The Wind of Change

Weekly Tanker Market Report

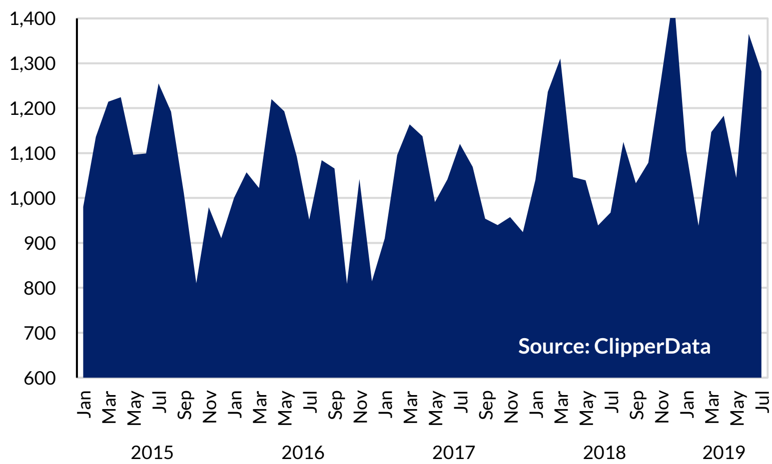
A few months ago it was reported that the construction of the 650,000 b/d Dangote refinery in Nigeria will not be completed until the end of 2020, a year later from the original plans due to problems importing steel and other equipment needed for the refinery. The plant, located at the Lekki Free Zone (in close proximity to Lagos), will be the largest single train refinery in the world. It will be complimented by the petrochemical and fertilizer projects, served by the refinery by-products as raw materials. According to Dangote's chief operating officer, the refinery tank farms are scheduled for completion by the end of this year. These tanks will be connected to five single point mooring buoys (SPMs), which will enable the refinery to receive crude and pump the products back into tankers. In terms of actual production, the company executives anticipate commencing refining operations within two months of the mechanical completion of the refinery, which is in early 2021.

Despite this announcement, many independent industry analysts do not expect to see full scale commercial operations at the refinery until 2022. Building a greenfield refinery is never an easy task, building one of the largest refineries in the world in a country that is prone to instability and security risks is even more challenging. The history shows that the start dates of greenfield refineries often get delayed. As such, there is an understandable uncertainty when Dangote actually comes online.

However, Dangote representatives dismiss the speculation for further delays. Indeed, it is apparent that the construction is proceeding at full speed. In late July Sinopec announced that a completed atmospheric distillation tower built by the company set sail for Nigeria, with Dangote management expecting the delivery in October. Yet, while the construction and shipment of this key piece of equipment are considered a significant leap forward, there are other secondary units at the refinery, which also need to be sourced and installed.

According to Group Africa Publishing, the planned annual production of the refinery include 10.4 million tonnes of gasoline, 4.6 million tonnes of diesel and 4 million tonnes of jet fuel. As such, the plant will not only have the capability to meet Nigerian domestic petroleum consumption, but also will have surplus for exports into other West African countries and beyond. At present, over 1.1 million b/d of clean petroleum products are imported into West Africa and this trade is likely to see a major downward correction, following the start-up of full-scale operations at Dangote. The picture is similar for crude tanker demand out of West Africa. If all crude feedstock is sourced domestically, volumes exported to Europe and Asia are likely to decline.

CPP Imports: West Africa (000 b/d)



However, it remains to be seen whether Dangote will be in position to supply all products into Nigeria. Retail prices are heavily subsidised and if the Nigerian government wants to maintain this practice, it is likely to face pressure to pay Dangote for the difference between local and international prices. In February 2019, Mr Dangote was quoted saying he would not sell his refined products at the government's regulated price, stating his intention to sell internationally if need be. Nonetheless, once in operation, the refinery will transform the energy landscape in West Africa and regional crude/product tanker trades, regardless whether Dangote's products are sold domestically or internationally.

Crude Oil

Middle East

Another week of only modest VLCC interest kept Owners on the backfoot throughout. It was a fighting retreat, however, and the damage was more limited than that inflicted during the previous week. Rates eased into the low/mid ws 80s to the Far East, with untested West runs marked into the low/mid ws 50s via Cape. It 'should' become busier next week but availability looks adequate enough to lend Charterers limited awkwardness, nonetheless. Suezmaxes flatlined, and then continued to fall away to ws 105 to the East and to ws 65 to the West, with further testing times likely over the near term. Aframaxes slipped to 80,00mt by ws 150 to Singapore to upon only modest enquiry, and the generally weaker sentiment elsewhere too.

West Africa

Suezmaxes spent the week searching for a solid bottom. By the close, it had seemingly been reached at 130,000mt by ws 112.5 to Europe and a little under that to the States and Owners will now be hoping that Charterers come bargain hunting in numbers to generate rebounding momentum - that, unfortunately, is not a given, however. VLCCs stepped down the rate ladder but managed to maintain a rung over prevailing AGulf numbers as 'insurance' for the longer time commitment over the sensitive upcoming winter period - 260,000mt by ws 92.5 to the Far East now and whatever happens in the AGulf next week will be replicated here - plus that modest premium.

Mediterranean

Aframaxes played to the common easing theme - never busy enough for Owners to engineer a claw back and rates fell down the greasy market pole to 80,000mt by ws 97.5 X-Med and to ws 110 from the Black Sea. Owners will now look to an increase in Turkish Straits delays to rediscover leverage but that will be a slow paced ratchet in all likelihood. Suezmaxes would likewise cheer extra delays to prop up rates at the current 140,000mt by ws 140 level from the Black Sea to European options, with $5 million the default backstop for runs to China. More demand would help too.

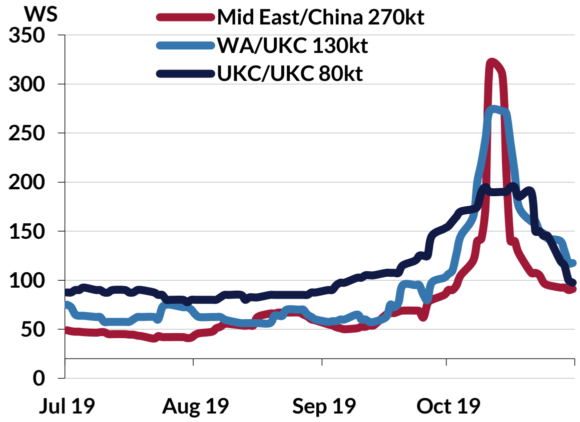
US Gulf/Latin America

Aframaxes punctured further as the supply/demand balance tipped more in Charterers' favour and rates wobbled down to 70,000mt by ws 160-ish for both upcoast, and transatlantic, needs. A quick fire start to next week is needed to restore hopes/nerves. VLCCs started slowly but enjoyed later week interest that pushed towards mid-December loadings. Those forward dates allowed for Eastern ballasters to compete having only just completed at disports, and rates became capped at little better than $9.75 million as a result. With such voyages now leading Owners into 2020 bunker regs, some may prefer to remain in the East, but there will remain enough willing parties, nonetheless, to provide Charterers the competition to work with.

North Sea

Fuel oil demand to the Far East picked up somewhat to help out otherwise seriously challenged Owners but rates still plunged to 80,000mt by ws 92.5 X-UKCont and to 100,000mt by ws 77.5 from the Baltic. Tonnage keeps creeping onto position lists and it will take concerted fresh action next week to turn the market Northwards again. VLCCs found occasional interest but had to fall in line with slightly reduced USGulf/East numbers. $9.75 million the last seen for crude oil to South Korea.

Crude Tanker Spot Rates



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

Clean Products

East

The MRs have suffered as a lack of cargoes and the softening sentiment from last week (unfortunately for Owners) saw rates take a negative test. EAF further corrected to 35 x ws 155, with TC12 seeing a fresh but equally softer test at 35 x ws 150. UKCont (having been quiet for a while) saw a couple of stems enter the market and at $1.39 million levels, it's somewhat down on this time two week ago! Short haul cargoes seem to have shown the most resistance in negative correction and numerous fixtures at $270K were done this week. However, with open cargoes in short supply and a tonnage list that is giving Charterers options, we fear Owners have a little more yet to come.

Mediterranean

All in all, a week to forget for Owners, with a negative sentiment seen throughout. For much of the week, rates were fluctuating around the 30 x ws 170 mark. However, Thursday and Friday saw some further losses, with rates now trading at the 30 x ws 162.5-165 levels. The real reason for this negative sentiment has been the lack of Black Sea enquiry, which has left Med unable to gain any momentum. With an inevitable build-up of tonnage, this has led to a slip in rates. Black Sea needs a fresh test but expect a negative correction to 30 x ws 175 levels, given where Med rates lie. Come Monday, Charterers will be on the front foot, with tonnage building over the weekend and further losses on the horizon.

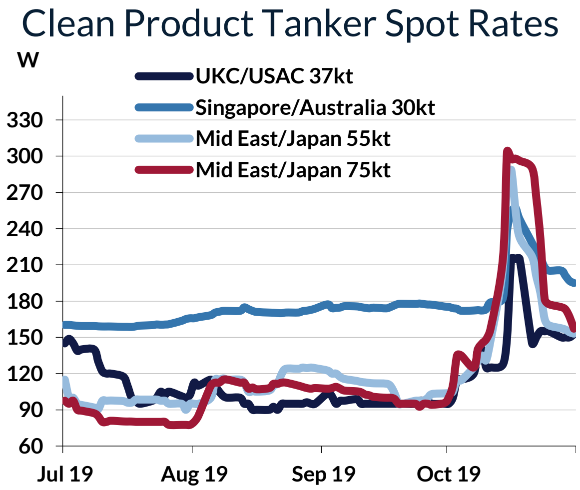
Enquiry remains on the slow side for MRs plying their trade in the Mediterranean. Yet, with limited number of fixing options available to Charterers, rates were able to keep positive. An Israel loading WAF run achieved a buoyant rate of 37 x ws 195 as well as Brazil being clipped away at ws 190, which will give Owners some optimism but the slow drip fed rate on stems will continue to be a hindrance. For now, we await to see a clearer idea on where transatlantic moves settle at, with Charterers doing their utmost to keep a grip on this sector once again.

UK Continent

A positive week for Owners passes as we see rates improving, especially for cargoes heading to WAF. With an active start on Monday, many could have been thinking we were on track for some large gains but enquiry all seems to have been condensed into the first half of the week as things tail off come Friday. A couple of tricky last minute cargoes heading to WAF managed to push rates up to 37 x ws 187.5. Once this level was achieved, repeat fixing has kept it there. Transatlantic has looked to jump on the back of this and to an extent this has been achieved, with 37 x ws 157.5 being clipped out but also in the same breath ws 150 was also seen. Charterers will be looking for a healthy tonnage list to be produced on Monday in order to keep a lid on any further gains. With LRs now offering a reasonable alternative for WAF runs, expect a standoff on opinions to be seen.

With Primorsk volumes up for November, it was meant to be a week filled with optimism and promise but in reality this has failed to materialize. Frustratingly for Handy Owners, a few LR2s have been preferred ex Baltic, which has in fact gobbled up 6-7 Handy stems in the 7-13 fixing window. With this occurring, freight was always going to be under pressure and by Thursday morning 30 x ws 155 was paid numerous times for Baltic/UKCont, which was a ws 20 point drop from the start of the week. Not the busiest week for the Continent, with rates tracking ws 10 points below what the Baltic has been trading. Even though 30 x ws 145 has not been paid just yet, this number does feel like it will be achievable, especially with a few failures later in the week resulting in some more weight being added to the tonnage list.

Finally, to the Flexis where the placid Handy market has stunted any rate movement in this sector, with Owners having to look at intermediate sized cargoes to try and keep vessels moving. Rates continue to be dictated by the larger units levelling out at 22 x ws 190. With the lack of market enquiry, we see very little opportunity for this number to be tested. Whilst the Handy market continues its sentiment, expect Flexis to remain in their shadows for now.



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Dirty Products

Handy

Continued tight availability in NWE again allows Owners to achieve gains, with the market at time of writing in search of progression through the ws 220 mark. It seems that support will inevitably be there as Charterers continue to clip away firm units as and when they appear. Looking ahead, Charterers will also need to be mindful of their fixing dates as the majority of Baltic stems are covered by ships ballasting up from ARA. Given the opening dates of these units and the forthcoming weekend, we are now going to see windows shift forward.

In the Med, levels have also found support for further increment where the Black Sea kept demand high for ships with firm itineraries. It could be said here as well that support is there for positive rate adjustment as the week delivered consistent demand. With stems still waiting to be covered, it doesn't look like Charterers will see any reprieve just yet.

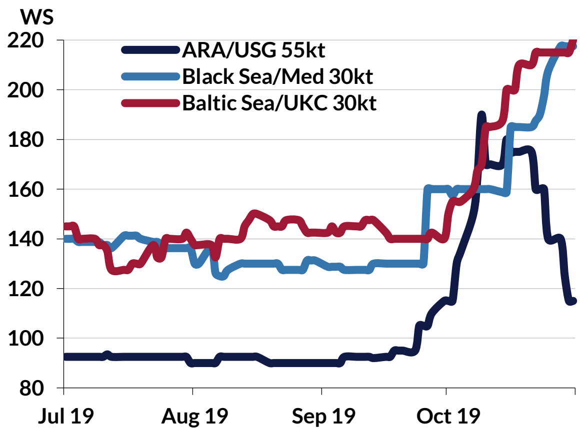
MR

As a generic summary of the MRs, it's another week of favourable trend, supported by natural sized enquiry and a firm surrounding Handy market. Week-on-week, levels have moved up and we are seeing rates in the mid ws 170's, with an ongoing distinct lack of tonnage for Charterers to choose from. This last statement is particularly true of the Continent, where potential requirement is being lost as availability lacks. This should signal longevity of current trend.

Panamax

The Panamax sector has suffered a second successive week of conditions stacking up against Owners as surrounding markets play their part in reducing the value of where 55kt moves can be priced. At the time of writing, levels are being tested at ws 115-120 range. However, in terms of sentiment, Owners have it all as both fixing and fixing failing, combined with conditions in the US deteriorating by some ws 55 points week-on-week, we may see further deterioration before recovery can be found.

Dirty Product Tanker Spot Rates



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Oct 31st	Oct 24th	Last Month	FFA Q4
TD3C	VLCC	AG-China	**-7**	90	98	75	89
TD20	Suezmax	WAF-UKC	**-37**	115	152	85	121
TD7	Aframax	N.Sea-UKC	**-45**	99	145	127	140

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

			wk on wk change	Oct 31st	Oct 24th	Last Month	FFA Q4
TD3C	VLCC	AG-China	**-7,250**	71,750	79,000	49,750	89
TD20	Suezmax	WAF-UKC	**-19,500**	43,250	62,750	22,750	121
TD7	Aframax	N.Sea-UKC	**-31,750**	17,250	49,000	36,500	140

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Oct 31st	Oct 24th	Last Month	FFA Q4
TC1	LR2	AG-Japan	**-25**	157	182	94	
TC2	MR - west	UKC-USAC	**+4**	157	153	96	186
TC5	LR1	AG-Japan	**-12**	153	165	101	157
TC7	MR - east	Singapore-EC Aus	**-13**	195	208	177	218

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

			wk on wk change	Oct 31st	Oct 24th	Last Month	FFA Q4
TC1	LR2	AG-Japan	**-7,000**	35,500	42,500	12,000	
TC2	MR - west	UKC-USAC	**+1,000**	17,500	16,500	3,750	23,500
TC5	LR1	AG-Japan	**-2,250**	24,250	26,500	9,500	26,000
TC7	MR - east	Singapore-EC Aus	**-1,750**	19,250	21,000	14,250	23,500

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

ClearView Bunker Price (Rotterdam HSFO 380)	**-7**	254	261	370
ClearView Bunker Price (Fujairah 380 HSFO)	**-16**	301	317	401
ClearView Bunker Price (Singapore 380 HSFO)	**-6**	380	386	458
ClearView Bunker Price (Rotterdam LSMGO)	**-25**	551	576	576

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