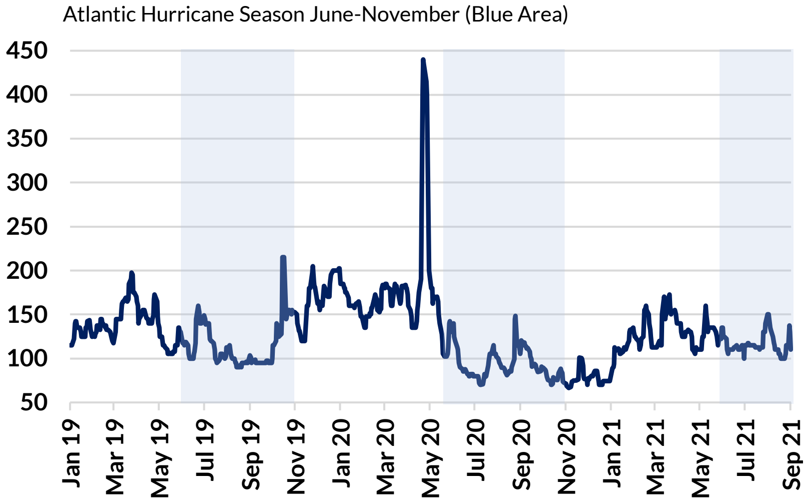
Storms On The Horizon

Weekly Tanker Market Report

As hurricanes and storms become increasingly more severe due to climate change and warming sea temperatures, so too has the impact on tanker shipping. Hurricane Ida was upgraded to a category 4 storm and made landfall on Sunday 29th August; with a focus on the Louisiana area which accounts for 3.4mbpd of refining capacity. Louisiana is home to 17 refineries, many of which were shut down due to widespread power outages and safety procedures. Estimates currently timetable a full return to normal operations in three weeks as power is restored, with 1.6mbd of capacity offline as of Thursday night.

Hurricane Seasonality & TC2 (WS)



The US Government reported 94% of offshore production remained offline as of Thursday. If Ida's damage results in prolonged pressure on exports, this could inevitably reduce tanker rates as reduced cargo volumes enter the market causing vessels to ballast away from the US Gulf (USG) region.

Last week saw TC2 rise on the news of potential disruption in the USG with numerous vessels going on subs and rates jumping 10 WS points from WS105 to WS115 on Friday. Rates firmed further on Tuesday given a tight position list in the then current fixing window that saw TC2 on subs at WS137.5. However, if affected refineries remain offline for several weeks then greater product imports through TC2 will be required to offset lower domestic supplies. This will be supported by US gasoline stocks at a seasonal five-year low. Whilst the end of driving season and moving into winter will reduce demand slightly, October is usually the peak month for US refinery maintenance, not delaying this would further squeeze fuel supplies. This could encourage reverse diesel arbitrage trade from Europe as well as East of Suez. Likewise, potentially lower US naphtha exports could force buyers to source alternative stocks from the Middle East or Europe.

Elsewhere, the tanker market is not immune from other rate influencing weather events such as Turkish Strait delays, most notable in late autumn and winter or Baltic ice formations during the first few months of the year, both providing a positive seasonal impact on rates. Likewise, Typhoon season in Asia (mostly May-October) can also stimulate rates, given the port disruption this can cause. Although these events are only ever temporary, the short-term freight volatility they cause cannot be ignored.

Although the biggest single positive factor for the tanker market remains the post Covid-19 demand recovery and not weather seasonality, this does raise the question of how significant these weather events are in the short term. Looking ahead, increasing storm related disruption and spikes in freight rates should be expected as climate change continues to intensify extreme weather patterns across the globe. The US big freeze is perhaps one of the recent most notable examples of that. How this translates into market expectations by shipowners and charterers remains to be seen should a consistent global pattern emerge. What is certain is the weather impacts of climate change are increasingly going to impact the short-term dynamics of the tanker market susceptible to local climatic hazards.

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Crude Oil

Middle East

VLCC levels are starting to slowly rise against a good steady supply of enquiry, combined with some under the radar activity, which has diminished availability of tonnage to an extent where Owners are starting to gain the upper hand. Rates are not spiking aggressively, but moving in a more controlled manner which may bring a more prolonged period of better things to come. Last done to the East is around 270,000mt x ws 35; Western levels remain untested but likely holding at around 280,000mt x ws 18.5. The long summer continues for Suezmax Owners and returns have come under further pressure this week, with fixtures being concluded in the low ws 50s for East discharge, whilst levels remain grounded at 140,000 x ws 23 to Europe. Sentiment is softening for Aframax tonnage. Limited enquiry paired with a growing tonnage list is seeing rates slip further south. During the mid-week point, AGulf/WCI was fixed at 80,000mt x ws 95, which will inevitably see rates to the East slip to 80,000mt x ws 92.5-95 soon.

West Africa

A healthy premium paid for one replacement VLCC market enquiry has just added fuel to the fire, as Owners now start to see further opportunities to build on. It will need support from other regions to really stoke the flames but things are looking a lot healthier for Owners than we have seen for some time. The next fixing levels to the East are likely to be around 260,000mt x ws35. Suezmax Charterers task has been made easier this week due to a swollen availability of tonnage, which has seen rates further soften to 130,000mt x ws 55 to Europe and ws 57.5 East. Not until the many Eastern ballasters are absorbed, will Owners fortunes improve.

Mediterranean

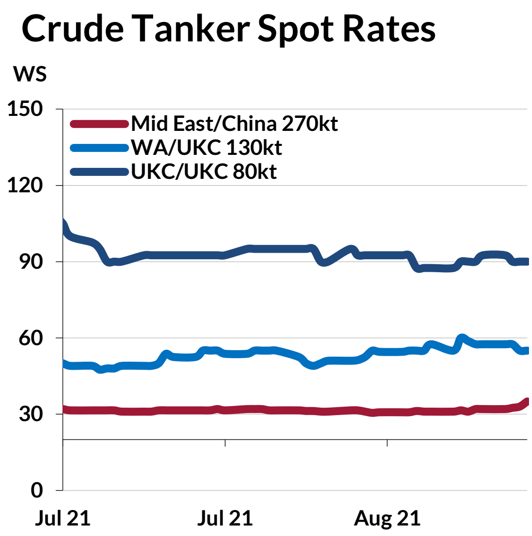
Another week of broken promises for Aframax tonnage. Waves build up each week; yet, just before rate improvements can be realised, cargoes evaporate or COAs take the steam out of proceedings. At the start of the week there was some activity and a few Owners tried to push rates up a couple of points, but in the end fixing off dates was too attractive for most, with Ceyhan voyages remaining flat at 80,000 x ws 87.5. Black Sea runs are also trading at similar levels. Earnings are still bobbing along at around $5k TCE, with only good triangulation helping some Owners to nudge double digits. The going remains the same into next week and a real sea change needs to occur to break out of this mould and get out of this rut. An active week for Suezmax Owners, partly due to Charterers sitting back at the end of last week and trying to take the sting out of the market. Charterers were able to quickly wrestle back some lost ground with 130,000mt x ws 62.5 being paid for an Arzew/Rotterdam cargo. For longer voyages to the East, Owners are looking to be compensated and have pushed for $2.475 million to Ningbo.

US Gulf/Latin America

Replacement enquiry and general disruption due to Hurricane Ida has provided Aframax Owners with the opportunity to push for a mini recovery here, with last done levels for short haul run moving healthily up to 70,000mt x ws 112.5. Whether this surge in rates is sustainable, once we get the majority of tonnage back 'in play', remains to be seen. VLCC levels have kept steady throughout the week against muted interest. However, with the majority of tonnage available in ballast from the East combined with other areas starting to strengthen, Owners may not be as compliant as Charterers have been accustomed to.

North Sea

A shortened week but yet similar fabric to last in the Northern Aframax market, steady activity with too many units around. There is some expectation from the North Sea but this is clutching at straws. The market needs the availability of tonnage to tighten or some bad weather for sentiment to change. In the meantime, rates remain around 80,000mt x ws 92.5 for X-UKCont and 100,000mt x ws 62.5 for Baltic loading.



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

Clean Products

East

LRs have had a very uncertain week. After a busy period on the LR2s, with rates pushing hard, it was inevitable that other sizes would see the focus. LR1s picked up the baton but all it did was stress how overpriced they had been. 55,000mt naphtha AGulf/Japan is now down to ws 125 but should now stabilise with value at that level. 60,000mt jet AGulf/UKCont is fixing at $1.775 million and there are few Owners willing to repeat this so rates could see improvements. Having said that, there is real uncertainty over the short term direction of movement, with markets very sensitive to small changes in activity or tonnage availability.

LR2s have seen a muted week though and although lists remain fairly tight the level of activity hasn't helped rates move on from where they got to. TC1 remains stable with 75,000mt naphtha AGulf/Japan at ws 115, whilst 90,000mt jet AGulf/UKCont is repeatedly fixing at $2.325 million. The next few weeks will set the tone for Q4 with many feeling a bigger positive move coming.

A quiet week generally for the MRs as Charterers look to operate with a very tight position list. Despite only 12 fixtures this week (a normal week would exceed 20), the lack of open positions or decent itineraries this side of Singapore has meant rates have risen and held their ground, with little to no chance things will soften. TC12 has rocketed to ws 175 ex AGulf, which sees TCE earnings push past $15k/day and match earnings similar to Singapore. As such, this weekend it would not be surprising to see a few ballasters make the move across the Indian Ocean. If they do, the 15-20 window will look healthier but still undersupplied with vessels. Whilst the EAFR numbers have not been as high as Owners wanted this week (ws 220 done three times, ws 235 ideas on Monday) – this market is not weakening by any means.

Mediterranean

It's been a lacklustre week in the Mediterranean Handy market, which has seen rates come under further pressure due to the sheer amount of prompt tonnage available to Charterers throughout. At some points in the week, we have had over 20 prompt vessels and, with current enquiry levels unable to clear these out, rates have now fallen as low as 30 x ws 110 X-Med. However, 30 x ws 115 has still been achieved with rates being calculated on a case by case basis. Black Sea activity has been quiet all week with levels tracking in line with X-Med but discounts are achievable on vessel opening in the SOM or Black Sea. Market weak.

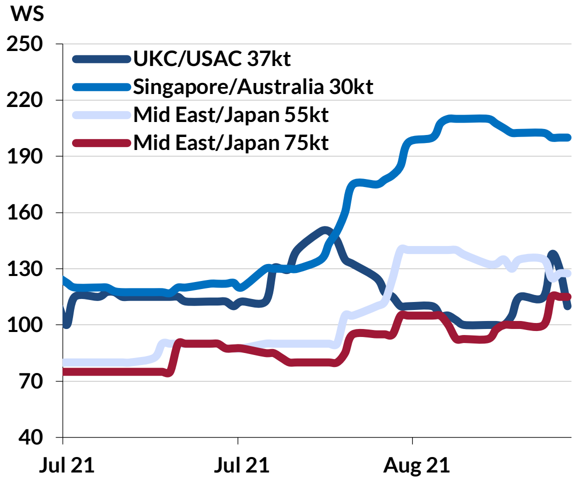
Unlike the NWE market, cargoes never really materialised or MRs ex Med this week, however, sentiment was translated from the UKCont market. The start of the week began with the speculation over the effects of Hurricane Ida, with TC2 firming to heights of 37 x ws 135, however, with ballast tonnage set for our shores, these heights were soon forgotten with rates slipping from Tuesday onwards. A market quote ex Med set the trend, with 37 x ws 120 achieved for Med/transatlantic, however, at the time of writing, Charterers are aiming closer to the 37 x ws 100 mark for transatlantic voyages, with enquiry slower and plenty of ballast units to pick off. Expect Owners to be on the back foot from the off next week with further losses on the horizon.

UK Continent

After the effects of hurricane Ida in the States last weekend, the TC2 market quickly picked up, Charterers were taking cover quickly and early to safeguard any exposure or opportunities that might be on the horizon. We saw a few Charterers taking several vessels on subs for transatlantic voyages, and rates slowly crept all the way up to 37 x ws 135 for transatlantic. But it didn't take long to fall back to old ways and unfortunately, as of today, TC2 rates are back to 37 at ws 105 and it only took 3 fixtures for the MRs to be back to square one. TC14 sitting around ws 65 means now we have 20+ ballasters deciding to head towards Europe. The cargo volume slowed and the huge influx of ballasters hitting ARA/GIB in the 10-15 window doesn't fill us with much belief in the MR market. Soft.

A good week for Handy Owners trading up in the North as the combination of good demand and a tight tonnage list enabled Owners to push TC9 up to 30 x ws 145 and X-UKCont to 30 x ws 137.5 (at the time of writing). However, keep a watchful eye on the MRs potentially gobbling up 30kt clips as Owners look to keep their vessels short.

Clean Product Tanker Spot Rates



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Dirty Products

Handy

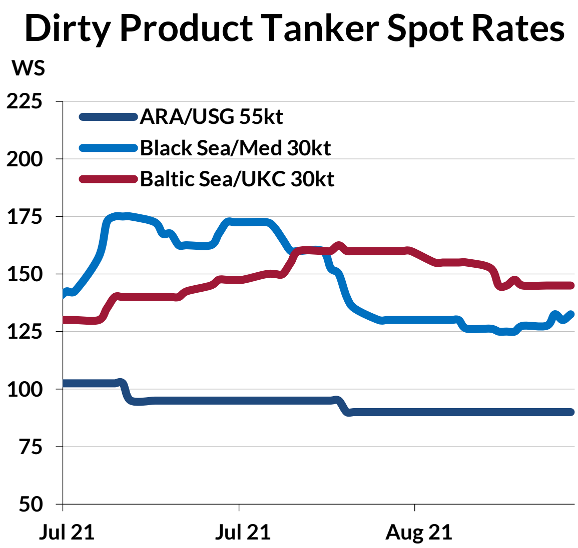
Both regions found themselves tested this week. The Continent, having shown signs of weakness, actually managed to hold onto last done levels around 30/145. This region, however, remains long on availability but vetting standards seem to have a positive spin on Owners' perception. Elsewhere, the Black Sea rates have been tested again this week, with Owners not quite managing to improve on 30/130 from a generic standpoint. On the odd occasion, we did see slight increments where replacements were sought, but after the realisation set in that much of the fanfare was over the same barrels, the market settled back towards acceptance of the conference rate. A flow of end of week cargoes could well see the region tighten.

MR

Tests this week show a flat market all around, with both Owners and Charterers settling for last done levels. Analysing this sector a little more closely, MRs appear to be ticking over without the tonnage lists ever really piling up. This, considering the volume of units trading in the Med, is a testament to Owners' resolve not to crumble at the first sight of a full 45kt. That said, there remains a negative differential in the Med compared with the Continent. Yet, it has slimmed a lot from where we were a few weeks back, meaning ballasters are not speculatively choosing to come back up. In turn, the Continent is looking first poised for increment when demand picks up.

Panamax

From a historical point of view, this week will be swiftly forgotten as there really hasn't been much of note to report. Fundamentals remain unchanged despite a weak surrounding Aframax market and the obvious lack of activity. The recent clear down in availability has helped to ease the burden on front end availability, meaning for the short term at least Owners shouldn't feel as much pressure as they have done recently.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sept 2nd	Aug 26th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+2**	34	32	31	33
TD20	Suezmax	WAF-UKC	**-3**	55	58	51	55
TD7	Aframax	N.Sea-UKC	**+1**	93	92	94	95

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

			wk on wk change	Sept 2nd	Aug 26th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**1,250**	-1,250	-2,500	-3,000	-2,500
TD20	Suezmax	WAF-UKC	**-2,000**	3,250	5,250	1,500	2,750
TD7	Aframax	N.Sea-UKC	**-500**	-4,250	-3,750	-3,000	-2,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sept 2nd	Aug 26th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+15**	115	100	83	
TC2	MR - west	UKC-USAC	**+1**	109	108	138	116
TC5	LR1	AG-Japan	**-5**	126	131	104	110
TC7	MR - east	Singapore-EC Aus	**-5**	195	200	158	158

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

			wk on wk change	Sept 2nd	Aug 26th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+4000**	13,500	9,500	4,500	
TC2	MR - west	UKC-USAC	**-250**	1,000	1,250	6,000	2,000
TC5	LR1	AG-Japan	**-1,250**	11,000	12,250	6,500	7,250
TC7	MR - east	Singapore-EC Aus	**-1,250**	13,500	14,750	8,250	7,750

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

ClearView Bunker Price (Rotterdam VLSFO)	**+12**	509	497	501
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