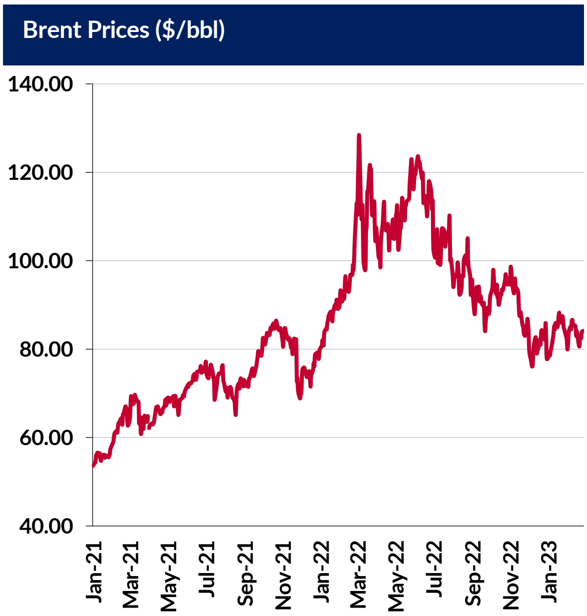
A New Chapter for Oil Market?

Weekly Tanker Market Report

Oil prices have remained comfortably below $100/bbl over the past three months, with Brent largely trading between $80/bbl and $85/bbl, despite the imposition of the European ban on Russian crude and products imports. This relative stability is mostly attributable to the perceived success of the crude oil price cap and global coordinated SPR release last year. Urals exports have remained robust after the Dec 5th deadline, albeit travelling much longer distances to well-known buyers in third countries.

For products, the picture is less clear. Preliminary trade data from Kpler shows that Russian clean product exports in the West averaged at a healthy 1.5 mbd in February, with notable increases in shipments to Turkey, North and West Africa and the Middle East. Although absolute volumes are down by around 10% month-on-month, they are largely in line with the average level of Russian clean product exports seen in 2022. However, we cannot rule out the possibility that at least a portion of Russian products exported in February is destined for storage terminals, with these barrels yet to find their ultimate home. Another factor that has kept a lid on oil prices is a struggling oil demand in advanced economies in the West, with 4Q22 demand down year-on-year and 1Q23 consumption estimates so far not showing any significant improvements.



Yet, whilst concerns about the global economy dominated last year, now we may well be at the start of a new chapter. Much of this optimism has been stoked by China dramatically abandoning its zero-Covid policy in late 2022, with the impact of policy changes already being felt. China's manufacturing activity registered in February its fastest growth in more than a decade, with the country's official manufacturing sector purchasing managers' index jumping to 52.6 last month from 50.1 in January, its highest level since 2012. China's rebound from its Covid-related restrictions will undoubtedly support global oil consumption this year. In its latest report, the IEA puts global oil demand growth this year at 2 mbd, with China accounting for nearly 50% of the total gain.

It could be challenging for global oil markets to meet this rising demand, particularly considering ongoing OPEC+ production cuts. Absolute levels of Russian crude production is also a concern, with the country floating the idea in early February that it would cut its crude production levels by 500 kbd in March and reduce exports from Western terminals by 25%. Here, any further decline in production and export levels will only contribute to a tightening oil supply and demand balance.

Earlier this week, Vitol's chief executive said in a Bloomberg interview that oil demand is likely to reach record levels in the 2nd half of this year. With consumption climbing and the market tightening, "the prospect of higher prices in the second half of the year, in the sort of $90-$100 range, is a real possibility." Drilling further in terms of numbers, the IEA expects non-OPEC oil supply to expand by 1.2 mbd in 2023, led by production increases in the United States, Brazil, Norway, Canada and Guyana. This means that sizable incremental volumes by OPEC Middle East producers and/or even Russia will also be needed to meet the expected growth in demand. If not, we could see a significant tightening in oil markets, another major drawdown in oil inventories and the renewed upward pressure on prices. Perhaps a bit of both is more likely.

GIBSON SHIPBROKERS

Crude Oil

Middle East

The week ended in a positive vein for VLCC Owners as levels East pushed past the ws 70 mark, with a large volume of activity putting pressure on Charterers, particularly those with 2nd decade stems to cover. A large clear out of tonnage, especially the relets, should ensure the firm sentiment carries over to next week. Today we would expect a 270 AG/China to go for ws 71 and 280 AG/USG to fetch ws 42. The AG has begun to firm for Suezmaxes and with limited older tonnage to take stems into India, we are seeing some potential for upwards movement. Rates for AG/West are around 140,000mt x ws 67.5. Runs into the East are also becoming more attractive, and Owners will be aiming for over 130,000mt x ws 140 considering an improving VLCC market.

The week ends in similar fashion to which it began... pretty quiet. Sentiment has continued to inch TD8 up; however, it is worth noting that a fresh test is needed to support ws 200 levels being achievable. Options remain on the table for Charterers but with a few more cargoes reported ex AG and Bashayer this week, Charterers will keep one eye on how balanced list looks come next week.

West Africa

On the surface, VLCC activity in this region during the week has appeared limited, but the large number of vessels on subjects in the Atlantic suggests otherwise, with the likelihood many deals done quietly probably in part due to the IE week festivities in London. Today we are expecting 260 WAF/China to go in the region of ws 70.

West Africa has been quieter this week but, with a firm USG market, the temptation to head across remains strong; current levels are around 130,000mt x ws 142.5 for TD20. The premium over UKC to head East is around 5 points still.

Mediterranean

Delays in the Turkish straits have decreased, so Owners will be looking for larger rates to account for lower demurrage. Owners will be looking to push the market over 130,000mt x ws 175 on next done. Rates into the East stand at approximately $5.9m today. The week started gingerly, with IE week disruption causing a pause in activity. However, this pause did not last too long and a list, which has been recently trimmed by ships ballasting to firmer markets and fixing longer voyages, allowed Owners to gradually build on last done for vanilla X-Med. Rates rose from the mid ws 170s and by the close, aided by a clutch of replacement cargos, ws 195 was achieved for a Libya/Fos run. CPC activity was in thinner supply and a discount was achieved for one of the few cargos worked, at ws 250. However, with strait delays easing into next week, Owners will be wary in repeating lower levels, with so much less demurrage available to help their returns.

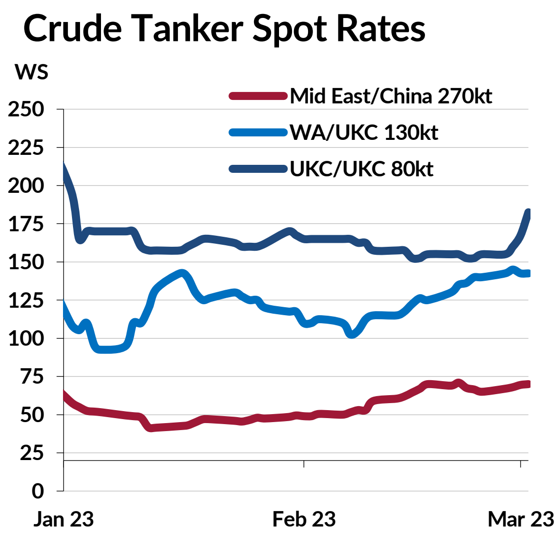
US Gulf/Latin America

Plenty of fluctuation here on VLCC, as a week that began with much promise for Owners, had a bit of dip in mid-week but then by week end recovered to the levels we saw at the beginning of the week.

The short-term outlook remains promising for Owners, as April looks set to see a lot of exports from USG, and today we would expect a USG to China run to fetch in the region of just over $10m. Aframax market enjoyed a bumper week here, as rates shot upwards approaching almost ws 400 by weeks' end, as a plethora of enquiry, combined with strong sentiment tickling down from larger sectors, created conditions for a huge increase in freight levels.

North Sea

A decent week of growth as ballasters paved the way for the market to push. Levels are now trading in the low ws 180s with sentiment continuing to warm. Surrounding markets are still hot and we can expect to see further rate gains into next week.



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

Clean Products

East

It has been a very busy week for the LR2s and as a result they are tight out to the 15-20 window. Yesterday's offers at $4.8m for India loading is a step up on last done and highlights a real intent from Owners to bring the market back up towards the 5m footing. Most Owners are happy to sit back as the week comes to a close as they see no need to commit to anything this side of the weekend.

A quiet and rather lackluster week for the LR1s. Very much lacking in volume here, and although the various COAs have seen a few ships taken off the list, overall it has not been enough to change the sentiment from flat. $3.65m levels for a West run and TC5 is at 55,000mt x ws 180 levels. Owners will be hoping to see cargoes enter the market early next week. But for now, it remains flat.

A very bearish week for the MRs comes to an end as earnings have slipped from mid 30s to low 20s. The major damage to rates has been done on shorthauls and EAFR, with $300k for X-AG and ws 190 on EAFR. Western runs and TC12 have not been truly tested for some time as Charterers continue to move distillate West and Naphtha East on the LRs or their own ships. When tested though we should see TC12 drop to ws 190 levels and UKC down towards $2.3-$2.4m. A real déjà vu feeling here as it was only five weeks ago, we saw a similar dip in January when we quickly moved from ws 300s to ws 180 on EAFR (and down to $225k X-AG and $2.3m AG/West).

Owners will be hoping the same bottom will be reached, repeated, and a quick rebound emerges - but with the Singapore and the Med markets both in weaker positions than in January, for now it feels the bottom will last a little longer this time round. On a slightly more positive note, the week has finished with a small flurry of fixtures which will help make the position list look less overcrowded come Monday.

Mediterranean

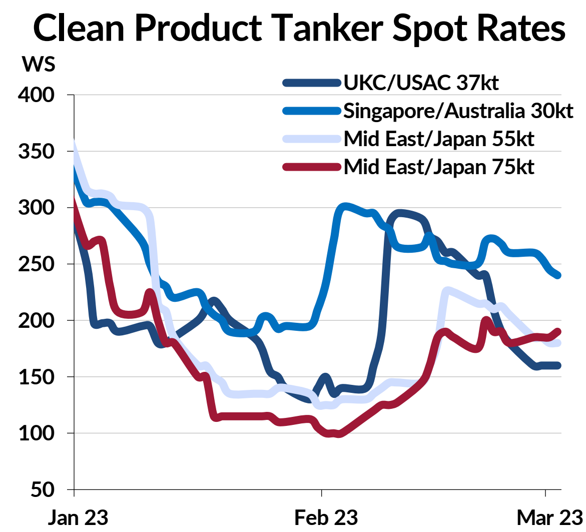
All in all, its been a lacklustre week for the Handies here in the Med with slow enquiry throughout and as a result a slip in rates. We began the week with X-Med trading at the 30,000mt x ws 220 mark but with activity a little disjointed due to IE week we now see rates trading around the 30,000mt x ws 185-190 levels. Non-Russian Black Sea runs have received fresh tests this week at +50 points on X-Med with further correction expected. The market is quiet as we near the weekend.

Finally, to the MR's here in the Mediterranean where we finally saw this market fall in line with its UKC counterpart. Med/TA rates had been trading at a high premium on TC2 when we began the week but with UKC levels continuing to tumble, The Med soon followed suit and we now see 37,000mt x ws 160 being repeated TA. Higher premium have been seen for WAF this week but expect vanilla runs to remain at +10 on TA. Steady into the weekend.

UK Continent

With IE week upon us the true level of enquiry for this sector was always going to be shrouded in mystery (or beer) and with ample direct deals being concluded we do start to see this tonnage list thinning. That partnered with an improved States market reducing the number of ballasters, we find ourselves come Friday in a strengthening position for Owners. Rates slipped early in the week down to the 37,000mt x ws 155-160 level and has mostly held fast with WAF 5-10 points higher which seems for now anyway to be the floor. Enquiry levels early next week as always will be crucial if Owners are able to capitalize on these foundations built, but no doubt, they will be quietly optimistic things are back on the way up.

With the MR market on the backfoot and softening at the start of the week those plying their trade in the Handy sector knew a correction was due on freight levels. X-UKC started to tumble and at the time of writing, rates close at 30,000mt x ws 160 which is 80 ws points below where levels started on Monday. On a more positive note, there has been improved volumes quoted today and with some more upside expected on the MRs (TC2 paper BALMO at ws 198) Owners will be optimistic of this market potentially bouncing back next week.



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Dirty Products

Handy

Up week-on-week in both regions, the Continent showed the biggest gains this week, with a very tight tonnage list for Charterers to navigate their way through. Given that supply/demand balance shows no signs of abating in the near term, Owners are likely to continue to enjoy a period of firm trading conditions, with the impression that we are not yet at the top of this cycle. Down in the Med, where despite the disruption of IE week and information rather slow to flow at times, deals were being concluded, keeping the lists trimmed back, with Charterers having to dig deeper into their pockets when covering on the earlier side of the tonnage lists. Here too, Owners will be bullish going into next week, where with everyone back at their desks, expectation builds that there will be more of a cargo base to explore.

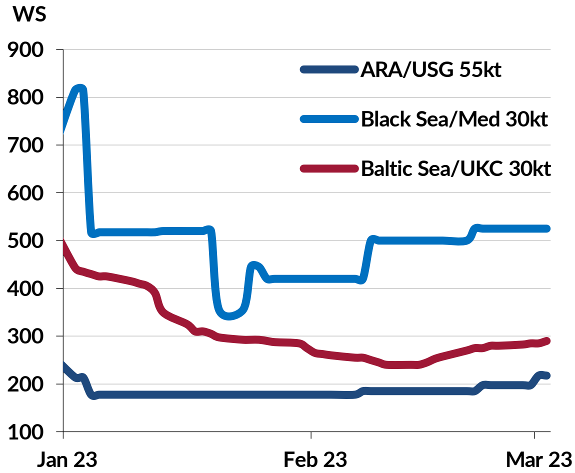
MR

Bolstered by the surrounding Handies, sentiment is firm on the MRs, with levels gaining slight improvements between deals. In the Continent availability is rather more patchy, so it will come as no surprise to see this region trading slightly up against the Med. This said, with ws 225+ on offer in the Med, Owners can be bullish, given also the safety net of part cargo employment.

Panamax

With a few ships naturally on offer this side of the Atlantic, Charterers have been asking a few questions; however, with the US markets picking up again, Charterers better move decisively as the difference in numbers for securing a natural ship vs a ballast will be wide. Last done levels seem to be holding; however, let's see in the coming days whether we see questions turn into an injection of real activity.

Dirty Product Tanker Spot Rates



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 2nd	Feb 23rd	Last Month*	FFA Q1
TD3C	VLCC	AG-China	**+5**	70	65	49	60
TD20	Suezmax	WAF-UKC	**+8**	144	136	112	125
TD7	Aframax	N.Sea-UKC	**+27**	180	153	166	164

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

			wk on wk change	Mar 2nd	Feb 23rd	Last Month*	FFA Q1
TD3C	VLCC	AG-China	**+6500**	56,000	49,500	22,500	41,500
TD20	Suezmax	WAF-UKC	**+3750**	69,750	66,000	46,750	57,250
TD7	Aframax	N.Sea-UKC	**+21500**	78,250	56,750	65,000	64,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 2nd	Feb 23rd	Last Month*	FFA Q1
TC1	LR2	AG-Japan	**-7**	187	194	96	
TC2	MR - west	UKC-USAC	**-38**	155	193	140	195
TC5	LR1	AG-Japan	**-28**	181	209	126	187
TC7	MR - east	Singapore-EC Aus	**-42**	235	277	276	247

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

			wk on wk change	Mar 2nd	Feb 23rd	Last Month*	FFA Q1
TC1	LR2	AG-Japan	**-3750**	51,000	54,750	11,250	
TC2	MR - west	UKC-USAC	**-9500**	15,250	24,750	11,250	24,250
TC5	LR1	AG-Japan	**-9250**	33,250	42,500	15,000	35,000
TC7	MR - east	Singapore-EC Aus	**-9000**	28,750	37,750	35,000	31,250

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

Bunker Price - Rotterdam VLSFO	**+22**	575	553	591
Bunker Price - Fujairah VLSFO	**+7**	603	596	649
Bunker Price - Singapore VLSFO	**+19**	606	587	676
Bunker Price - Rotterdam LSMGO	**+53**	813	760	821

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