2019 in a glance

Weekly Tanker Market Report

This year started on a positive note for tankers. Healthy earnings were seen in early 2019 supported by strong demand at the time, weather factors and flat fleet growth, following robust demolition activity back in 2018. However, as the year progressed, trading conditions started to deteriorate. Middle East OPEC crude production declined by over 2 million b/d between November 18 and June 19 due to the renewed OPEC+ efforts to balance the market and Iranian sanctions. Product tanker trade was negatively impacted by the extended seasonal cutbacks in refining runs during the 1st half of the year. Meanwhile, fleet growth accelerated, with plenty of tanker deliveries seen. Inevitably, spot earnings fell, averaging close to operating expenses on most routes in the 2nd quarter.

The tide gradually started to turn in Q3, whilst tanker TCE returns jumped to astonishing heights over the past three months, most notably in the VLCC and Aframax segments amid a perfect storm of improving fundamentals, geopolitical events and the IMO related disruptions. Crude tanker demand undoubtedly benefited from the ongoing robust growth in US crude exports throughout the year (and gains in Norway/Brazil production towards the end of 2019), with increases in non-OPEC supply eventually more than offsetting OPEC+ production cuts. Product tanker trade has been aided by notable gains in global refining runs in the 2nd half of 2019 and the ongoing growth in Chinese clean product exports.

The surge in tanker earnings towards the end of 2019 is even more surprising taking into account trade disputes and a considerable economic turbulence, which translated into slower growth in world oil demand this year. The latest IEA report indicates that global oil consumption is likely to rise by just 1 million b/d in 2019, its weakest growth since 2011. Major concerns remain over the health of the global economy and oil demand next year; however, the recently announced US – China Phase 1 trade deal, if signed and implemented, is likely to stimulate economic growth and oil demand.

Geopolitics has also been one of most frequently repeated words in the market this year. Strict sanctions have been placed on Venezuela and Iran, translating into a notable decline in crude production in these countries. Venezuela's crude trade to the US came to a halt, while Iranian exports have also declined substantially, forcing the majority of the NITC fleet into storage. The industry witnessed several attacks on tankers in the Middle East, while in September the oil markets were shaken by a major attack on oil infrastructure in Saudi Arabia. However, for the most part all these events failed to make a notable impact on tanker rates, despite sizable increases in war risk premiums. Yet again, the industry reaction was very different to the US sanctions on two Cosco subsidiaries, with the initial confusion and lack of clarity pushing freight rates to notably higher levels. Shortly afterwards an alleged attack on an Iranian Suezmax in the Red Sea added further fuel to the fire, with the reported TD3C rate surging by over WS135 points within a day to an eye watering WS313 level.

In terms of supply, tanker fleet growth (25,000 dwt+) by the year end is expected to reach one of the highest levels seen this decade due to a combination of plentiful new deliveries and near non-existent demolition. However, highly reduced trading opportunities for NITC tankers, increases in fuel storage off Singapore/Malaysia in the 2nd half of this year, sanctions directly affecting global tonnage availability and ongoing scrubber retrofits coupled with the IMO related bunkering delays that have emerged since late November – all of which helped to offset increases in trading supply and massively contributed towards the impressive tanker earnings we are witnessing today.

Summary Table - Market & Fleet Data

		Dec-18 WS	Dec-18 TCE/day	Dec-19 WS	Dec-19 TCE/day*	2019 WS Low	2019 WS High
Rates	**(TCEs at 'market speed')**						
VLCC	**Middle East - Ningpo**	90	$ 52,000	106	$ 72,250	36	313
Suezmax	**West Africa - UKCont**	110	$ 31,500	140	$ 49,500	47.5	272.5
Aframax	**North Sea - UKCont**	185	$ 62,000	212	$ 97,000	77.5	250
LR2	**Middle East - Japan**	181	$ 31,000	153	$ 22,750	77.5	303
LR1	**Middle East - Japan**	179	$ 20,750	153	$ 15,250	90	288
MR	**UKCont - USAC**	200	$ 19,000	169	$ 20,250	90	215

	Dec-18 Fleet Size		Dec-19 Fleet Size	
VLCC	722		792	
Suezmax / LR3	563		584	
Aframax/LR2	1001		1052	
Panamax/LR1	451		455	
Handysize / MR	2036		2110	
Tanker Firm Orderbook (25kdwt+)	449	62.8m dwt	398	53.9m dwt
New Deliveries (25dwt+)	190	26.3m dwt	250	36.5m dwt

	End 2018	End 2019
Brent Oil Price	$ 54.40	$ 66.50

	Fujairah	Rotterdam
Bunkers 0.5% sulphur VLSFO (end Dec)	$ 707.50	$ 567.50

	2018		2019 Latest	
World Oil Supply	100.32	2.72%	101.36	1.04%
OPEC crude production	31.88	1.21%	29.66	-6.96%
Non OPEC -inc OPEC NGL & Biofuels	62.94	3.38%	66.15	5.10%
World Oil Demand (Full Year)	99.29	1.30%	100.25	0.97%

	2019	
Tankers Demolished (25,000 dwt+)**	48	4.8m dwt

	Turkey	Subcont
Scrap Prices	$245	$385
VLCC's sold for scrap number /dwt**	8	2.2m dwt

* Reported VLSFO prices used in earnings' calculations in non-ECA areas

** Includes storage units

Crude Oil

Middle East

Tight early dates hit fresh January VLCC programmes early week to reinvigorate rates to the East into the low/mid ws 120's but a steadier pace thereafter allowed for some marginal re-settling to ws 117.5 for modern units on longer voyages, with up to ws 170 still being paid for shorter runs to India. Holidays are now looming and the consequent displacement will disrupt the flow, but also potentially lead to some surprises too. Suezmaxes leapt impressively higher from mid-week, with solid local activity and helpful support from elsewhere too. Rates now stand at up to ws 175 to the East and to ws 100 to the West, with no sign of early retreat. Aframaxes likewise took a noticeable step higher to build upon an already lofty rate platform. 80,000mt by ws 270+ now to the East and similarly eye watering levels anticipated over the coming period too.

West Africa

The common Suezmax theme is 'up'..or at least very firm, and light early availability here ensured that although initial demand wasn't over-strong, rate demands held, and then once activity did pick up, so did rates, to 130,000mt by ws 165 to Europe and to ws 160 to the USGulf and the run chase higher looks set to continue a while longer. VLCCs weren't over busy but rates moved higher nonetheless to 260,000mt by ws 115 to the Far East and to over $7 million to West Coast India to prevent Owners from either remaining in the AGulf, or bypassing to lucrative USGulf hunting grounds.

Mediterranean

Aframaxes maintained, or even slightly bettered, last week's firm fixing levels, with an average 80,000mt by ws 215 payable X-Med and to ws 230 from the Black Sea. No big pre-holiday rush expected, but there should be enough activity for Owners' to hold position. Suezmaxes gently inflated to 140,000mt by ws 150+ from the Black Sea to European destinations and to $6.2 million to China, with availability now thin enough to point to higher numbers being posted over the next period.

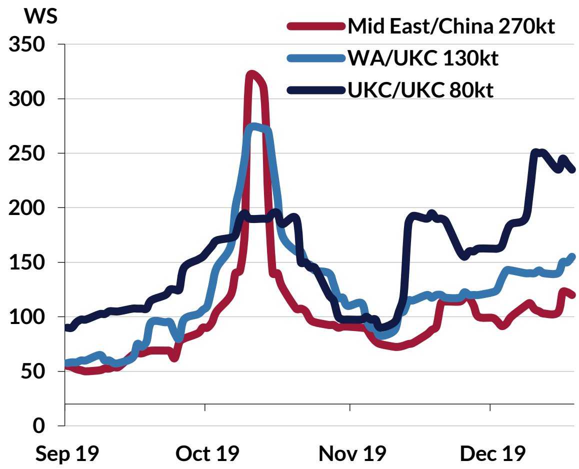
US Gulf/Latin America

Aframaxes were busy, busy, busy through the week, propelling rates to as high as 70,000mt by ws 290 upcoast and towards ws 250 transatlantic too. as things stand, one can't bet against that staying the case until the holiday close. VLCCs stretch towards February loadings and firmer rates in the East and West Africa meant that ballasters continued to 'need' higher numbers. Up to $12 million+ now for USGulf/China runs and there'll be no retreat until/unless those other load zones dip.

North Sea

A slower back end to the week drew down Aframax rates from their recent peaks but Owners remained confident enough of improved attention next week to draw the defensive line at 80,000mt by ws 230 X-UKCont, and to 100,000mt by ws 195 from the Baltic. Moderate VLCC interest but Owners could point to attractive alternatives and rates nudged up to $12 million for crude oil to South Korea/China and will remain there, or thereabouts for the next fixing phase too.

Crude Tanker Spot Rates



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

Clean Products

Mediterranean

A very positive week all in all for Handy Owners in the Med, with the combination of healthy enquiry and delays through the Straits allowing Owners to capitalise on the positive sentiment and keep rates in the ws 300s (by and large). Black Sea activity has been the kicker this week, with consistent enquiry and a glut of stems now still to cover off end month dates (and Turkish Straits delays), meaning that we saw heights of 30 x ws 340. However, at the time of writing, rates have settled at around the 30 x ws 320-325 mark. Med has then followed suit, with rates holding for the majority around the ws 300 mark, although with West Med cargoes continuing to enter the market at a sluggish pace, ws 295 has been achievable. We end the week with Owners on the front foot and the potential for a few more points ex Black Sea, which will inevitably give Owners ideas to positively correct Med. Come Monday, if a few more cargoes enter the market, then we will likely finish the year in the ws 300s.

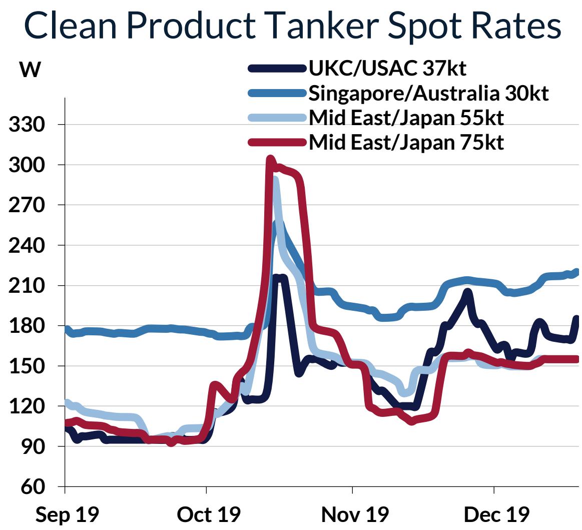
Finally, to the MRs where the combination of reasonable enquiry and a blossoming Handy market has given Owners the ammunition they needed to remain bullish throughout the week. Plenty of short haul options have been available to those wanting to keep their tonnage in the local area, with Handy stems proving tempting at such rates. Those with natural 37kt stems have seen much resistance to repeating last done. A fresh test East gave us $1.35 million to the AGulf and, with a transatlantic option being clipped away at the close of the week at 37 x ws 200, enquiry heading to WAF will be up for a fresh positive correction. The MRs have been supported in the 2nd half of the week, with Charterers looking to clear out their books for the year in the Continent. Also, expect we have more to see before any Turkey is eaten. Good way to end the year for Owners and they'll look to keep this momentum into the new year.

UK Continent

A week of two halves on the Continent for the MRs, with the market certainly taking its time to warm up in preparation for the festive break. Whilst activity at times has seemed a little sluggish, there has been plenty of fixing off the radar, which has helped to put the position list under a little pressure. Then one Charterer moved 4-5 cargoes inside 24hrs and rates reacted accordingly. At the time of writing, last done ex UKCont is 37 x ws 185, with ws 200 on subs ex Huelva, which could well improve further as time begins to run out. Even though laycans are well forward, this holiday period is not falling favourably on Charterers potentially. Aside from this, we have seen some WAF activity again this week, with the differentials around ws 20-25 points but in need of a further test.

It has been an active week for Handies up in the North, as Charterers have looked to fix ahead and secure ships for end month and early January dates as they prepare for the disjointed festive period. Levels ex Baltic have fluctuated around the 30 x ws 215-220 mark and X-UKCont has also seen a healthy amount of fixing. As a result, trade is at 30 x ws 205-210. Next week Charterers will be looking to dip further into their Baltic programme, which I'm sure will result in some "under the radar fixing." Yet, this should also present Owners with the opportunity to potentially push some more. One point to make is that certain areas of the North are expected to be hit with bad weather, which could see some vessels getting delayed, slipping on itineraries and replacements needed for the start of the next week. Quietly positive here.

Flexi Owners have managed to jump on the Handy bandwagon, as fixing ideas once again come from pro-rated 30kt stems with a slight discount. Some fixtures though have been done behind the scenes, resulting in a few vessels disappearing quietly from our tonnage lists. Rates for X-UKCont end the week at 22 x ws 270.



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

Dirty Products

Handy

The North market has continued in the same fashion as in recent weeks, with levels being maintained for the first few days of trading, as cargoes trickled to the market. Despite some units failing, by mid-week the list had cleared down again and a push of ws 5 points on last done was seen, with rumours of more units being clipped away off market. The region is still trading end month dates and going into next week there is a sense of stability and equilibrium between units available and cargoes being presented. While next week is expected to be slower all round, sentiment shows no sign of weakening for now.

What a difference a week makes. Hopeful rumblings at the start of the week centred around the last week of the year, where usually there is a push on cargoes to cover the festive period and Owners ready to pounce. However, the first two days came and went with very little to talk apart from reconfirming the previous week's fixtures and prompt tonnage appearing. Despite some replacement business, the quiet trend continued and by weeks end we report a drop in rates, with next done looking likely to be ws 15-20 points lower than the same time last week. Sentiment is softer than it has been for some time and, with a disjointed couple of weeks trading ahead combined with prompt tonnage, any cargoes presented next week are likely to be looking to take advantage of the current situation.

MR

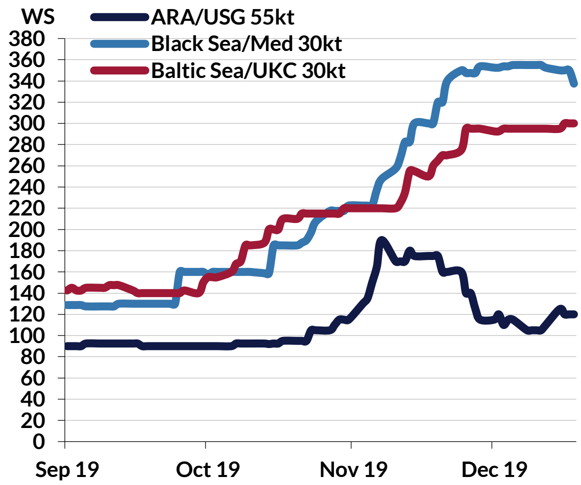
The MR market in the North continues to suffer from a lack of tonnage replenishment and as such the list for these units has stayed tight throughout. That said, full size stems still remain few and far between, with very little to report in terms of levels. The region needs to be tested to establish independently where the MRs lie. One unit took out a Handy stem that will keep it in the region but beyond that there is little in terms of tonnage. Expect more of the same in 2019's final week of trading.

As with the Handy market in the Med, the MRs have suffered a week of disappointing activity levels. Prompt units and those approaching their opening dates are building. As such, levels are expected to drop in line with the Handies for the first cargoes shown. With the taps seemingly turned off from the Black Sea and X-Med business continuing to drag it's heels, Owners perhaps should not be disappointed to have to look at Handy stems for coverage. However, competing with building prompt tonnage in that market is not going to be pretty.

Panamax

Conditions have become rather complex in this sector, with limited moves seen. With surrounding markets surging, the Panamax market remains bullish, although there are some units in a precarious position. Furthermore, crossing into new year's opening dates, numerous operators start to show availability, which does lead us to contemplate, how much more gain could be seen before the year is out. One further element being considered is that levels in the US have really picked up this week to up to 50 x ws 355-360 level, yet, over the festive season there are one or two which may look to spread the fleet and ballast across.

Dirty Product Tanker Spot Rates



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

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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Dec 19th	Dec 12th	Last Month	FFA Dec
TD3C	VLCC	AG-China	**+16**	122	106	109	121
TD20	Suezmax	WAF-UKC	**+11**	153	141	122	148
TD7	Aframax	N.Sea-UKC	**-12**	237	248	192	198

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

			wk on wk change	Dec 19th	Dec 12th	Last Month	FFA Dec
TD3C	VLCC	AG-China	**+17,000**	105,750	88,750	95,500	121
TD20	Suezmax	WAF-UKC	**+5,500**	62,250	56,750	47,500	148
TD7	Aframax	N.Sea-UKC	**-9,500**	113,750	123,250	82,500	198

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Dec 19th	Dec 12th	Last Month	FFA Dec
TC1	LR2	AG-Japan	**+4**	159	154	155	
TC2	MR - west	UKC-USAC	**+1**	183	182	178	183
TC5	LR1	AG-Japan	**+3**	159	157	157	175
TC7	MR - east	Singapore-EC Aus	**+5**	220	215	208	218

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

			wk on wk change	Dec 19th	Dec 12th	Last Month	FFA Dec
TC1	LR2	AG-Japan	**-750**	22,500	23,250	37,000	
TC2	MR - west	UKC-USAC	**-250**	21,750	22,000	21,750	21,750
TC5	LR1	AG-Japan	**+500**	25,750	25,250	26,750	29,250
TC7	MR - east	Singapore-EC Aus	**-250**	24,250	24,500	23,000	23,750

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

ClearView Bunker Price (Rotterdam HSFO 380)	**+12**	273	261	243
ClearView Bunker Price (Fujairah 380 HSFO)	**+5**	298	293	242
ClearView Bunker Price (Singapore 380 HSFO)	**+42**	343	301	310
ClearView Bunker Price (Rotterdam LSMGO)	**+30**	588	558	548

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