Western Pull or Eastern Push?

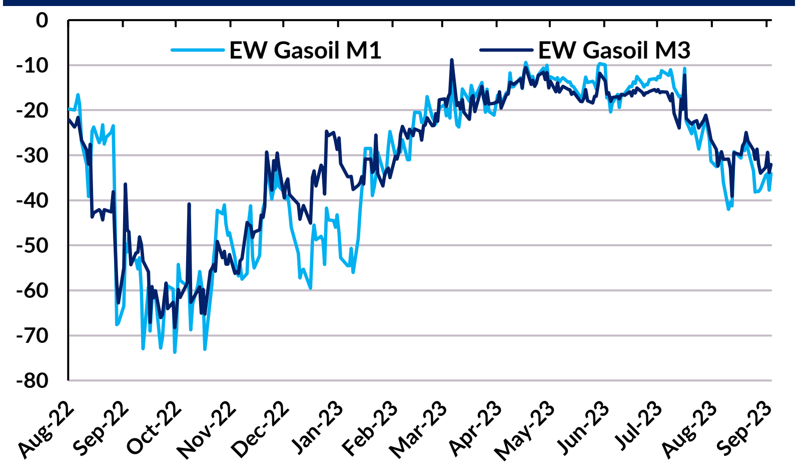
Weekly Tanker Market Report

This year has seen a major increase in the Middle East clean product exports to Europe, with flows, mainly gasoil and jet, averaging at 0.82mbd for the year to date, up by 43% compared to the same period last year. Such an increase was not unexpected, considering increasing runs at the 400 kbd Jizan refinery and 615kbd Al Zour plant, where the final 200kbd crude distillation unit was brought online just a few months ago. Europe, on the other hand, has been working hard to find an alternative source of its CPP import requirement, following the introduction of EU ban on imports of Russian products.

What is surprising, however, is relatively weaker clean tanker rates and earnings over the summer period. Although the rebound has been seen more recently, yearly lows were reached in July 23 on all benchmark trades originating from the Middle East, where robust regional exports were more than offset by higher tonnage availability, particularly for larger LRs. In part, this is explained by a lack of SE Asia and Far East diesel and jet shipments into the Atlantic Basin as well as low West to East naphtha flows during the 2nd quarter of the year. With these shipments being considerably longer haul, the fall in trading volumes here boosted Middle East availability.

Looking forward, although some temporary disruption to Middle East flows is likely as some regional plants move into maintenance, Middle East CPP exports will continue to increase in the months ahead. The Al Zour plant still hasn't reached its full export capacity, whilst the newly commissioned 215kbd Duqm plant has exported its first diesel cargo earlier this month. Additional diesel demand into Europe is also likely. ARA gasoil inventories have been steadily declining in recent months, falling close to their lowest level this year due to stronger domestic demand over summer months and unplanned refinery outages. Inventories are likely to remain under downward pressure over the next couple of months, with some European refineries heading into maintenance in September/October. Also, an outage reported earlier in the week at the 400kbd Pernis refinery, the largest refinery in Europe, highlights the risk of potential unplanned disruptions. Strong heating demand also could offer an element of support, whilst incremental gas-to-oil demand could not be ruled out, particularly if upward pressure on gas prices remains.

East West Gasoil Arb ($/tonne)



In terms of longer haul flows, tightening European gasoil supply could aid the East/West gasoil arbitrage between SE Asia and the Far East into Europe. Price differentials between the two regions have widened in Aug/Sep but still largely remain insufficient for large scale opportunities, similar to those seen during the final four/five months of last year. With a number of Japanese refineries also going into maintenance in Sep/Oct, regional inventories could be negatively impacted; the latest Russian ban on exports of gasoline and diesel could also cause some temporary havoc. However, much depends on the volume of Chinese product exports. The Chinese government has recently released a third batch of product exports, bringing 2023 total for the year to date some 15% above last year's CPP total volume. Exports have been edging up as result and there still remains a possibility of another batch of export quotas later in the year. Chinese refineries processed a record level of crude in August but if domestic demand continues to disappoint, the government may be prompted to issue additional quotas, which are likely to lead to a further growth in Chinese product exports, potentially flooding the regional market, with excess exported into the Atlantic Basin.

Crude Oil

Middle East

Sentiment in the AG VLCC sector is firmly back with the Owners as a spate of fixtures under the radar shortened the tonnage list considerably. Owners, who started to push back at the end of last week, were able to take advantage of this and the second half of this week showed a considerable improvement in freight levels, which should carry over into next week. Today we would expect 270 AG/China to fetch in the region of ws 52.5 and 280 AG/USG to go for at least w 27 level.

Despite last-done being more, rates for Basrah West today are looking to push below 140,000mt x ws 60. Markets to head East look steady, with a run into the East approximately 130,000mt x ws 92.5.

It has been a strong week for Owners after we saw an influx of cargoes ex- AG, which has left a rather warm sentiment lingering in the East. Last week saw a busy Indo region keeping tonnage local and as a result, fewer ballasters were seen heading West from Singapore. This, combined with a strong amount of westbound cargo enquiry, has left the AG list looking thin and options becoming limited. To complete the perfect concoction for Owners, the Med has somewhat rebounded, with ships being drawn from the East to cover X-Med voyages. For now, Owners sit comfortably in the driver's seat as we end the week, with AG/East at 80,000mt x ws 122.5level.

West Africa

VLCC rates in WAF have followed the trend that we have seen in the AG. While activity was still limited, the stronger sentiment and noticeable decrease in tonnage supply meant Owners were able to push rates to a higher level. The market here also benefited from an active USG market and today we are expecting a 260 WAF/China to go for ws 55 level.

Suezmax markets in West Africa remain soft, with a good level of availability to prevent Owners gaining any momentum. Rates stand around 130,000mt x ws 67.5 for TD20. Premiums to head East stand at approximately 10 points.

Mediterranean

Suezmax markets in the Med are slightly better and with a firming Afra market, it could soon make sense for Suezmax Owners to take part cargoes. Rates for TD6 today will likely begin to push above 130,000mt x ws 72.5. Rates to head East from the Med are around $3.7m for Libya/Ningbo.

Rates in the Med Aframax market have pushed up over the course of this week. The catalysts are uncertainty in several ports and an increase in activity across the region. Due to this, the list has gradually been worn thin and has not been replenished on the front end. Cross-Med rates started the week at ws 90 levels and at week's end we are at ws 115 levels. With the Med market firming and the list thinning, the near horizon provides owners with something to be optimistic about.

US Gulf/Latin America

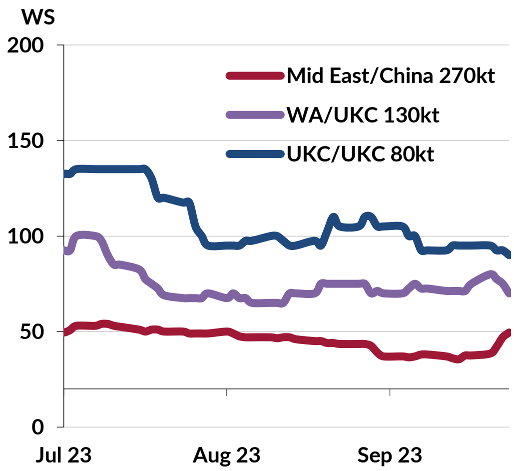
A large increase in activity in the second half of this week has given a real momentum to VLCC Owners and rates continue their climb as Charterers are squeezed for end October dates. We anticipate this market to keep on the same trajectory going into the new week and we expect a USG / China run will fix in the region of $8.25m on today's market, while a Brazil/China is paying ws 52.5.

Aframax Owners will be glad to see the end of this week as weak demand is likely to ensure current depressed rates are here for the short term.

North Sea

Activity has been hard to come by this week in the North Aframax market. With current levels not covering operating costs, TCE rate is well into the negative for an X-North Sea voyage. Owners in the North are sitting tight in the hope that rates pick up as Q4 progresses, but currently X-North Sea closes at ws 90 levels. As we look into next week, rates could come under further pressure, as the build-up of tonnage looks to escape the region.

Crude Tanker Spot Rates



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

Clean Products

East

The MRs have seen an inevitable drop in levels East of Suez this week where the continued limited flow of cargoes saw the top of the list tested after a slow first 2 days trading. As a result, TC17 saw some 25 points taken off last done and with West bound voyages also correcting down, the week closes with sentiment soft across the region. With a push on Singapore cargoes, the saving grace for now is that we are likely to see ECI/Chittagong openers ballast East rather than head into the AG.

Generally, a little less activity this week for the LRs on the whole, Owners would have been hoping to continue the push on sentiment, with the lists fairly tight from the end of last week. However, this week there just has not been the steady flow of cargoes on both sizes to allow Owners to keep levels at last done and as such there has been a slight correction. TC1 at 75 x ws 135 and Jet West at $3.85m levels, and on the LR1s TC5 at 55 x ws160 and Jet West at $3.4m. The sentiment is not disastrous by any means, however, with Platts deal being done on the LR2s, it would indicate that Charterers are backing themselves here. A lot will depend on how quickly we see the next round of fresh cargoes entering the market next week. If it's a slow start, Owners could feel the squeeze.

Mediterranean

It's been another strong week for this Med handy market as we see rates push up to the 30 x ws 300 levels X-Med. We began the week with X-Med at the 30 x ws 275 mark but with the list tight on the front-end and cargoes flooding into the market, the only way was up with 30 x ws300 being achieved by Tuesday. Fast-forward to Friday and we see 30 x ws 300 continue to be repeated with no sign of things weakening. Market firm into the weekend.

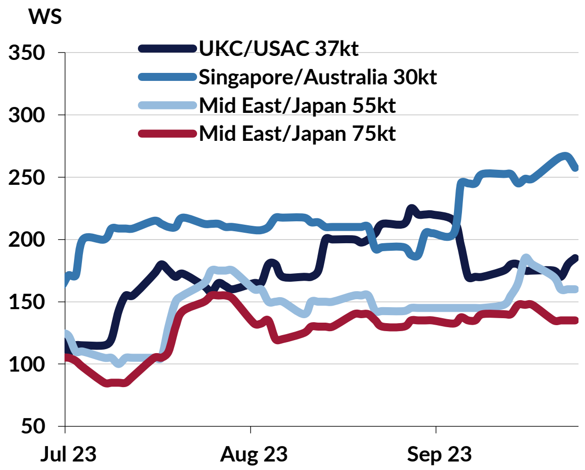
Finally, to the Med MR market where it's been a fairly active week in terms of fixing action. For the majority Med/TA has bounced around the 37 x ws 180-185 levels with the latter currently last done. However, with the list tight in the Med and TC2 improving there is some positivity in the air here as we approach the weekend. Potential.

UK Continent

Despite all the doom and gloom that was expected for MRs in the UKC, Owners have navigated their way out of the storm and have ended on a high as rates improved 20 points throughout the week. With the States market dropping to ws85, we anticipated a number of ballasters to flood any enthusiasm Owners had, but with a healthy level of stems quoted and a strong Med market for both MRs and Handies, rates managed to hold firm for the majority at 37 x ws 175 level. The second half of the week saw some tricker requirements to cover with grade and replacement needs and with that we find ourselves sitting around the 37 x ws 190 mark for a vanilla TC2 with a fresh test needed.

Next to the Handy sector, where Owners were full of optimism on Monday morning and with the Mediterranean market rocketing up to 30 x ws 300, this positivity was felt throughout the week. Unfortunately, though we saw only a light dusting of enquiry as Charterers managed to avoid getting stung with 30 x ws 190 fixed repeatedly. North Spain liftings did get caught in the Med hype with 30 odd points more being paid, but in reality, we end this week in a stable sector with both Owning and Chartering fraternities content at these levels.

Clean Product Tanker Spot Rates



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Dirty Products

Handy

As this week comes to a close, Owners will be feeling a sense of accomplishment after another fruitful week of activity in the Med. Despite initial expectations for a tonnage replenishment to come in order to maintain stable rates, this did not materialise. Instead, a flurry of activity at the week's outset propelled Owners from ws 170 to ws 200 by Monday's close. With diminishing tonnage availability as the week progressed, Owners held a firm stance, achieving ws 210 by Wednesday and another impressive 10-point jump come Thursday. If the current rate of enquiry persists heading into the weekend, we can anticipate that Owners will be pushing upwards still, as the region eagerly awaits a much-needed replenishment of tonnage.

In the North, Owners entered the week with a sense of optimism, hoping that a tight list on Monday would pave the way for a bullish week, if enquiry picked up the pace. However, much like the last, this week's level of enquiry has been somewhat sluggish, consequently keeping levels steady at ws 182.5 for the majority of the week. Nonetheless, this sustained enquiry has gradually limited Charterers' options as the week progressed and has in turn created a tighter feel to the region, where Owners are now poised to want to push on from last done. Looking ahead to next week, if enquiry starts to gain traction without a solid replenishment come Monday, expect to see a bounce in rates.

MR

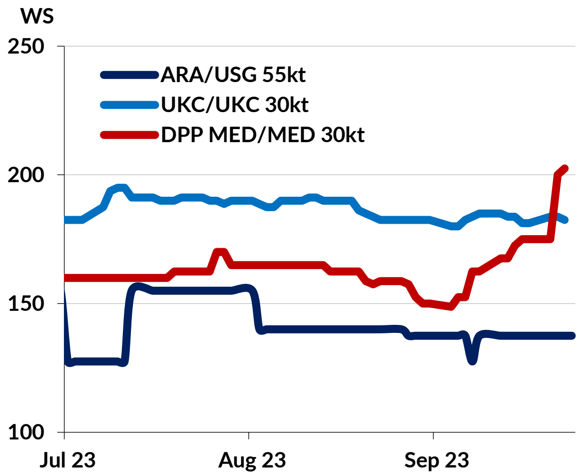
In the Med this week, full stem enquiry has been patchy, but the MRs continue to exhibit a notable resilience, mainly bolstered by the thriving Handy market in its vicinity. The week commenced at ws 165 before one bullish owner managed to put ws 185 on subs late Monday, mainly driven by an uptick of activity on the Handies. As the week continued to unfold, the MR list became increasingly constrained with available vessels lacking firm itineraries, thus prompting Charterers to exercise prudent judgement on cargo dates going forward.

Meanwhile in the Continent, the interplay between tonnage supply and rate of enquiry painted a picture of stability at the onset of the week, with rates holding steady at ws 160. However, come mid-week full stem enquiry started to trickle in, causing tonnage to tighten further and putting Owners in a favourable position to extend next done negotiations beyond previously achieved rates.

Panamax

After a long time coming, a fresh test this week finally revealed where true market levels lie after reports of one Owner fixing at ws 110 for a Cont/TA run. This certainly brings back a glimmer of hope for Panamax Owners, after what has been a rather bleak month to date. However, with this said, rates have taken a significant hit and need to start picking up from here to avoid losing cargoes to the Aframaxes, as they currently remain the more competitive option for Charterers looking to do this voyage. In the States market, there's been very little to report this week, as rates continue to slide due to available tonnage continuing to struggle for employment.

Dirty Product Tanker Spot Rates



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sept 21st	Sept 14th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+13**	50	36	44	47
TD20	Suezmax	WAF-UKC	**-7**	67	73	75	76
TD7	Aframax	N.Sea-UKC	**-4**	91	94	105	109

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

			wk on wk change	Sept 21st	Sept 14th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+18000**	23,250	5,250	17,500	19,750
TD20	Suezmax	WAF-UKC	**-5000**	14,000	19,000	21,500	20,250
TD7	Aframax	N.Sea-UKC	**-3500**	1,000	4,500	14,750	17,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sept 21st	Sept 14th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+0**	135	135	133	
TC2	MR - west	UKC-USAC	**+9**	192	171	205	173
TC5	LR1	AG-Japan	**+17**	162	145	144	144
TC7	MR - east	Singapore-EC Aus	**+9**	263	254	200	218

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

			wk on wk change	Sept 21st	Sept 14th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**-250**	28,000	28,250	28,500	
TC2	MR - west	UKC-USAC	**+4750**	21,750	17,000	25,750	17,250
TC5	LR1	AG-Japan	**+4750**	26,000	21,250	21,750	20,500
TC7	MR - east	Singapore-EC Aus	**+1500**	33,000	31,500	21,250	24,000

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

Bunker Price - Rotterdam VLSFO	**+28**	628	600	590
Bunker Price - Fujairah VLSFO	**+19**	649	630	611
Bunker Price - Singapore VLSFO	**+23**	665	642	622
Bunker Price - Rotterdam LSMGO	**+25**	947	922	892

** WS spot rates converted into 2023 WS100*

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