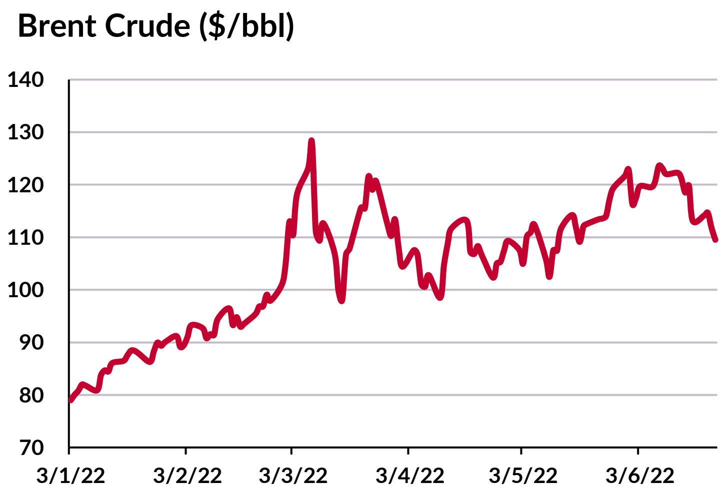
Triple Digit Prices

Weekly Tanker Market Report

In recent months triple digit oil prices have become a new reality: unlikely to fall well below $100/bbl any time soon and potentially facing further upward pressure, as the world scrambles to find alternatives to Russian barrels.

Without a doubt, current price levels will have multiple consequences. The most direct is the impact on a road fuel demand. Pent up driving consumption rebounded strongly in late 2021/early 2022 once Covid-related restrictions were eased; however, evidence is emerging that road fuel demand is starting to feel the impact of higher prices. The EIA weekly data shows that gasoline and diesel demand in the US fell by 2.7% and 4.7% in May respectively year-on-year, while early indications for June show an even bigger contraction in diesel sales. A similar downward trend is observed in the UK and Germany, with Platts reporting UK gasoline sales down 6% year-on-year over the past six weeks. Whilst jet fuel consumption remains robust, offsetting deteriorating driving demand, the effect of the pent-up air travel demand is likely to dissipate once the summer holiday season is over, applying further downward pressure on absolute demand levels. On a macroeconomic level, surging inflation and the resulting increases in interest rates globally will hurt consumer disposable income, darkening the outlook further. Nonetheless, the IEA still sees global oil demand increasing by 1.8mbd in 2022 and by 2.2mbd in 2023. Next year's growth is largely based on the assumption of resurgent Chinese demand, as the country recovers from Covid-related lockdowns and restrictions; however, this is far from certain as there is no evidence that China is ready to make major changes its zero-Covid policy anytime soon.



High oil prices will also have an effect on oil supply, supporting stronger growth in shale oil and making conventional oil projects more attractive. The IEA reports that capital spending is up by 30% relative to 2020, although it remains well below pre-pandemic levels. Some Middle Eastern OPEC countries are investing heavily to increase their spare capacity, but in the short-term, growth is likely to be dominated by non-OPEC+, where production is expected to increase by 1.8mbd this year, followed by 1.9mbd of growth in 2023. The biggest gain is expected in the US on the back of rising shale output and higher production in the Gulf of Mexico. This will see continued increases in US crude exports, although surging inflation, labour shortages and supply constraints may limit shale potential. Strong gains in production are also expected in Brazil, Guyana, Norway, and Canada. Aframax and Suezmax trade into Europe is likely to be the main beneficiary from anticipated increases in the US and Latin American production, whilst North Sea barrels are also likely to be retained within the European market. In Canada, growth in production will aid Aframax trade into Asia, as the expansion project of the TransMountain pipeline from Alberta to the West Coast of British Columbia (which will increase its capacity by nearly 600kbd) is due for completion in the 2nd half of next year.

Ironically, whilst increases in crude production are supportive to seaborne tanker demand, threats to absolute demand work in the opposite way. Regardless of these opposing market forces, however, once the EU embargo on Russian oil comes into full force next year, the tanker market will benefit greatly from increased distances travelled, helping to weather the economic storm we potentially face ahead of us.

Crude Oil

Middle East

A new firm sentiment has been set in the AGulf for VLCCs, with a very busy first decade. Rates should remain sideways for the time being as the week comes to an end. The main question everyone is asking is whether a couple of inactive days will smash the ball back into Charterers court or are these new improved levels here to stay. Last done to the East is 270,000mt x ws 49. We have seen a couple of fixtures reported to the West this week with the current rate remaining at 280,000mt x ws 28 for a run to the UKCont (via Suez). Back-to-back busy weeks have seen rates once again nudge up. TD23 has firmed to 140,000mt x ws 65 level and AGulf/East 130.000mt x ws 100-102.5. Owners remain in the driving seat as Charterers try to sit back and let some of the heat out; however, the ball remains in the Owners court and further gains could be on the cards if we see further enquiry. AGulf and Far East Aframax markets improved over the course of the week on the back of steady volume - AGulf/East is 80,000mt x ws 185-190 level – the tonnage list is balanced and next week could see more gains.

West Africa

Led by Americas rates and the jump in Suezmax levels have pushed VLCC rates upwards. The last done rate in West Africa to the East is at 260,000mt x ws 50. Owners will want to hold on to these gains in any way possible. This will only be possible if there is a steady flow of enquiry. Another strong week where Owners have been able to cement rates and make marginal gains on the back of strong demand in the Atlantic basin. Sentiment remained bullish to start the week and a combination of Charterers reaching forward coupled with a few prompt cargoes/replacements has buoyed Owners. WAF/UKCont-Med has pushed to 130,000mt x ws 120/East ws 110-112.5. Owners' tails are up and any downside looks a little way off with a firmer feeling across all markets.

Mediterranean

Aframaxes this week have suffered somewhat from a dearth in open activity. There have been fixtures, but Charterers have played their hands carefully; and, with the spectre of Libya cancellations and fewer stems X-Med rates took a hit. Last week's reported high of ws 205 crumbled to ws 180 levels from Ceyhan but there was some good news for Owners from the Black Sea. CPC rates have held firm with approved tonnage in very thin supply with ws 230 being achieved a couple of times despite Charterer's best efforts. Looking forward some good news filtering through from Libya means Owners go into the weekend with more of a spring in their step.

Despite enquiry levels not quite matching that seen in other areas, rates here show no sign of relenting. TD6 still remains rangebound at 135,000mt x ws 130 levels despite lack of being tested openly. Owners have options and consistent activity in other areas throughout the week has trimmed the list significantly which will keep rates warm here.

CPC/South Korea is currently trading at $4.55-4.65 million and Libya/Ningbo at the $4-4.2 million level.

US Gulf/Latin America

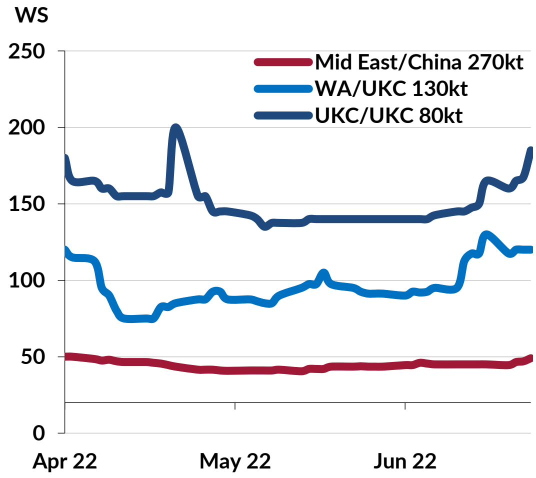
A long week of boredom for Aframaxes in the US Gulf as minimal fresh enquiry had the inevitable effect on rates. In terms of rates, ws 175 levels for local and transatlantic runs were available at the start but by the week's close ws 155 is more likely to be the next rung on the ladder down.

For VLCCs, a surge of activity this week, with crude supplies building up, lack of refining capacity and the inevitable increase in cargoes being sent East. This partnered with more vessels wanting to stay local lead to a jump in rates with momentum still on Owners side. Last done levels for US Gulf/East are at $6.175 million levels.

North Sea

A strong week of gains for the North as levels started to move with the North Sea now trading at ws 190 levels and Baltic/UKCont at ws 175. There is optimism in the market and a feeling that more is to come. With some new grades coming back online and a tighter list we can expect to see owners push for more. Not the traditional summer market that we are used to!

Crude Tanker Spot Rates



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

Clean Products

East

What a difference a week makes! The LR market has gone very quiet as MRs are preferred by traders with minimised quantities and more flexibility. LR2s are feeling the effect of the NB VLCCS and Suezmaxes taking all the large slugs of diesel too. LR1s have seen a few stems but rates have declined and rates almost certainly will see further corrections.

55,000mt naphtha AGulf/Japan has dropped from Owners ambitions of ws 400, to ws 375 and now to ws 350 and more is likely to come off. 60,000mt jet AGulf/UKCont is now $4.5-4.6 million but still needs a real test. Short hauls are also very quiet and the massive X-AGulf rates are likely to also see a steep decline unless early July really picks up.

75,000mt naphtha AGulf/Japan is still hovering at ws 300 but a week with so little activity will put this under pressure next week. It may not see the speed of descent of the LR1s but 10-20 points could easily come off. 90,000mt jet AG/UKCont is still around $5.5 million but again needs testing and could see pressure. A lot of the pressure on LR2s though will be from below, with LR1s the main driver. Next week will be interesting to see and Owners are hoping we start with a busy Monday to arrest these both real and theoretical declines.

The MRs are ticking over on the surface and off market. Some Owners are taking coverage, and understandably as earnings hover from $45-50k/day. The bigger pools continue to hunt for higher rates, which with a tight June list gives them scope to push into next month. Early July is yet to be quoted on scale and with traders wanting optionality on distillate, the MRs will continue to stay firm (helped by the continue lack of Singapore ballasters).

Mediterranean

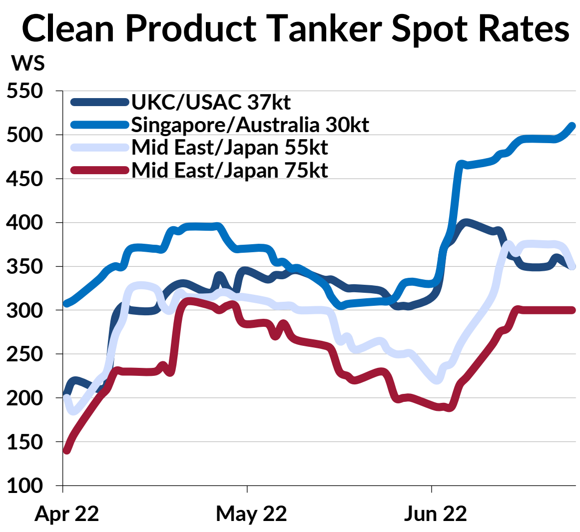
All in all, it's been another strong week for the Handies here in the Med, as we see rates cement themselves in the ws 500s. A combination of under the radar fixing and consistent levels of Black Sea enquiry has kept the front end of the list tight all week, with those willing to call Russia ruling themselves out for vanilla X-Med runs. Rates peaked midweek with ws 510 seen on subs ex W-Med and ws 530 done for a replacement ex E-Med but, with the fixing window now extending into early July dates we see levels beginning to settle at 30 x ws 500 W-Med and 30 x ws 510 E-Med. Russian Black Sea levels reached the heights of 30 x ws 900 this week, with these high premiums dependent on entity and load zone.

Finally to the MRs here in the Mediterranean where Owners here have enjoyed a more positive week than their UKCont counterparts. Early in the week we saw rates firm up to the 37 x ws 400 mark transatlantic with WAF tracking around 10 points in line due to a tight front end as well as the booming Med Handy market. As we have got into the back end of this week, however, we have seen the fixing window extend and bring a handful more candidates into play, which should see Charterers begin applying some pressure here but expect Owners to remain positive for now.

UK Continent

Although the week as a whole has been fairly quiet on MRs ex NWE the rates remain stable at 37 x ws 355 for TC2 as we finish. As we move into week 26 and July fixing dates, Owners continue to dig their heels in at last done levels and, with all other markets around NWE firm this has aided Owners' confidence in sticking to their guns and ultimately helping hold levels. With one TC2 cargo remaining however you'd expect chances of less early next week but considering this week it's hard to decipher the outcome for certain.

It has been a positive week for Handies up in the North as continued demand from both the Baltic and Cont has seen rates firm across the board. Russian Baltic closes at 30 x ws 500, with once again most of this fixing happening under the radar via COAs. X-UKCont has been active with 30 x ws 380-382.5 now the new benchmark and UKCont/MED trading at 30 x ws 355. Owners are bullish here.



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

Dirty Products

Handy

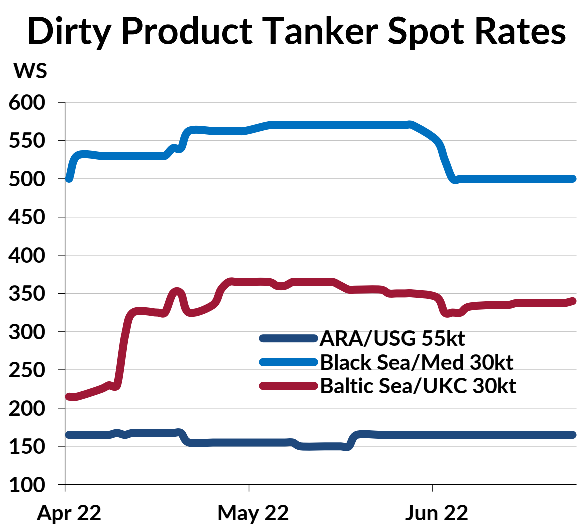
Looking back over the week it's been a busy period of fixing in both the Med and Continent but as far as the impression of market activity felt, it wasn't quite like this. Most of what was concluded was being done under the radar, with Owners doing a good job of not marketing too many units. Fixing in the background what needed to be taken care of and actually managing to firm levels up in the Continent to ws 340, and in the Med, although it's firm, we do have some dispute still of where levels should align. Ws 315 does have a story behind it but can be explained with the premium you'd associate with the voyage in question. Owners attempting to achieve this on normal runs are now finding support just isn't there for this next jump.

MR

A familiar story continues to play out on the MRs both in the North and the Med, where the availability of firm workable units positioned naturally has thinned. In the North particularly, tonnage opening in the region has been mostly limited to one Owner, one position, which has stalled any traction and reduced the frequency of market tests. Levels have continued to fall largely in line with a pro-rate on a Handy where a steadier flow of cargoes enables either Charterers to challenge or Owners to push. On the MRs however, with just one option in play most of the time, Owners have been willing to take the stem at similar levels to avoid losing the cargo to the surrounding sectors. Going forward expect to see more of the same as the week once again closes with very few firm units being pushed and surrounding markets poised for further firming.

Panamax

Whilst finally there have been a few units for Charterers to work this week and little being concluded, it wasn't for trying. The units willing east were hindered by the Arb closing, with one unit failing multiple times in search of this run , with similar end results on the only attempt at a transatlantic move made this week. That said, one unit did fix another local run at levels within the expected range. Working back from this we can validate current levels signalling the market to be flat.



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 23rd	June 16th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+4**	49	45	42	46
TD20	Suezmax	WAF-UKC	**+3**	118	115	103	113
TD7	Aframax	N.Sea-UKC	**+25**	185	160	140	152

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

			wk on wk change	June 23rd	June 16th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+4750**	-14,500	-19,250	-19,250	-18,000
TD20	Suezmax	WAF-UKC	**+3250**	22,250	19,000	16,000	19,500
TD7	Aframax	N.Sea-UKC	**+18500**	46,000	27,500	18,000	22,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 23rd	June 16th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-9**	292	301	226	
TC2	MR - west	UKC-USAC	**-7**	358	365	329	303
TC5	LR1	AG-Japan	**-26**	352	378	274	272
TC7	MR - east	Singapore-EC Aus	**+13**	503	490	311	361

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

			wk on wk change	June 23rd	June 16th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-3250**	55,000	58,250	35,000	
TC2	MR - west	UKC-USAC	**-500**	35,250	35,750	32,000	25,250
TC5	LR1	AG-Japan	**-6250**	51,750	58,000	34,000	32,000
TC7	MR - east	Singapore-EC Aus	**+2250**	54,000	51,750	22,750	29,750

(a) based on round voyage economics at 'market' speed, non eco, non scrubber basis

ClearView Bunker Price (Rotterdam VLSFO)	**-42**	871	913	839
ClearView Bunker Price (Fujairah VLSFO)	**-19**	1071	1090	974
ClearView Bunker Price (Singapore VLSFO)	**+5**	1071	1066	1020
ClearView Bunker Price (Rotterdam LSMGO)	**-17**	1329	1346	1161

www.gibsons.co.uk

London
Audrey House
16-20 Ely Place
London EC1N 6SN

T +44 (0) 20 7667 1247
F +44 (0) 20 7430 1253
E research@eagibson.co.uk

Hong Kong
Room 1401, 14/F,
OfficePlus @Wan Chai,
303 Hennessy Road.
Wanchai. Hong Kong.

T (852) 2511 8919
F (852) 2511 8901

Singapore
8 Eu Tong Sen Street
12-89 The Central
Singapore 059818

T (65) 6590 0220
F (65) 6222 2705

Houston
770 South Post Oak Lane
Suite 610, Houston
TX77056 United States

Mumbai
Office 128, Level 1, Block A,
Shivsagar Estate,
Dr. Annie Besant Road, Worli,
Mumbai, Maharashtra, 400018,
India
T +9122-6110-0750