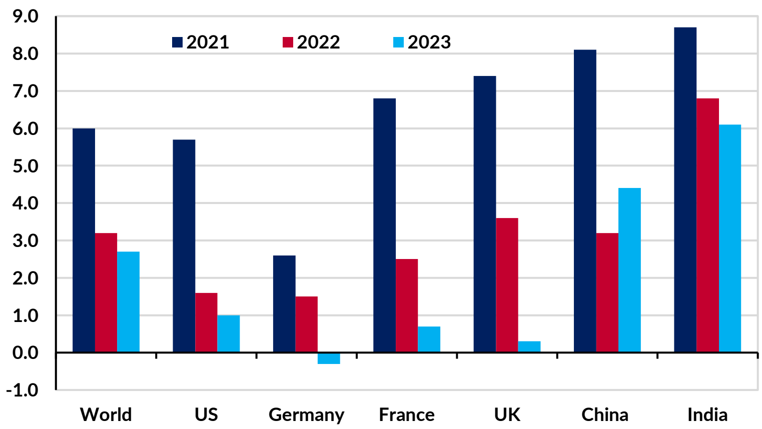
Economic Turbulence

Weekly Tanker Market Report

The recent OPEC+ decision to cut production targets by 2 mbd from November onwards given concerns about a deteriorating economic outlook took many by surprise. However, dark clouds over the global economy are indeed gathering. The International Monetary Fund (IMF) recently updated its world economic outlook, noting a notable deceleration in GDP growth. The latest projections are for world economic activity to increase by 3.2% in 2022, down from 6% last year. This slowdown largely reflects major cooling in the biggest economies: US GDP contraction in 1H 2022, Euro area contraction in 2H 2022 and covid restrictions in China. A further slowdown in economic growth is expected next year, with global GDP anticipated to increase by 2.7%. The IMF stresses there are huge downside risks, with main sensitivities centered around further US dollar appreciation, energy, and food price shocks; ongoing tightening in financing conditions, geopolitical fragmentation, and a worsening of several property crises, as well as Covid restrictions in China.

In terms of a regional breakdown, emerging and developing countries are projected to fare better next year than advanced countries, where the worst is yet to come. The GDP growth in the US is projected to slow down from 1.6% in 2022 to just 1% in 2023, as declining disposable incomes and higher interest rates take their toll on spending. In the Euro area, GDP growth is projected to decline to just 0.5% in 2023 from 3.1% in 2022, reflecting the spillover effect of the war in Ukraine. In contrast, GDP growth in emerging markets and developing economies is expected to increase by 3.7% both this year and next, relative to 6.6% in 2021.

Global GDP Growth (%)



These economic concerns prompted the International Energy Agency (IEA) to revise down their expectations for global oil demand as well. The agency reduced its 2023 demand growth estimates by 470 kbd, with world oil consumption now expected to grow by 1.65 mbd next year. Annual 2022 demand saw a modest 90 kbd downward revision, but the IEA expects global consumption to contract by 340 kbd YoY this quarter. With the economic storm in advanced economies expected to intensify, oil demand in OECD countries has understandably also been revised down. Oil consumption in the US and the OECD Europe is now largely expected to remain flat in 2023 YoY. However, the largest downward revision was made to China's oil demand, on the back of ongoing Covid related restriction and on expectations that these restrictions will continue, at least in the short term. The IEA now sees Chinese oil demand growing at 0.8 mbd in 2023. However, as future lockdowns cannot be ruled out, there remains a significant threat of further downward revisions to Chinese demand, which accounts for half of global oil demand growth next year.

All of the above points a rather gloomy picture for the near-term. Yet, with spot earnings in the crude tanker market spiking and strong returns seen for clean tonnage, there is a clear disconnect between the economic prospects, looming reduction in OPEC+ production levels and the current reality in the spot market. Of course, changes in trade flows are the main driver behind the current robust tanker earnings, with further increases in tonne miles into Europe to come once the EU ban on imports of Russian crude and products comes into force. However, there remains a big uncertainty in terms of Russian flows. A big chunk of tonne miles demand growth so far this year has been due to Russian crude travelling further afield. If these flows are to decline, this will remove an element of support to crude tanker markets. The same could also see oil prices well above $100/bbl once again, translating into even deeper global economic turmoil.

Crude Oil

Middle East

A good start to the week as Charterers worked their early November stems which had the desired impact as rates firmed to yearly highs. However, by week's end activity had quietened and rates softened. As a result, on today's market we can expect 270,000 at ws 107.5 for an East run and ws 57 for a West cargo. There is some downward pressure and we could see further softening, if next week starts quietly. The AG market for Suezmaxes has firmed throughout the course of the week to a level of approximately 140,000mt x ws 97.5 for Basrah/Med. A strong VLCC market looks to support these rates and Owners will be feeling confident they can hold near or above this level. Runs into the East have pushed up, and the continued reluctance to remove a vessel from the West market for the winter months has Owners looking for a level of 130,000mt x ws 170. After a period of falling rates and slow sentiment, the East has finally found it's footing, with rates inching up consistently throughout the week. AG/East started the week circa 80,000mt x ws 200, but with some Owners opting to head West and those remaining showing strong resistance, we finish the week at around 80,000mt x ws 215 levels. A tight tonnage list has affected both AG and Indo regions, which has been a contributing factor to the growing bullishness from Owners. As a result, a replacement for Indo/Oz saw 80,000mt x ws 277.5 achieved. We expect rates to continue to inch up in the near term, at least until the West cools.

West Africa

VLCC activity has been muted this week as lifting programmes remained limited. Despite this, however, rate levels remained high due to strong markets both in AG and especially in USG. Freight rates dropped towards week's end, mirroring what was happening in the AG. Today you could expect to see a 260,000 WAF East archive ws 107.5. After higher rates failed last week, the West African markets lost some momentum. As the week progressed, we saw a number of the potentially cheaper ships picked off and the market has begun to firm. Now Owners will be looking for 130,000mt x ws 160 for WAF/UKCM and potentially higher for certain voyages. Runs into the East remain unpopular, and we feel Owners will be looking for 130,000mt x ws 175.

Mediterranean

The market in the Med has firmed this week. We also saw a notable event for Owners, for the first time… a ship over 15 years has fully fixed a voyage from CPC Terminal. A short run across the Med will have Owners looking to fix 130,000mt x ws 200. The list remains tight in the region and Charterers are beginning to fix ships with weaker itineraries. Owners are seeing this as a sign of a firming market, so for a Med/China run today Charterers should be expecting to pay approximately $6.4m. The Aframax Med market continued to make gains this week, as charterers who had not fixed ahead, had a tough task of securing well approved tonnage. X-Med started the week circa 80,000mt x ws 227.5 level but this was quickly tested by an influx of activity, with the week ending at

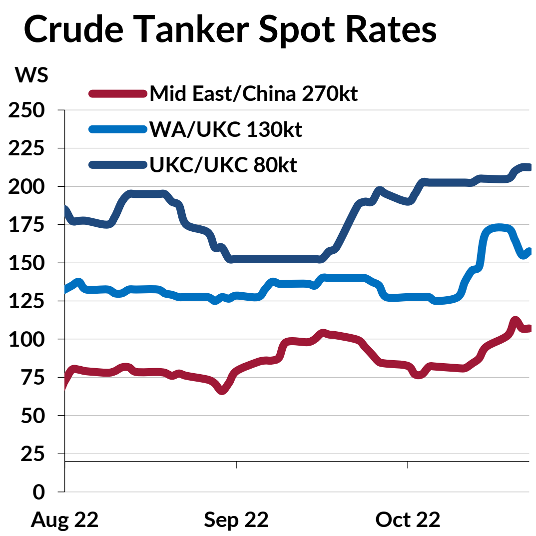
80,000mt x ws 235. After the news of a respectable number of cargos for CPC's November program last week, 80,000mt x ws 260 was achieved and we expect Owners to have little trouble fixing last done. Port delays in the Med are adding some spice to an already hot market and as a result, a close eye will be kept on itineraries over the weekend. We can expect the Med to remain firm into next week as surrounding Western markets continue to show healthy returns, giving vessels from other regions little reason to swallow a ballast into the Med.

US Gulf/Latin America

A healthy level of VLCC enquiry meant the bullish sentiment continued with further gains made this week and by week's end a voyage going to Far East could expect around $11.5m. The USG market has rocketed, with Afra Owners in Western Europe considering the ballast for extremely lucrative returns. For now, the West in general is hot and Owners are optimistic about where the rest of Q4 will take them.

North Sea

X-North Sea has been pretty active this week and Baltic seems to have been ramping up with little time left to fix. X-Cont now fixing at ws 215 levels and Baltic ws 235 levels. The West in general is busy, with action expected to keep things firm for the foreseeable future.



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

Clean Products

East

It has been a busy week on the LR2s with bullish sentiment fuelled by Navig8 who look to justify their sale and purchase deals with early 2023 delivery out of the yard. In terms of rates this week, 75 x ws 200 levels were tried and repeated. Currently a westbound run is on subs at 4.35m ex India. Charterers will be hoping that a long weekend in Singapore puts some downward pressure on what is a bubbling market.

The LR1s trail on the tails of their bigger brothers. 55 x ws 200 was fixed for TC5, and westbound rates are left unchanged at $3.5m basis UKC discharge. The short haul trade is busy, this is a good cargo to relocate into in what looks to be a stronger market.

For the MRs it has been a very busy end to the week on the smallest segment - 35 x ws 360 is on subs for EAfr (TC17) – it will be a good tester of market levels and is 30 points up on last done this week. A Westbound run is circa 2.8m ex AG and TC12 will push from ws 225 to ws 250 in the new week to mirror spiking TCE rates elsewhere. This segment has legs.

Mediterranean

All in all, it's been a disappointing week for the Owners plying their trade in the Mediterranean which has seen rates come under pressure for the majority. We began the week with X-Med trading at the 30 x ws 335 mark and with good levels of enquiry, many felt rates would at least hold. However, with the front-end well-supplied and the fixing window pushing to end month dates we saw levels begin to slide. X-Med now trades around the 30 x ws 300 level with Non-Russian Black Sea levels expected to negatively correct as a result. Quiet here into the weekend.

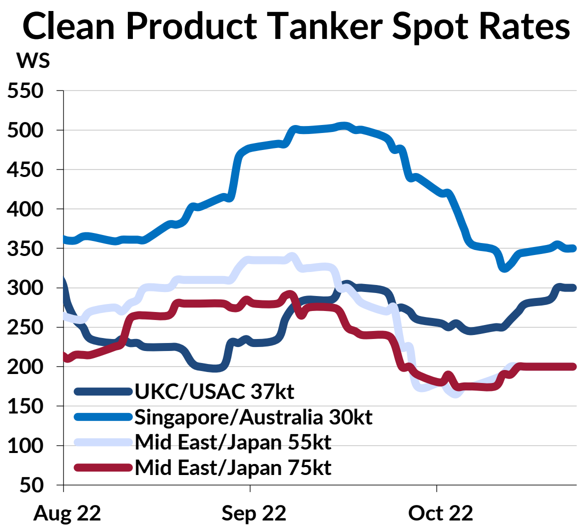
We began Week 42 in this Med MR market with Med/Transatlantic run trading at the 37 x ws 285 mark but with TC2 pushing up to ws 300 on Tuesday and with the list tightening it wasn't long until the Med followed suit. 37 x ws 300 Med/Transatlantic was then repeated for most of the week with WAF tracking at +10 points but with enquiry slowing over the backend of the week and we have seen some pressure begin to build here. At the time of writing, little remains outstanding and with 37 x ws 280 for a Transatlantic run achieved on an ex DD ship we expect Charterers to try and turn the screw come Monday.

UK Continent

Off the back of an active Week 41, and a good start on Monday, we saw Owner manage to build some momentum; despite a short standoff in opinions between the two parties, Charterer's resolve only lasted until Tuesday as 37 x ws 300 became the new norm. A slightly slower second half to the week has kept Owners ambitions capped here with Brazil holding around a 15 point premium, and the quieter WAF market still about 10 points. As of Friday, we see limited to no outstanding stems and expect that if this continues Charterers will be looking to regain the upper hand come Monday as this market holds for now. But let's see how a fuller tonnage list changes the dynamic.

It has been a better week for Handy Owners in the North as the combination of continued enquiry and a tight tonnage list has seen freight rates improve. X-

UKC has been pushed up to 30 x ws 250-255 and UKC/MED is expected to be positively corrected to 30 x ws 240-245. There has been a surge of end month cargoes ex Russian Baltic resulting in TC9 trading at the 30 x ws 400 levels. Expect Owners to remain bullish as we head into next week.



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

Dirty Products

Handy

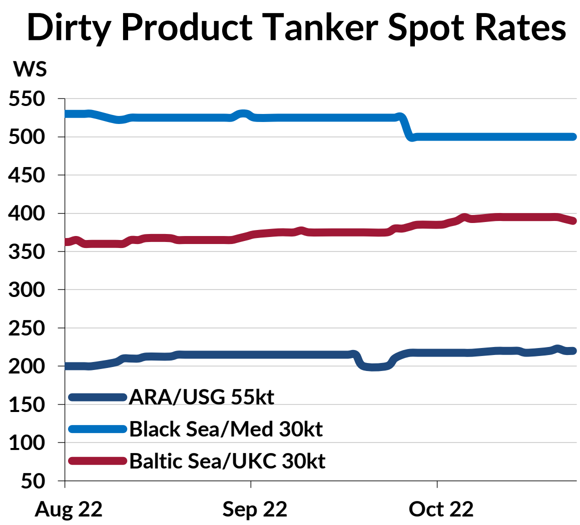
A rare reprieve for Charterers in the Continent this week where they found tonnage stocks to be more than favourable with rates reacting negatively. We are now sat some 15 Points off from the peaks of 10 days ago, with units being booked to leave the area. Owners will have to be mindful of how much ground is being lost, compared to the Med this week where levels have increased above ws 400. Ships in the West Med will not be so tempted to head back up. Whilst the Med is firm it is therefore likely that the Continent will benefit, cutting short this negative cycle.

MR

This sector is exceptionally challenged right now in both the Med and Continent where tonnage replenishment has been slow to surface. Despite softening in the handy market in the North, MR availability is tight, and the fundamentals of supply and demand are likely to see this market maintain at least last done levels for now. In the Med, tonnage is tight, and is riding on the coattails of the Handies, we will see Owner's confidence grow and levels push on from last done with each cargo shown.

Panamax

We are awaiting workable tonnage to come into fixing windows, we are almost at that stage where benchmarks can be looked at once again, but from the proceedings in the surrounding Aframax markets perhaps Charterers shouldn't be expecting anything less than last done. In fact, although US levels are much lower than the peaks seen last time a Europe /Transatlantic run was tested, they are still high enough to pull units back over in ballast condition.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Oct 20th	Oct 13th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**+20**	107	87	104	97
TD20	Suezmax	WAF-UKC	**+8**	154	146	140	163
TD7	Aframax	N.Sea-UKC	**+8**	212	204	159	166

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

			wk on wk change	Oct 20th	Oct 13th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**+23500**	73,750	50,250	71,000	62,500
TD20	Suezmax	WAF-UKC	**+5000**	53,500	48,500	46,000	59,250
TD7	Aframax	N.Sea-UKC	**+5750**	78,250	72,500	42,750	47,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Oct 20th	Oct 13th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**+2**	198	196	240	
TC2	MR - west	UKC-USAC	**+32**	302	270	302	302
TC5	LR1	AG-Japan	**+8**	199	191	289	249
TC7	MR - east	Singapore-EC Aus	**+3**	348	345	507	383

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

			wk on wk change	Oct 20th	Oct 13th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**+1000**	37,250	36,250	52,000	
TC2	MR - west	UKC-USAC	**+6250**	31,750	25,500	32,250	32,250
TC5	LR1	AG-Japan	**+2250**	25,250	23,000	47,750	38,000
TC7	MR - east	Singapore-EC Aus	**+750**	37,250	36,500	64,500	43,500

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

ClearView Bunker Price (Rotterdam VLSFO)	**+20**	631	611	631
ClearView Bunker Price (Fujairah VLSFO)	**+21**	698	677	696
ClearView Bunker Price (Singapore VLSFO)	**+29**	720	691	701
ClearView Bunker Price (Rotterdam LSMGO)	**+91**	1055	964	981

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