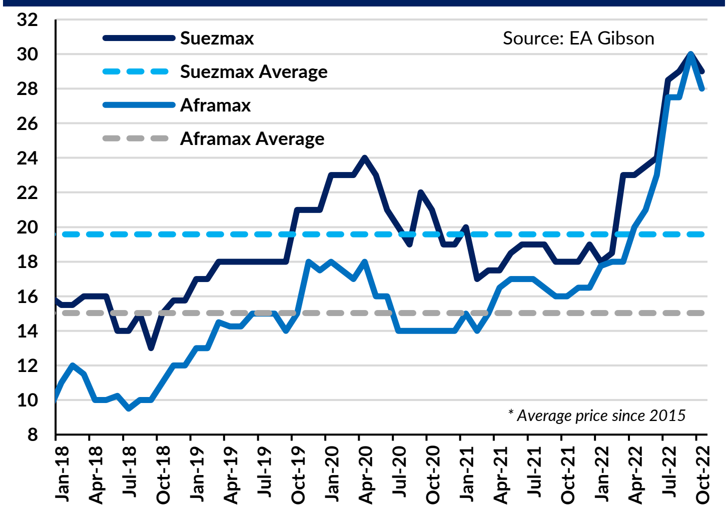
Are Oldies still Goodies?

Weekly Tanker Market Report

This year, 15-year-old crude tanker values have broadly outperformed the rest of the secondhand tanker market in terms of both prices and enquiry. The main reason for this appears to be the impending sanctions and corresponding G7 price cap on Russian oil and products due to come into force from the 5th December and 5th February respectively. This is expected to lead to a large increase in the fleet of tankers involved in sanctioned oil trades, especially for Russian cargos given that Aframaxes and Suezmaxes typically dominate this market. Since January, values for these two tanker sizes have appreciated more than VLCCs in the 15-year-old age segment, rising by approximately 58% and 61% respectively compared to 50% for VLCCs. However, we may now be seeing signs of a slowdown in both the demand for these tankers as well as potential the start of a softening of asset values.

15 Yr Old Crude Tanker Prices vs Long Term Average ($Million)



Between September and October 15-year-old Aframax prices fell by $2 million, whilst larger Suezmaxes fell by $1 million. Both vessel sizes are still valued well above their average since 2015 and since June, both sizes have been valued close to parity, although this might suggest an overheating in 15-year-old Aframax market values relative to their fundamental value and size, which had in fact surpassed the long term Suezmax average price in April. Anecdotally, there are reports of potential buyers backing away from deals. This trend is supported by Gibson's tanker sale data that shows a gradual decline in the number of Suezmax and Aframaxes aged over 15 being sold or reported sold.

For example, older Aframax/LR2 S&P activity peaked in May-August, when 39 transactions were recorded compared to September which witnessed 6 deals and subsequently slipped to 5 in October. Nevertheless, this is still relatively high compared to seasonal trends in 2020 and 2021. This suggests that for the time being demand remains supported by potential Russian linked business even if the rate of sales has declined.

Some players may simply be waiting to see how the imposition of new trading sanctions plays out before making any further moves in the S&P market. Beyond the start of crude sanctions on December 5th, further fleet capacity may still be required to facilitate the shipment of Russian oil, but this depends on the level of demand from purchasers of Russian crude. Furthermore, demand for older Aframaxes and Suezmaxes should also remain at elevated levels into the new year as vessels involved in sanctioned trades often operate inefficiently, with the long-haul distances that Russian crude needs to be shipped to its main customers in Asia eating further into the existing fleet capacity. Increased due diligence and compliance checks may make vessel transactions harder if the buying counter party has fallen afoul of the price cap or has been linked to a sanctioned entity meaning we are unlikely to see the volume of transactions seen this year. However, recent history shows even in the case of Iranian and Venezuelan linked buyers, there are ways to circumvent these checks.

How this impacts the rest of the tanker market remains to be seen. In theory, capacity in the non-sanctioned market is/will be reduced as older units enter the Russian focused market. However, on balance this may not result in an overall reduction in vessel supply as international tonnage previously trading Russian cargos will have to leave that market and re-enter the mainstream trade, posing the risk of a sudden increase in vessel availability. Although, at the time of writing the EU is at an impasse on the price cap and so the extent to which shipping companies in price cap coalition countries could leave the Russian market is unclear. Whilst some could argue the real date to bear in mind is the 19th January when all Russian crude cargos must be completely discharged from vessels, question remain as to how this will all play out in practice but all eyes are now on December 5th.

Crude Oil

Middle East

The party is over. When everyone came back to the office on Monday after a week-long Bahri event in Dubai, the AG position list suddenly appeared quite long. There is ample tonnage available for first decade of December and Charterers are in no rush and start drip-feeding cargoes. TD3C has dropped to below WS110 from the WS130 of last Friday. The downwards pressure is likely carry into next week, but 2nd decade cargoes still remain mostly uncovered. Suezmax markets in the AG remain steady but with a lower level of enquiry the market has a softer feel and we estimate rates today should be 140,000mt x ws 110 for Basrah/Med. Runs into the East are somewhat unpopular still and as such, Charterers should expect to pay somewhere around 130,000mt x ws 200. It's been a steady week for Aframaxes in the AG. Rates are mainly driven by the West which continues to heat up. AG/East closes the week at around 80 x ws 310.

West Africa

VLCC activity remains limited this week, particularly for eastbound voyages. West Africa to Europe is reported at 260,000mt x ws 125, and we assess the rate to East at ws 110. Long haul business such as West Africa to East tends to be more attractive, and the TD15 rate is expected to soften further. VLCC activity remains limited this week, particularly for eastbound voyages. Suezmax rates in West Africa have a softer feel with a comfortable quantity of prompt tonnage, for now, the market is trading around 130,000mt x ws 210 for WAF/UKCM on natural dates.

For cargoes heading to the East the number of Owners willing to head that way remains rather small, and Charterers in the market today should be expecting to pay around 130,000mt x ws 200.

Mediterranean

The Aframax market has remained firm this week with further cargo enquiry balanced against a tight list. Rates remain around ws 420 levels for X-Med runs and for CPC Charterers have been paying ws 540. Suezmaxes have come to the rescue somewhat with at least 2 Afra Black Sea cargos being lifted on a part cargo basis and this has prevented rates from moving on. For the time being Aframax Owners have not thrown in the towel and look in earnest at what next week brings from Libya at least. The Med has firmed drastically since the last report and Owner's remain very bullish; however, enquiry has tailed off over the week and we could see sentiment slide if we don't see more cargoes next week. Rates today stand at approximately 135,000mt x ws 320 for CPC/UKCM. Staying West seems to be the preference for most Owners so for a voyage from the Med into China, they will be expecting somewhere in the region of $7.3million.

US Gulf/Latin America

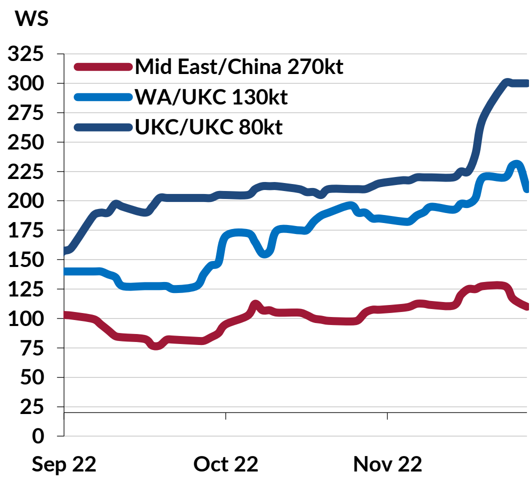
VLCC remains very active this week with many fixtures fixed and failed across the USG. The last done TD22 still stood at $14.75 million. Brazil exports are also busy. Petrobras fixed two on Monday at 260,000mt x ws 122 to the East. However, the same voyage was fixed at w 109 two days later. In the Caribbean Aframax market, it is a case of what goes up must come down.

Rates reached ws 800+ levels locally and there was talk of ws 1000 to come from restricted Pajarito's. The thanksgiving holiday came in time to dampen these hopes and a day of slow activity led to a drop in rates back into the 600s. Weather improvements may mean some more reassessment is to come.

North Sea

The North market is pushing up after a few days of decent activity. Last done X-North Sea is now trading at ws 325 levels. Baltic action is ongoing with sanctions uncertainty persisting.

Crude Tanker Spot Rates



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

Clean Products

East

Huge week for the LR2s, with last done levels being pushed forward on each new stem. Charterers will be looking forward to the weekend for some respite! An off-market private cargo going West is on subs $6.5million and outstanding West cargoes are really struggling for offers. Owners, who may be willing West, are going to be pushing. Naphtha has been busy all week and, with numerous TC1 stems uncovered, a busy start to next week is on the cards. Assessing 75 x ws 315-310 for next TC1; however, this list is tight and will not take much to charge on.

The LR1s stole the limelight mid-week, as stems kept entering the market and there was an equal amount of off-market enquiry happening as well. A retest on the currently unpopular West stems is going to happy soon and expect to see a large jump. With the larger pool, Owners are in a position to drive the rates; assess next West cargo to be in the $4.5-4.75million region. Naphtha has been constantly busy this week both on and off market, currently 55 x ws 295 is on subjects; however, next done will certainly be in the 55 x ws 310-320 levels. The list remains tight of the front end and Owners are now being reluctant to give numbers, unless they are seeing firm dated stems.

Very active and positive looking MR market for Owners this week. The front end is very tight and there is still plenty of open stems as we head into the weekend. TC12 remains undervalued at 35 x ws 275-300 levels; however, given the strength in the Eastern markets, it's a good relocation cargo. Westbound cargo on subs at $3.2million for UKC; however, given the lack of good Jet or Nap suitable ships, Charterers could get squeezed if they have short notice requirements.

Mediterranean

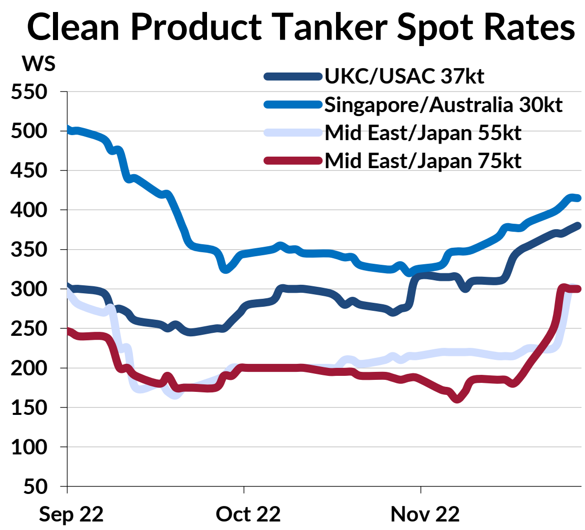
It's been a positive week for the Handies here in the Mediterranean which has seen rates firm off the back of a tightening list and poor weather. X-Med began the week at the 30 x ws 360 mark but with good levels of enquiry being seen we soon saw levels push towards the ws 400 level. At the time of writing TC6 is trading around the ws 400-405 levels after 30 x ws 412.5 was achieved on a replacement Naphtha stem. In terms of Bsea rates, Non-Russian levels received a fresh test at the 30 x ws 450 mark on Thursday but Owners will feel more is achievable next. Owners are bullish as we near the weekend.

Finally, to the Med MR market which despite seeing little enquiry has seen rates push up due to a tight front end. 37 x ws 360 was the call for a Med/TA run on Monday morning but since then the list has grown tighter and we now see the equivalent of 37 x ws 380 on subs. WAF is in need of a fresh test with a higher premium expected than the usual +10 after we saw 37 x ws 405 achieved for X-UKC. As we approach the weekend little remains outstanding but given the lack of tonnage on the front end Owners will remain positive.

UK Continent

Another positive week passes for the MR Owners in the Continent as despite a few expected quieter days due to Thanksgiving, the improving market over there kept a number of ballasters off our lists, and tonnage has remained in limited supply throughout. Once you throw in the reports of paper trading up to ws 400 for TC2 in December, Owner's ideas have constantly been increasing as 37 x 380 has now been achieved for TA. WAF demand is also strong with larger tonnage jumping too as we see the usual 10 point premium reach up towards 25 points. Come Monday, expect further positivity to be on the horizon with a lack of tonnage available as we head rapidly towards the festive season.

It's been another positive week for Handies in the North as freight has risen once again. The front end of the tonnage list has been tight throughout which has been the main catalyst for the increase. X-UKC closes at 30 x ws 390 after being tested today and UKC/MED is at 30 x ws 380. A big premium has also been seen for Russian TC9 business as levels close at 30 x ws 585-600 but is very much entity dependent. Owners will still be bullish heading into next week.



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

Dirty Products

Handy

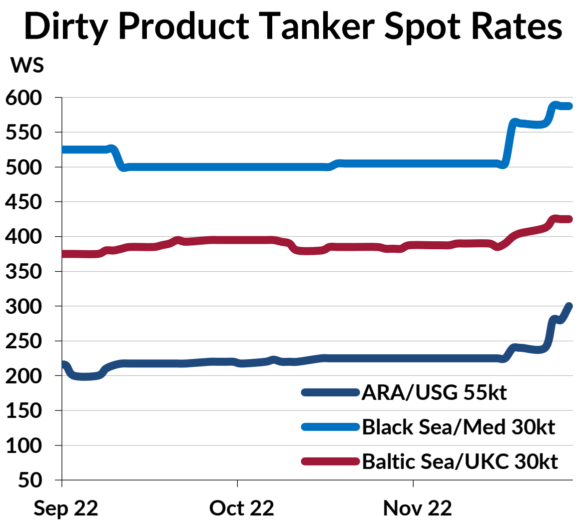
Going from strength-to-strength, numbers have risen on back of firm sentiment, itineraries delaying and generally solid cargo base. The Continent edges closer to surpassing the ws 430 mark, with availability looking stretched in current fixing windows. It is the Med, however, where the biggest gains have been seen. A run on fixing in the West Med, combined with units being plucked away by the Continent, saw levels climb steeply, where (although the peak fixture of the week failed at ws 500) ws 460 is a week's high, which is strong performance in terms of weekly gain.

MR

A lack of availability helps or hinders this sector, depending on which side of the fence you sit. From an Owners' perspective, the gaps in availability have seen a 40+ point gain in fixing levels week-on-week. With Charterers having little alternatives than to go out and book ahead, this momentum will naturally carry forward. In both the Med and Continent, this is evident. In the Med, in particular, there is even more to consider when covering in the East Med region, as many of the units showing have different trading strategies right now.

Panamax

With so little tonnage over here to work, Charterers are left with little alternative other than to keep booking ahead and knowing that last done levels aren't likely to be there upon the next test. Furthermore, with the US surpassing the ws 600 mark and with surrounding sectors in Europe looking rampant, we were always going to see increment. A 55-point jump, however, illustrates just how much confidence Owners have right now, knowing that there are alternatives if the levels prove too rich.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 24th	Nov 17th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**-18**	110	128	99	102
TD20	Suezmax	WAF-UKC	**+7**	213	206	185	187
TD7	Aframax	N.Sea-UKC	**+60**	308	248	209	206

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

			wk on wk change	Nov 24th	Nov 17th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**-19500**	80,750	100,250	64,250	72,500
TD20	Suezmax	WAF-UKC	**+5500**	90,250	84,750	70,750	76,000
TD7	Aframax	N.Sea-UKC	**+45250**	151,250	106,000	75,750	78,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 24th	Nov 17th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**+115**	291	176	192	
TC2	MR - west	UKC-USAC	**+36**	379	343	283	335
TC5	LR1	AG-Japan	**+94**	306	212	210	255
TC7	MR - east	Singapore-EC Aus	**+36**	414	378	341	373

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

			wk on wk change	Nov 24th	Nov 17th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**+39250**	71,000	31,750	35,500	
TC2	MR - west	UKC-USAC	**+7750**	48,500	40,750	28,250	40,750
TC5	LR1	AG-Japan	**+23500**	53,500	30,000	28,000	41,250
TC7	MR - east	Singapore-EC Aus	**+6500**	50,000	43,500	36,250	43,250

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

ClearView Bunker Price (Rotterdam VLSFO)	**-33**	553	586	634
ClearView Bunker Price (Fujairah VLSFO)	**-13**	625	638	689
ClearView Bunker Price (Singapore VLSFO)	**-18**	650	668	715
ClearView Bunker Price (Rotterdam LSMGO)	**-61**	875	936	1041

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