

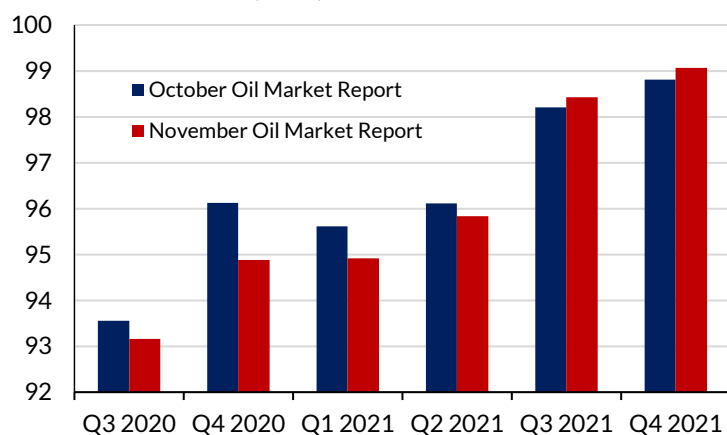
## All Eyes on OPEC+

### Weekly Tanker Market Report

The announcement that a Covid-19 vaccine developed by Pfizer/BioNTech is over 90% effective in trials sent world equity markets and oil prices soaring earlier this week. However, while this news has changed the sentiment, nothing has changed in terms of the near-term oil supply and demand fundamentals. The vaccine is unlikely to boost world economies until later in 2021 while global oil demand is under renewed threat due to escalating Covid-19 cases, most notably in Europe and the US, where new cases are hitting levels well above those seen during previous peaks. It remains to be seen whether too much hope is being placed in the vaccine. The virus resurgence in many countries prompted the International Energy Agency (IEA) to drastically revise down its demand expectations. Global oil demand in Q3 2020 has been revised down by 0.4 million b/d, Q4 2020 by 1.2 million b/d and Q1 2021 down by 0.7 million b/d. However, the IEA notes that these revisions have been heavily focused on OECD countries, while demand expectations for non-OECD economies have actually been revised up, mainly due to developments in China and India. Chinese oil demand has already climbed above pre-pandemic levels while Indian oil demand is expected to average in Q4 2020 just marginally below levels seen in Q4 2019.

Global Oil Demand (mbd)

Source: IEA



While OECD demand continues to suffer, Libya has surprised the world, rapidly ramping up its crude production following the truce agreed between competing forces. According to Reuters, the country's output has reached 1.2 million b/d, surging from just 100,000 b/d back in August.

With Covid-19 uncertainties mounting and Libyan production recovering, the task of balancing oil markets is becoming increasingly challenging for OPEC+. The original deal agreed

back in April envisaged OPEC+ output rising by 2 million b/d in 2021. Oil ministers are due to meet on 30 November and 1 December to discuss oil policy and concerns are mounting that such a large increase in production is no longer an option. The OPEC President stated that "in the context of slow growth in oil demand, the market would struggle to absorb the production increase expected at the start of the year", indicating a possibility of extending current production cuts during the 1<sup>st</sup> half of 2021. Some OPEC+ officials went even further, suggesting that if needed, deeper cuts could be on the cards.

The market consensus for the likely outcome of the upcoming OPEC+ meeting is for an extension of current production quotas. However, predicting OPEC+ future policies could be a futile exercise. History shows that it is often difficult to reach an agreement, due to different economic and social needs of individual OPEC+ members. Interestingly, the IEA calculated that if the OPEC+ 2 million b/d increase were to take place, it would imply almost zero stock change in 1Q 2021. In other words, this shows that there is perhaps some room for a smaller increase in production, which would still lead to a drawdown in inventories.

For crude tanker markets, if analysts' predictions are correct, maintaining current production quotas will only extend the current pain for tanker owners. Will this be the case? Time will tell ... For now, all eyes on OPEC+!

# Crude Oil

## Middle East

Reasonable VLCC volumes this week but there remained a wall of tonnage in the path of any thoughts of an upward rate reaction. Now, November needs are virtually spent and December will be the focus through next week. Owners are unlikely to find it to be a much brighter month though as the depressing fundamentals are set to remain largely unchanged until some point next year. Rates again hold at no better than ws 26 to the Far East, with down to ws 15 still possible for anything to the West. Suezmaxes initially clung on to last week's minimal gains but a good deal of the activity was for the shortest runs and eventually the poor diet led to market weight loss to under ws 40 to the Far East and towards ws 20 West - no big counter moves likely next week either. Aframaxes tried their best but it was a staccato approach from Charterers and rates merely bobbed around at close to 80,000mt by ws 50 to Singapore throughout, and will stay bobbing there over the coming week also.

## West Africa

Suezmaxes found enough to push a few ws points higher but things started to go downhill later in the week and Owners found themselves clinging on to a still very weak 130,000mt by ws 40 to Europe and ws 35 to the USGulf. Higher bunker costs will begin to feed in here as elsewhere, so there will be a determination to at least secure some compensatory benefit via Worldscale

levels, even if that translates into no 'net' gain on returns. VLCCs started slowly, enjoyed a busier mid-week pulse of activity, and then slid quietly into the weekend. The result was that rates remained 'as was' at no better than ws 30 to the Far East. Next week may well be a repeat performance.

## Mediterranean

Aframax Owners began to think that they had at last managed to find the formula for a more consistently improved market...but just as they did, the busier conditions that provoked that began to fade and rates flatlined into the close at up to 80,000mt by ws 70 X-Med and ws 72.5 from the Black Sea, with consolidation the watchword for next week. Suezmaxes didn't change gear at all with flatline rates of 140,000mt by ws 45 to Europe and to \$2.45 million to China being the norm, and continuing to be so over the near term at least.

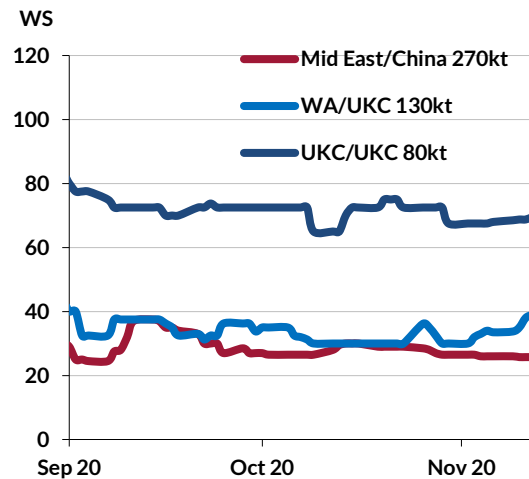
## US Gulf/Latin America

After a great deal of extended effort, Aframaxes finally broke cover as more solid enquiry allowed rates to push to over 70,000mt by ws 60 upcoast and to a reported ws 70 transatlantic - still very poor, but a rare upward shift nonetheless. VLCCs saw very little...there was some fixing of course but the rate result was always a forgone conclusion, with \$4.55 million to China/South Korea again baked in. Any variance over the next fixing phase is likely to be fractional too.

## North Sea

Aframaxes here again looked to other load areas for good news, and to prop up sentiment. For now, that isn't good enough to break away from a sticky 80,000mt by ws 67.5/70 rate range X-UKCont, and 100,000mt by ws 40/45 from the Baltic, but hopes will remain for the U.S. market to grow longer legs to give an extra leg up. VLCCs quietened this week but rate demands remained steady at \$4.4 million for crude oil to South Korea/China nonetheless and should stay similar in the wait for the next tranche of cargo.

## Crude Tanker Spot Rates



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

## Clean Products

### East

When compared to the both the larger and smaller sized ships in the AGulf, the LR1s are currently the best value in the market. The week has seen a number of Charterers' relets being removed from the list for own program movements and, with only a few cargoes entering the market, the list has done well to close the week on a relatively strong footing. With BP being the first to stem down TC1 to TC5, Owners have seen a steady positive correction on Naphtha runs; 55 x ws 72.5 is on subs but owners should be looking to ws 75 for next done. Westbound stems have not been the most desirable with Owners this week and, with the larger pool Owner's ability to position ship globally, the torch was passed to them (Hafnia) to test on last done levels. Currently, AGulf/UKCont on subs at equivalent \$1.35 million will be a pleasing step for Owners as the weekend approaches. The LR1s are poised to follow the sentiment on the other sizes and, with potential to see further enquiry off the 25-30 window, rates could move fast as safe tonnage thins.

The LR2 list has thinned to such an extent that it looks bare until end November dates. Shell paying 90 x ws 80 EAF on the grand scheme of things is not that bad a deal. Scorpio lying in the wings were after 20 more points. Westbound sits at \$1.75million ex AG, ST doing the equivalent of this number last night ex Kuwait on KPC. Naphtha sits at ws 75 as an assessment, but the point remains the same; if further enquiry enters the market off November dates, the few remaining positions have carte blanche to push market levels where they see fit. These few relets left on the list will be held back to protect internal programming from high numbers seen elsewhere.

An incredibly strong week on the MRs. The front of the list has disappeared to the extent where Owners won't even offer for cargoes this side of the weekend. Ws 145 EAF and \$1.4 million Argentina are the latest offers on the table. A HUGE jump up from last done levels at ws 107.5 EAF, West is untested given the volume of distillate moving on the LR2s at the moment. Naphtha will push sympathetically against these lumpier ideas up to 100 levels, untested for a couple of days for similar reasons to lacking distillate enquiry mentioned before. Expect little fixing this afternoon as Charterers and traders explore alternative options to avoid being squeezed to this extent by the MR list.

### Mediterranean

A week to forget for the owning fraternity in the Med, with further losses seen once again and rates trading at the bottom of the market. The majority of Owners have held at the 30 x ws 75 mark throughout the week for X-Med (which just about keeps TCE earnings positive); however, a market quote on subs Med/UKCont at 30 x ws 72.5 leads to 30 x ws 70 being paid twice ex W-Med, which is now where Charterers are aiming for. Expect most to plug in the numbers on a case by case basis, with MF's / ballast distance proving to be the deciding factor in 70 or 75 levels. Black Sea has remained quiet (much like the Med); however, continues to trade sideways at 30 x ws 80 for vanilla MF AGIOI runs. Expect Monday to bring further pressure with a replenished list, which will likely see Charterers aiming for the 30 x ws 70 mark across the board.

Not a bad week for the MRs in the Med, as a busy early part of the week helped to at least clear out the front end of the list somewhat. However, the improving rates have come on the back of a busy North market and,

although numbers have only shown marginal improvements up until now, Owners will be buoyed by the rebound in recent fortunes. As with the North, the availability of tonnage shows no real sign of easing off just yet, so any further gains are likely to be marginal for the time being. However, we end the week on a positive note, with transatlantic at an improved 37 x ws 75 and WAF likewise gaining to 37 x ws 85.

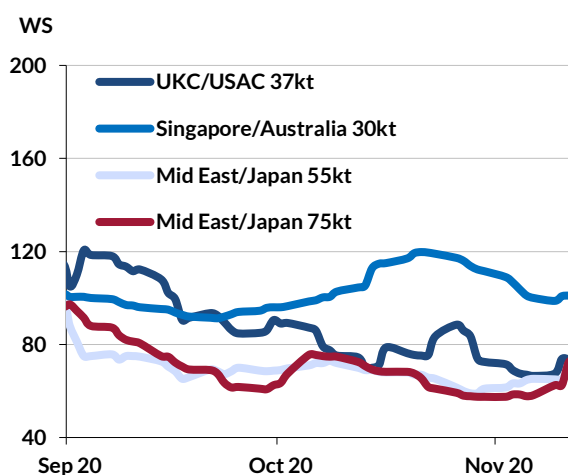
## UK Continent

Certainly, the busiest week we have seen for quite some time. Despite the lengthy position list, which will remain a factor for the next few weeks, Owners have managed to at least get rates moving in a positive direction once again. It has been a consistent week in terms of enquiry, with a steady influx of fresh enquiry throughout. The market has also benefited from thinning LR capacity, which has seen increased volume to WAF moving on MRs. The short term remains challenging, with ballasters from the U.S adding to an already well stocked list. Although further gains are likely to remain gradual at best, Owners will be relieved to finally see some positive movement. We end the week with TC2 stable at 37 x ws 75, with WAF most improved to 37 x ws 82.5-85 levels.

Not the most active of weeks in this UKCont Handy market, with many ships being fixed via COA lifts or simply behind closed doors. Over the course of the week rates have been a mixed bag as a two-tier market seems to have formed, with larger Owners able to hold out for higher rates and others willing to look at more competitive numbers due to last cargo history. For now, Baltic levels trade around the 30 x ws 85-90 mark and X-UKCont tracking below at 30 x ws 80-85, as rates remain very owner dependent.

All in all, it's been a quiet week in this UKCont Flexi market, as cargo enquiry remains on the slow side and the majority of fixing activity has been kept below the market surface. However, the final day of the week has seen a vanilla X-UKCont go on subs at a rate which is understood to be in line with Handy levels. Due to the minimal activity seen here rates have been benchmarked against Handy levels for some time, with 22 x ws 105-110 levels expected to be achieved.

## Clean Product Tanker Spot Rates



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

# Dirty Products

## Handy

Overall a positive week from the Handy sector in terms of enquiry levels in both NWE and the Mediterranean regions. However, fixing levels have generally remained flat with a slight softening in the North. The story in the North unfolded with a steady start to the week, which was maintained as a result of well approved early tonnage thinning. This in turn has pushed the fixing window forward but, as we close the week out it seems that Charterers are holding back for these dates to come into play and keep a lid on Owners' aspirations.

The Mediterranean has seen an injection of pace we have not seen for some time. In any other November period, seeing the number of fixtures that we have this week would have resulted in a dramatic climb in fixing levels, however, the region has been long on tonnage for too long now. Those with prompt units have been happy to get them moving at last done levels and we close the week with 15-20 confirmed fixtures and rates unchanged. Looking forward to next week, come Monday fresh tonnage lists will be key and a clear indicator as to whether the bottom has been finally found.

## MR

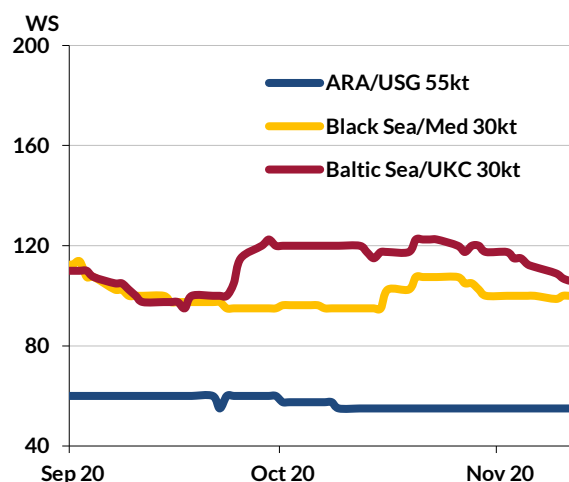
MR's in Europe have once again had to ride on the coattails of the Handy sector in both a positive and a negative direction. Further softening in surrounding markets on the Cont following the inactivity of week 45 continued, and as a result recent benchmarks on the MRs were tested. Despite resistance from some Owners, a drop of 5 points was achieved. With part cargoes continuing to be drip fed in the North, MR Owners could do nothing more

than wait for full stems and a return to previous benchmarks. Going forwards, expect this level to hold as tonnage looks balanced going into next week. In the Med, very little to note this week on the MRs other than a repetition of previous weeks where slim pickings on the full size cargoes have seen Owners reduce downtime in the more active Handy sector.

## Panamax

The Panamax market continues to suffer from a lack of enquiry, with the larger Aframax sector offering an all-round better deal both on long and short haul business. This week has played out in a very similar way to previous, albeit with more localised questions being asked of Owners for non-standard runs. With one unit set to head to WAF from the Cont, and another set to traverse the Med - the usual benchmark voyages remain untested. That said, any thoughts of shooting fish in a barrel will produce the same result; 55 @ 55.

## Dirty Product Tanker Spot Rates



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



## Dirty Tanker Spot Market Developments - Spot Worlds scale

|              |           | wk on wk<br>change | Nov<br>12th | Nov<br>5th | Last<br>Month* | FFA<br>Nov/Dec |
|--------------|-----------|--------------------|-------------|------------|----------------|----------------|
| TD3C VLCC    | AG-China  | -0                 | 26          | 26         | 30             | 30             |
| TD20 Suezmax | WAF-UKC   | +5                 | 39          | 34         | 31             | 45             |
| TD7 Aframax  | N.Sea-UKC | +1                 | 69          | 69         | 71             | 92             |

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

|              |           | wk on wk<br>change | Nov<br>12th | Nov<br>5th | Last<br>Month* | FFA<br>Nov/Dec |
|--------------|-----------|--------------------|-------------|------------|----------------|----------------|
| TD3C VLCC    | AG-China  | -1,500             | 7,000       | 8,500      | 13,000         | 12,500         |
| TD20 Suezmax | WAF-UKC   | +2,750             | 7,500       | 4,750      | 4,000          | 10,750         |
| TD7 Aframax  | N.Sea-UKC | -250               | -3,000      | -2,750     | -500           | 13,000         |

## Clean Tanker Spot Market Developments - Spot Worlds scale

|               |                  | wk on wk<br>change | Nov<br>12th | Nov<br>5th | Last<br>Month* | FFA<br>Nov/Dec |
|---------------|------------------|--------------------|-------------|------------|----------------|----------------|
| TC1 LR2       | AG-Japan         | +17                | 74          | 58         | 69             |                |
| TC2 MR - west | UKC-USAC         | +8                 | 75          | 67         | 71             | 87             |
| TC5 LR1       | AG-Japan         | +9                 | 74          | 65         | 68             | 80             |
| TC7 MR - east | Singapore-EC Aus | +1                 | 101         | 100        | 115            | 115            |

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

|               |                  | wk on wk<br>change | Nov<br>12th | Nov<br>5th | Last<br>Month* | FFA<br>Nov/Dec |
|---------------|------------------|--------------------|-------------|------------|----------------|----------------|
| TC1 LR2       | AG-Japan         | +5,250             | 12,500      | 7,250      | 11,000         |                |
| TC2 MR - west | UKC-USAC         | +1,250             | 3,750       | 2,500      | 3,750          | 6,000          |
| TC5 LR1       | AG-Japan         | +1,750             | 7,750       | 6,000      | 6,750          | 9,750          |
| TC7 MR - east | Singapore-EC Aus | -250               | 7,000       | 7,250      | 9,750          | 9,500          |

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

|  |     |     |     |     |
|--|-----|-----|-----|-----|
| ClearView Bunker Price (Rotterdam VLSFO) | +17 | 328 | 311 | 305 |
| ClearView Bunker Price (Fujairah VLSFO)  | +33 | 369 | 336 | 338 |
| ClearView Bunker Price (Singapore VLSFO) | +19 | 355 | 336 | 341 |
| ClearView Bunker Price (Rotterdam LSMGO) | +25 | 356 | 331 | 330 |

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