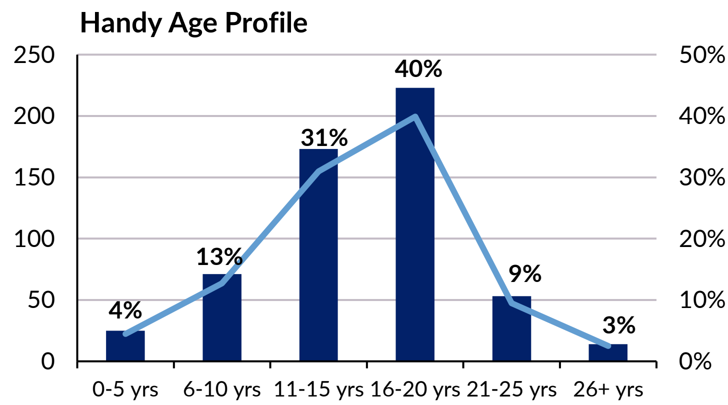
Will Handies Be Handy?

Weekly Tanker Market Report

In recent months all clean tanker segments have enjoyed very healthy rates and earnings, which have been essentially driven by evolving trade flows due to sanctions on Russia. Yet, the star performer has undoubtedly been the Handy sector, with non-eco, non-scrubber earnings averaging so far this year at $47,000/day on a TC6 voyage.

When the war broke, the initial expectations were for Russian clean products exports into Europe to decline significantly, with the Handy sector being most vulnerable as this trade accounts for a large share of Handy employment. However, these expectations have failed to materialise, with Russian clean product trade into Europe edging up modestly this year, averaging between March and July 2022 at around 1 mbd. More products are also being moving across the UK Continent, Mediterranean and between Northwest Europe and the Mediterranean, with intra-European trade up by around 180 kbd year-on-year since March. Larger product carriers are similarly impacted, with greater volume being moved from the Middle East, India, and the US into Europe. There is also a clear trend of increased intake of Russian products into a number of storage terminals in Netherlands and Belgium, whilst outflows from these terminals show growing product exports to West Africa and Latin America. As European exports to Africa and Latin America remain largely unchanged relative to last year, this suggests a growing outflow of Russian-origin products via storage hubs in Northwest Europe, whilst a greater share of European throughput and/or imports from other regions is retained within the European market.



However, all of this is bound to change when EU sanctions on Russian products come into effect on February 5th. Many current Handies engaged in Russian trade will be forced to cease, or face breaching sanctions. This could increase the supply of Handies in non-sanctioned trade in Europe, pushing rates lower. However, Handies may benefit from increased MR demand trading CPP from the USG and East of Suez into Europe to replace Russian barrels, ultimately translating into less competition for Handy stems. Furthermore, Handies could also benefit from breakbulk demand, as with increased volumes of products being sourced from East of Suez on LRs and newbuild crude carriers, Handies will be required to redistribute regionally to smaller ports.

The huge uncertainly, however, surrounds the future of Russian product flows once the door to Europe is shut and insurance ban is in place (although even that seems uncertain now). Will Russian exports decline and by how much or will Russia be able to redirect its products elsewhere? It is likely there will be at least some demand for Russian products in Africa and Latin America (and perhaps even East of Suez), as trading patterns of storage terminals in Europe indicate. Media reports also show that countries like Brazil are showing interest in buying Russian products.

If Russia can find a home for most of its clean product exports, Handy tankers could benefit from demand trading directly from the Russian Baltic and Black Seas to longer haul markets. Although this is not the ideal size for these longer haul shipments, a similar pattern is already happening in the crude tanker market, where Russian crude from the Baltic is being shipped to Turkey, India, and China primarily on Aframax tonnage due to logistical issues and regardless of the economies of scale.

Nevertheless, with an insurance ban in mind, it is likely that for this trade to materialise some of the existing Handy fleet, as any other tanker size group, will have to be sold to buyers based outside advanced western economies. Although earnings in the Handy market are robust, for Owners higher asset prices, the loss of Russian trade, reduced ice class opportunities, an ageing fleet and new IMO regulations could provide a sufficient incentive to sell.

Crude Oil

Middle East

VLCC levels have remained relatively stable throughout the week with Charterers swiftly moving on to their 2nd decade program at a pace where Owners were unable to really garner any real momentum. Rates have topped at around 270,000mt x ws 80 to the Far East with levels to the West stuttering to around 280,000mt x ws 45 to the US Gulf. A busier week for Suezmax Owners with preference leaning towards getting their tonnage West. This has ensured voyages East are starting to pay a greater premium with current levels being around 130,000mt x ws 140. A preferred run West was last reported at 140,000mt x ws 62.5 from Basrah to the Med. With higher levels being posted for a voyage East, Aframax Owners can go into the weekend in a far more positive mindset. Provided we see similar interest going into next week Owners should be able to build on last done which stands at around 80,000mt x ws 250.

West Africa

West African Suezmax markets have firmed moderately compared to this time last week, though fixing has been kept very much under the radar. Despite some fixing and failing this is unlikely to deter Owners from pushing for more here and we expect next done levels to be around 130,000mt x ws 140 to the East and nearer to ws 132.5 to the Continent. VLCC interest has kept to the barest minimum here with little for VLCC Owners to work with. Even part cargo opportunities seemed to have currently dried up ensuring Charterers will be holding most of the trump cards once they do come calling.

Rates stand at around 260,000mt x ws 80 to the East but those levels need to be tested.

Mediterranean

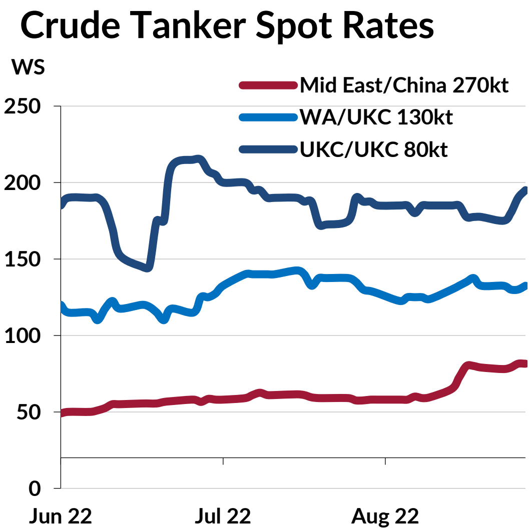
The Med Aframax market has been pushing as Owners are digging their heels in across the board. X-Med is now paying 80,000mt x ws 197.5 levels and Black Sea shifting up to around 80,000mt x ws 230. Market quotes are feeling the push back as Owners seek to improve on last done levels. More to come from these markets. An uptick of Black Sea Suezmax enquiry has given Owners the chance to really push levels on with last done being 135,000mt x ws 200 into the Med. This has inevitably strengthened sentiment for the shorter X-Med run with last done posted at 130,000mt x ws 150. Voyages East are currently around $5mill into China.

US Gulf/Latin America

Aframax Owners have been on a more defensive footing all week as they try to hold on to gains achieved previously. Unfortunately for them, naturally placed ships plus the draw of tonnage from the Continent have ensured Owners have seen levels drop to around 70,000mt x ws 255 for short haul and 70,000mt x ws 235 for a Transatlantic run. A far quieter week for VLCC Owners with little fresh enquiry to work with, although a greater disparity between WTI and Brent could see more opportunities come Owner's way in the near future. For now, rates are around US$8.9 mill for a voyage US Gulf to the Far East.

North Sea

The North Sea has seen a decent rebound with Aframax rates back up towards 80,000mt x ws 200. With more players now jumping for Baltic action rates have slipped down to 100,000mt x ws 200 levels. We expect to see the North remain strong in the near-term and Baltic be tested further.



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

Clean Products

East

A hugely positive week for the MRs making their own gains respectively, even as most damage was done on the 2s. TC17 has moved up from ws 350 on Monday to ws 420 to finish the week. Ws 420 takes earnings back over 30-32k/day but still below what is achievable on TC12, West and the shorthauls (all earnings 38-45k/day). Ws 450 will be in the sights of Owners next week and with the list looking extremely thin, it shouldn't take too long to get there. Those with early September exposure will look to over asap, whilst those off a later 10-15 window can all but watch and sadly wait.

LRs have seen a turnaround this week with rates firming up. TC1 for 75,000 mt Naphtha AG/Japan has moved from ws 220 to ws 270 today with Westbound also moving sharply. A 90,000 mt Jet AG/UK Cont run is now at least $5.0 million after a $800k rise this week. With cargoes continuing to now flow, the rates can only rise further into next week.

LR1s have maintained a steady volume which is continuing their rise, affected by the delays in certain areas. Short haul rates have jumped with 60,000 mt ULSD Sikka/Fujairah voyage is now up by $1.0 million, some $85k on last done but long hauls are now pushing hard. A 55,000 mt Naphtha AG/Japan run is at ws 297.5 for a last UMS vessel implying over ws 300 on a fully Naphtha suitability vessel. A 60,000 mt Jet AG/UK Cont is probably now well over $4 million and we expect to see $4.3m levels paid next - but it needs testing and more could be pushed for. Overall, an interesting week with an Autumn push coming early.

Mediterranean

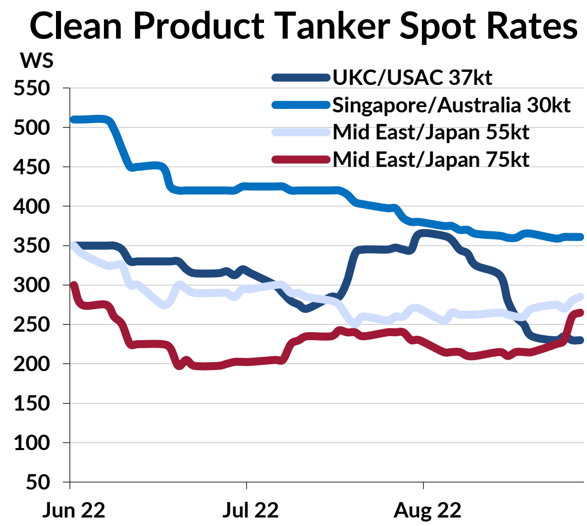
It's been a disappointing week for Handy Owners here in the Med, which has seen rates soften throughout. We began the week at the 30 x ws 287.5 mark X-Med but due to a buildup of prompt tonnage and rather lackluster enquiry all week, we have seen rates fall day by day to 30 x ws 220. Black Sea levels have also followed suit, with Russian Black Sea dropping to the 30 x ws 550 mark and non-Russian expected to correct negatively when next tested. At the time of writing, little remains outstanding and with the long weekend approaching expect some further pressure next week.

Slightly more active week here in the Mediterranean for the MRs compared to the last, which has seen steady levels of enquiry for the majority of the week. 37 x ws 250 was the call for Med/Transatlantic at the start of the week but due to a softening TC2 market rates in the Med began to follow suit. However, due to good enquiry levels and tightening the front end rates have managed to hold around the 37 x ws 240 mark for now. WAF is in need of a fresh test, with levels expected to land at 5-10 points on Transatlantic. As we approach the weekend, there isn't a great deal left outstanding and with trading around 15 points below we could see some pressure on Med rates.

UK Continent

The main question we faced this week wasn't "do we still fall" but rather "by how much do we fall" as an ample tonnage list faced very little enquiry initially. An increased demand for WAF runs has been a bit of a lifeline for Owners though and as we reached the mid-week the sentiment certainly started to feel like we had reached the bottom. A busier Mediterranean market, which also saw tonnage ballasting through the Suez, gave additional stability to our rates as it seems now we settle at the 37 x ws 225 mark for Transatlantic. As mentioned, WAF has woken up once again and we see around a 10 point premium being stuck on our TC2 market and perhaps next week this increased interest will be able to offer further support, although we must still consider the fact we anticipate ballast tonnage to hamper Owners optimism, with the States market still struggling.

It has been a week to forget for Handies trading up in the North. With supply heavily outweighing demand (12 ships opening in next 5 days on Monday lists), freight took a tumble and by the end of the week 30 x ws 180 is the new benchmark for X-UKC. Baltic Russian business also has taken a wobble, with 30 x ws 460 being paid but this sector is still mainly dominated by COA liftings. With a UK bank holiday on Monday, expect a quiet start to the week and pressure to remain on Owners' shoulders here.



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Dirty Products

Handy

Going from strength to strength in the Med, Owners found that, with so many ships still waiting for orders, those with firm itineraries became hot property as Charterers looked to clear down their programmes heading into the long weekend. With some 15-20 points being the measurement of value increase this week, Owners will find themselves on a solid footing upon our return. However, with still a 30+ point spread between the Continent and the Med, and despite the Med picking up again, the Continent finds itself once again in the spotlight. West Med ships are now being fixed locally, where approved tonnage in the North is extremely thin going into early September. Conditions are shaping up to provide some volatility in the north.

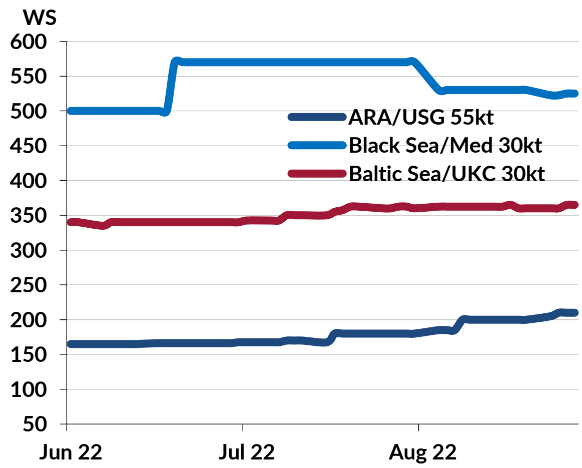
MR

If you can fill up an MR right now, either in the Med or the Continent, this size continues to offer an attractive $/MT versus the surrounding Handies. Although Charterers have had to dig a little deeper into their pockets this week, the savings remain clear. That said, availability does give Charterers some headache right now, with a lack of fall-back options in case you are fully committed to a 45kt move and something unexpected happens to the itineraries.

Panamax

With availability so tight over this side of the Atlantic and with surrounding Aframax rates firming, levels on the Panamaxes have again been raised this week and now are establishing themselves well into the 200's. Furthermore, the outlook for this market remains bright as US values are holding and little tonnage replenishment is being seen in terms of backhauls being fixed or units opening locally.

Dirty Product Tanker Spot Rates



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 25th	Aug 18th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+0**	81	81	59	70
TD20	Suezmax	WAF-UKC	**-4**	131	135	137	131
TD7	Aframax	N.Sea-UKC	**+12**	193	181	177	162

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

			wk on wk change	Aug 25th	Aug 18th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**-2250**	39,000	41,250	8,000	27,750
TD20	Suezmax	WAF-UKC	**-3500**	35,750	39,250	38,000	35,750
TD7	Aframax	N.Sea-UKC	**+5250**	58,250	53,000	47,750	36,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 25th	Aug 18th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+51**	267	216	240	
TC2	MR - west	UKC-USAC	**-18**	230	248	337	292
TC5	LR1	AG-Japan	**+23**	289	266	257	284
TC7	MR - east	Singapore-EC Aus	**-1**	361	362	404	364

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

			wk on wk change	Aug 25th	Aug 18th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+16250**	58,000	41,750	44,500	
TC2	MR - west	UKC-USAC	**-5000**	15,250	20,250	34,750	27,000
TC5	LR1	AG-Japan	**+5000**	45,250	40,250	33,750	44,500
TC7	MR - east	Singapore-EC Aus	**-750**	37,500	38,250	41,750	38,250

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

ClearView Bunker Price (Rotterdam VLSFO)	**+19**	740	721	776
ClearView Bunker Price (Fujairah VLSFO)	**+25**	810	785	916
ClearView Bunker Price (Singapore VLSFO)	**+21**	779	758	892
ClearView Bunker Price (Rotterdam LSMGO)	**+120**	1199	1079	1127

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