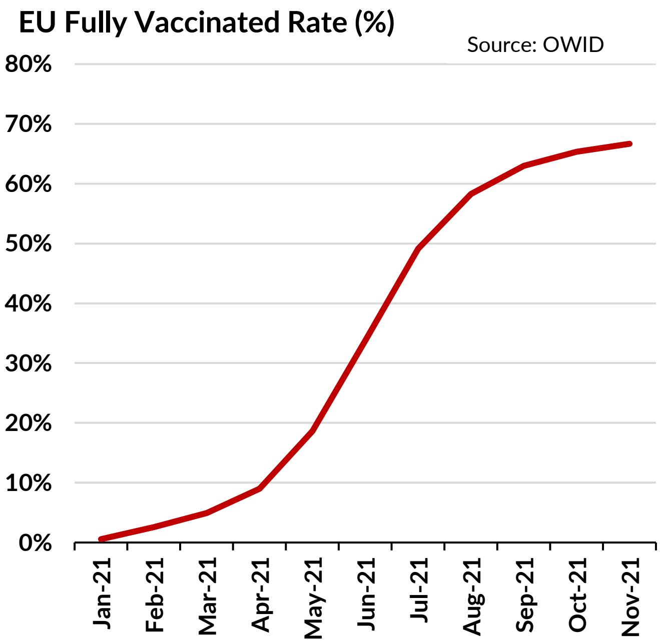
Round 4

Weekly Tanker Market Report

Europe is once again the centre of the Covid-19 pandemic with rising cases and deaths across the Continent as it battles a fourth wave of infections. The spread of the Delta variant and waning vaccination programmes have contributed to a significant spike in the virus just as winter and the Christmas period begins. The EU has a fully vaccinated rate of 67% as of writing, but this varies by member state and appears to have begun plateauing since September. All of which suggests cases are likely to rise even further. In response to vaccine hesitancy, many European states are considering mandatory vaccinations and stricter mobility measures including further lockdowns starting with Austria from November 22nd, with Germany and others are likely to follow.



The oil market has taken a bearish view on this news. Crude slipped below $80/bbl raising doubts about the strength of oil demand. Likewise, bearish supply signals have been weighing on traders with the prospect of rising OPEC+ output and a potential coordinated global SPR releases. However, in the broader sense, it is likely such short-term supply-demand imbalances will only slow the upward trend in the oil market.

Renewed mobility restrictions should reduce demand for transport fuels in Europe. Gasoline and diesel demand have seen a seasonal reduction since the end of summer; this has led to a build-up in gasoline stocks of late, these remain at relatively low levels. Distillate inventories also remain at low levels. In recent months, Europe had become a net exporter of diesel to the US, supporting trans-Atlantic product tankers.

The outlook for European jet fuel also looks less promising, despite the recent reopening of air travel to the US. Renewed travel restrictions in Europe should reduce the number of flights leaving Europe and thus reduce overall jet fuel demand. Vessel movements data suggests several jet fuel cargos originating from East of Suez are being diverted from Europe to alternative locations such as the US according to Argus.

In terms of the refining landscape in Europe, runs have decreased due to seasonal maintenance and demand uncertainty. Reuters data shows European refineries from 16 countries produced approximately 9.62 mbd of refined products in October versus 9.845 mbd in September, down 2.3% MoM Gasoline output also fell 1.1% from 2.3 mbd to 2.275 mbd in October, overall crude intake was also down 2.3% MoM. Whilst this output data is an improvement YoY from October 2020, it is potentially a sign of a slowing recovery in the supply side situation in Europe where refinery runs are not expected to recover to pre Covid-19 levels. European refining margins are also pressured on the prospect of falling product demand.

Reduced demand in Europe could briefly stimulate gasoline flows transatlantic, although a prolonged reduction in refining activity may start to pressure this trade. However, this depends on the extent of reduced refinery output in the coming months versus regional consumption. Moving forward, further waves of infection in Europe cannot be ruled out especially if national vaccination programmes fail to keep pace with new variants. The recent emergence of a new variant in South Africa demonstrates the difficulty in managing these developments. Europe provides a clear example of how the world is yet to finally get control of Covid-19 and this will continue to weigh on both the oil market and the global economy both of which have important knock-on effects for the tanker market. Nevertheless, developed nations do appear to now be better at managing Covid-19 impacts. The booster campaigns and new antiviral treatments provide a glimmer of hope in managing the long-term existence of the disease and hopefully the worse is now behind us.

GIBSON SHIPBROKERS

Crude Oil

Middle East

It has been a slow week for VLCC Owners, with their optimism for the winter season declining. The high level of availability against a low level of enquiry has allowed Charterers to chip away at rates and sit firmly in the driving seat. Current levels are only just above OPEX for Owners so there is a lot of resistance and we wouldn't expect Charterers to be able to press much (if any) further. A 270kt voyage to the East currently sits at ws 41.5 and we estimate a voyage to the US Gulf for 280kt should be ws 21.5 (via cape). Suezmax rates have now bottomed at 140,000mt x ws 32.5 to Europe and ws 62.5 East. Unfortunately, volume is not currently high enough for any reverse in Owners fortunes.

West Africa

Suezmax volumes remain light and rates continue to tumble, with a voyage to Turkey paying 130,000mt x ws 55 and ws 65 East. Owners currently have their backs to the wall and it is not inconceivable that lower levels will be paid next week. The market has softened out of Western Africa and the fierce competition between the VLCCs ballasting West has given Charterers the opportunity to knock down rates. Similar to the Middle-East, TCEs are very low for Owners and there is very little wiggle room for Charterers to eat into. The current rate for a 260kt voyage WAF-East is ws 43.

Mediterranean

Another sobering week for Aframax Owners. Visible activity levels have been mediocre, not helped by new COA agreements, and so confidence has been drained from Owners. Tonnage on the early side has gradually built and a vanilla Ceyhan run dropped like a stone from 80,000mt x ws 115 last week to ws 100. This level became a new benchmark for the majority of the following days, with Black Sea runs also resetting down to 80,000mt x ws 102.5 levels. The end of the week did not show much improvement in cargo choice for Owners and some other X-Med runs were concluded at ws 90. For now, the going is still weak and Owners can only hope impending bad weather can give them hope next week. Another challenging week for Suezmax Owners that has seen rates further eroded, with Libya to China now only achieving $2.45 million and Black Sea to the Continent down to 135,000mt x ws 60. We anticipate little change next week.

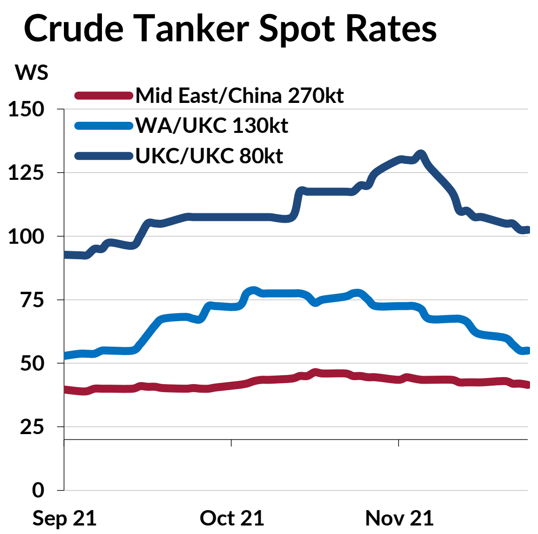
US Gulf/Latin America

A short working week for Aframax Charterers, which initially saw levels firming in the first part of the week before falling away to 70,000mt x ws 115 Upcoast and ws 117.5 transatlantic. Rates have remained stagnant, decreasing slightly in the Americas for VLCCs, with the latter half of the week from the US Gulf eerily quiet after the Thanksgiving holiday. The slightly higher returns in this region have attracted

Owners who have given up on a winter market spike. These plentiful ballasters have given Charterers the chance to pick ships off-market and keep the ball in their court. The current rate for a 270kt voyage from the US Gulf to South Korea is $5.3 million.

North Sea

A pretty slow old week for the North, with rates trudging their way along. Having said this, it does seem like a bit of a blip with Thanksgiving and other parameters curbing the activity. Urals are slightly up month on month and once the Primorsk maintenance is done with we may see a push in the local market. This may still be another week away but it is at least on the radar. For now, X-North Sea trades at ws 102.5 and Baltic/UKCont at ws 82.5 levels.



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

Clean Products

East

On Monday, the tonnage list told a story of a quiet week, plenty of prompt tonnage which had missed the window, some of which was handicapped, whether it be age or history, and volume was desperately needed. Although not coming in a dump of volume, this week has been busy enough to chip away at the list, and quoted cargoes off the early window have been difficult to cover. TC12 sits at ws 125 to finish the week, TC17 ws 180 with the caveat that SAF differentials are hard to nail down, and short haul at $150k levels depending on grade and dates. Westbound is interesting, UKCont trades at a discount as Ice-class tonnage will discount to relocate correctly, $1.2 million likely available, Argentina likely still at $1.45-1.5 million although untested. We are missing Africa deliveries, so the new week should bring some glimmering hope for Owners ready to capitalise on a more manageable tonnage list (at last).

LR1s have had a very flat week, with East and short hauls dropping away. 55,000mt naphtha AGulf/Japan dipped to ws 110 but the outlook looks better and so rates could see a slight bounce back. Westbound hasn't been tested and is still assessed at $1.80 million for 60, 000mt jet AGulf/UKCont. But less should be there with the list looking a little longer, together with the closing of the differential to LR2s. Shorthauls are perhaps the worst hit having seen Kuwait/Pakistan only achieve $310k yesterday.

LR2s have seen very few stems but Owners are remaining surprisingly resilient. TC1 has held at parity so far with LR1s with 75,000mt naphtha AGulf/Japan trading at ws 110-112.5. This may come under pressure if it reflects the weakening west rates where 90,000mt ULSD AGulf/UKCont is now rated at $2.1 million, some Usd300k off this week. We are well short of expected and normal volumes though so a bigger week must come soon. The only caveat is the arrival of a VLCC due to load a full cargo of ULSD in Ruwais from the 8th December, which will take some volume away.

Mediterranean

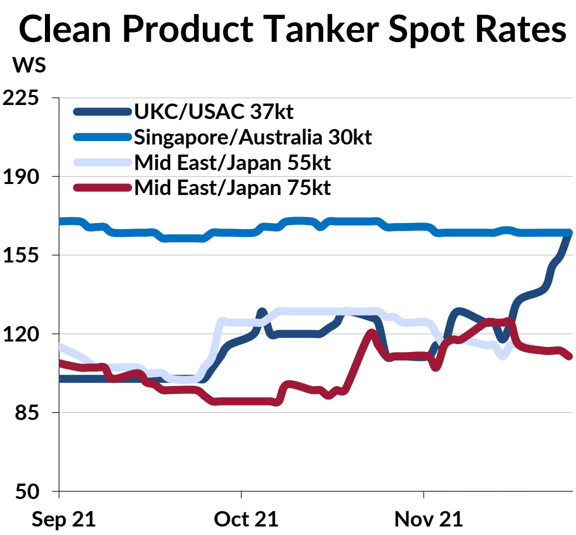
Quiet week all in all on the Handy sector, with rates trading sideways at the 30 x ws 140 mark throughout the majority. Simply too many units have been available to Charterers although Owners have dug their heels in at this bottom line given returns. On Friday a market quote showed the true colours of the list with a X-Italy cargo on subs at the 30 x ws 147.5 mark, which in theory would put Med to sub ws 140. However, Owners will put up a fight. Pressure remains with Monday lists likely replenished with Owners hoping that bad weather could bring some replacements.

The MR sector this week has been driven by UKCont sentiment and has sat in the shadows of NWE action. Although we didn't see Med/Transatlantic improve until Wednesday, a constantly improving TC2 sector saw the gap close in a positive direction with 37 x ws 157.5 the going rate for Med/Transatlantic at the time of writing, whilst TC2 sits higher at the ws 165 mark. Similar rates are being seen for Med/UKCont and expect Owners to keep a close eye on NWE in order to determine rates. Ballasters heading to Gibraltar will likely put pressure on things unless we see enquiry improve on Monday.

UK Continent

A very active week with roughly 30 marketed MR fixtures in NEW. A multitude of factors combined to help improve the MR market, with replacements/tricky load ports and no ballast tonnage for NWE really put the ball in the Owners court. Owners at the front of the list set a precedence and their bullishness trickled through the market. That's shown as we look back through the rates this week, last Friday's TC2 market ended around 37 x ws 135 level, and since then it's improved to around 37 x ws 165 today. Last done TC2 was 37 x ws 157.5 but with a high rate ex Porvoo (37 x ws 180 transatlantic), it has left most of us open to where the typical TC2 run should land next. As we look forward, we are seeing a good amount of ballast tonnage starting to appear, with 5 hitting ARA between 30-06 and 13 hitting Gibraltar in the 28-07 window. However, we are told there's an appetite to ship to the US right now due to lockdowns in Europe and the only reason why we haven't seen more TA cargoes is due to buyers being "picky" with arrival dates. Let's see what next week brings.

Overall, it has been a positive week for Handies plying their trade in the North. Improved demand meant the front end of the tonnage list has been tight throughout which has seen rates firm, as TC9 closes the week at 30 x ws 170. Fixing has been happening under the radar as some lean on COA partners to cover their exposure quietly which has added some more pressure to an already tight list. The weekend break should see a few more vessels available but if enquiries persist, expect owners to remain bullish in this sector.



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Dirty Products

Handy

Conditions in the Continent this week remain balanced Monday/Friday, with supply slightly lengthening but, with enough activity to just about keep Charterers on their toes. A conference rate of ws 230 still presides but scepticism grows over how much longer the region can tolerate a slower pace enquiry.

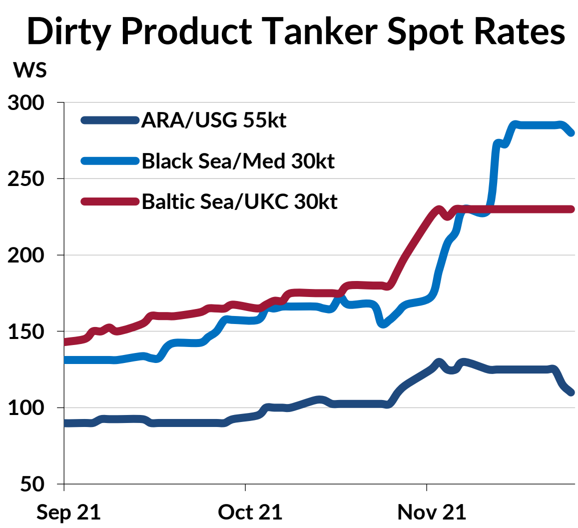
In the Med, conditions have been rather more intriguing as on face value fundamentals based on activity alone started to have a negative effect on rates. X-Med eventually settled down at ws 267.5. However, this is where any reprieve for Charterers has been capped. There are considerable Turkish Strait delays for tonnage over 200m LOA, with bad weather delaying many sub 200m load units has firmly places Charterers on the back foot but only when exposed to Black Sea liftings. This doesn't happen often, and you'd have to look back a few years (ex Baltic) where we last saw Aframaxes pro rate at less than prevailing Handy rates!. To reiterate though, this only works if you have no restrictions and are not lifting from the Black Sea.

MR

With most of the MR tonnage in the Continent looking rather uncertain it has been a case of monitoring positions and booking these units once they have become reliable. However, all in all, because of this availability we have seen liquidity issues develop where Charterers have sought alternate coverage. Levels however stay firm albeit somewhat flat but forward outlook remains strong for now. In the Med, Owners are enjoying the same fall back options as the Handies we have spoken about, with exactly the same factors playing their parts in keeping rates firm. That said, there is still a case to be argued that MRs are earning no more than Handies. So perhaps Charterers can expect to find some resistance for the benefit of a lower $/MT the next time a 45kt is needed.

Panamax

Numbers this week took a negative turn where natural tonnage was forced to track the surrounding Aframax numbers once again. 55/110 was set, with subsequent failing further denting confidence within this sector. That said, in Europe the effects of the US being off for thanksgiving can often be felt both positively and negatively, where although there has been little action this week we will soon enter the Christmas rush, which could well mean this week is nothing more than a shortened market cycle.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 25th	Nov 18th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**-1**	42	43	46	43
TD20	Suezmax	WAF-UKC	**-6**	58	64	75	68
TD7	Aframax	N.Sea-UKC	**-6**	104	110	117	117

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

			wk on wk change	Nov 25th	Nov 18th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**-2250**	1,250	3,500	7,000	3,000
TD20	Suezmax	WAF-UKC	**-3250**	2,000	5,250	9,500	7,250
TD7	Aframax	N.Sea-UKC	**-3750**	2,000	5,750	7,750	10,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 25th	Nov 18th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**-10**	111	121	95	
TC2	MR - west	UKC-USAC	**+34**	159	125	125	133
TC5	LR1	AG-Japan	**-1**	110	111	128	119
TC7	MR - east	Singapore-EC Aus	**-1**	164	165	170	172

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

			wk on wk change	Nov 25th	Nov 18th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**-3750**	8,750	12,500	4,500	
TC2	MR - west	UKC-USAC	**+5250**	7,500	2,250	1,250	3,250
TC5	LR1	AG-Japan	**-1000**	4,500	5,500	9,000	6,500
TC7	MR - east	Singapore-EC Aus	**-500**	6,250	6,750	7,500	7,500

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

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