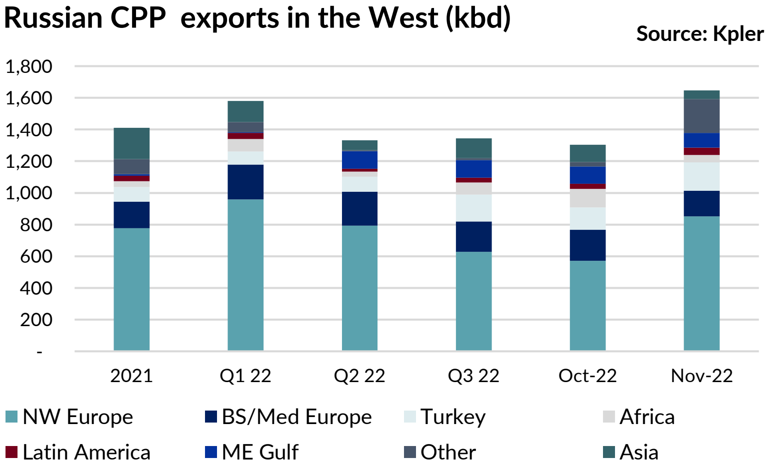
The Clock is Ticking

Weekly Tanker Market Report

In just a couple of days from now, the EU ban on imports of Russian crude will come into effect. Still, huge uncertainty remains about the impact of sanctions and the price cap itself. The cap is designed to give additional bargaining power to buyers in third countries with minimal disruptions to crude flows. However, Russia has repeatedly stated (prior to the announced cap of $60/bbl) that it will not sell its crude under these conditions and is reportedly seeking to boost the recognition of Russian maritime cargo insurance. As such, the next few weeks will be critical, revealing how strong Russian determination not to sell its barrels under an arguably reasonable price cap level is, the appetite for Russian crude in third countries as well as the potential capacity of the tanker fleet willing to service price capped and/or non-price-capped exports of Russian barrels.

What will happen on the crude side, will offer an indication of what is likely to happen when the EU ban on imports of Russian clean and dirty products comes into effect on 5th of February. Yet, whilst there are many similarities between the crude and product markets, there are also some differences. Russian crude exports to the UK and EU countries in Northwest Europe (which in the past, accounted for the vast majority of Russian trade to Europe) have been in steady decline since spring, falling to just 120 kbd in November from 1.27 mbd in January/February 2022. In contrast, Russian clean exports to the UK/EU show a considerably slower rate of decline, with the trade averaging 0.77 mbd in October versus 1.2 mbd during the 1st two months of this year. Furthermore, exports actually increased to 1 mbd in November, which suggests that Russia could be maximizing product exports until the February deadline.

Russian CPP exports in the West (kbd)



Furthermore, no major reshuffle in Russian CPP export flows has been seen so far to date. There have been some increases in shipments to the Middle East, West Africa and Latin America; however, these gains have been fairly limited, although trading of Russian products via storage terminals in Northwest Europe has also seen an increase.

Potentially, Russia could find it more difficult to find the same level of demand in third countries as it has found this year for its crude. After all, oil demand in likely markets where Russia can place its products is considerably lower than consumption in advanced western economies. If that's the case, Russia could be forced to compensate by increasing crude exports and/or to reduce its refining runs.

Without doubt, however, the product tanker market is likely to see further increases in tonne miles. The CPP trade into Europe from further afield has already increased substantially in 2022, most notably from the Middle East, India and Far East, supported by Russian sanctions, the regional rebound in demand during the 1st half of the year from Covid related restrictions and the closure of refining capacity in 2020/21. When the time comes for Europe to fully wean itself off Russian products, the latest trends in global product flows can only accelerate.

Crude Oil

Middle East

The VLCC market continued its rapid decline as a burgeoning tonnage list gave Charterers every encouragement to push rates downwards and today we are looking at 270,000 x ws 77.5 for East and 280,000 x ws 59 to the US Gulf. Rates in the AG for Suezmaxes have softened on limited enquiry in the region over this week and rates stand at approximately 130,000mt x ws 97.5 for Basrah/Med and 130,000mt x 195 ws for AG/East on natural dates.

West Africa

VLCC rates in West Africa are also moving downwards after an inactive week, which eroded Owners' confidence. Owners no longer have the attractive option of a buoyant USG market as an alternative, so the market is currently looking like 260,000 at ws 80 for a long East run. Rates in West Africa for Suezmaxes have softened this week but now trading in the region of 130,000mt x ws 190 for WAF/UKCM on natural dates. We still aren't seeing many cargoes heading East but those Charterers looking to fix the voyage should expect to pay some 5 points more than TD20. However, early trading next week will be indicative on how this region will fare as we expect some to reach out and start to cover the up-and-coming Holiday period.

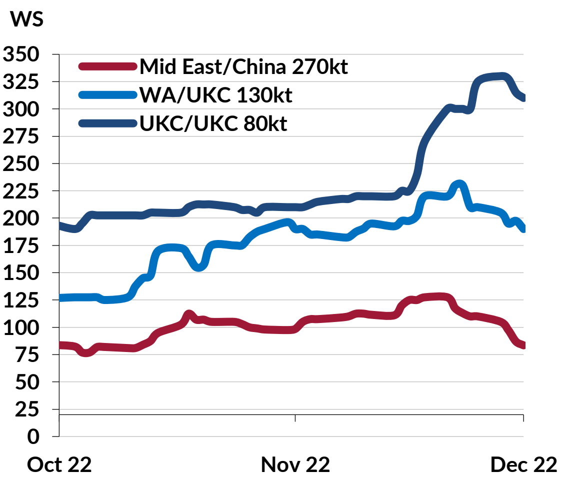
Mediterranean

The Med has continued to firm, with a flurry of cargoes hitting the market loading from CPC. Owners remain bullish and will be looking to fix somewhere in the region 135,000mt x ws 277.5 for CPC/UKCM. Owners are looking to keep their ships West, but the odd one or two are still willing to commit to the longer voyage from the Med into China; those that are will be looking for $8.5+ million. The influence of other size groups in this region will continue to be the driving force behind this region, so we need to keep a close eye on surrounding sectors.

US Gulf/Latin America

A disappointing week for VLCC Owners in USG as many ships were released and there has been little activity from Charterers to swoop up the remaining December ships. So, a Charterer today could expect to charter in at around $11.5/11.75million for a Far East discharge off early January, edging towards the $11million for 10/15 January. A new floor has been found for Aframaxes but with the European market looking solid, it looks unlikely to tumble much more.

Crude Tanker Spot Rates



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

GIBSON SHIPBROKERS

Clean Products

East

It was another strong week for the LR2s, which remain incredibly tight until the 20th December and only last minute requirements, or late runners would cause a Charterer to look to cover in this tight window. West runs saw some big rates done this week and given the list; we assess that the $6.25m level is where the next West bound run should be rated. It was not as busy this week on Naphtha TC1 stems and expect to see more enquiry coming into next week, however for now 75 x ws 320 levels is where the market should be.

It was a busy week for the LR1s with both on and off market fixing adding fuel to the fire. The classic shipping standoff on the West runs finally came to an end with $4.7million going on subs and very quickly followed by a $4.8million (TA diff is +9/1.0/1.1m) however, the remaining West stems are still yet to be covered and those with stems to cover will be hoping a few ships come open on the weekend! TC5 ticked along, however, as we approach the second half of this month's fixing window, we should be seeing more enquiry and with Owners pushing for 55 x ws 325-330 levels, expect Charterers to try and cover quietly.

The MRs remain a firm segment here, fuelled further by an extremely tight Red Sea region. However, Med ballasters are likely to ease supply going into the next window. TC12 is still a good repositioning cargo and sits at 35 x ws 350 with potential for firming further. We edge closer towards the 35 x ws 480-500 levels for TC17 having seen a steady climb during the week.

Further westbound enquiry is expected next week as traders look for some further flex on distillate stems.

Mediterranean

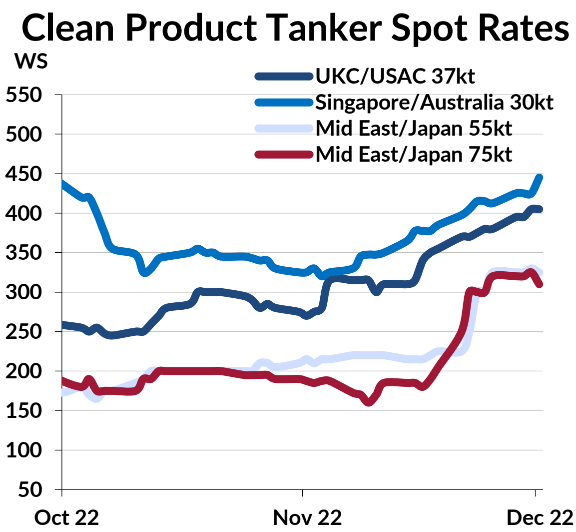
Overall, it's been a stable week in this Med handy market which has seen steady levels of enquiry throughout. This combined with a fairly tight front end has seen X-Med rates bounce between the 30 x ws 430-435 levels all week. Black Sea activity has been subdued most of the week with levels still very much load & entity dependent with a wide range of numbers being paid. As we near the weekend little remains outstanding, and the list is starting to look a touch healthier so come Monday morning we may see Charterers begin to apply some pressure.

All in all, it was a positive week for the MR's here in the Mediterranean as we see rates firm off the back of improved enquiry and a tightening list. We began the week with Med/TA trading at the 37 x ws 380 mark but with the front end growing tight rates have improved with almost every fixture. At the time of writing 37 x ws 410 is on subs Med/TA with WAF trading at an improved premium of 25 points (37 x ws 435). Owners bullish as we approach the end of Week 48.

UK Continent

On paper, you could well have been fooled into thinking that this MR market in the North could be in for some negative correction, but with the support of the US market popping post-Thanksgiving leaving us with minimal ballasters. Ample deals have been done behind closed doors and with some tricky replacement / ice stems needing covering, this sector has continued to flourish in the ws 400s. We continue to peg Ta around 37x ws 405 with the less popular WAF runs holding around a 15-20 point premium. Charterers continue to have to tread a very fine line in order not to get caught out, especially if non CPP last cargoes are not acceptable. Finally throw in an active Mediterranean market and we find ourselves once again poised for further gains...

Handies kicked off the week on a quiet front with very little fixing action to report and the weekend break meant the tonnage list has been replenished resulting in a few more options available to Charterers. X-UKC corrected down to 30 x ws 375-380 levels by the midweek point but with a few tricker cargoes (ice and Poland deliveries) to cover in the latter stage of the week X-UKC bounced back to 30 x ws 390 as Owners finish on a bullish note once again. Russian Baltic business continues to be fixed under the radar as levels trade around 30 x ws 595-600 levels. Potential here.



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

Dirty Products

Handy

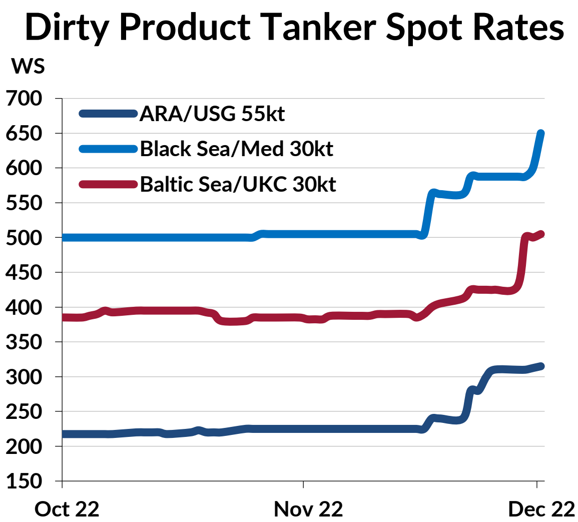
Rates have again notched on a tad this week on the Continent where FO moves have been increasingly frequent, benefitting Owners' cause in keeping the supply vs demand balance tight. Yet it was the Med this week which has drawn the most critique rightly or wrongly. Some dubious claims of fixtures being concluded have muddied the water, and with-it perceived market benchmarks. This said, there was enough additional momentum out there to support the jumps in fixing levels.

MR

As forward booking of MR's continues, current trends show no signs of abating especially when the surrounding handies go from strength to strength. As ever, the flexibility for Charterers to increase or decrease stem sizes is not just prudential, but actually more of a condition in navigating the pitfalls of currently operating in this sector.

Panamax

Levels notching up into the 300's has put a statement out into this sector with Charterers fully aware of the difficulties they face in not only securing tonnage but also where to accurately benchmark pricing. Here too surrounding sectors have removed the ceiling set on last done trades, and with the US trading with large positive disparities to the earnings here in Europe, the continual threat of units ballasting away is ever present.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Dec 1st	Nov 24th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**-24**	86	110	107	97
TD20	Suezmax	WAF-UKC	**-26**	187	213	186	178
TD7	Aframax	N.Sea-UKC	**+8**	316	308	214	220

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

			wk on wk change	Dec 1st	Nov 24th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**-27750**	53,000	80,750	75,000	66,000
TD20	Suezmax	WAF-UKC	**-15000**	75,250	90,250	72,500	70,500
TD7	Aframax	N.Sea-UKC	**+4750**	156,000	151,250	82,000	86,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Dec 1st	Nov 24th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**+2**	293	291	186	
TC2	MR - west	UKC-USAC	**+25**	404	379	275	342
TC5	LR1	AG-Japan	**+17**	323	306	215	255
TC7	MR - east	Singapore-EC Aus	**+21**	435	414	322	368

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

			wk on wk change	Dec 1st	Nov 24th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**+500**	71,500	71,000	34,500	
TC2	MR - west	UKC-USAC	**+4250**	52,750	48,500	27,500	41,500
TC5	LR1	AG-Japan	**+3750**	57,250	53,500	30,250	41,000
TC7	MR - east	Singapore-EC Aus	**+3250**	53,250	50,000	33,750	42,000

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

ClearView Bunker Price (Rotterdam VLSFO)	**+10**	563	553	613
ClearView Bunker Price (Fujairah VLSFO)	**+61**	686	625	671
ClearView Bunker Price (Singapore VLSFO)	**+6**	656	650	684
ClearView Bunker Price (Rotterdam LSMGO)	**+20**	895	875	1000

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