A Year to Forget

Weekly Tanker Market Report

Although freight levels in some shipping sectors reached breath-taking highs this year, 2021 is a year to forget for tankers, particularly in the crude segment. The majority of crude tonnage (non-eco, non scrubber) was forced to operate at sub-zero levels for large parts of the year. The VLCC market has been particularly hard hit, with TCE returns on the benchmark TD3C trade averaging less than $500/day (non-eco, non scrubber), their lowest level seen over the past two decades. Eco tonnage and those equipped with the exhaust gas cleaning technology have been able to achieve higher results and recoup, at least partially their fixed operating expenses. Owners of scrubber equipped tankers benefitted from the VLSFO/HSFO spread averaging around $105–120/tonne in key bunkering ports this year, with the differential climbing as high as $200/tonne recently in Singapore, levels not seen since early 2020.

The exceptional weakness in the tanker market has been primarily driven by severely unbalanced tanker supply and demand conditions despite the world making a significant progress in its fight against the pandemic. Although several setbacks were seen, world oil demand in 2021 has recovered around 60% of Covid-driven losses, whilst global oil supply averaged in November 2021 around 98.37 mbd, up massively from 83.2 mbd seen in May 2020, following the implementation of colossal OPEC+ production cuts and the collapse in the US shale output. Nonetheless, this progress has failed to provide a meaningful support to the tanker markets as ultimately trading volumes have remained below pre-pandemic levels, while tanker supply has continued to grow, with far more vessels being delivered than scrapped, particularly for larger crude carriers. So far this year over 179 tankers above 25,000 dwt have been delivered, while, just 119 tankers (exc. FSOs) have been demolished (with nearly half of all scrapped tonnage in the smaller Handy/MR segment), despite demolition values steadily climbing over the course of the year, reaching their highest level since 2008 during November.

Trading conditions in the product tanker market have also been weak this year; however, product carriers have fared relatively better in comparison to crude. Freight rates have shown some volatility, with earnings averaging close to OPEX levels on slowsteaming, non-eco, non-scrubber basis. Robust product exports out of China were observed during the 1st half of 2021, while Indian long haul product exports also temporarily increased during the 2nd quarter of 2021 when lockdowns in the country severely reduced domestic consumption. At the same time, refining capacity closures in Australia and South Africa also have offered a degree of protection to product imports into affected countries. Long haul product tanker trade from the Middle East and Asia into the Atlantic Basin has benefitted from the refining capacity closures in Europe announced during the pandemic, while declining land-based product inventories in the Atlantic Basin have stimulated additional arbitrage opportunities.

With 2022 almost upon us, what should we expect from next year? Owners will be hopeful that fundamentals will continue to improve. Although short term turbulence is inevitable due to a spread of Omicron and a fresh wave of lockdowns, global demand is still widely expected to continue to recover next year. In line with the demand projections, OPEC+ and non-OPEC output will also continue to increase, supporting incremental seaborne trade. However, the scheduled delivery profile is robust for next year and this could slow the recovery pace. Yet, what about demolition? The fleet is ageing, earnings are dismal, scrap prices are attractive. This year's lack of demolition for larger sizes has been underpinned by sales into sanctioned trades; however, demand for illicit business is finite and at some point will be saturated, if it hasn't been already. This coupled with the new EEXI and CII regulations mean that ageing and inefficient tankers might be forced to take tough decisions sooner rather than later. So surely, 2022 cannot be any worse than 2021?

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Summary Table - Market & Fleet Data

		Dec-20		Dec-21 MTD		2021	
		WS	TCE/day*	WS	TCE/day*	WS Low	WS High
Rates (TCEs at 'market speed')							
VLCC	Middle East - Ningpo	35	$16,000	39	$500	27.5	46.5
Suezmax	West Africa - UKCont	38	$4,500	69	$9,250	37.5	80
Afrmax	North Sea - UKCont	74	-$3,000	102	$2,500	75	132.5
LR2	Middle East - Japan	79	$12,500	111	$9,750	62.5	142.5
LR1	Middle East - Japan	101	$14,000	129	$9,750	70	140
MR	UKCont - USAC	77	$2,500	176	$11,500	115.5	210

	Dec-20		Dec-21	
	Fleet Size		Fleet Size	
VLCC	823		843	
Suez /LR3	610		617	
Aframax /LR2	1,064		1,085	
Panamax /LR1	466		455	
Handy /MR	2,169		2,185	
Tanker Firm Orderbook (25kdwt+)	427 60.9m dwt		375 49.4m dwt	
New Deliveries (25kdwt+)	167 22.06m dwt		177 23.8m dwt	
	End 2020		End 2021 latest	
Brent Oil Price	47.42		74.69	
	Singapore		Rotterdam	
Bunkers VLSFO (end Dec)	598		527	
	2020		Nov 2021	
World Oil Supply	93.84	-6.67%	98.37	4.8%
OPEC crude production	25.69	-12.80%	27.75	8.0%
Non OPEC	63.01	-3.96%	65.41	3.8%
World Oil Demand (full year)	90.83	-9.21%	96.19	5.9%
	2021			
Tankers Demolished (25kdwt dwt)**	119 12m dwt			
	Subcont Dec 2020		Subcont Latest 2021	
Scrap Prices	403		613	

*Reported VLSFO prices used in earnings calculation non-ECA areas

** excludes storage units

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Crude Oil

Middle East

VLCC levels over the week have gently edged up as Charterers looked to finalise their end December programme and quietly take some cover for their early January dates. Rates are yet to be considered as respectable but at least they are starting to head in the right direction for Owners. Current levels for a voyage to the East are 270,000mt x ws 40 and a voyage West we estimate to be around 280,000mt x ws 20.5 (via Cape). An active AGulf Aframax market has pushed Suezmax rates to 130,000mt x ws 70-72.5 to the East, with part cargo opportunities coming into play. The list of available tonnage has trimmed down as a result, which will keep rates steady going into next week. TD23 sits steady at 140,000mt x ws 35, with options still available to Charterers as Owners are still keen to come back West for the New Year. After what has been a tough and flat year, Christmas has come early for Aframax Owners in the AGulf region. A flurry of activity paired with a very thin tonnage list finally gives something for Owners to cheer about and subsequently rates are on the up. AGulf-East is now sitting at 80,000mt x ws 105-110 levels with further gains possible, however Suezmaxes are likely to cap things off.

West Africa

VLCC Owners have not had many opportunities to really test the market as Charterers happily take last done, which currently stands at 260,000mt x ws 41.5. Other areas have started to flicker into life, whether this will have any impact next week though remains to be seen. Suezmax rates have softened this week, with Charterers gaining early control having sat back enough to make Owners a little more anxious. Favourable cargoes and a well-managed early-January programme has meant TD20 has come off to 130,000mt x ws 67.5-70, and for East 130,000mt x ws 75-77.5. We have seen a few more cargoes entering the market coupled with enquiry from South America and the US Gulf, which has stabilised proceedings somewhat, but momentum is firmly with Charterers heading into next week.

Mediterranean

This week has proved to be busy for Med Aframaxes in the run up to Christmas. Charterers have looked to reach forward to take firm itineraries in the main and have been fortunate to not pay premiums for the privilege as Owners try equally to take coverage at a tricky time of the year. Rates X-Med have levelled at 80,000mt x ws 110 and CPC cargoes moved up a touch to 80,000mt x ws 115. The smart money is on next week now tailing off somewhat but bad weather might have something to say about that. The reality is we haven't seen enough Suezmax enquiry to maintain last week's levels and the list offered up more options for Charterers hence we've seen a softening in rates, with TD6 now 135,000mt x ws 80 level. Med/East levels also couldn't be maintained, with rates coming off by

$250k as Owners are acutely aware of missing out and sitting spot over Christmas.

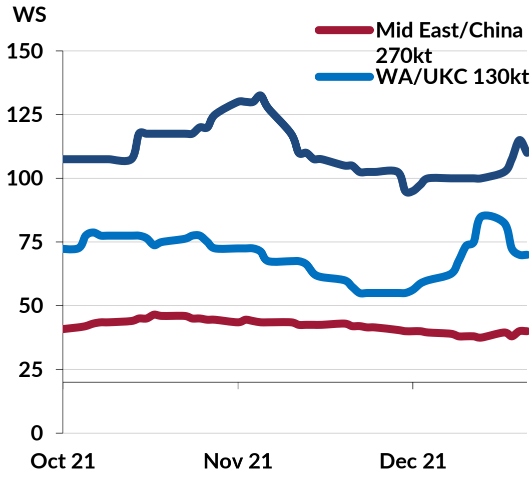
US Gulf/Latin America

Aframax Charterers have stepped back a little this week with only muted interest ensuring levels softened to around 70,000mt x ws 120 for transatlantic and around 70,000mt x ws 140 for short haul. Owners will go into the weekend hoping for a far busier pre-Christmas rush of activity to hopefully go into the holiday period on a far more positive note. VLCC Owners remain on a more defensive footing with last done currently repeatable. Other areas will need to step up if there is to be any sudden change in fortunes, for now though rates hold at around $4.65 million for a voyage to the Far East.

North Sea

Finally, a busy week for the North. Aframax Owners sentiment shifted to a bullish approach helping rates to gain some momentum. X-North Sea is now trading at around 80,000mt x ws 110 and Baltic/UKCont 100,000mt x ws 110. Levels look to stay firm going forward with more expected from the January programme and ice precautions being taken by Charterers.

Crude Tanker Spot Rates



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

Clean Products

East

The LR1s had a very busy start to the week, enquiry for Latin America deliveries coming thick and fast into this segment, which pushed ideas amongst Owners quiet franticly. Westbound is hard enough to cover ($1.875 million the assessment to end the week), purely down to the narrowed options on Owners willing to go that direction. Argentina is an even further narrowed list of options, but these delivery tenders died, and several ships being dropped simultaneously will buckle this segment a fair bit, panic setting on pre-Christmas...

The LR2s have seen a strong push this week. Dormant for weeks, it was inevitable that the rates we were seeing fixed were bottom of the market. TC1 pushed to 75 x ws 115 early Monday morning and remained here for a day or so before moving further north, our assessment ws 125 to end the week. Westbound has been pushed as far as $2.55 million ex AGulf, but perhaps will move no further given a distinct inactivity at the end of the week. Owners will be keen to fix and move onto the next window now.

Plenty of activity this week in the MR segment, although not much of a push in rates. Realistically, we are heading towards the holiday season and Owners will want to fix away to avoid working where possible, which keeps a lid of any serious degree of firming. TC17 trades at 35 x ws 212.5, no movement all week. TC12 35 x ws 145 levels but we may seem some softening, given the build-up of tonnage in Singapore. Westbound has been unfavoured on this size, LRs taking the mantle for distillates, and traders keen to lock in Time Charterer pre Year end, $1.325 million is the market level but very untested. Expect softening sentiment pre-Christmas to continue, but look out for a VERY tight Red Sea load area in the current fixing window.

Mediterranean

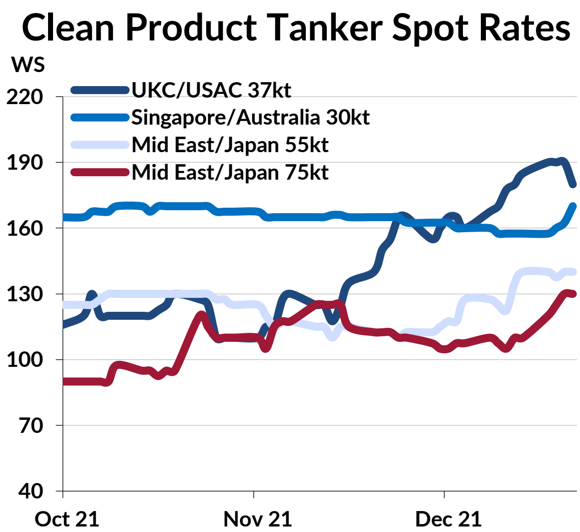
The firming in rates seen at the back end of week 49 trickled into Mondays fixing action, with 30 x ws 320 repeated multiple times. The front end of the list remained tight and a few tricky cargoes were still there to cover off at the end of the second decade window which kept Owners' ideas bullish. That being said, with weather easing off this week in the Med and paper trading around the ws250 level for Balmo, pressure has mounted and at the time of writing 30 x ws 280 is the last done rate for X-Med action. Charterers continue to apply the pressure but Owners are digging their heels in and off mid-third decade laycans expect Owners to push for the ws 270-280 window whilst anything before this, some ideas still begin with a 3. Black Sea action has been driven by Med sentiment, with last done rates at the 30 x ws 300 mark although weather looks to be poor over the weekend, which should continue to help Owners. Expect next week to be busy with most trying to cover any laycan pre New Year, which we expect will keep rates at the heights we are seeing. A nice end to the year on the horizon for Owners.

Week 50 has been up and down for the MRs plying their trade in the Mediterranean, which began with a good amount of fixing action causing rates to tick up in line with TC2 at the 37 x ws 190 and 37 x ws 195 levels for transatlantic and WAF respectively. Unfortunately for Owners cargo enquiry slowed during midweek and, with the extended fixing window bringing a handful more vessels into play, rates soon came under pressure, with rates bouncing between 37 x ws 170-175 levels transatlantic. A few fresh cargoes on Friday should see this market stabilise with Owners likely to try and keep rates in line with TC2 at the ws 175 mark.

UK Continent

A much slower week on MRs in NWE, with rates under pressure as we end today. The week prior was good for owners and rates maintained around 37 x ws 185-190 for TC2, whereas this week hasn't been the same, with the lack of enquiry and a longer list (16+ ballasts ships available) leaving TC2 soft 37 x ws 175. Ice class is still in short supply where premiums will remain, although the majority end December are covered. Soft outlook and likely to drop further in the 25-30 window if cargo flow remains inactive.

The front end of tonnage list has been tight for ice class tonnage throughout the week and with continued enquiry partnered with bullish Owners' rates firmed to 30 x ws 225 for TC9. Non ice Baltic liftings remain in the shadows but when next tested should land around the 30 x ws 210-215 level and X-UKC closes at 30 x ws 205. With the festive period on the horizon there is a strong possibility that next week Charterers will start to fix ahead to cover their exposure resulting in another busier period. Potential here.



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Dirty Products

Handy

Ice restrictions in the Baltic helped steady a market, which has seen a pace of activity turn down to what can best be described as drip fed. For a brief moment this week levels dipped below ws 220, however, as so often seen in the past, it doesn't take a lot to see conditions rebound, with a few cargoes placed in a narrow date range. Finishing the week and with many units still looking uncertain up in the Continent, tonnage availability until end month looks tight, with Owners already showing resistance in locking in at last done.

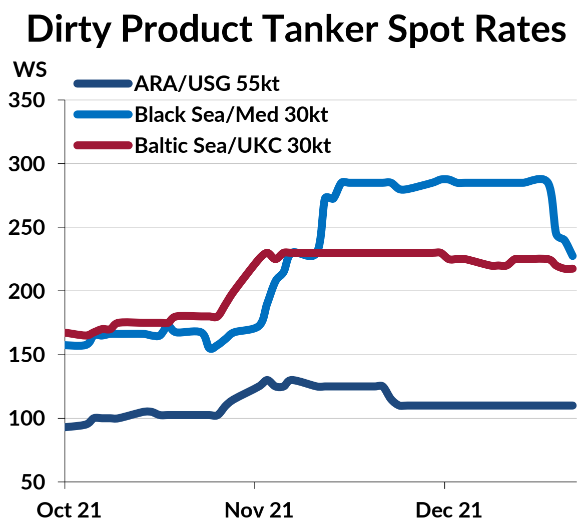
In the Med, the volume of units trading now makes a telling mark on prevailing freight rates, where a slower pace of activity has led to tonnage backing up, and in some cases with operators having multiple units to take care of. Confidence as a result is suffering, and, with each test rates are being corrected down, especially where off market deals are involved.

MR

The trend we have seen in recent weeks in the North MR market has continued where tonnage options have been limited and despite a smaller cargo base on the Handies and levels seemingly coming under pressure there, levels on the MR have held. A lack of competition between natural and also ballast tonnage has led to levels being upheld and going forward the expectation is we will see this theme continue with significant replenishment looking some way off. Likewise in the Med there has been very little to report as firm tonnage on the whole is forward and itineraries are waiting to firm. Tests that have been seen mirror conditions on the North where a lack of competition between units had enabled Owners to uphold recent levels.

Panamax

Numbers were tested this week with no winners or losers to report in this latest test. Unfortunately for both Charterers and Owners little has changed in terms of fundamentals since the last test took place. Short haul moves have kept some units ticking over, and caps from surrounding markets have meant that owners have been unable to push. Interestingly though we also have a floor firmly in place as well, as one owner weighing up a ballast back to the US where TCE's compare similarly to taking local stems in Europe despite an empty transit across the Atlantic.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Dec 16th	Dec 9th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**+2**	40	38	43	42
TD20	Suezmax	WAF-UKC	**-4**	72	76	64	69
TD7	Aframax	N.Sea-UKC	**+12**	113	101	110	112

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

			wk on wk change	Dec 16th	Dec 9th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**+2000**	1,250	-750	3,500	3,250
TD20	Suezmax	WAF-UKC	**-2250**	10,500	12,750	5,250	9,250
TD7	Aframax	N.Sea-UKC	**+7250**	9,500	2,250	5,750	8,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Dec 16th	Dec 9th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**+16**	122	106	121	
TC2	MR - west	UKC-USAC	**-2**	180	182	125	141
TC5	LR1	AG-Japan	**+7**	137	130	111	121
TC7	MR - east	Singapore-EC Aus	**+25**	180	155	165	166

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

			wk on wk change	Dec 16th	Dec 9th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**+5000**	13,250	8,250	12,500	
TC2	MR - west	UKC-USAC	**-250**	12,000	12,250	2,250	5,250
TC5	LR1	AG-Japan	**+1500**	11,500	10,000	5,500	7,750
TC7	MR - east	Singapore-EC Aus	**+3750**	9,500	5,750	6,750	7,250

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

ClearView Bunker Price (Rotterdam VLSFO)	**-3**	537	540	560	
ClearView Bunker Price (Fujairah VLSFO)	**-4**	591	595	613	
ClearView Bunker Price (Singapore VLSFO)	**+3**	603	600	611	
ClearView Bunker Price (Rotterdam LSMGO)	**+6**	621	615	656	

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