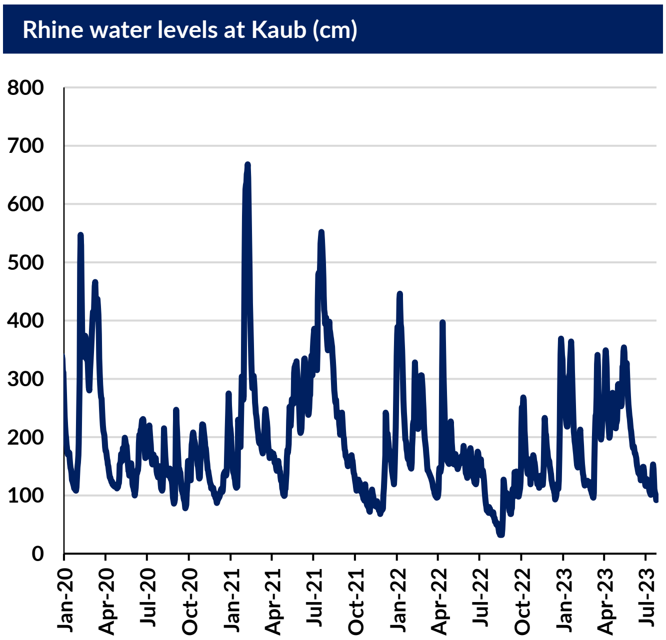
Trouble in the Rhineland

Weekly Tanker Market Report

In Europe, besides contending with an intense heatwave, lower rainfall has impacted inland waterway transport on the Rhine River. This serves as an important means of regional fuel distribution, given the lack of an extensive and well developed pipeline network. Instead it takes the form of barge transport carrying petroleum products from the ARA trading and storage hub to inland markets in countries such as Germany and Switzerland.

Low rainfall since mid May has put pressure on this network and low water levels at the Kaub choke point have resulted in draft restrictions and reduced the cargo quantity barges can carry. Although this is not unusual for the time of year and fresh rain is forecast, it has a knock on effect for regional product stocks and thus refining margins. With this in mind and the potential for greater variation in average seasonal rainfall patterns due to climate change, such disruption is likely to become more common.



As of writing, the current water level at Kaub stands at 155cm following fresh rainfall but had stood at 92cm at the start of the week. Barges have been restricted to carry around 1,500mt of cargo versus a standard size of 2,500mt, which corresponds to a 40% reduction in barge carrying capacity. This in turn had led to congestion and waiting along the river and to load product in ARA.

Nevertheless, we have seen lower levels before such as in October 2018 where a mere 25cm was recorded. We also saw a notable drop last August to 32cm meaning levels could fall further this year which would begin to raise more concern. Fortunately, this does not seem to be on the horizon at present given the near term forecasts.

A buildup of ARA distillate stocks could be a bearish factor for TC14 as higher diesel supplies could lead to some weaker demand for US cargoes. Flows data shows that quantities shipped into ARA from the US have remained minimal so far this year. Instead, overall flows to North West Euripe (NWE) have been increasing but are discharging in other local, non-ARA ports such as Milford Haven, Grays and Southampton. Over the last three months, volumes have been edging up from 209kbd in May to a multiyear high of 258kbd in July. Further disruption could see more of these cargoes placed in other local ports if this trend continues.

Overall, unless Q3 and Q4 see prolonged lower precipitation in Northern Europe, there is unlikely to be a significant effect on the deep-sea clean tanker market. However, past data also shows this period has the greatest potential for dips in water levels and so the possibility of the kind of past disruption and effects on the ARA market remains for the time being a possibility. This case also highlights the vulnerabilities of having logistical bottlenecks and viable alternatives such as pipelines. The situation remains fluid and is worth keeping an eye on over the coming months given its potential to impact on the NWE market.

Crude Oil

Middle East

It has proved to be a mundane week on VLCC's in AG where Charterers have drip fed cargoes into the market with the result being that rates have hardly moved from Monday despite some off market activity which helped Owners maintain current levels. It may be a challenge to prevent rates from softening next week if this continues and today we would expect 270,000mt AG/China to fetch in the region of ws 51 and 280,000mt AG/USG to go for at least ws 32.5.

There is still some optimism in the AG despite some failing fixtures and TD23 stands at approximately 140,000mt x ws 65. Activity heading East remains slow and despite pressure from VLCCs taking part cargoes, rates are approximately 130,000mt x ws 117.5 today.

Against the wider outlook, its actually been a busy week for Afras in the East. Much of the activity has worked under the radar and Owners are yet to realize another chunk of tonnage has disappeared. The summer gloom and lengthy list however keeps rates subdued and some weaker Owners are letting Charterers off the hook. Overall, with a few outstanding cargoes still there to close the week, the market remains steady at around 80,000mt x ws 150-155 to go East.

West Africa

WAF VLCC activity has slowed down towards the end of the week after what has been a busy period. Unfortunately for Owners it appears to be under downward pressure as many vessels were reported to have failed and Charterers are now looking to break last done levels. Today we are expecting 260,000mt WAF/China to go for ws 52.5.

Suezmaxes in West Africa has seen limited levels of activity and sustained pressure on rates. The market for TD20 has fallen this week and rates today are around 130,000mt x ws 70. Premiums to head East stand at approximately 10 points, with limited vessels willing to lock in the longer run.

Mediterranean

Suezmax Charterers in the Med are flush with options. For TD6, Charterers will be looking to push below 130,000mt x ws 90 for next-done. The Market for Libya/Ningbo has stayed around the same level and Charterers will be looking to break $4m.

A week to forget for Owners in the Med Aframax market. The cargoes that were quoted were met with several offers and there always seemed to be vessels willing to go lower than last done, as Charterers continued to reach further forward. X-Med Started the week at ws 122.5 and at the close is around the ws 100 level. As we move into next week there will need to be a significant shift in sentiment and activity to buck the current downward trend.

US Gulf/Latin America

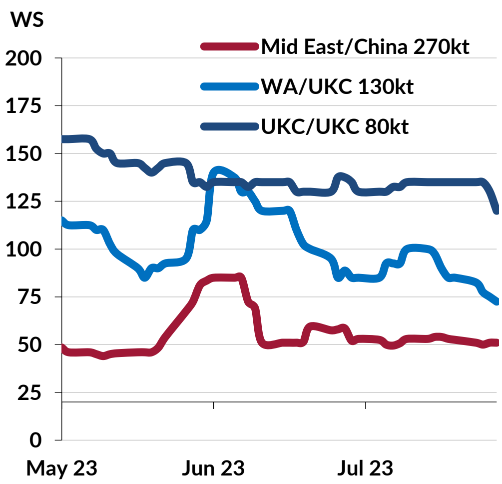
The America's has proved to be a happy hunting ground for VLCC Owners in the past week as rates firmed with tonnage availability tightening in the US Gulf. A good level from enquiry from Brazil has helped to keep momentum and in today's market we expect a USG / China run will fix in the region of $8.25m while a Brazil/China pays ws 51.5.

Aframax Owners suffered a challenging week as enquiry levels were very limited and rates have begun to fall sharply as we close out the week.

North Sea

A week with little positivity for Owners as rates took a bit of a check. Charterers took their opportunities to test the market and achieved new levels with X-North Sea now trading circa ws 120. We don't see much of an upside in the near-term as we move into August.

Crude Tanker Spot Rates



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

Clean Products

East

The LR2s were poised from the start of the week and by Wednesday they brought the heat. Finally, Owners saw rapid progress in which TC1 first saw ws 100 then ws 130 and now ws 142.5. West rates echoed this with a 90,000 mt Jet AG/UKC run also racing through $3million and now sitting at $3.6million.
The LR1s have got very tight too and TC5 has jumped to ws 150 with a 60,000mt jet AG/UKC run now priced at $2.85 million but sure to hit $3 million soon. In general, the LRs are tight across the board so more is likely to be seen next week.

Despite all the major moves happening in the LRs this week, the MRs have continued to push higher off the back of a tight position list, with a slightly forward fixing window and Charterers focusing on snapping up good itineraries. Earnings have now moved into the high 20s and will move into the 30-35k/day region early next week when the big simmering supply of off-market cargoes are covered and begin to filter out.

Mediterranean

All in all it's been a lackluster week for the Handies here in the Mediterranean, which has seen levels slip. We began the week with X-Med trading at the 30 x ws 175 mark; yet, with the fixing window extending into early August, a handful more ships came into play and as a result rates have dropped fixture by fixture. At the time of writing, X-Med is at the 30 x ws 160 mark, with Black Sea expected to negatively correct when tested. Soft into the weekend.

Finally to MRs here in the Med, where we've seen a mixed bag of rates achieved throughout the week depending on dates & grade. Vanilla Med/TA is currently around the 37 x ws 165 mark, with WAF levels tracking at ws 10 points more. Heading into the weekend, there isn't a great deal left to cover and with TC2 slowing down expect a quiet finish.

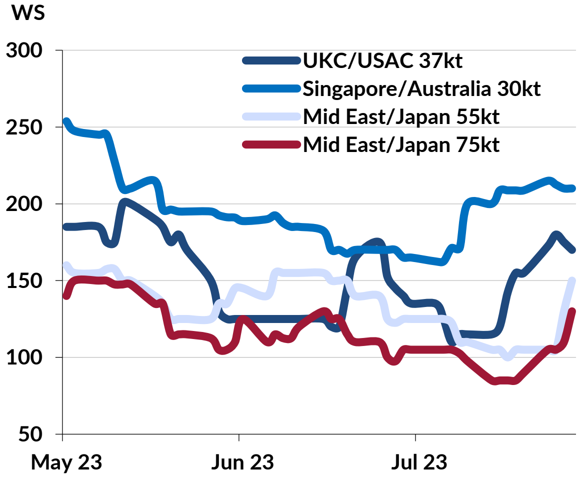
UK Continent

Lack of ballast tonnage has been the defining factor for this MR UKC sector this week, as we see only reasonable levels of enquiry compared to recent weeks. With the States market continuing a positive sentiment, we see fewer ships on the horizon and that in turn has caused a few headaches for Charterers looking to load in non ARA locations. Yet, with the cargo flow slower and dates now reaching out into early August, Owners haven't been able to push that far and the Charterers, who held out, have managed to avoid getting stung. Come Friday, we see a little negative correction, with TC2 now trading around 37 x ws 172.5. With little left out there and a similarly quietening States sector, we could see a few more ballast ships come Monday.

It has been a steady week for Handies plying their trade in the North. ULSD moving X-UKC has once again seen a good amount of activity, as levels have traded at 30 x ws 170-172.5 mostly.

By the end of the week, the front end of the tonnage is tight for end July/early August laycans, which may see freight improve slightly for that window. Weekend break will be welcomed by a few, as Charterers will be hopeful some vessels itineraries are firmer come Monday.

Clean Product Tanker Spot Rates



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Dirty Products

Handy

Despite a slow start this week on the Continent, the recent steadying of levels and sentiment off the back of a clear down last week has largely been maintained in week 29. Those with firm itineraries were approached largely off market to maintain last done and with relets going from the list the wider market capitalised on the opportunities presented. Going forward, there is potential in the North for a push should Monday's list see little in terms of fresh positions and those at the top may have WS 200 in their sites come mid-week if the cargo flows.

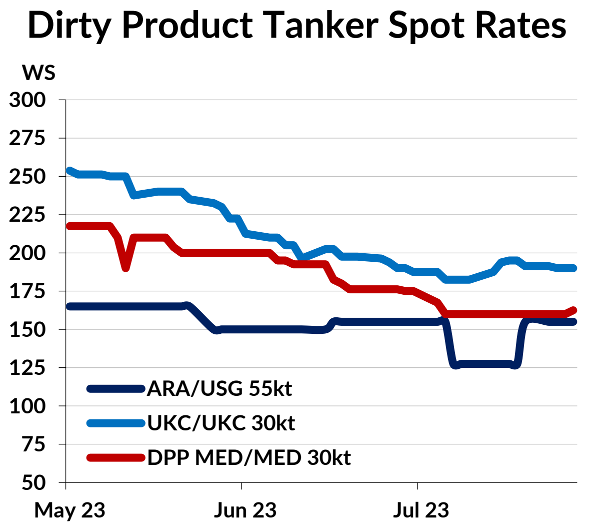
A similar pattern was seen in the Med where a quiet start saw cargoes come out of the woodwork by mid-week as laycans approached end month fixing dates. Both Owners and Charterers seemed content to take last done numbers to start with. However, as activity continued to clip away the top of the list, some WS 5 points were gained with voyage and date specific reasons. The list is now looking a little short however as is always the trading pattern with this region, the supply of cargo needs to maintain a steady pace for firm sentiment to last more than 1 or 2 days.

MR

MRs this week have experienced a mixed bag of results in terms of subs being lifted but the common theme in both the North West Europe and Med markets has been the uptick in Handy enquiry enabling those with firm, prompt positions to take coverage. Just one MR in the North has managed to find a full stem and should that unit get it's subs, forward tonnage looks tight into August. The Med will inevitably see availability surface come Monday, which will be well spread across the region but with Owners looking to limit idle days with part cargo stems, the full 45kt run needs a test.

Panamax

The Panamax market this week has also suffered from the summer season being in full swing where Owners are pushing firm positions but simply cannot gain any traction. This theme is set to continue where even for localised or part cargo voyages, those with firm positions are battling to keep idle days to a minimum as open dates approach. Throwing into the mix that the option to ballast TA is looking less appealing by the week as levels there continue to slide albeit at a slower pace. A fresh test is needed as the potential for Owners to hold on to last done seemingly diminishes.



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	July 27th	July 20th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**-1**	51	52	52	55
TD20	Suezmax	WAF-UKC	**-13**	72	85	103	88
TD7	Aframax	N.Sea-UKC	**-15**	120	135	130	127

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

			wk on wk change	July 27th	July 20th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**-3250**	29,750	33,000	31,250	35,750
TD20	Suezmax	WAF-UKC	**-10000**	20,500	30,500	43,750	31,750
TD7	Aframax	N.Sea-UKC	**-14500**	30,750	45,250	44,000	36,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	July 27th	July 20th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+41**	130	89	118	
TC2	MR - west	UKC-USAC	**+18**	173	155	140	153
TC5	LR1	AG-Japan	**+38**	139	101	149	145
TC7	MR - east	Singapore-EC Aus	**-3**	213	216	173	201

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

			wk on wk change	July 27th	July 20th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+16000**	28,750	12,750	23,750	
TC2	MR - west	UKC-USAC	**+3250**	19,250	16,000	13,500	14,750
TC5	LR1	AG-Japan	**+10250**	21,250	11,000	24,750	23,500
TC7	MR - east	Singapore-EC Aus	**-1250**	24,750	26,000	17,000	22,750

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

Bunker Price - Rotterdam VLSFO	**+20**	567	547	524
Bunker Price - Fujairah VLSFO	**+19**	581	562	566
Bunker Price - Singapore VLSFO	**+16**	586	570	575
Bunker Price - Rotterdam LSMGO	**+49**	802	753	691

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