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A Riverlake Tanker Brokers Outlook

Feeling the pain

The two million barrels crude market (VLCC) in the Middle East experienced a downturn this week with strong competition between owners as fewer cargoes were available, maintaining freight rates under pressure. VLCC rates from Arabian Gulf to East closed at Worldscale (WS) 52 compared to WS 59 Friday a week ago for the same voyage. There was noticeable stability in freight levels for African exports where VLCCs to China closed at WS 52.5 compared to the same trip last week at WS 56.

Suezmax markets in Europe were somewhat depressed this week as the Black Sea to Mediterranean Sea 135’000 tons or one million barrels was set at WS 77.5, a decrease on last week's level. Weak demand and rising available tonnage confirmed a downward trend and we can expect a further decline in rates for next week.

The European Aframax (600’000 Barrels) segment suffers from a more subdued market, as evidenced currently by levels below WS 100, notably for two major routes, Baltic to United Kingdom /Continent and Black Sea to Mediterranean, respectively 100’000 tons at WS 97.5 and 80’000 at WS 92.5. A certain degree of stability can be expected over the next few days on both of these legs.

The clean products market for the intermediate sizes in United Kingdom / Continent has found its own pace and has settled down: rates have eased moderately, but activity is sufficiently buoyant to allow owners to continue setting their rates 8 to 12 days ahead of time.

This is apparent for the large intermediaries, while smaller units (10/13,000 dwt) might still find it difficult to fix forward. As for the dirty commodities, the market looks flat/improved: less shipments are on offer, some vessels are not fixed yet, but rates are insignificantly eroding.

For the same area, but on very small sizes, the market is steady, and rates remain little changed from previous weeks. Competition among vessels may become challenging for the shipowners.

European countries are easing restrictions, but not enough to impact the Medium Range (MR) market in the north and will probably not do so until sometime in June, not to say July. Air travel is expected to resume sometime in June as well, which will eventually benefit the market, one would hope but it might not be enough as the upswing is going to be slow.

U.S. domestic demand is there, but unluckily there are too many ballasting units hitting the market, the latter has fallen as low as WS 105 for the end of this week. More LRs (65/85'000 tons on average) went down to West Africa. This did not help the MR markets either.

As far as the handy size and MR tankers are concerned in southern Europe, the market remains today low, although stable, after a considerable decline over the last couple of weeks. The owners are feeling the pain after the boom days, but they have to cope with it. The rates are still reasonable, 30'000 tons Black Sea to Mediterranean is WS137,50, however cross Mediterranean market has dropped down to WS115. At the same time, the dirty ships started to switch to the clean side, expecting a better performance. In short, the market is firm, but unsettled and slippery.

What about North Africa ?

In the Mediterranean, for the cargoes below 10'000 tons, the market remains quiet with however some fame and ethanol cargoes maintaining the market somewhat alive. Some shipowners have experienced more difficult markets than the one today and there is room for hope among some of them with the lifting of the restrictions in Europe. In North Africa, particularly on the Moroccan refined market, the calm still prevails as distributors are struggling to free up oil stocks under the strict rule of containment. Nevertheless, Morocco does not have floating inventories like do many other countries, but only land-based stocks. This pattern may suggest that a rapid build-up can be expected as soon as the containment is lifted, which was prolonged to June 10. In past years, during the same period, right at the end of Ramadan, we experienced sustained activity to replenish stocks before the Eid holidays. this is not the case in this so special 2020.

An upward price review for the product is expected by the PPPRA at the end of May

As far as inter-African volumes are concerned, on the west coast of the continent, rates have softened for another week with a few ships coming spot in Lome. Gasoil demand is still relatively steady despite return of some economic activity albeit restricted, as people continue to work from home and power their generators. 15-20’000 tons gasoil Lome - Lagos currently is fixing at 22-23’000 USD per day compared to the highs of 27’000 USD per day seen a couple of weeks ago. Gasoline demand is also increasing as more cars hit the road, keeping the cross Nigeria market active.

We expect to see this trend continue for the next few weeks even though an upward price review for the product is expected by the PPPRA at the end of May.

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Best regards
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