Economic Headwinds

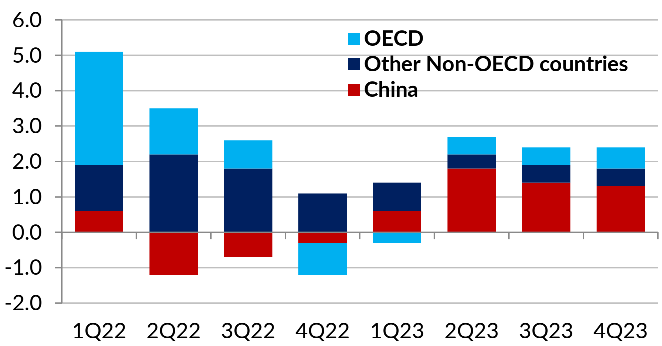
Weekly Tanker Market Report

In early April, the OPEC+ coalition made a surprise decision to implement fresh production cuts, with concerns over the global economy and banking crisis being cited as one of the reasons behind the cut. Oil prices rallied as a result but in more recent weeks these gains have been erased. On the global economic front, there indeed have been some troubling indications, most notably in OECD countries. Europe's GDP growth remained more or less flat in Q1 2023, up by just 0.1% compared to the previous quarter. The region's manufacturing PMI, a key indicator of industrial activity, was assessed at 45.8 in April, showing the sharpest contraction since May 2020. Meanwhile, forward expectations for Europe's industrial powerhouse Germany continue to wane. The ZEW institute's indicator of economic sentiment declined to minus 10.7 in May, its first sub-zero reading this year. The weakness in economic indicators is filtering through oil consumption, with OECD Europe's oil demand in 1Q 2023 down by 200 kbd, of which Germany accounted for just over half of the overall decline, according to the IEA.

In the US, the economy is still growing, albeit at a slower pace. US GDP expanded by 1.1% year-on-year in Q1 2023, down from 2.6% in Q4 2022. Total oil demand is also down in Q1 2023, by 250 kbd year-on-year, although some rebound in weekly consumption data was seen in April. The banking crisis, as evidenced by the recent collapse of First Republic Bank and the volatility in other US regional banking shares, is also far from over.

With economic growth in advanced economies clearly decelerating and industrial activity slowing, concerns are that high interest rates and ongoing banking turbulence will only lead to additional credit tightening and apply further breaks on consumer spending. The recent slump in oil prices is merely the evidence that concerns over global economic health (and perhaps the uncertainty related to the latest US debt-ceiling stand-off) prevail over OPEC+ production cuts.

YoY Quarterly Growth in Oil Demand (mbd)



Yet, the IEA stresses that the current market sentiment and softer oil prices stand in stark contrast to the expected tightening in global oil demand/supply balances. Whilst acknowledging the economic turbulence, the agency still revised up its outlook for global oil demand this year by 200 kbd to 2.2 mbd, primarily on the back of expectations of robust demand growth in China, where the surge in personal mobility saw Chinese oil demand reach record levels in March. In its latest monthly oil report, the IEA upped its expectations for China's oil demand growth this year, with robust increases anticipated in gasoline demand due to domestic travel, naphtha demand amid ongoing steam-cracker capacity additions and jet/kerosine demand on the back on domestic and international air travel. Demand for gasoil, however, is expected to see only marginal growth year-on year as it is primarily driven by the industrial output, where there are early signs of trouble. The country's industry activity is slowing, with the April's Caixin China General Manufacturing PMI down to 49.5 in April from 50 in March (any reading below 50 shows a contraction in activity).

The IEA warns that the combination of robust global oil demand growth and OPEC+ production constraint could see demand exceeding supply by nearly 2 mbd in the 2nd half of year. Whether or not this materialises is yet to be seen, as there are sensitivities both on demand and supply side. Economic turbulence and weak industrial/trade activity could accelerate, hurting demand; whilst robust Russian crude and products oil exports at the time when the Middle East OPEC members, led by Saudi Arabia, bear the brunt of actual output cuts, could potentially lead to some friction between OPEC+ members.

Crude Oil

Middle East

Vlcc market had a slow start to the week as Charterers seemed in no rush to move to cover early June stems. Yet, as the week progressed, we saw Owners grab the initiative as sentiment firmed mainly due to upturn in other sectors. By the end of the week Owners have managed to push rates back up to mid ws 50's level and we still have a lot of first decade cargoes to cover. Today we would expect 270 AG/China to fetch ws 55.5 and 280 Ag/USG to go for at least ws 35.5 level.

Suezmax rates for AG/West have remained steady throughout the week, with a healthy level of enquiry paired with adequate tonnage. Rates for TD23 stand around 140,000mt x ws 70 at the time of writing. Rates to head East remain constant at approximately 130,000mt x ws 130.

After a quiet start to the week, the heat finally hit the AG on Wednesday as the front end of the list got pulled apart. Activity picked up and with it the sentiment, as Owners saw plentiful options in front of them, including cargoes X Med and Baltic. With this in hand, Owners have been able to challenge last done and push rates up. Although there is little reported outstanding today, we can expect sentiment to remain warm into the next week, as we finish the week with AG/East at ws 180 levels.

West Africa

Owners enjoyed another good week in WAF, as activity levels were high especially on routes to the East. Charterers were struggling to cover earlier dates, as tonnage began to tighten, but by Friday the market appears to have topped for now, as a few cargoes were withdrawn from the market. Today we are expecting a 260 WAF/China to for ws 55.

Suezmax markets in WAF have a softer sentiment, as we close out the week and rates for TD20 have fallen away to 130,000mt x ws 125. Premiums to head East are at approximately ws 10 points.

Mediterranean

Suezmax Owners remain bullish in the Med, with a good level of enquiry for Owners to get their teeth into, combined with Afra cargoes in the background as a fallback option. TD6 voyages will set Charterers back around 130,000mt x ws 127.5 this afternoon. There are still a few Owners willing to give East options and a level slightly above last done is probably achievable for CPC/East. Rates today will be approximately $6.75m for a generic run.

The Med Aframax market kicked off with a busy patch and the thin tonnage list did the rest. X Med rates moved up from ws 170 for Ceyhan rates up to ws 180 and at the close ws 185 levels were being concluded for solid X Med voyages. Some opportunities were missed by Owners to push, as they looked to employ vessels with questionable itineraries and in some cases Charterers' gambling worked well. CPC cargoes started to be covered for the first decade of June by the end of the week, with rates rising from low ws 200s to ws 225 levels where they now rest. As we look into the weekend, the list remains tight for firm well approved tonnage and owners are still hoping for ws 200 to come soon.

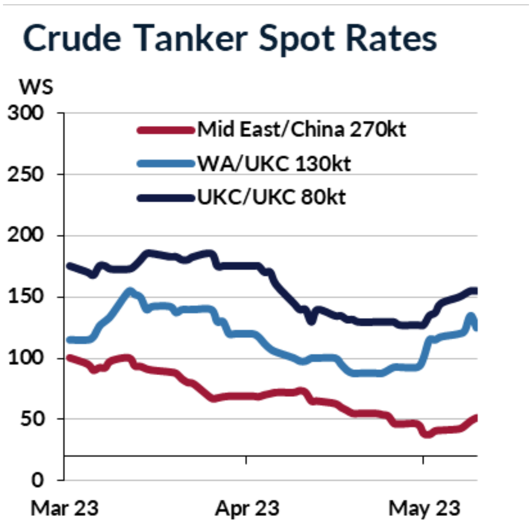
US Gulf/Latin America

This market continued to be the driving force behind the resurgence in the VLCC sector, as a plethora of enquiry forced Charterers to dig deep into their pockets, with available tonnage especially for first half June being limited. However, as we are now seeing an influx of East ballasters, the pressure has lessened for last decade and rates seem to have topped for now by the end of the week. Today a USG / China run will makes in region of $8.5m.

Owners in the Aframax market enjoyed a boom week, as rates sky-rocketed with enquiry levels very high. However, things seemed to have steadied by the end of the week, especially with reports of multiple ships failing on the busy TA routes.

North Sea

This week started with the North making up for lost time. The list was losing ships to the warmer climates of the US and a flurry of activity triggered rates to push upwards to the ws 155. Mid-week was hampered by national holidays, reducing activity in general. Closing on Friday leaves us in more of uncertain position, with a full working week coming up to level the ship. For now, X NSea is trading at ws 152.5.



Clean Products

East

Overall a fairly slow week across the larger sizes, which unfortunately for the Owners has led to last done rates been negatively impacted. TC1 has come off on each fixture and sits at 75 x ws 115. And last done for West at US$ 3.55m. However, there is more going on behind the scenes and with the MRs improving and the LR1s looking balanced expect these rates to recover quickly and 75 x ws 120 / US$3.65m levels should be on the cards early next week.

The LR1s remain relatively flat, TC5 is on subs a few times at 55 x ws 160 and Charterers with a West stems should be aiming for the US$3.0-3.1m levels. The Owners have managed to hold their nerve this week when not a huge amount of publicly quoted cargoes were seen. Off market cargoes ticked along in the background and as such the list has thinned and looks well balanced heading into the weekend.

Overall, a disappointing week for Owners as the 'plateauing' we expected this week has actually turned into more of a correction. Argo and ATC both originally saw ws 300 from other Owners, before Bahri/GESCO gave away the ws 265s – both cargoes had to delay laycans due to the lack of ships on the list and to accommodate said vessels. But at $32k/day locked in – the Owners aren't too bothered – it's just those not on subs this Friday who are upset. The Med market remains underwhelming – so we could see a few slip through the Suez Canal this weekend to help ease the tight Red Sea situation. Singapore is busy – so we shouldn't see ballasters this weekend unless Owners need to rebalance fleets. Furthermore, the Geelong refinery remains under maintenance so we may see the return of WCI bbls heading down to Oz (maybe not as big as the volume two weeks ago – that was driven by very cheap AG freight comparable to TC7 at the time – which has narrowed now). Looking into next week, fundamentally we remain extremely low on vessel supply as we have 3 ships for the next 7 days. All eyes today on ST's AG/EAFR off 26-27may.

Mediterranean

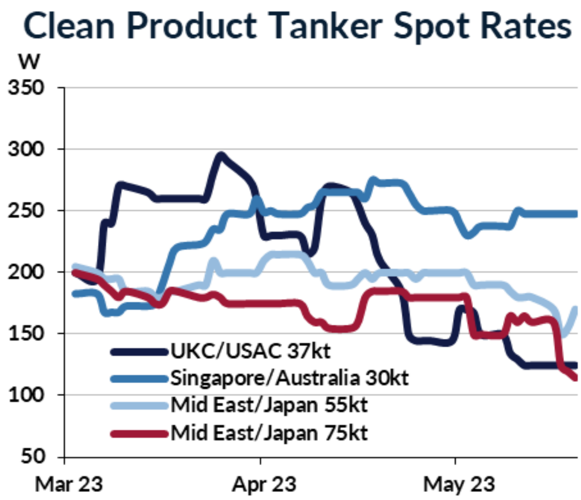
All in all, it's been a lacklustre week for the Handies in the Mediterranean, with rates coming under further pressure. After a week of slow enquiry, we see X Med trading around the 30 x ws 140-142.5 levels, with Black Sea expected to negatively correct when next tested. Heading into next week, expect much of the same, unless we see a pick-up in enquiry.

Not a vast amount to be said for the MRs in the Mediterranean, as similar to the UKC, we see minimal opportunities of employment for good levels of ballast vessels. The East sector does offer increased returns, which sees a few more vessels ballasting through and with that, a small premium of ws 5-10 points has been seen on the few cargoes fixed. Expect more of the same next week.

UK Continent

A week of ws 125 passes for the MRs plying their trade in the UKC, as despite Owners best efforts, the weight of ballasters and limited enquiry keeps this market well and truly floored. The States market continues to offer little positivity and, despite seeing a few more ships heading to Gib to access the Suez for improved rates, it feels like the lack of stems has been the true stumbling block. Enquiry levels need to pick up, if things are going to improve from here.

Not the most thrilling week for Handies in the North, as a healthy amount of prompt units have been the thorn in Owners' side. Freight has traded at the bottom throughout ,with X UKC at 30 x ws 115 and 30 x ws 107.5 for UKC/MED. Currently little upside here and the weekend break will only see a few more ships firm up and be workable come Monday. Flat.



Dirty Products

Handy

The North experienced another challenging week as enquiry has just about managed to keep units ticking over as itineraries have firmed. Whilst levels are now holding at ws 255, well approved tonnage has remained tight and in turn we have seen Charterers either swap in own tonnage to cover stems or hold back for cargo dates to come into play. With the Med remaining fairly sluggish in terms of pace, West Med units have been pulled North for round trips back to the region, with the usual ws 5 point diff applying. As we close the week out, Charterers, who held back dates, will hope to see tonnage replenishment over the weekend to maintain current sentiment and potentially test those who are prompt.

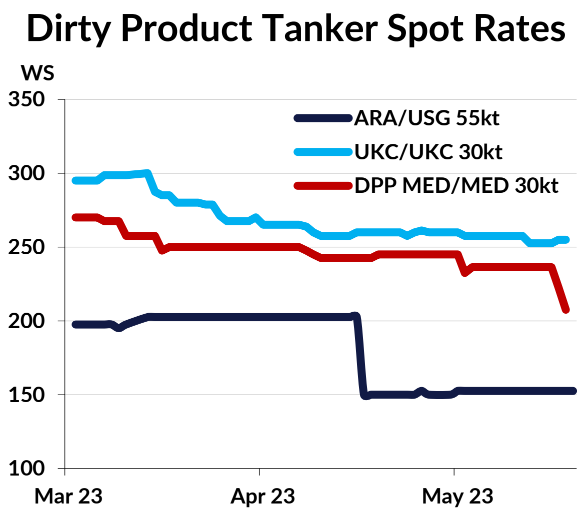
In the Med this week, despite the sentiment remaining in Charterers' favour for the most part and one or two outlier fixtures, we close the week with rates largely sitting where we started. Ws 205 has been achieved for an older unit looking to get moving after a period on TC; however, some ws 10-15 points more has been held on to as the benchmark figure by the majority of usual players, with ws 220 on subs as the week comes to a close for X Med. Despite the disparity here, there is a feeling amongst Owners that those with firm tonnage for now hold the cards. Digging a little deeper and seeking out those units being held back may throw up opportunities to test, however.

MR

This week, a stagnant feel to the Med as enquiry for another week has traded flat, with Owners and Charterers agreeing to hold levels in Med close to ws 200. While availability continues to surface in the region, owners are not giving in too quickly, even in the face of a full stem. A similar trend has played out in the North, as full stem enquiry once again has failed to surface, leaving Owners no choice but to throw their hat in for part cargo stems. At present, the levels in the North are stable but a fresh test is needed to see where confidence is found.

Panamax

The current trend of inactivity continues this side of the pond, with rumours of just one question for a Med loading cargo surfacing at the end of the week. Despite the US market seeing a sharp decline in levels in week 20, a resurgence this week and tightening of the list there has seen earnings peak again. Expectation is for Owners, once open, to commit to the ballast West and capitalise on opportunities presented there.



GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 18th	May 11th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+9**	50	40	65	53
TD20	Suezmax	WAF-UKC	**+25**	130	117	98	106
TD7	Aframax	N.Sea-UKC	**+18**	154	136	128	149

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

			wk on wk change	May 18th	May 11th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+12000**	28,250	16,250	49,500	33,250
TD20	Suezmax	WAF-UKC	**+9250**	62,750	53,500	39,750	46,750
TD7	Aframax	N.Sea-UKC	**+15500**	59,250	43,750	35,000	55,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 18th	May 11th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-37**	118	155	179	
TC2	MR - west	UKC-USAC	**-0**	126	126	225	170
TC5	LR1	AG-Japan	**-15**	161	176	197	174
TC7	MR - east	Singapore-EC Aus	**-5**	246	251	269	244

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

			wk on wk change	May 18th	May 11th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-15500**	23,750	39,250	48,250	
TC2	MR - west	UKC-USAC	**+0**	10,250	10,250	32,500	20,750
TC5	LR1	AG-Japan	**-5250**	28,000	33,250	38,750	32,000
TC7	MR - east	Singapore-EC Aus	**-1500**	31,500	33,000	36,000	31,000

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

Bunker Price - Rotterdam VLSFO	**-2**	526	528	563
Bunker Price - Fujairah VLSFO	**+0**	550	550	621
Bunker Price - Singapore VLSFO	**+0**	564	564	610
Bunker Price - Rotterdam LSMGO	**-1**	669	670	735

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