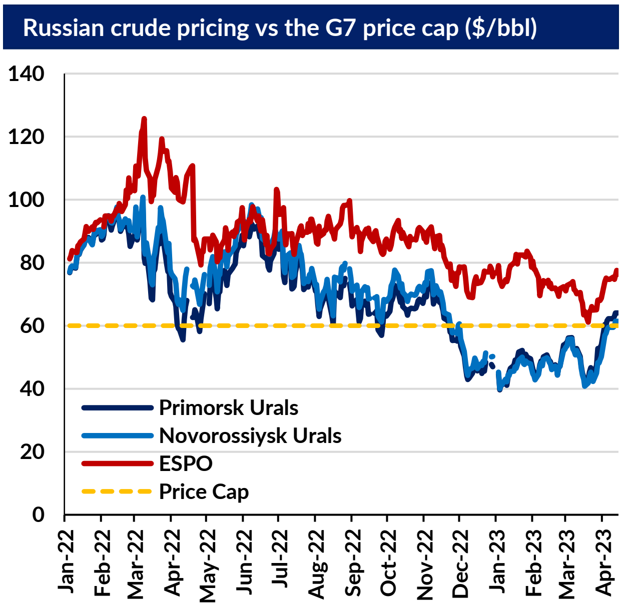
Mind the Cap

Weekly Tanker Market Report

It has been approximately five months since the imposition of the G7 price cap on Russian crude exports. The G7 has since agreed to keep the price cap at $60/bbl instead of lowering it further as some had called for. This comes as crude prices across the board are rising, with most mainstream grades trading above $80/bbl.



Arguably, the price cap policy has been successful in ensuring the continued flow of Russian oil to the market and limiting energy price volatility whilst also lowering export revenues for Russia. This was possible with Urals prices trading in the $45-$55/bbl range but recent developments in oil prices have seen Urals assessments pricing above $60/bbl, this in theory putting the trade of Russian seaborne crude out of compliance with the terms of the price cap policy. This could reduce the export potential of Urals cargoes to buyers mostly in India and China by squeezing the pool of tanker owners willing to engage in this trade going forward.

Whilst for those willing to continue in this market, they risk entering a potential grey zone of compliance. However, for now there are no signs of tankers leaving the Russian market and entering the mainstream sector. To the contrary, the data highlights a growing number of western players seeming to be gaining confidence to lift Russian cargoes. This suggests that exporters are trading within the price cap policy for at least a portion of their oil exports entering the market. Whether we see additional increases in Russian crude prices above the price cap will be primarily driven by oil supply and demand dynamics.

However, Russia has tried to influence this through its own production policy. Russian officials had previously announced a 500 kbd cut in crude production from February levels from March until the end of 2023 to support prices and boost export revenue. Additionally, some Russian officials have indicated that they believe some exporters have been discounting export barrels too heavily or misrepresenting prices to reduce their tax exposure and would like to see prices rise to recoup this lost revenue. In terms of the data, The IEA estimates that Russia's March output fell 290 kbd to 9.58 mbd, and OPEC+ cuts are adding further support. This could provide extra support for Urals prices and further make their trade unviable for more risk adverse players currently engaged in this trade.

When it comes to actual seaborne crude entering the market, Russian crude exports have thus far remained robust. The data shows shipped volumes were 5.33 mbd in March, which averages to just over 5 mbd so far in 2023 versus 4.6 mbd in 2022. In addition, the US government has recently encouraged several large trading houses to ship more Russian crude in order to increase global oil supplies, which may increase the quantity of Russian crude being marketed as well as boosting these volumes. However, this could also depend on the ability of India and China to marginally increase their imports of Russian crude further.

Overall, the price cap has so far been successful in reducing Russia's export tax revenue, while ensuring barrels continued to flow. However, going forward, this success could be at risk if owners cannot viably engage in Russian trade whilst maintaining compliance with the price cap. Therefore, the next challenge for Russia could be maintaining production levels to ensure prices remain within the price cap limits to keep barrels flowing. Despite their very public opposition this would allow Russia to maintain both the market share gained over the previous months as well as to protect the longer-term capacity of its upstream oil sector and its economic value to the stat

Crude Oil

Middle East

The momentum on VLCCs in AG has shifted back towards the owners favour this week as an increase in activity pushed rates above ws 70 for most eastern runs on modern vessels. Owners are anticipating a busy upcoming week as stems should have come out over the weekend. Today we would expect a 270,000mt AG/China run to fetch ws 72 and 280,000mt AG/USG trip to go for at least ws 47.

It has been a sluggish week in the East as the lack of activity dampened the sentiment. TD8 started the week at ws 226.57 but gradually inched down to ws 223.79 as the East struggled to kick into second gear. For Owners, the saving grace was the tight tonnage list at the front end which has stemmed any substantial bleed in rates. However, a weakening Suezmax market has provided a further option to Charterers after a couple of Afra stems were snapped up by the larger ladies. With this in mind, we expect sentiment will continue to soften into next week especially with the west market also softening.

Enquiry has remained slow on the Suezmax size this week and rates came very much under pressure. Though as we end the week, there have been some signs of life with a premium charged for options, and rates for AG/West are around 140,000mt x ws 67.5. The market for cargoes into the East has continued to fall away and Charterers will be aiming to beat 130,000mt x ws 132.5

West Africa

VLCCs slowly picked up towards week's end after a sluggish period before and immediately after the Easter Holidays and Owners are hoping they make some gains here as Charterers show more May stems. However, the tonnage list remains sizeable and with USG rates coming off it may prove difficult. Today we are expecting a 260,000mt WAF/China run to be priced at ws 70.

Suezmax Owners in WAF have little to write home about this week as the market continues to soften and next-done will have Charterers looking for 130,000mt x ws105 for UKCM. Those looking to send cargo East will likely face a premium of around 10 points.

Mediterranean

A busy MED market has been cushioned by a lengthy list leaving owner's resolve to be questioned. Rates are now trading in the ws 170s range with the feeling like there may be a little bit more to come off.

A Softer Aframax market and a few more prompt ships looking to fix away has depressed the MED market this week with a TD6 run standing at around 130,000mt x ws 157.5. Rates for a standard MED/East have also softened and a MED/East cargo will set Charterers back around $5.7m.

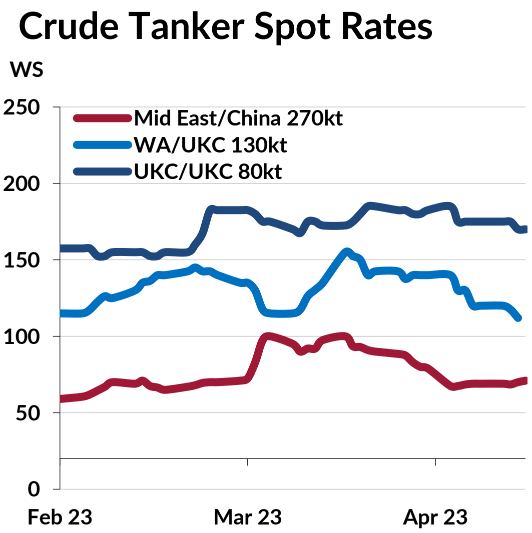
US Gulf/Latin America

The VLCC market here is facing the perfect storm where thinning enquiry levels combined with lots of leftover tonnage in the Atlantic area are pushing rates downwards daily. Owners can only hope we are close to the bottom but there could be more to come. Currently we are calling a USG to China run in the region of $9.8m.

The Aframax market continues through a torrid time as rates have collapsed and enquiry levels are thin on the ground.

North Sea

The Northern market has failed to entertain with muted activity doing little to disturb the surface. X-NSsea is now trading at ws 160 levels and looks unlikely to liven up in the near term.



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

Clean Products

East

LR2s have had a quieter week than many had hoped and expected after the long holiday weekend. Rates have accordingly dropped away with a couple of deals fixed mid-week lower than really needed to be done. But with a few more stems coming rates, should now stabilise and could look to bounce slightly if the coming week sees an uplift of activity. 75,000mt Naphtha AG/Japan is around ws 160 today, with a few ships keen East only. 90,000mt Jet AG/UKC is hovering around $4.2m, with only redelivering vessels or Russian traders at lower money.

Overall, a fairly quiet week for the LR1s. With a lack of stems, the tonnage list has started to build up. That said, Owners have been holding firm, whilst there have been some pretty strong numbers paid on the short hauls, highlighting a lack of interest in short haul currently. Longer haul have come under a little more pressure and with $3.6m on subs for a West run we have seen a slight negative correction on last done. TC5 needs a fresh test but should be in the 55x ws200-ws205 range. With 1 outstanding cargo heading into the weekend a quick and strong supply of stems is needed next week.

A progressive week for the MR market but not quite the rally Owners were hoping would occur. Given the current position list and the cargoes presented to Owners this week, rates should have exceeded ws 300 for TC17. Sadly, we've not quite reached levels expected - but the lack of ballasters from Red Sea and Singapore will keep the list balanced for the next window.

Mediterranean

As per most sectors in the West, a busy week for the handies in the Mediterranean which is unsurprising really after nearly 200 points were knocked out of the market last week.

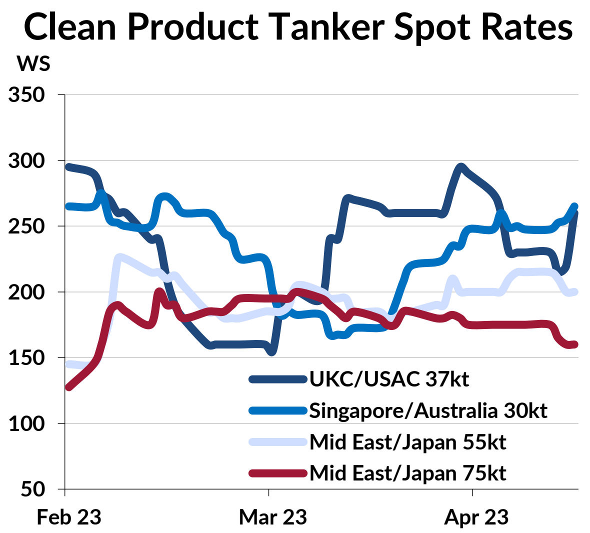
We saw a flurry of activity push rates up to 30 x ws220 by midweek, and by close of play we see 30 x ws275 now on subs, although an Italy option was required. Owners will be full of positivity heading into Monday next week.

Despite the low rate of 37 x ws210 seen ex Sines over the long Easter weekend, this Mediterranean market has managed to hold a good premium on the North, with limited naturally open tonnage keeping things tight for Charterers. Small gains have been had with most stems and come Friday we see 37 x ws265 as the last done, with continued optimism from Owners still. Tonnage remains limited moving into next week and we expect this momentum to keep up.

UK Continent

We have seen this truncated Easter week produce good levels of enquiry from the get-go in the UKC MR market and with the talk of UMS shortages also in the States fueling enquiry, we saw rates pick up from the lows last week of 37 x ws210. The tonnage list has been continuously chipped away at and come Friday we see a limited options except relets for Charterers to pick at. This has pulled TC2 up towards 37 x ws265 levels now and with a tight MED sector also, ballasters will be demanding further gains moving into Week 16.

It has been a busy week for Handies plying their trade in NWE as a healthy amount of fixing has been seen for ULSD X-UKC. Freight has bounced back and at the close of the week, 30 x ws230 is now the benchmark for X-UKC. The front end of the tonnage list is now tight and charterers will be thankful the weekend is on the horizon and hopeful the supply side looks better come Monday. There is potential here if enquiry continues to be quoted.



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

Dirty Products

Handy

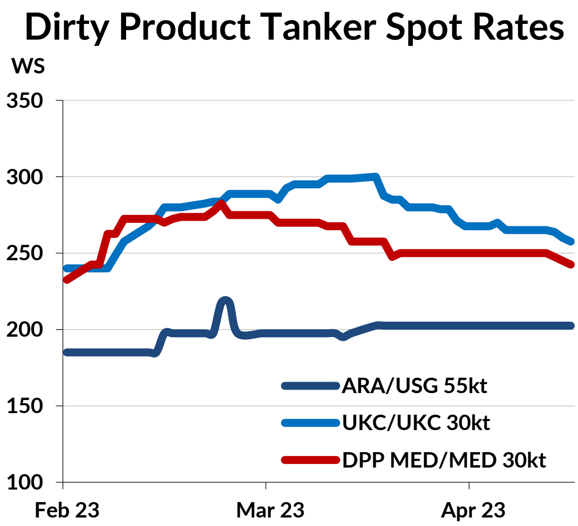
As a summary for Handies in both regions, Med and the Continent started the week with lengthy tonnage lists due to the long Easter weekend allowing both itineraries to firm and tonnage to build. As a result, during the few times rates had been tested, Charterers found competition to be more than favourable for their requirements with multiple options to provide cover. As such, Owners remained on the back foot having no choice but to compete, with levels dropping in both markets by 5-10 points. Although negative sentiment circulated initially, this soon changed as midweek activity surfaced clearing down the top of list tonnage. Furthermore, the flurry of activity midweek steadied the ship as both markets found a floor, however, both sectors urgently need an injection of pace if further value drops are to be avoided.

MR

Similarly, we report a second consecutive week where enquiry in North has been flat, although MR's have started showing more generous availability. Whilst tonnage built over the weekend, full stems are few and far between as the continent, for a while, has been suffering from liquidity problems. Whilst units at the top of the list edge closer to being prompt, MR Owners know they have part cargo options should their reasonable demands not surface. In the Med, MRs continue to ride the coattails of the Handies, where very few MR stems have emerged. A recent test on MRs saw ws 205 but with little momentum for full stem enquiry to surface again; it was time to look elsewhere as activity on Handies started to pick up

Panamax

A familiar narrative for this sector as inactivity continues and marketed tonnage awaits to be tested. Throw a soft surrounding Aframax sector into the mix, and then you quickly see that the current pattern is expected to follow. This is however, if the units open on this side of the Atlantic get the test we urgently need and do not decide to ballast back TA as soon as they open.



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

			wk on wk change	Apr 13th	Apr 6th	Last Month*	FFA Q2
Dirty Tanker Spot Market Developments - Spot Worldscale							
TD3C	VLCC	AG-China	**+5**	73	68	94	65
TD20	Suezmax	WAF-UKC	**-14**	109	123	129	108
TD7	Aframax	N.Sea-UKC	**-4**	171	175	171	170
Dirty Tanker Spot Market Developments - $/day tce (a)							
			wk on wk change	Apr 13th	Apr 6th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+6500**	57,750	51,250	92,750	47,750
TD20	Suezmax	WAF-UKC	**-9500**	45,250	54,750	62,000	45,000
TD7	Aframax	N.Sea-UKC	**-3500**	70,000	73,500	73,000	69,250
Clean Tanker Spot Market Developments - Spot Worldscale							
			wk on wk change	Apr 13th	Apr 6th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-13**	159	172	183	
TC2	MR - west	UKC-USAC	**+20**	251	231	271	238
TC5	LR1	AG-Japan	**-14**	199	213	196	198
TC7	MR - east	Singapore-EC Aus	**+9**	262	253	168	235
Clean Tanker Spot Market Developments - $/day tce (a)							
			wk on wk change	Apr 13th	Apr 6th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-5250**	39,250	44,500	51,500	
TC2	MR - west	UKC-USAC	**+4750**	37,250	32,500	43,500	34,750
TC5	LR1	AG-Japan	**-4250**	38,250	42,500	39,750	38,250
TC7	MR - east	Singapore-EC Aus	**+1750**	33,750	32,000	17,000	28,500

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

Bunker Price - Rotterdam VLSFO	**+10**	597	587	524
Bunker Price - Fujairah VLSFO	**+19**	617	598	541
Bunker Price - Singapore VLSFO	**+17**	620	603	543
Bunker Price - Rotterdam LSMGO	**-2**	769	771	716

www.gibsons.co.uk

London
12th Floor.
6 New Street Square.
London EC4A 3BF

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
2 Battery Road
09-01, Maybank Tower
Singapore 049907

T (65) 6590 0220
F (65) 6222 2705

Houston
770 South Post Oak Lane
Suite 610, Houston
TX77056 United States

Mumbai
B 1006, 10th Floor
Kohinoor Square
Plot No. 46, NC Kelkar Marg, OPP
Shivsena Bhavan, Dadar (W)
Mumbai - 400028
Maharahstra, India
T +9122-6110-0750