Energy

Red Sea vessel diversions pushing up fuel tanker rates, diesel prices - FT

Jan. 31, 2024 11:22 AM ET | **TORM plc (TRMD) Stock** | FLEX, DSX, FRO... | By: Carl Surran, SA News Editor | 23 Comments

HeliRy/E+ via Getty Images

The latest Houthi attack on shipping in the Red Sea has pushed up fuel tanker rates and diesel prices, with shipping executives and oil market analysts expecting further increases for both, *Financial Times* reported Wednesday.

Charter prices for the largest tankers used for oil products such as diesel, petrol and jet fuel have more than doubled in the past week to $101,500/day, nearly 5x above November's daily average $22,750, according to the report, which cited shipbroker Gibson.

Torm (NASDAQ:TRMD) CEO Jacob Meldgaard said shipping diversions around South Africa's Cape of Good Hope will tighten the market, adding 5% to worldwide demand for product tankers - a "very material" increase at a time when utilization of the fleet is very high.

The attack also has lifted global diesel prices to nearly three-month highs, with gasoil futures popping 15% since mid-December to $845/metric ton, reflecting rising concerns that Europe will be squeezed by higher costs and supply disruptions.

Euronav (EURN) CEO Alexander Saverys told *FT* that further diversions likely will push up rates for the largest oil tankers; the company currently is not sailing through the Red Sea.

While crude tankers are chartered weeks or months before voyages, the longer distances will push up rates; Suezmaxes, which carry 1M barrels of oil and are the largest kind able to use the Suez Canal fully laden, are expected to be particular beneficiaries, according to *FT*.

Other potentially relevant stocks include Frontline (FRO), Scorpio Tankers (STNG), Nordic American Tankers (NAT), International Seaways (INSW), Tsakos Energy Navigation (TNP), DHT Holdings (DHT), Dorian LPG (LPG), SFL Corp. (SFL), Eagle Bulk (EGLE), Ardmore Shipping (ASC), Capital Product Partners (CPLP), Costamare (CMRE), Danaos (DAC), Diana Shipping (DSX), Flex LNG (FLEX), Genco Shipping (GNK), Global Ship Lease (GSL), Golden Ocean (GOGL), Navios Maritime Partners (NMM), Navigator Holdings (NVGS), Safe Bulkers (SB), Star Bulk (SBLK), Teekay Tankers (TNK), Zim Integrated Shipping (ZIM).

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enahs 31 Jan. 2024, 12:02 PM

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DHT exclusively ship crude last I checked

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DhunterChapy 31 Jan. 2024, 12:05 PM

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Whats the best play here?

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L'wood 31 Jan. 2024, 2:46 PM

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@DhunterChapy Holding DHT because of the dividend payout and low debt. Holding STNG as they look to be paying down debt and increasing shareholder returns soon. As far as I can tell, share prices have a lot of runway. These are both good investments IMO.

Often these companies seem to trade based upon oil prices instead of fundamentals. In this respect they are like on shore and offshore drillers.

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B

bqdoo 31 Jan. 2024, 3:27 PM

Investing Group Comments (3.28K) | + Follow

@L'wood Yes. I have STNG, INSW and NAT. take your choice @@DhunterChapy but do some DD.
STNG is prodcut only and is my #1 and L'wood has them.
INSW is both crude/product
NAT is crude and only Suez. Mgt is sketchy. Trading stock if you plan to get in and out (vs long term)

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mbpgui 31 Jan. 2024, 12:21 PM

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So...is the thinking that SFL, FRO and the like will increase in value due to greater profits from higher charges or decrease due to ship damage/loss risks? 🤔

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M

Maui.woweee 31 Jan. 2024, 12:26 PM

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@mbpgui it's going higher with a fat dividend. Look at the last earnings. This sick will be a good hold for some time. Order book on new builds is anemic

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sts66 31 Jan. 2024, 6:53 PM

Investing Group Comments (20.83K) | + Follow

@Maui.woweee Order book for tankers might be anemic, but the containership sector is going to be flooded with something like 30% more capacity from newbuilds being delivered in 2024-25 - half of SFL's fleet is containerships. Going to have to watch SFL like a hawk - I have huge profits in it, my oldest holding and don't want to lose them - SFL has 20 containerships with charters expiring this year and next.

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eeichman 31 Jan. 2024, 12:30 PM

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vlccs cant go thru suez anyway. When customers forced around the cape decide that the better ton/mile rate of the big ships makes sense, there should be increased demand in that space. All ships are NOT created equal.

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R

ronjon1957 31 Jan. 2024, 1:48 PM

Investing Group Comments (384) | + Follow

Holding TRMD *(edited)*

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PennyPlanSupporter 31 Jan. 2024, 2:08 PM

Investing Group Comments (18.47K) | + Follow

Why do they always add $SFL to these tanker stories?

Completely different business model

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Hampton108 31 Jan. 2024, 5:18 PM

Investing Group Comments (6.37K) | + Follow

@PennyPlanSupporter They own 3 RO-RO's???

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PennyPlanSupporter 31 Jan. 2024, 6:22 PM

Investing Group Comments (18.47K) | + Follow

@Hampton108 their contracts don't have anything to do with spot prices.

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sts66 31 Jan. 2024, 6:46 PM

Investing Group Comments (20.83K) | + Follow

@Hampton108 Don't know what ro-ro's have to do with tanker rates, but it's 5 or 6 ro-ro's now - they bought 4 new ones and leased them to VW for 10 yrs at pretty low rates, think the last one is ready to start it's charter. They also own 6 product tankers and 7 Suezmax's - none chartered to FRO, which used to have profit sharing with SFL, don't know if terms of those 13 tankers also include profit sharing - I sure as heck hope so! Otherwise I agree SFL shouldn't have been linked to this blurb - neither should DAC or GSL - like SFL all assets are on long term leases to other shippers like ZIM, and I know DAC doesn't own any tankers, only containerships and a handful of dry bulkers.

This news is either stale or just came out on a bad market day - hover your cursor over each symbol in the last paragraph - they're all down today. Don't really follow the tanker market anymore, but whomever has the most Suezmaxes on spot charters is going to bank some serious money in Q1 and Q2 unless the Houthi attacks are halted. I used to own NAT, know they only have Suzies, but Herb is not trustworthy - I sold my NAT stock years ago and was happy to get out with a good profit.

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Hampton108 31 Jan. 2024, 10:57 PM

Investing Group Comments (6.37K) | + Follow

@PennyPlanSupporter Just tried to add a little humor to your comment because tankers AREN'T their forte… sorry for the confusion…

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Hampton108 31 Jan. 2024, 10:59 PM

Investing Group Comments (6.37K) | + Follow

@sts66 Read above comment…sometimes we need to loosen up, laugher is the path longevity…

Reply Like (2)

PennyPlanSupporter 01 Feb. 2024, 2:30 PM

Investing Group Comments (18.47K) | + Follow

@Hampton108 no worries and good day sir. 🫡

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A

atlasman 31 Jan. 2024, 4:07 PM

Premium **Investing Group** Comments (1.91K) | + Follow

My guesstimate is the 1Q dividend will be a little over $2 with a forward rate of ~25%.

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D

duke223 01 Feb. 2024, 9:09 AM

Investing Group Comments (551) | + Follow

Very happy with TRMD

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O

Oldwizkid 01 Feb. 2024, 12:11 PM

Comments (1.1K) | + Follow

So when does NAT go up five times the price? 20 or 25 dollars, they must be pri nting money at 100k per day times the number of their fleet. BULLISH

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Aalfredo 01 Feb. 2024, 1:32 PM

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Anyone know why ZIM tanked almost 15% in like 2 minutes today? Can't find any news

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Aalfredo 01 Feb. 2024, 1:37 PM

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Ahh unconfirmed reports of a ceasefire deal

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C
chrisprociuk_01
02 Feb. 2024, 11:34 AM

Premium **Investing Group** Comments (3) | + Follow

@Aalfredo Jim Kramer listed it as a buy. Hahahaha

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D
4823DSMs
05 Feb. 2024, 6:23 AM

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GOGL at 52 Week Highs. The more shipping gets targeted in the ME, the more rates accelerate.

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