# Nowhere to Go

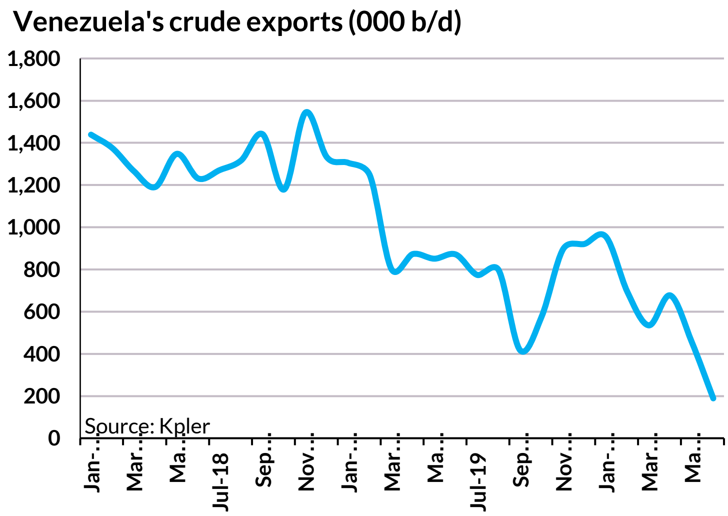
## Weekly Tanker Market Report

In early June the US Treasury department added several tankers to its Venezuela sanctions lists for allegedly lifting oil from the country between mid-February and late April this year. It does appear, however, that sanctions were applied only to the vessels in question, with limited broader legal exposure. Also, two of the vessels have already been delisted from the Office of Foreign Assets Control (OFAC) list following commitments to refrain from trading with Venezuela. As such, the listings can be seen as a warning by the US government to tanker owners/operators if they continue to trade with the country.

In addition, Reuters recently reported that Brazil's Petrobras has told shippers that it will not charter any tankers that visited Venezuela in the past 12 months. According to the news agency, Petrobras have added specific language to its shipping contracts to avoid hiring ships out of compliance with the U.S. Treasury Department's OFAC regulation.

Just to put this into perspective, since July last year, 47 VLCCs representing 5.8% of the current VLCC fleet, 45 Suezmaxes and 45 Aframaxes, accounting for 7.5% and 6.7% respectively of the existing fleet size for these categories, loaded in Venezuela. Brazilian restrictions are unlikely to have significant implications for the tanker market, as there are plenty of alternative candidates to choose from. However, for Venezuela the situation is different. The latest developments clearly illustrate that the US is far from giving up on its attempts to squeeze any legal loopholes available to the Maduro regime.

Kpler data shows that Venezuelan crude exports averaged around 0.85 million b/d last year, down by nearly 0.5 million b/d from 2018 levels, following the collapse in Venezuela – US trade. A further decline in exports has been seen this year, with the country's crude shipments averaging just 660,000 b/d during the first five months of 2020.




Even before the latest round of sanctions, Venezuela's crude struggled to find a home, with a number of vessels sitting in floating storage for an extended period of time, mainly off Singapore before the barrels were sold. Now the situation is even more severe. AIS data shows that recently some vessels with resold Venezuelan crude on board struggled to discharge in China, with at least one tanker sailing from Singapore to China and then turning around. There also has been another dramatic decline in Venezuela's loadings this month. AIS data shows that so far in June, just 190,000 b/d has been lifted.

Going forward, a further decline in Venezuela's crude exports appears inevitable. On its own and keeping all else equal, this is a negative development for the tanker demand considering the long haul nature of Venezuelan trade and its associated delays, inefficiencies and tanker storage. For the World, however, at present the loss of the remaining Venezuelan barrels is likely to go unnoticed, considering current weak demand levels. Yet, sooner or later, global crude trade will rebound but there will be less long-haul Latin American business in it, than would have been the case if Venezuela was allowed to participate.

# Crude Oil

## Middle East

Cracks had already begun to appear in the VLCC rate structure, and a very slow paced engagement by Charterers onto the freshly confirmed July programme turned the cracks into nasty fissures as Owners capitulated to rates into the mid ws 30's to the Far East and towards ws 20 to the West. A bottom may now have been set for the next fixing phase, at least, but the only small hope for Owners is that long discharge delays continue, and eventually tighten the 'on the water' fleet to some form of balance/respectability. Suezmaxes continued to easily soak up whatever demand that passed and end the week with excess tonnage weighing. Rates held at a maximum ws 50 to the East and to ws, 20 to the West and more Owners will be tempted to ballast to the West on the off chance things improve there. a busier week for Aframaxes but despite the pruning, rates remained at recent bottom marks of 80,000mt by ws 57.5/60 to Singapore, and another busy spell will be required to shift into a higher rate gear.

## West Africa

Suezmaxes dipped further, but then a few active days allowed for gentle reflation back to where they had started - 130,000mt by ws 45 to Europe and to the low ws 50's East. There was still ongoing quite heavy interest into the close, and rates could well tick higher before the inevitable re-stocking pushes the boulder back down the hill again. VLCCs found themselves outpricing Suezmaxes and that, together with the AGulf taking such a hit, meant that in order to compete, their rates also had to fall off into the high ws 30's East although activity remained very light throughout. A more meaningful Suezmax increase would of course help swing attention back.

## Mediterranean

Summer started early for Aframaxes here and now for the third week in a row, rates remain largely unchanged at bottom scraping levels. 80,000mt by ws 55 X-Med and to ws 60 from the Black Sea is about the best of it, and so long as the prompt tonnage list remains so easy, that will continue to be the case through next week too. Suezmaxes limped along but did eventually manage to restore a degree of balance, however, the next step was never taken by Charterers and availability will fatten again within short. 140,000mt by ws 50 from the Black Sea to European destinations, with runs to China at down to $2.7 million. Eyes upon West Africa for any chance of a proper step higher.

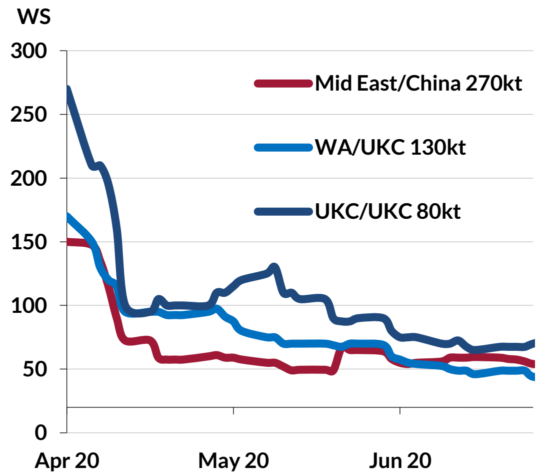
## US Gulf/Latin America

No material change for Aframaxes here - always falling short of achieving anywhere near critical mass and the market continuing to bob along at little better than 70,000mt both upcoast, and transatlantic. Why any change anytime soon? bad weather will be wished for. VLCCs had a lot of questions but little result and, with the other load zones crashing, rate pressure mounted. That said, even at lower AGulf, or WAF figures, ballasters still need to add in those extra voyage costs, and gross freight demands, at least, should remain supported at close to $5.5 million from the USGulf to the Far East for the time being.

## North Sea

An occasional flutter of cargoes gave occasional hope to frustrated Aframax Owners, but the dots never joined up and rates again showed little better than 80,000mt by ws 70 X-UKCont and 100,000mt by ws 45 from the Baltic. Sentiment ends the week flat once again. VLCCs drew another blank even as rate demands lowered to $5.50 million to China/South Korea and Charterers will need to be further encouraged before being able to make the larger size economics attractive enough to engage.

### Crude Tanker Spot Rates



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

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# Clean Products

## East

A terrible week comes to an end for the MRs in the AGulf. With just seven cargoes quoted all week, the MRs have gone from bad to worse. EAF's next test will be into double figures, whilst West is now worth less than a million. These low levels now make stemming down a financially sound move – if Charterers have the barrels to do so. The issue remains that they do not. Whilst Owners will be hoping such cheap numbers entice more activity and cargoes out of the woodwork, the reality is that whilst production and run cuts continue, combined with lacklustre demand, further downwards pressure could materialise, making it a long summer for Owners.

An interesting week on the LR1s. We haven't seen a huge appearance from ATC, which usually taps away some contract ships from the list. That being said, the front end of the list looks fairly bereft of ballasters, and you would have expected ballasters to carry a premium. However, given the cargo flow (or lack thereof), Charterers have felt happy to take the punt on discharge itineraries etc. $1.375 million taken by Total (surprisingly), but later moved into temporised barrels/later dates. This should indicate to Owners that there is room to manoeuvre these rates North. Hafnia took $1.45 million subs on the replacement but later dropped, Owners should take come credence from big pools on where to steer rates. 55 x ws 80 on old tonnage is a similar story, in reality, only enquiry levels will dictate market sentiment come Monday (given the lack of outstanding), we wait until then.

A tough week for the LR2s, with naphtha immediately tested down to ws 82.5 and fixed twice. In reality, this is the type of market where relationships count, get your mitts on a cargo and hope that Charterers don't look too unfavourably on you when trading numbers. Westbound inevitably has soften sympathetically against the new naphtha levels, $2.15 million on subs twice ex AGulf will be further tested. Total are likely heading towards $2.05million for their jet mid-month, with forward dates and cargo grades perhaps affording Owners a slight premium. In reality, the list is dotted with clean-up history ships, which will chase the life out of ULSD/GO cargoes, no end to this tunnel quite yet. Whilst we write, 75 x ws 70 on subs for naphtha, echoing sentiment described.

## Mediterranean

After a slow start to the week in the Med Handy market, with rates trading at a miserable 30 x ws 95 X-Med, an increase in activity ex E-Med began to get this market turning in a slightly more positive direction. A split market has therefore been created as 30 x ws 110 has now been put on subs a couple of times ex C-Med, with E-Med trading slightly higher at the 30 x ws 115 mark. Black Sea enquiry has been slow all week but currently sits around the 30 x ws 120-125 levels based on current Med sentiment. Despite the small increase in rates we have seen today, a replenished tonnage list on Monday could slow any momentum created, with the fixing window now stretched up until the 7th.

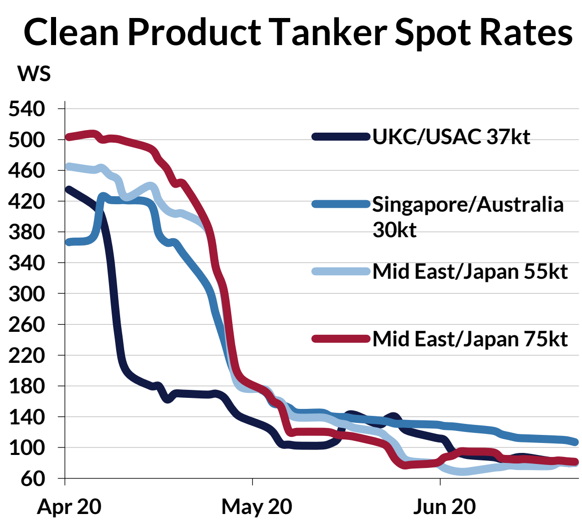
Finally, to the MRs here in the Mediterranean were like the Continent market, Owners have struggled to make a mark on fixing rates as cargo levels have remained limited. The lack of enquiry has taken its toll as we see transatlantic now slip to 37 x ws 80 and WAF to ws 90, with a few anomalies along the way, but a busier Thursday in the UKCont may just salvage this week for Owners. Available tonnage has been clipped away and moving into next week, with some further enquiry seen, some will start to believe rates can pick themselves up off the floor.

## UK Continent

There is no hiding from the very weak freight rates that have cast their shadow on this MR market for a few weeks now. A combination of seasonal decline and the impact of diminished demand, as a result of this pesky global pandemic, have certainly provided Owners with a very tough challenge that for now, is showing no sign of improving. Despite this negativity, it has been a reasonable week in terms of volume dominated mostly by TC2 runs. The oversupply of tonnage especially at the front end of the list was very evident once again though and that ultimately saw rates soften further, with TC2 slipping down to 37 x ws 80 by midweek, and a quieter WAF market eventually settling at 37 x ws 90 on the back of little activity. As the week draws to a close there is a glimmer of hope on the back of some improved numbers being paid from the Baltic, that Owners may have an opportunity to regain some lost ground in the early part of next week.

Compared to recent weeks Handy Owners have had a much better platform to work from and Monday tonnage lists reinforced this as the wealth of prompt tonnage had been cleared. Consistent fresh enquiry was going to be pivotal here if Owners were going to break the mould and shift rates upwards but stems were either covered under COAs and any market cargoes, which were quoted had enough ample candidates (hidden vessels were a big factor). Baltic/UKCont has traded the week at 30 x ws 95 and 30 x ws 85 for a X-UKCont and, with the summer markets now in full swing, expect more of the same as we head into week 27.

It's been another lacklustre week in this Flexi market, with slow levels of enquiry throughout and little to report fixture wise. Flexis have therefore been tracking the UKCont Handy market, which over the course of the week has seen consistent levels of activity but unfortunately no shift in rates. As a result, Flexi rates have been trading just below a prorated Handy rate, with 22 x ws 105-110 remaining the current benchmark for a X-UKCont run.




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

# Dirty Products

## Handy

The Continent Handy market is probably one of the only sectors able to boast a revival in fortunes this week, however, we do have to look back over the conditions of the previous fortnight to really see what's happened. After suffering an initial ws 15 point decline (early in week 25), activity levels have remained consistent, slowly chipping away at availability. In turn this has not only forced stem dates into play earlier than Charterers had envisaged but, with a shortened tonnage list, belief quickly gathered that rates could be pushed back up. Perhaps what is more of a testament to this sector is that the gains between deals have been slim, meaning that no one has come away from a negotiation feeling hard done by. The big IF... "If" liquidity does continue to bless this sector then perhaps Owners can rest some hopes on the recent gains lasting.

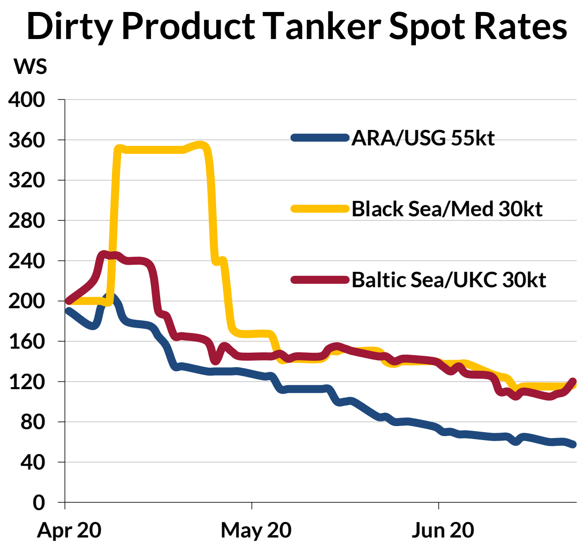
In the Mediterranean, what is written above cannot be said, although whether we are a week behind the same curve as seen in the Continent is yet to play out. From this week's trading at least, it would appear that a floor has been found, where for the majority of the week activity was both present and consistent, but there was more than enough tonnage availability to cover the cargo base on offer. This is why conditions have remained completely flat, as the fixture report below will boldly illustrate.

## MR

Not a hugely successful week for MR Owners in the Mediterranean and Continent alike, with those operating units in these sectors unsure whether to stick or twist. For those reading outside of the UK, this old English expression works so eloquently in explaining the current conundrum. If you have an MR and only Handy business is on offer, do you fix a part cargo then kick yourself if a natural full sized MR stem comes along after? Or do you pass up the opportunity of slightly improved Handy rates whilst you are in the fixing window? Week 26 has seen a few Owners take the latter approach, as there hasn't been too much MR enquiry on offer.

## Panamax

As another week rolls by and the fate of this sector has been dealt another blow, with further rate erosion taking place. That said, removing a further ws 5 points from the value of a transatlantic move we are now witnessing a line being drawn, which some Owners are not there to cross. Going forward therefore, to say this is the floor isn't so much of a bold statement, more a dictation of how bad conditions have become for Owners, and yet for the foreseeable weeks ahead it is hard to see any recovery happening where natural availability has so much length.

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## Dirty Tanker Spot Market Developments - Spot Worldscale

| | | | *wk on wk change* | June 25th | June 18th | Last Month* | FFA Current Q |
|---|---|---|---|---|---|---|---|
| **TD3C** | VLCC | AG-China | **-20** | 37 | 56 | 67 | 37 |
| **TD20** | Suezmax | WAF-UKC | **-5** | 44 | 48 | 71 | 42 |
| **TD7** | Aframax | N.Sea-UKC | **+4** | 75 | 71 | 94 | 75 |

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

| | | | wk on wk change | June 25th | June 18th | Last Month* | FFA Current Q |
|---|---|---|---|---|---|---|---|
| **TD3C** | VLCC | AG-China | **-24,250** | 23,500 | 47,750 | 63,750 | 23,500 |
| **TD20** | Suezmax | WAF-UKC | **-2,250** | 13,250 | 15,500 | 31,750 | 12,500 |
| **TD7** | Aframax | N.Sea-UKC | **+3,000** | 3,750 | 750 | 19,750 | 2,750 |

## Clean Tanker Spot Market Developments - Spot Worldscale

| | | | wk on wk change | June 25th | June 18th | Last Month* | FFA Current Q |
|---|---|---|---|---|---|---|---|
| **TC1** | LR2 | AG-Japan | **-3** | 82 | 84 | 116 | |
| **TC2** | MR - west | UKC-USAC | **-5** | 81 | 85 | 112 | 83 |
| **TC5** | LR1 | AG-Japan | **+4** | 80 | 76 | 132 | 80 |
| **TC7** | MR - east | Singapore-EC Aus | **-5** | 107 | 112 | 140 | 111 |

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

| | | | wk on wk change | June 25th | June 18th | Last Month* | FFA Current Q |
|---|---|---|---|---|---|---|---|
| **TC1** | LR2 | AG-Japan | **-750** | 16,750 | 17,500 | 30,750 | |
| **TC2** | MR - west | UKC-USAC | **-750** | 6,500 | 7,250 | 13,750 | 7,000 |
| **TC5** | LR1 | AG-Japan | **+1,250** | 10,750 | 9,500 | 25,750 | 10,750 |
| **TC7** | MR - east | Singapore-EC Aus | **-1,000** | 9,250 | 10,250 | 16,250 | 10,000 |

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

| | | | | |
|---|---|---|---|---|
| ClearView Bunker Price (Rotterdam VLSFO) | **-13** | 273 | 286 | 248 |
| ClearView Bunker Price (Fujairah VLSFO) | **-11** | 305 | 316 | 276 |
| ClearView Bunker Price (Singapore VLSFO) | **-7** | 315 | 322 | 285 |
| ClearView Bunker Price (Rotterdam LSMGO) | **-14** | 329 | 343 | 270 |

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