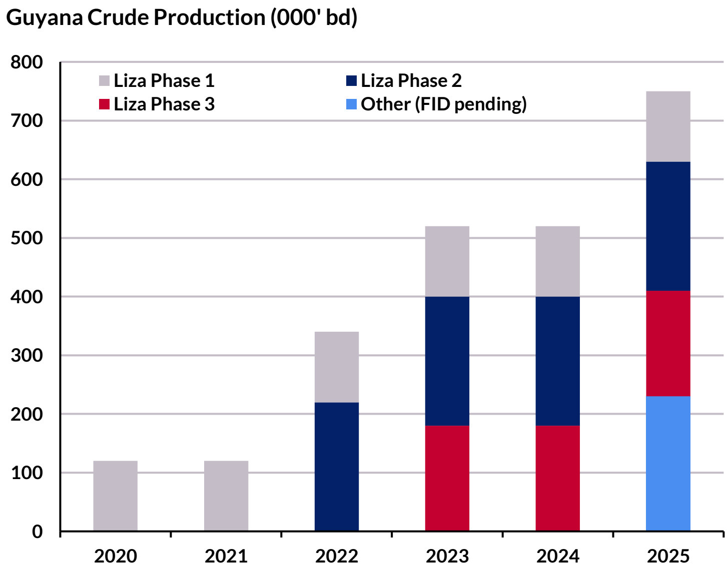
New Kid on the Block

Weekly Tanker Market Report

There may be few new frontiers left in the oil market, with most regions having been tested, even if deemed to be uneconomical in the current oil era. However, from next year there will be a new kid on the block - Guyana. Throughout history, Guyana has hardly made it onto the tanker map. Despite sharing a boarder with Venezuela to the north and Brazil to the south, the country has never produced oil on a commercial scale. Even from a demand perspective, the country imports only minimal volumes of refined products and has no domestic refining capacity.



However, Guyana is now gaining international focus as exploration and production (E&P) activity ramps up. Major companies have joined the E&P efforts in the country, including ExxonMobil, HESS, CNOOC, Tullow, Repsol, Total and Qatar Petroleum, among others. By the end of 2020, oil production capacity is expected to reach 120,000 b/d as the Liza Phase 1 field starts up. Currently the FPSO Liza Destiny is en route to Guyana from Singapore and due to arrive on site later this month. Liza crude will load directly from the Liza Destiny FPSO and will be relatively light and sweet with an API of 32.1 and sulphur content of 0.51%. This FPSO will be followed by another two firm units, when the Liza Phase 2 field (220,000 b/d) and Liza Phase 3 (180,000 b/d) are due to come online in 2022 and 2023 respectively. Another two FPSOs could follow, taking production up to 750,000 b/d by 2025, subject to the final investment decision (FID) being sanctioned.

With a population of just 780,000, the country's oil production is likely to prove transformative for the country. In 2018 the country's GDP was estimated at $3.6 billion according to the World Bank, with its stake in the various fields worth potentially $13-15 billion in revenue by 2025. However, it may not all be plain sailing for the country. Given its proximity to Venezuela, Maduro's regime has launched several bids to claim sovereignty over some of the oil fields and even sent its navy to harass E&P activity, albeit with limited success. The country is also preparing for elections following a vote of no confidence against the incumbent government, whilst many have called for a review of oil contracts after suggestions that the country sold off its oil too cheaply. E&P companies may therefore hold off on another further FID until the political environment becomes clearer.

Nevertheless, barring any unanticipated delays, tanker owners can expect a new load area to open up from 2020. Whilst the volumes will be small at first, they will gradually increase up to 2025 and perhaps beyond. More importantly, although production of 750,000 b/d still puts the nation well down the list of top oil producing countries, the lack of domestic refining capacity and local demand means that exports wise, the country will make it into the top 20 crude oil exporting countries.

Crude Oil

Middle East

VLCCs maintained a brisk early pace that complemented solid Atlantic interest and allowed owners to score new highs that hadn't been revisited since the Spring. The August programme is entering it's final phase however, and widespread holidays in the East from late this week will both combine to create a drag anchor to any material further gain over the short term, at least. Currently rates operate at up to ws 55 to the Far East for modern units with runs to the West marked in the mid ws 20s via Cape. Suezmaxes showed little rate variance over a rather flat footed week - 130,000 at around ws 75 to the East and to ws 32.5 to the West currently, and little change forecast though early next week either. Aframaxes kept to a slow bell through the week and just about hung on to an average 80,000 by ws 100 to Singapore with another testing phase to come.

West Africa

Suezmax Owners succeeded in stalling last week's sharp decline but then failed to provoke charterers into coming back in sufficient numbers to allow for any rebound, leaving the marketplace drifting sideways at down to ws 60 to Europe, and to ws 57.5 to the US Gulf. Hard to call for any significant early move into next week. VLCCs enjoyed a concentrated pulse of attention to move higher, hand in hand, with the AGulf sector. 260,000 by ws 55 became quickly 'conference' for Far East discharge with $3.49 million seen from Nigeria to East Coast India, but efforts to go higher than that were dampened by a late week lull in fresh enquiry.

Mediterranean

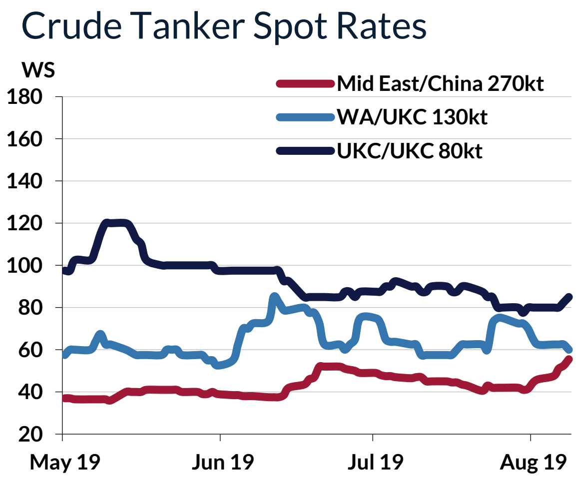
Aframaxes restarted upon the defensive and had their work cut out to establish a solid bottom. Eventually that was set in the mid 60,s cross-med but Owners then only managed one or two rungs on the upward rate-ladder thereafter and the market ended at 80,000 by ws 67.5/70 X-Med and around ws 77.5 from the Black Sea. Suezmaxes merely drifted sideways, and then a little lower, on modest enquiry, and easy availability. 140,000 by ws 67.5 from the Black Sea to Europe now with runs to China marked at down to $3.1 million. Another cautious week ahead in all likelihood.

Caribbean

Aframaxes plumbed the depths on heavy availability and inadequate demand with earnings only just above absolute zero - 70,000 at down to ws 70 upcoast, and Transatlantic, with no sign of early respite either. VLCCs, on the other hand, kept their plate spinning at up to $6.25 million from the USGulf to China but news of further U.S. Sanctions on Venezuelan liftings may now add some extra dilution from those owners that would otherwise have been 'committed' to that trade - let's see.

North Sea

Aframax Owners spent the week rebuilding confidence but failed to convert that into any meaningful gains nonetheless. 80,000 by ws 82.5 X-UKCont is now the bottom marker with 100,000 by ws 55 the base from the Baltic, and there is a reasonable prospect that improvement will eventually materialise if Charterers get only a little busier next week. VLCCs found occasional interest but had good support from the USGulf sector and maintained a robust stance on those opportunities - $5.3 million was seen for crude oil to south Korea and ideas will hold at close to that unless/until the wider Atlantic scene eases.



*All rates displayed in graphs in terms of WS100 at the time

Clean Products

East

LRs this week have seen a continued push with LR2 stems coming out each day. The beginning of the week saw the main rate move with TC1 up to ws 112.5 and 90,000 mt Jet AG/UKC upto $2.15m. Tonnage has been available enough to see rates steady for now. LR1s by contrast haven't seen the volume needed to make the same headway. Even then they have seen tc5up to ws 115 and 65,000mt AG/UKC approach $1.80 million. With holidays progress is unlikely to really continue next week with a slight pause to proceedings but overall Owners are now making money and happier.

Mediterranean

Week 32 was certainly a week to forget for Owners in the Mediterranean with a negative sentiment seen throughout. The lists pulled on Monday morning were littered with prompt units (20 or so) and this coupled with the fact that enquiry was entering the market at a sluggish pace meant rates were inevitably going to soften. At the time of writing, X-Med is now trading at the 30x110 mark (5 points less than Monday) and with certain Owners struggling to find cover for their prompt tonnage, it would not be surprising to see a few points less come end of play on Friday or Monday morning. Bsea rates have followed suit this week with delays now down to their minimum, this means that rates will follow the sentiment in the Med and a negative correction has occurred with Bsea / Med now trading at the 30x125-130 mark. It's likely that Week 33 will start in a similar fashion to this week as come Monday, with vessels opening up over the weekend, the list will be looking bleak…

A pretty bleak week all round on the MRs with Owners struggling to capitalise on the initial positivity seen in the UKC market with rates continuing to trade under the three figure mark through the week at 37x90-95 for Med-TA rates. A lack of enquiry coupled with ships available at the front end has meant MR Owners are willing to take a look at short haul handy stems in the interim period until rates pick up and certain Owners have talked down East voyages with l/s $700k now achievable. Whilst the UKC market is on its knees, expect the same to be mirrored in the Med with negativity likely for the foreseeable future.

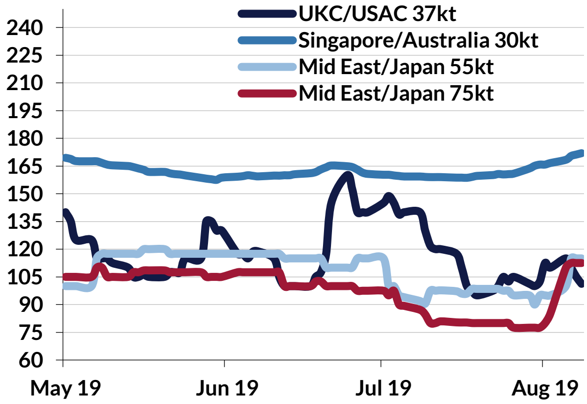
UK Continent

MR - Not a great week for the MR's as we once again head towards double digit numbers. Below average cargo enquiry going both TA and to WAFR was made worse by the plentiful availability of tonnage once again. We have, of course, seen TC2 down at 37x97.5-100 levels several times recently and that is where we end the week once again. On each occasion in the past the following week has witnessed something of a rebound and Owners will be hoping for a repeat of that next week. Weak markets are often associated with the peak holiday months and August certainly falls into that category. We may still be a few weeks away from getting to the point of being able to build a more sustainable recovery so another few weeks of volatile numbers may well be on the cards.

All in all a rather lacklustre week has occurred for Handies up in the North and with it, rates have traded sideways from start to finish as 30x115 has been the norm ex Baltic and 30x105 for Continent liftings. There has been some resistance from Owners to hold the line at last done levels this week but with the undergoing maintenance in Primorsk throughout August Baltic volumes continue to suffer and with supply continuing to outweigh demand owners are expected to face a rocky road ahead.

Action towards the back end of the week has helped keep the flexi market have enough life for rates to keep in line with handies and also keep ships recycling at a fast enough pace in all normal trading areas so the beginning of next week isn't too gloomy. X-UKC was tested 22x140 and this looks to be on the cards provided the handies don't suffer any unnecessary losses. There are already talks of some fresh cargoes to be covered on Monday so Owners can rest easy enough over the weekend, even if it's not the most exciting market ever seen.

Clean Product Tanker Spot Rates



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Dirty Products

Handy

This week started off with a tonnage list dominated by prompt units being pushed. However, activity levels in the early part of the week only managed to do a good job of ticking over some of these units. This activity did manage to give Owners enough in their arsenal to maintain fixing levels around the ws 140 mark. One thing to note, the majority of the fixtures that have been concluded either have been directly to the Med or at least have the option to go that way. Looking forward if these options get declared then the region has the building blocks in place to tighten up. Watch this space.

The Mediterranean has seen one of the busiest weeks we have witnessed for a while, it could be said that this should have come as no real surprise as last week had been so quiet. With this said, the activity has only managed to prevent the region falling back any further. When the half time whistle blew for the week's trading, it was clear that the majority of units on subs were getting fixed away. Contributing to this, we have seen a couple of sporadic cases where fixing levels have been challenged down to ws 122.5 from the Black Sea, but Owners have managed a couple of points gain in levels now back close to the ws 130 level. Come Monday, do not expect Charterers to leave it too long to cover as tonnage selection will be key if they are going to keep a lid on any further gain.

MR

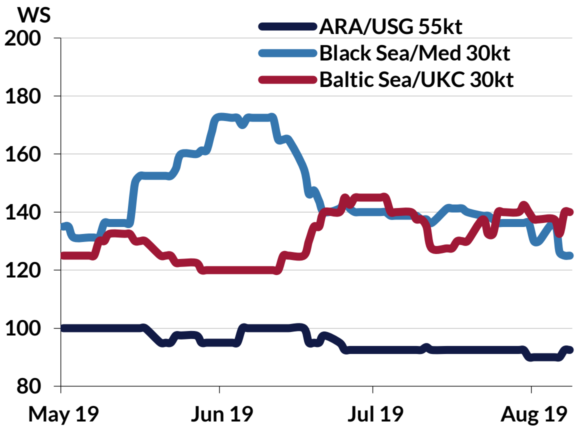
The MR market in the north has suffered a similar fate to previous weeks despite one natural unit being pushed from the off and finishing the week with two MRs there for a fresh test. With no fresh full size enquiry to report, MRs have been afforded a bit of a life-line where at the close of the week the surrounding Handies have started to rally. Whether to move now on a part cargo is the conundrum however, as Monday could see a few more bidders come knocking.

In the Med this week MRs have experienced a mixed bag of fortunes as uncertainty in stem sizes, clearance considerations, late runners and fixing and failing all to contend with. It is no surprise therefore to see Owners have been kept on their toes, yet from all of this Owners have managed to pull levels up some +7.5 points from where the week began settling now at ws 105 level. Next week could see levels elevate further as firm approved tonnage becomes a commodity.

Panamax

Resilience has been clear to see in this sector where for modern units, the fixing levels remains set at ws 92.5. This comes in spite of a surrounding Aframax sector which for some regions undercuts on a prorated basis, unless you start to compare distressed older tonnage which will compete having fallen outside of fixing windows. This said, the Panamax sector has been offered a further boost with natural tonnage in the Med befitting from an active MR sector, where some activity has been present in the for of short haul part cargo employment.

Dirty Product Tanker Spot Rates



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 8th	Aug 1st	Last Month	FFA Q3 (Bal)
TD3C	VLCC	AG-China	**+10**	54	44	46	58
TD20	Suezmax	WAF-UKC	**-7**	60	67	58	68
TD7	Aframax	N.Sea-UKC	**+2**	84	82	88	91

Dirty Tanker Spot Market Developments - $/day tce (a)

			wk on wk change	Aug 8th	Aug 1st	Last Month	FFA Q3 (Bal)
TD3C	VLCC	AG-China	**+14,750**	28,500	13,750	16,750	58
TD20	Suezmax	WAF-UKC	**-750**	12,000	12,750	5,750	68
TD7	Aframax	N.Sea-UKC	**+2,750**	7,250	4,500	6,500	91

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 8th	Aug 1st	Last Month	FFA Q3 (Bal)
TC1	LR2	AG-Japan	**+37**	116	79	80	
TC2	MR - west	UKC-USAC	**-9**	103	111	140	119
TC5	LR1	AG-Japan	**+21**	116	95	97	114
TC7	MR - east	Singapore-EC Aus	**+6**	172	166	160	167

Clean Tanker Spot Market Developments - $/day tce (a)

			wk on wk change	Aug 8th	Aug 1st	Last Month	FFA Q3 (Bal)
TC1	LR2	AG-Japan	**+14,000**	20,000	6,000	6,750	
TC2	MR - west	UKC-USAC	**+0**	6,500	6,500	9,500	9,750
TC5	LR1	AG-Japan	**+7,000**	14,000	7,000	7,750	13,250
TC7	MR - east	Singapore-EC Aus	**+3,750**	16,250	12,500	10,000	15,500

(a) based on round voyage economics at 'market' speed

ClearView Bunker Price (Rotterdam HSFO 380)	**-75**	300	375	418
ClearView Bunker Price (Fujairah 380 HSFO)	**-67**	367	434	428
ClearView Bunker Price (Singapore 380 HSFO)	**-114**	347	461	513
ClearView Bunker Price (Rotterdam LSMGO)	**-43**	518	561	592

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