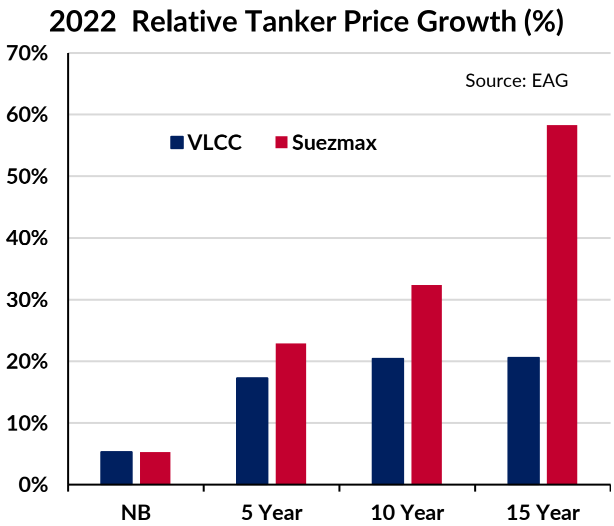
A Matter of Perspective

Weekly Tanker Market Report

Amidst widespread price increases, it is not surprising that tanker asset values have also been rising. Our data shows a strong appreciation in VLCC and Suezmax values, with a significant divergence between newbuild and second hand price increases. Even more interesting is the difference in growth rates between newbuilds and 5 year old vessels and older 10 and 15 year old tonnage. Gibson asset value data shows newbuild VLCC and Suezmax values both increased by 5% respectively YTD, whilst over the last 12 months they increased by 17% and 13%. This has been driven by rising raw material costs, shrinking yard availability and relative pricing of other vessel types such as container carriers. Although, these increases have likely been capped by a lack of actual ordering given the difficulty in securing both yard slots and design hesitation. With overall producer price inflation averaging approximately 8-10% across most advanced economies, newbuild prices have also felt the pressure but the rate of increases this year may be slowing compared to gains we saw in the second half of 2021.



However, it is a very different story in terms of second hand tankers, prices have increased much faster, with 5 year old VLCCs and Suezmaxes jumping by 17% and 23% respectably YTD, reflecting relative value compared to newbuild vessels. For example, the order price of a VLCC is estimated to be $120 million versus $85 million for a 5 year old unit, which offers a comparatively good ratio of youth and prompter availability; with more favourable retrofitting economics compared to a newbuild vessel at a much higher price and with a longer lead time.

Perhaps the most interesting asset price developments have been in the 10 year old and older age bracket, where gains have far exceeded broader measures of inflation. The biggest gains have been in 15 year old Suezmaxes which have jumped an impressive 58.5% this year, whilst 10 year old VLCCs have increased 20.5%. This has been driven by increased enquiry from mostly Middle Eastern, Russian, and Asian buyers, looking to build a fleet of older tankers to carry Russian crude. Such price rises also offer an attractive asset play opportunity for owners looking to dispose of older units ahead of a potentially tougher sales environment once EU sanctions on Russian oil fully take hold. It is also an opportunity to pursue more favourable fleet renewal by disposing of older vessels during a spike in values and reinvesting the proceeds into younger tonnage.

Within this development there also has been an increase in sales and enquiry for Ice class Suezmaxes and Aframaxes, capable of trading during the Russian ice season. Also propping up older tanker values is the persistence of the illicit fleet, which continues to absorb older scrapping candidates to engage in sanctioned trade. Although, should sanctions relief come to Iran, then this would increase scrapping pressure on older vessels operating in the shadow fleet and reduce their market value as the commercial opportunity to engage in this trade recedes. Instead, legitimate trading opportunities would re-emerge for younger, more efficient vessels to take on the trade of these cargoes.

Fundamentally, this all feeds into the growing positive outlook for crude tankers. Stronger earnings should theoretically support these higher asset values as the cashflow generating capacity of larger crude tankers improves, although growing economic uncertainty and the risk of a global downturn indicate the need for caution in terms of investment timing. Overall, the investment prospects for the tanker market have improved relative to the protracted market slump of the last 20 months and this is catching the eye of potential investors, whilst tanker owners are likely to be considering their next moves…

Crude Oil

Middle East

Even against a shortened working week, VLCC Owners have not seen enough enquiry to really gain any traction here. Rates have gently subsided as the week progressed down to around 270,000mt x ws 76 to the East and 280,000mt x ws 44 to the US Gulf (via Cape). Owners should expect next week to be a little more active and thus able to recover some lost ground quickly enough. Suezmax rates in the Middle East seem to have steadied and gained some ground off the back of disruptions and replacements. Market rates are around 140,000mt x ws 65 for Basrah/Med. It is a similar story for levels to the East as we see Owners failing to gain any real traction. Levels currently stand at around 130,000mt x ws 135 as the week draws to a close. Aframax Owners go into the weekend on a more positive footing as they hold on to some healthy last done levels which stands at around 80,000mt x ws 240, as availability remains balanced against demand.

West Africa

There has been minimal VLCC enquiry throughout the week and rates have mirrored developments in the AG with last done levels now down to 260,000mt x ws 76 to China. Charterers are trying to push levels down further but have been met with resistance as Owners see a possible recovery looming as the expectation for a busier US Gulf scene which should quickly swing the pendulum back in Owners' favour. West African Suezmax markets have softened compared to last week, although it seems the majority of fixing has been kept very much under the radar. Rates to the East currently stand at around 130,000mt x ws 135 and a generic UKCont-Med run stands at around 130,000mt x ws 127.5 with little enthusiasm as we approach the weekend.

Mediterranean

After initial optimism that X-Med could push on towards ws 200 levels, Owners will be disappointed as sentiment swung the other way with 80,000mt x ws 182.5 being achieved. The news of reduced output from CPC carrying on throughout September will pressure Black Sea rates going forward. For now, we see them hovering around 80,000mt x ws 225 levels. Owners in the West have felt a general pinch recently but believe that this will be short-lived. The Med Suezmax market has remained rather flat this week, with minimal enquiry. Short runs from the Med have stayed within a range at approximately 130,000mt x ws 150. Voyages East have also kept at a slow tempo where we estimate levels to hold at around $5 million into China.

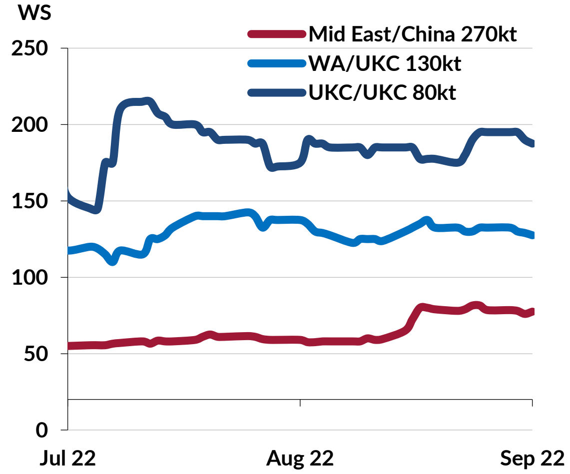
US Gulf/Latin America

Aframax Owners have been fighting with one hand behind their back this week, giving Charterers a very unfair advantage. Levels have come off to around 70,000mt x ws 210 for Transatlantic with short haul runs now at around 70,000mt x ws 230. The long weekend in the US will give the chance for the lists to replenish and potentially add further misery to Owners. There was a lack of VLCC activity throughout the week as the majority of Charterers waited confirmation of their October program. Plenty of tonnage is naturally placed in the West and should ensure initially that rates are likely to come off before we see any stability. Last done to China was reported at $8.5million.

North Sea

After some active weeks, X-UKCont has found its way back down to 80,000mt x ws 175 levels after reaching highs of ws 195 last week. The slow week has allowed Charterers to test these levels, but Owners' sentiment remains relatively positive for the medium. Baltic activity, albeit under the radar has been constant, yet with more interest from Owners smelling a narrowing opportunity, pressure will be applied, and rates may come off the current 100,000mt x ws 205 levels.

Crude Tanker Spot Rates



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

GIBSON SHIPBROKERS

Clean Products

East

A very strong week for the smaller segment in the Middle East. Earnings were encouraged by an already flourishing south market and heading over $50k/day on some routes. AG/UKCont freights at $3.7m today. Argentina tenders will push these levels also to $ 4-4.5 million which is in need of test. TC17 is the big shifter this week and is on subs at ws 510, but will move to ws 550. The list has disappeared until the 20th. Expect further fireworks in the new week.

LRs have pushed on again this week as MRs firm quickly below them. LR1s have rapidly thinned out as both short hauls increased and long hauls kept quoting. With any short hauls now needing LR1s where possible as MRs are just so few and far between. 55,000 mt Naphtha AG/Japan is now ws 310-320 and fairly flat with more pressure on Westbounds. 60,000 mt Jet AG/UkCont is at $4.5 million having seen a rise of $300k this week. Westbound tonnage is limited and only a handful of Owners will consider it, and Charterers could get burnt off the wrong dates.

LR2s have been relatively quiet this week but rates look likely to remain flat for the time being with an expectation of more volume coming, particularly West due to the stress on the smaller sizes. 75,000 mt Naphtha AG/Japan is at ws 275 and has been steady all week. 90,000 mt Jet AG/UKCont has seen varied rates paid but ultimately will need $5.2 million to get interest.

Mediterranean

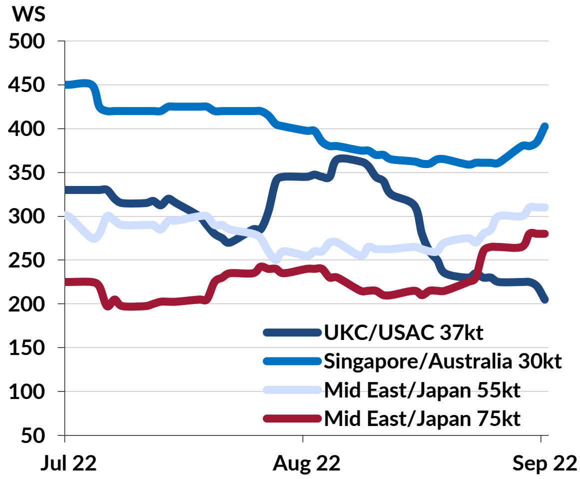
Overall it's been a lacklustre week for the Handies down in the Mediterranean which has seen rates come under pressure throughout. We began the week with X-Med levels at the 30 x ws 195, but with slow enquiry for most of the week and a build-up of tonnage, we now see TC6 at the 30 x ws 160 mark. Off the back of this it is expected that Black Sea levels, both Non-Russian and Russian, will negatively correct when next tested. The small bright spark for Owners today, however, is that we have seen some better enquiry, but with the weekend approaching expect much of the same come Monday. All in all a rather steady week here in this Med MR market, which has seen decent levels of enquiry and rates trading higher than its UK Cont counterpart. Rates for the most part of the week held at the 37 x ws 240 mark Med/Transatlantic off the back of steady enquiry and a tightening list due to the desire to ballast through Suez to take advantage of the pumping East market. However, with TC2 now down to 37 x ws 200 we have started to see some pressure appearing in the Med with 37 x ws 235 Transatlantic now on subs and WAF tracking at ten points more.

UK Continent

A slightly better finish on MRs to the end the week after little to talk about for the majority. After yesterday's fall of 20-odd points more cargoes have come out of the woodwork, so hopefully it helps to maintain TC2 at around 37x ws 200-205. The Mediterranean still sees a premium which should help in drawing ballast tonnage from the North and, combine that with an active Handy market in NWE, we would hope to see some more volume next week and the market stabilise.

On the Handies, Fresh Monday morning tonnage lists revealed a good supply of vessels, which ultimately was the catalyst for rates to correct down at the start of the week. Although, as the week rolled on, the cargo flow increased mainly down to an influx of STS cargoes, which resulted in the market bouncing back and at the time writing X-UKC trades at 30 x ws165. The Russian Baltic has been negatively tested this week with levels closing at 30x ws 350-360 (entity dependent). Owners will be optimistic heading into next week here.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

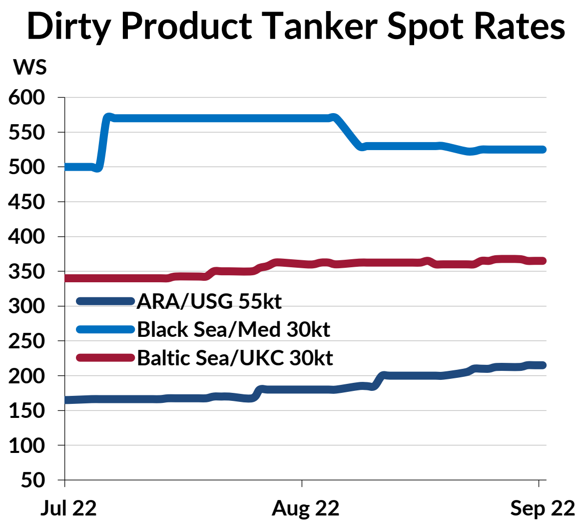
Sentiment in the North has remained firm this week despite very few fixtures being leaked to the market, which can only mean fixtures are being done under the radar as levels remain largely unchanged. Tonnage supply has been drip fed and just about met demand, which has limited Owners' opportunities to push. In the Med, a correction in rates has been seen despite starting the week with a push on rates. As Charterers reached forward on dates and opened up their options, reductions were seen and, in some cases, the promise of longer voyages for distressed tonnage saw even bigger discounts. We close the week with a subdued feel to the region, however there is an expectation of an infection of pace in early trading next week.

MR

A familiar feeling in the MR market as rates remain firm for both regions largely due to tight tonnage. A lack of replenishment in the North is yet to see any real length put back in the lists keeping levels where they have been for some time. In the Med the familiar theme of Owners taking out part cargoes to keep moving continues and this is expected to carry on for the foreseeable future.

Panamax

The Panamaxes have suffered from a lack of activity both locally and on the longer haul Transatlantic runs this week. That said, supply of units this side of the pond remains limited, so we are left waiting for a fresh test where there is potential for some wind to be taken out of Owner's sails should this quiet period continue. With Charterers potentially looking to test last done, Owners will be hoping to see cargoes early next week to stem the flow of any replenishment.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sept 1st	Aug 25th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**-5**	76	81	58	66
TD20	Suezmax	WAF-UKC	**-3**	128	131	130	129
TD7	Aframax	N.Sea-UKC	**-4**	189	193	188	170

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

			wk on wk change	Sept 1st	Aug 25th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**-250**	38,750	39,000	14,250	28,000
TD20	Suezmax	WAF-UKC	**+1750**	37,500	35,750	36,750	38,000
TD7	Aframax	N.Sea-UKC	**+3250**	61,500	58,250	58,500	47,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sept 1st	Aug 25th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+10**	277	267	233	
TC2	MR - west	UKC-USAC	**-22**	208	230	351	276
TC5	LR1	AG-Japan	**+16**	305	289	265	278
TC7	MR - east	Singapore-EC Aus	**+46**	407	361	379	373

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

			wk on wk change	Sept 1st	Aug 25th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+6500**	64,500	58,000	47,500	
TC2	MR - west	UKC-USAC	**-1250**	14,000	15,250	39,000	26,500
TC5	LR1	AG-Japan	**+6750**	52,000	45,250	40,250	45,250
TC7	MR - east	Singapore-EC Aus	**+10250**	47,750	37,500	41,250	42,000

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

	wk on wk change	Sept 1st	Aug 25th	Last Month*
ClearView Bunker Price (Rotterdam VLSFO)	**-61**	679	740	715
ClearView Bunker Price (Fujairah VLSFO)	**-77**	733	810	931
ClearView Bunker Price (Singapore VLSFO)	**-86**	693	779	756
ClearView Bunker Price (Rotterdam LSMGO)	**-165**	1034	1199	1049

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