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RIVERLAKE

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A Riverlake Tanker Brokers Outlook

Free fall

The VLCC market has continued to soften this week and closed yesterday at ws 60 for the Middle East/Far East route, compared to ws 115 a week ago. Weak demand has increased rate pressure on the primary VLCC routes and the continued abrupt changes in demand are exemplified by this high volatility in freight market levels. We recognize that the increase in available tonnage could result in lower rates in the coming days.
Suezmaxes have also experienced some rate cuts from the Black Sea to the Mediterranean Sea: 135’000 tonnes at ws 90, 12.5 points less than the previous day and more than 52.5 points less than last week! The demand for Suezmax in Europe and West Africa remains weak since Monday and rates continue to fall slowly but progressively.
The Aframax closed 80’000 tonnes at ws 140 from the Black Sea to the Mediterranean Sea, against ws 215 last Wednesday. Cross Mediterranean Sea remained fairly calm as well and vessels were spotted to be fixed at ws 125 for 80'000 of crude oil. The demand remained just strong enough to stabilise the Aframax segment in the Mediterranean, but a further drop in rates could be observed in the coming days.

There is an increasing number of movements of chemicals and fame cargoes than the weeks before in the Mediterranean, but we are still seeing low activity for small vessels (5 to 6,000 tonnes). We are seeing an increase this week of movement of diesel and gasoline to and from Greece. In Morocco, the market remains subdued. The very few shipments are mainly destined for storage purposes or fuel oil cargoes. The result of this lack of activity is not only due to Covid-19 but also to Ramadan, which tends to be a quiet month in our industry.
In North-Western Europe, again for the small segment of clean products, this week contrasts with the two previous ones: the market is in pause, and the players are hesitating, which creates a weakness. More competition between owners means that strategies need to be reviewed and decisions made quickly. The dirty petroleum market remains firm.

Biggest one-day drop ever recorded ?

After a sharp rise in the Black Sea/Mediterranean Handy market at the end of April, freight rates have been plummeting since the middle of last week, losing an average of 70 to 80 points per day. The accumulation of the open fleet in the East-West Mediterranean zone has tipped the balance in favour of charterers, who are becoming more active.

For Medium Range in North West Europe, clean products, what can be considered the biggest one-day drop ever recorded was on 30 April with a 110-point collapse, followed by a further 45 points on May 1st and now stabilised with an average loss of 10 points per day. We have returned to pre-lockout rates and are expecting them to weaken further. The opening of more ships in the Mediterranean and more generally in Europe is creating a market for charterers.

The gradual reopening of countries is in any case not enough at the moment to sustain today's rate.

Meantime in Africa

In West Africa, the market remains stable without a significant drop in rates, but rising prices on the international market have put importers in doubt with two 15,000-tonne cargoes of gasoline destined for Lagos failing at the rate of USD 25,000 per day at the end of last week. The uncertainty is even greater with more than a million tonnes of gasoline off Lagos. If this situation continues, traders should prefer to buy gasoline off Lagos rather than take the risk of importing it. Demand for clean petroleum products has generally increased as various governments have eased traffic restrictions.

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Best regards
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