustrate how inflation can get out of hand. The April rate is projected to be just shy of 300% annually. That is not a typographical error. The rate is currently going up exponentially, but if one thought it is bad now, in March 1990, the annual inflation rate hit 20262%. Current rates were observed in the mid 1970's and mid 1980's as well. Indonesia's balance of trade in April is expected to have slightly fallen to a surplus of just below $4 bln. The country has been running surpluses for a considerable period. India's balance of trade is expected to have improved slightly, to a deficit of $15 bln. Last month's deficit was already an improvement, with official statistics ascribing the improvement of lower imports of gold. Singapore's balance of trade fell slightly to just below $4.5 bln. The Euro area's GDP growth rate for Q2 is estimated at 0.4%, up from 0.1% in Q1, while industrial production is down 3.2% in March, following a 6.4% decline in February and a 6.6% decline in January. Growth is coming from other sectors, which we will discuss once the figures have been released. Japan's GDP growth rate is expected to show a 1.3% contraction, after a 0.4% expansion in Q4, with industrial production falling deeper in March, by 6.7%. US' industrial production in April is seen up by 0.1%, while China's is projected to have increased by 4.8%. Capacity utilisation in the USA is expected to have remained stable at 78.4%. Note that this is now a very hot topic in the USA and the EU with respect to China, which is accused of dumping, as its capacity utilization was around 76% in Q4, and fell back in Q1.

OIL MARKET

The Baker Hughes oil rig count was down 3 rigs to 496 last week. The weekly average of WTI was $78.7, down $1.5 week on week. The natural gas price at Henry Hub rose to an average of $2.22/mmbtu, up 19 dollar cents on the previous week. On Friday, the gas price rose to just over $2.25.



In its May Short Term Energy Outlook, the EIA **forecasts** that OPEC+ production cuts will offset non-OPEC growth by 0.8 mb/d. Net production growth is estimated at 1 mb/d, which should result in fairly balanced markets in 2024. The production growth outside OPEC+ has been revised upwards due to the start-up of the Trans Mountain pipeline expansion in Canada, which should alleviate distribution bottlenecks. The latest projections indicate that Canadian output is set to grow by 0.2 mb/d more than previously anticipated. For 2025, the EIA anticipates that OPEC+ will allow the production cuts to expire, resulting in an increase in production. Global oil production is expected to rise by 1.9 mb/d next year. The administration estimates that OPEC currently has surplus production capacity of around 4 mb/d, which is expected to remain consistent next year. This should provide sufficient buffer to keep a cap on oil prices. For the US specifically, the EIA anticipates net imports to continue to decline, from 2.4 mb/d in 2023, to 2.1 mb/d in 2024 and then further to only 1.3 mb/d in 2025. US crude oil production is expected to increase by 0.3 mb/d in 2024 and by another 0.5 mb/d in 2025. Other liquids are forecast to add another 0.4 mb/d in 2025. The EIA has presented its data in a more accessible format, with crude oil and other liquids clearly distinguished. OPEC's spare capacity relates to crude oil, while OPEC itself always refers to the call on its crude oil. This may appear to be a definitional issue, but global crude oil production amounts to around 77 mb/d out of the 102 mb/d of total liquids. The majority of the difference is made up of natural gas liquids, but biofuels also form part of that other category. The split is of interest, as crude oil production has hardly increased over the past two decades, except from US shale, which is generally considered separate from so-called conventional crude oil. Despite very substantial spending by the oil companies over the period, it has proved difficult to increase this conventional oil production. In hindsight, this may seem irrelevant, as the shale oil has been developed at a very large scale. However, that resource is unlikely to repeat the same kind of growth. As has been widely reported, there is considerable consolidation underway in the US shale industry, with the Exxon-Pioneer merger approved. This kind of process typically reduces total spending and activity in a rationalisation drive to optimise financial results. And those efficiency measures lead to slower growth, but likely also a more extended plateau of production.

It is therefore likely that in the coming years, the demand for spare production capacity will increase, leading to gradual tightening of the oil markets. This is contingent on continued growth in demand. The EIA forecasts demand growth of 0.9 mb/d this year and 1.4 mb/d in 2025. In the near term, the agency anticipates stock draws of approximately 0.35 mb/d in Q2, followed by minor stock builds in Q3 and Q4. Q1 2025 is projected to see small draws, before larger builds commence at approximately 0.5 mb/d. Given the relatively minor shifts in the market balance and the stocks, the oil price is projected to fluctuate within a narrow range, declining from \$90/bbl through Q3 2024 to below \$83/bbl by Q4 2025.

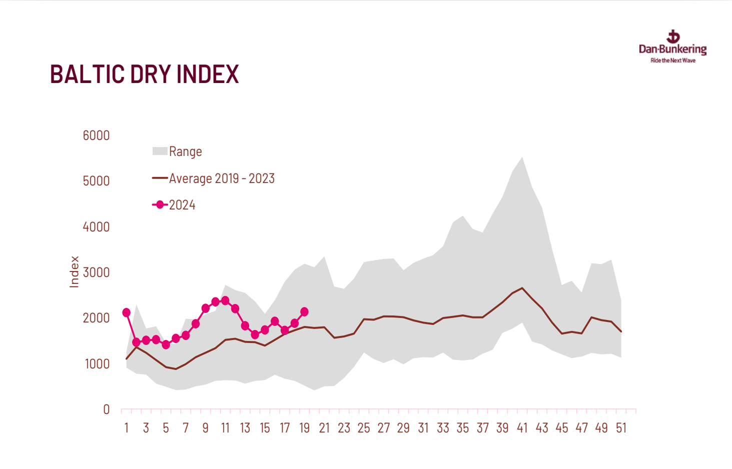
It is not just in the USA that shale oil and gas are produced, it is just by far the biggest producer. In Argentina, the Vaca Muerta region's shale resources have slowly been developed. Currently, liquids output has risen to nearly 0.4 mb/d (more than half of the country's output). With governmental policy reversals, including reportedly the allowance of repatriation of profits and limited or no obligation of local involvement, shale output is by some estimated to rise to over 1 mb/d by 2028. It should help reverse part of the economic problems that the country is facing and allow for more oil and gas exports once **sufficient infrastructure** is in place. A 180 kb/d pipeline, which in time may have capacity of 700 kb/d, just received **approval**.

ECONOMY

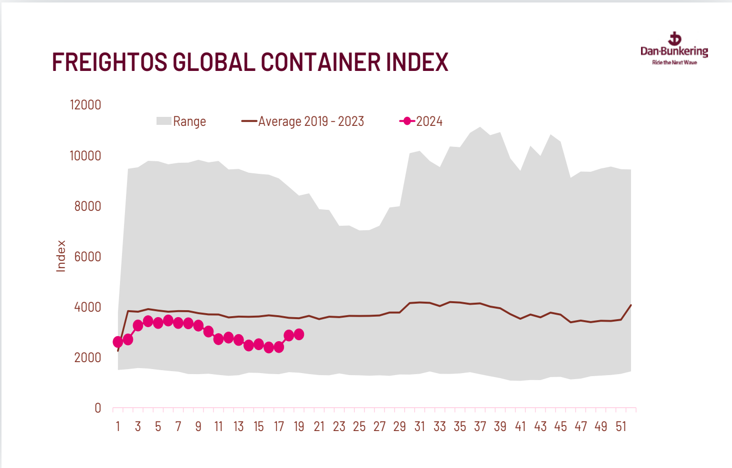
Last week, the Bank of England kept its interest rate unchanged at 5.25%. The talk is now moving to the number of committee member voting for a cut as an indication of when and how much rates may come down. The Bank publishes its **Monetary Policy Report** with the decision, and the document shows, among other things, the role of the oil price and geopolitical disruptions and the assessed effects on inflation. So far, the Bank sees little effect from the Red Sea disruption on either goods price inflation, or oil prices. To the contrary, as the US Fed remarked also, goods price inflation has dropped considerably, but services inflation, such as hotels, insurance, rents, remains at elevated levels. So far, the policy of increasing rates to depress demand is working according to the Bank. Inflation fell to 3.2% in March. Note that the explicit objective is to reduce spending in the economy by making borrowing more expensive and saving more attractive. What is not said in the latter remark, is that savings are not money stuck in a sock. Savings will be placed on a savings account, or in the stock market or elsewhere, where they will function as reserve for another loan. Apart from that, less spending means lower economic activity. The BoE reports flat GDP in 2023, with 0.5% growth in 2024 before rising to 1% in 2025. Inflation is expected to reach 1.9% by mid-2026 and fall further to 1.6% in 2027. That trajectory is based on BoE bank rates of 4.8% in 2024, 4.3% in 2025 and 3.8% in 2026. Those rates have increased by 0.6%-points since the previous report. That is, rates will be higher for longer. But the Bank is also warning about further global shocks that can drive inflation, and specifically developments in the Middle East that would increase oil prices. In the Bank's words: "*Geopolitical risks have intensified following events in the Middle East, although there has so far been a relatively limited impact on trade and oil prices. The impact of a further intensification on oil prices could, over a number of quarters, be mitigated to some extent by flexibility in other sources of oil production. Nevertheless, in an adverse scenario, oil prices could still increase significantly in the short run, alongside greater disruption to all types of trade flowing through the Red Sea. If this were to be amplified by other financial market and economic channels including additional second-round effects on domestic wages and prices, it could lead to a material upward impact on UK CPI inflation over the first half of the forecast period relative to the modal projection. Set against that, recent weakness in Chinese export prices could pose a modest downside risk to UK inflation if it were to intensify, for example alongside softer Chinese activity.*" And the latter remark is of interest, because it suggests that the price dumping that the Chinese are being accused of, actually helps to lower inflation in the UK. Still, the report gives a nice snapshot as to what the monetary policy setters look at when regarding inflation, which shows the crucial role of oil and ocean trade. As for the oil price outlook of the Bank, it uses the forward curves of the market: $85/bbl in 2024, $79/bbl in 2025 and $75/bbl in 2026.

VESSEL RATES

Crude oil tanker rates on the Baltic Exchange TD3 route were up nearly 15% after last week's 18% increase. The t/c rates were at $51k/day compared to $44.5k/day a week before. Voyage rates were reported at above $10.7/mt on the route on the 10th of May, up $0.7 compared to the week of the 3rd. The Baltic dirty index was up 3%, or 33 points to 1155. The level is 26% above the previous 5-year average. The clean index was up 7% on last week at 996. With that move, the index is 20% above the previous 5-year average. Dry bulk rates rose 13% or 253 points to 2129 per the Baltic Dry Index. The index is 18% above the five-year average level seen in 2019-2023 for the week. The weekly swings in the indexes are strong. The latest moves are generally in line with seasonal profiles.

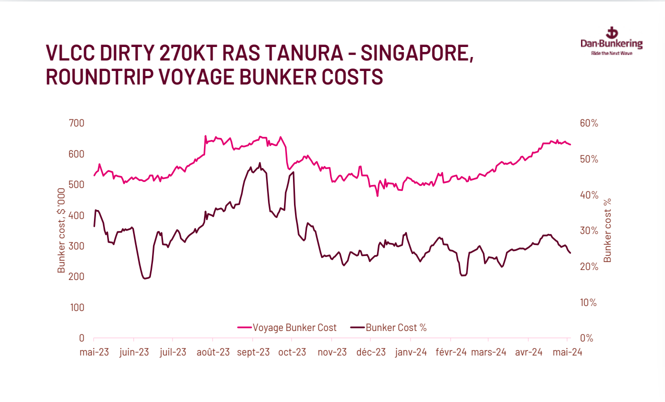


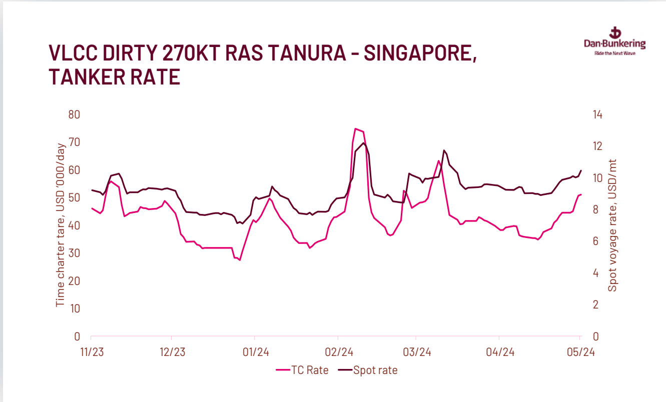
The container market rose 1.5% over the last week compared to the 3rd of May to $2906 as measured by the overall **[Freightos Global Index](#)**. Due to data to discrepancies in the reporting of the index in different data channels, the growth rates can be reported differently unfortunately. The China to Europe rate rose 17% to $4151 over the same period. The China to US West Coast rose 14% from $3404 to $3873. Congestion as measured by the last 7-day moving average of containerships in port, was reported at 29.9%, down 0.6% points compared to the previous week. The congestion share represents some 8.6 mln TEU, down 0.2 mln TEU on last week. The idle fleet stood at 275, down 21 from last week, which itself saw a 1 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 18.6 days, up 0.4 days on last week. The current transit time continues among the lowest recorded for the past 4.5 years for which data is available.



FREIGHT AND BUNKERS

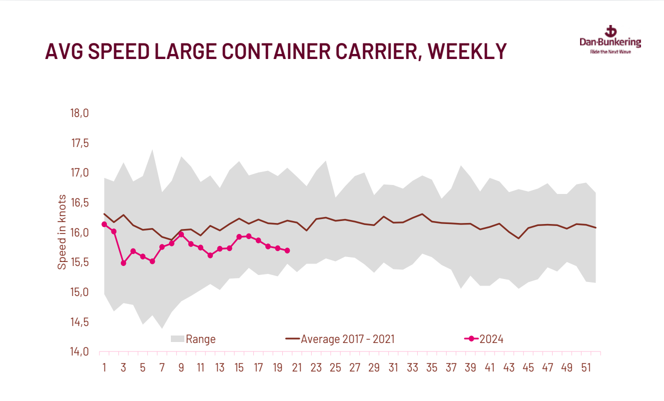
Reported tanker voyage charter rates were up, at $10.7/mt on the Ras Tanura – Singapore route. Heavy fuel oil prices marginally down in Fujairah and up nearly 2% in Singapore over the week through May 10th. Bunker costs are some 24% of total voyage. If the entire voyage is calculated on VLSFO, bunker costs are some 29%. The VLSFO prices were marginally up in Fujairah and up over 2% in Singapore. The calculations provided are intended to be directional indications, not the actual that each tanker owner is experiencing.

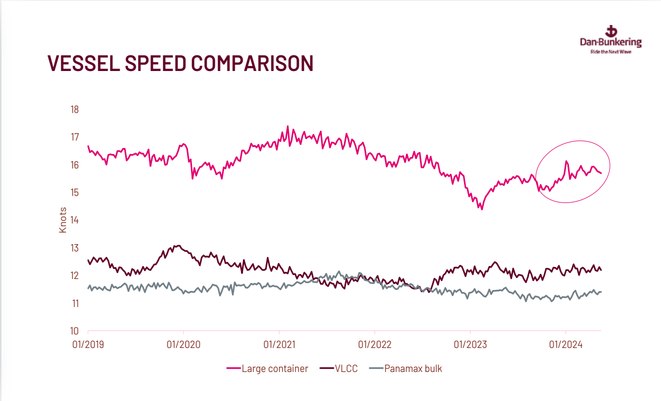




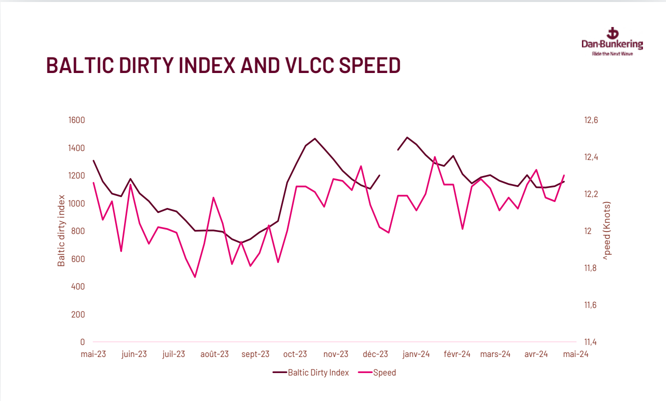
VESSEL SPEEDS

The container vessel's latest data point of 15.7 knots is down 0.2 knots compared to last week. The weekly movements in the measurements appear to be within calculation noise which may be revised.



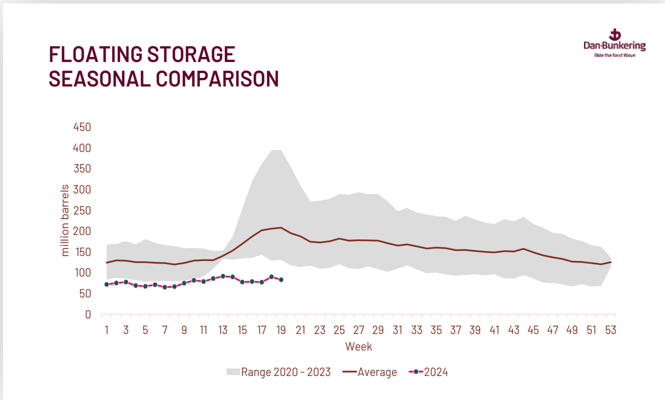


VLCC tanker speeds are flat at 12.2 knots. The current speed reading is in line with the average of the range seen for the period of the year. However, the movements in the speeds are occurring in a very small band around that average. The idle share of the fleet was at 5.6% in deadweight terms,

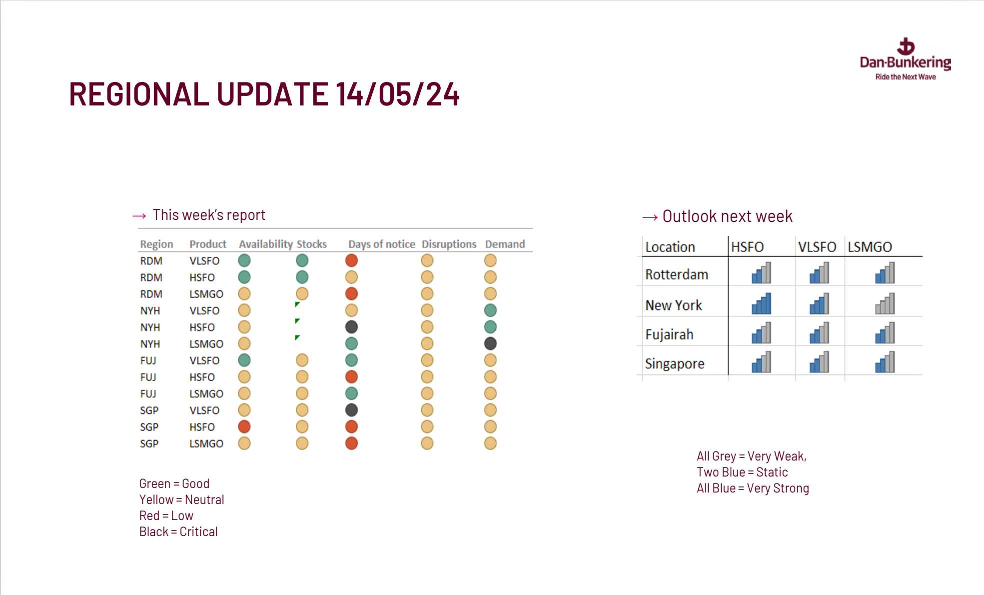


flat compared to the previous report. The share remains exceptionally high, not just for the period of the year but in a longer perspective as well. In deadweight terms, the idle share is still nearly 35 mln DWT, unchanged from last week. The current level is 42% higher than the "normal" average. The current number of idle vessels rose by 2 vessels to 253 compared to last week (which was lowered by 1 vessel).

The floating storage (excluding the dedicated storage) stands at 119 vessels, unchanged from last week's number, which was revised up by 1 vessel. These numbers cover all tankers over 10,000 DWT, both products and crude. In capacity terms, the storage is below 83 million barrels, down 6 mb compared to last week. 77 product tankers are reported functioning as storage, accounting for 31 mb. 41 crude tankers vessels accounted for just over 51 mb of stored oil, down around 9 mb on last report. The number of crude oil tankers as storage is still at levels seen in mid-2019. The number of product tankers used as storage remains elevated.



03. REGIONAL REMARKS



NEW YORK

HSFO demand heavy on term, VLSFO demand is sideways. MGO demand is sluggish. HSFO demand heavy on term, VLSFO demand is sideways. MGO demand is sluggish.

FUJAIRAH

Recent VLSFO cargoes totalling appx 300kt have landed in Fujairah in the past week and barge slots have opened up. The tightness has eased, and premiums have followed.

VLSFO pricing at MOPS 0.5 low double digits.

HSFO still remains tight with some suppliers' barge slots booked up for the coming 2 weeks ahead.

Bunker premiums are at a 4-month low and May supply situation looks to be well covered.

ARA

Exxon are still having refinery problems resulting in much lower MGO discounts. As a result of the issues, the market is slightly more balanced, but still well supplied.

Fuel oil is still well supplied.

SINGAPORE

The LSFO market will stay partly supported over May 13-17 amid tight arbitrage arrivals, but lackluster downstream demand is expected to weigh on delivered premiums. A recent dearth of LSFO exports from Kuwait and largely unviable arbitrage economics for European supplies to come into Singapore would help draw down inventories. On the downstream turf, LSFO bunker demand in Singapore was most recently seen to have plateaued, with traders anticipating the limited volumes of inquiries from end-users to persistently pressure delivered premiums.

In addition, LSFO cargo availabilities around the Singapore were largely adequate for deliveries in the downstream market during May 13-17, with no shortages expected for the near term, while barge schedules for prompt refueling requirements remain ample.

HSFO:

The Asian high sulfur fuel oil market is expected to remain firm amid tighter supplies and stable bunker demand. Meanwhile, pockets of power generation demand during peak summer months in South Asia would also provide some support to the HSFO fundamentals going forward.

Steady demand for spot HSFO stems around Singapore might continue to support bunker premiums, while traders expect stockpiles to at least remain balanced against bunker demand for the near term.

Gasoil:

Supply-side pressures could mount May 13-17 following the release of China's second batch of export quotas, while trade sources look to fresh spot activity for June-loading Northeast Asian cargo for further directional cues. Singapore's onshore commercial stocks of middle distillates slipped 2.46% on the week to 11.1 million barrels over May 2-8.

Regional indicators : prices in USD to benchmarks (week to 08/05)

	ARA		FUJ		NYH		SGP	
	USD/MT	BM	USD/MT	BM	USD/MT	BM	USD/MT	BM
HSFO	8	FOB Rdam Barges 3.5%	-10	MOPS380	25	MOPD380	18-21	MOPS380
VLSFO	5	FOB Rdam Barges 0.5%	10	MOPS 0.5%	10	MOPS 0.5%	12-16	MOPS 0.5%
LSMGO	-20	ICE Gasoil	140	MOPS GO 10ppm	0.03	HO	3-11	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	8	10
VLSFO	4-6	3	4	12
LSMGO	4-6	3	1	5

04. FORWARD CURVES, NON DELIVERED

On our weekly review, the ICE Gasoil curve rose $14.3/mt at the front compared to last week in absolute terms (May 10th compared to May 3rd). Due to the front month jump, the curve moved into backwardation against the second month through the fourth month. But seen from the second month, the curve shows a contango structure through the seventh month. The six-month rose by $1/mt. The time spread for the 6-month period decreased $10.8/mt to plus $3.8/mt. The 3.5% barges' curve is in contango for the first three months of the curve (one more than last week) but shows an $18 backwardation on the 6-month contract (front month minus the six-month contract). Contango is $3.5/mt at the two-month horizon but shows the already mentioned $18 backwardation at the six-month time-spread. The front fell $2.3/mt while the six-month fell $0.5/mt. The VLSFO 0.5% backwardation increased $3/mt to -$23/mt, compared to a week prior.

The relative value of VLSFO compared to LGO at 6 months flat at 70% and in absolute terms up $1 at -$228/mt compared to 73% or $202/mt below LGO at the front. That $202/mt is up $9/mt on last week's reading when the front was at 74% of LGO.

Monday the 13th saw the ICE gasoil front move down nearly $8 on Friday's $760.5/mt close to reach $752.75/mt. On Tuesday end morning, the ICE Gasoil curve saw the 6-month structure increase by around $2/mt compared to the Friday level. The front was down marginally on Monday's level and the 6-month was down by $1/mt on Monday's level. At the 12-month horizon, the curve is still in backwardation, but in sustained contango through the 5th month, a reduction of the structure by 5 months. The front is down 1% compared to Friday the 10th.

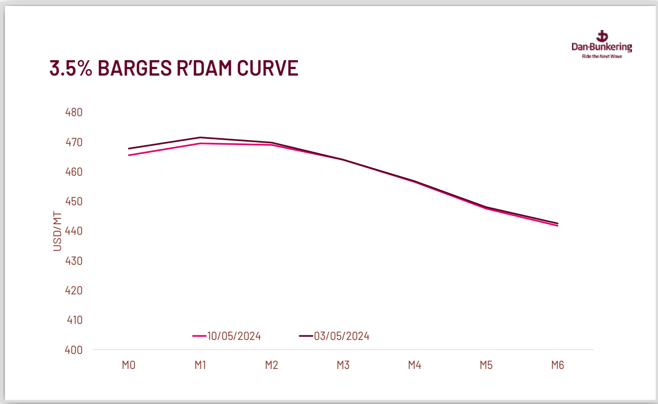
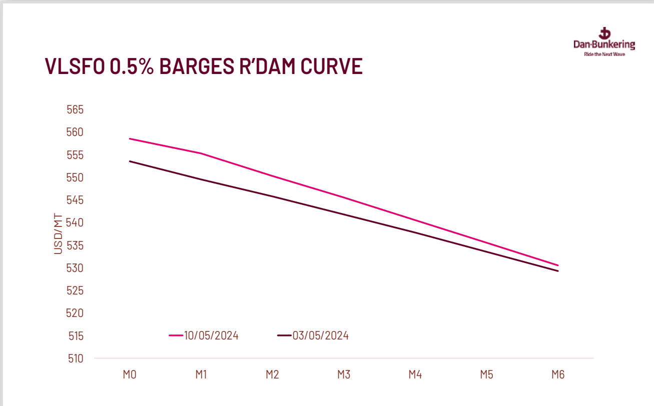
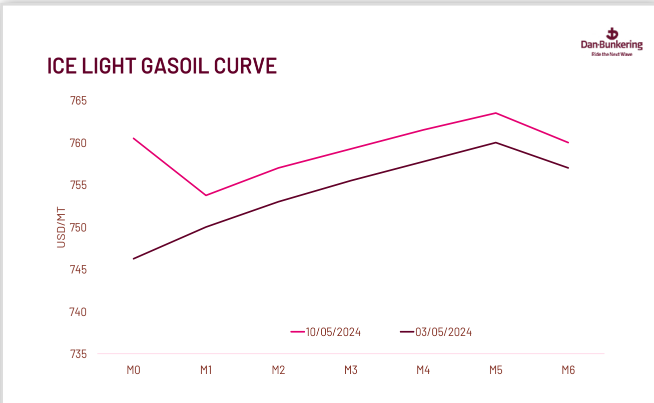
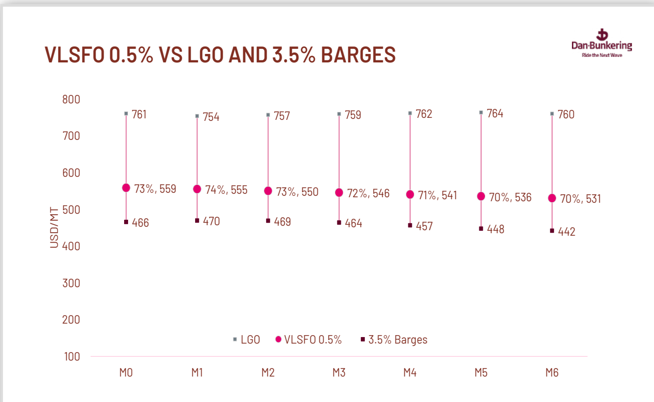


Figure 1 ARA Curve







M0 is June 2024

05. CHANGES FROM LAST WEEK

The forward complex for LGO saw the front rise 1.9%, while the sixth month level rose by 0.5%. The curve trajectory is in contango (with the curve wiggly as described above). The sixth month minus the front month is at 0.4% contango. The Fuel Oil Rotterdam front month fell 0.5% and the 6-month fell 0.1%. The curve is 3.9% in backwardation on the six-month horizon, but in contango through the third month. The VLSFO curve saw its backwardation increase to 4.1% as the front rose 0.9%, while the back rose 0.4%.

Brent Ref:	-0.2	July					
	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	11.4	6.3	0.4	-1.3	5.0	-3.8	14.3
Jun-24	12.0	8.0	0.5	-0.7	5.0	-2.3	14.3
Jul-24	9.8	7.0	0.3	-0.7	5.8	-2.0	3.8
Aug-24	7.0	5.0	0.3	-0.7	4.5	-0.8	4.0
Sep-24	4.8	4.5	0.0	-0.8	3.8	0.0	3.8

06. OUR VIEW

Inflation data is starting to show more and more reversals in more countries. In India, April inflation came in above forecast at nearly 5%, with wholesale price inflation up 1.3% year on year, Korean import and export prices rose well above forecast, Japan's producer price index for April was above expectations, and the most watched is the US PPI, which came in at 0.5% over March, or 2.2% year on year. the expectation was for a 0.2% monthly increase. So now definitely, Fed watchers will conclude that the US Fed is going to wait even longer with cutting rates. Connected to that wating with cutting rates, is the potential strengthening of the US dollar, especially if other countries start to cut rates. Investment banks are starting to warn about "sinister" dolaar strength, that would create problems in emerging markets, especially those with substantial US dollar denominated debt and exports in dollars. Typically, on a strengthening dollar, commodity prices come under pressure. So far, the economic outlooks being published are quite optimistic about the global economy, but this development could actually have a slowdown effect.

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)**