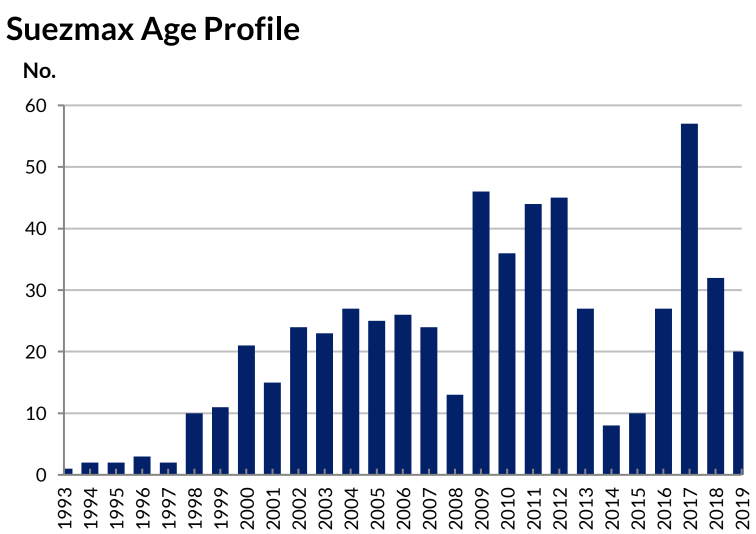
Straight Down the Middle

Weekly Tanker Market Report

Like all other crude tanker segments, Suezmax rates have been on a rollercoaster ride over the past six months. Earnings surged in the 4th quarter of last year, in part due to major Turkish Straits delays, in part due to marginal fleet growth. Of course, other factors were at play as well, such as higher Middle East/Russian crude exports in Q4 2019, prior to the re-imposition of the production constraint. The picture now is very different. Earnings on benchmark routes in the Atlantic Basin declined steadily during the 1st quarter, averaging in March close to OPEX. Once again, the decline has been triggered by a combination of factors. Transit delays through Bosporus eased gradually as the weather improved. In West Africa, exports were hit both in January and February, mainly due to lower shipments out of Angola. Cuts in crude exports out of the Middle East also had negative implications. While trading demand has come under pressure, fleet size has increased. According to our records, 19 Suezmaxes were delivered during Q1 but just one tanker was reported as sold for demolition. The picture is similar for VLCCs and Aframaxes/LR2s. There were no demolitions in these size groups in Q1; however, 20 VLCCs and 28 Aframaxes/LR2s were delivered.

Despite the poor conditions at present, fleet prospects for Suezmaxes look more balanced for the remainder of 2019. Only 12 tankers are scheduled to commence trading operations, while the market could also see some units being demolished. There are 21 Suezmaxes currently on water that are over 20 years of age, plus another 11 will celebrate their 20th birthday this year. With testing market conditions for modern tonnage, trading environment for ageing ladies must be even more challenging, increasing the appeal of demolition. In contrast, more deliveries are planned in the VLCC and Aframax/LR2 segments. Here, 54 and 27 tankers respectively are scheduled to start trading until the end of 2019.



The near-term outlook for earnings also depends on demand prospects. About half of all Suezmax spot fixtures originate out of West Africa and the Black Sea/Mediterranean. In addition, about a quarter of trade comes out of the Middle East. As the largest crude exporters in these regions are OPEC members or countries participating in production cuts, Suezmax trade prospects are largely linked to future OPEC/non-OPEC output policy decisions. Although the official OPEC rhetoric does not indicate an increase in output anytime soon, firmer oil prices due to sanctions and escalation of conflict in Libya certainly support an argument for higher production. Earlier this week, OPEC admitted that production cuts and involuntary declines in Venezuela and Iran pushed the oil market into deficit last month. More importantly, the call on OPEC is likely to intensify substantially in the 2nd half of the year, once global refinery turnaround season is complete, refiners ramp up crude runs ahead of the IMO 2020 and new refineries begin full scale commercial operations. Of course, higher demand for crude will benefit all crude tankers, not just Suezmaxes; however, healthier supply fundamentals for this size group may offer a little bit extra.

Crude Oil

Middle East

VLCC Owners may feel that they let opportunity slip to make a more marked improvement given the relatively heavy mid-week action, but all the while their efforts were compromised by equally heavy, ongoing, availability and the slow close to the week prevented momentum taking hold. Rates did crawl a little higher to touch ws 40 to the Far East, with West runs very rare, and still under ws 20 via cape. Suezmaxes could only slide sideways upon very modest demand, but would have threatened lower if the other load zones hadn't posted gains. Ballasting from/by-passing the area is now more viable. Aframaxes also stayed on the slow side, with 80,000mt by ws 100 still the average asking level to Singapore. Discounting on the near horizon if activity doesn't quickly pick up.

West Africa

Suezmaxes re-started in a more hopeful position, and from mid-week found the necessary local volume, and additional Med/Black Sea support, to drive rates to a higher ledge. 130,000mt at up to ws 75 to the USGulf, and to ws 80 for Europe now which could be bettered if Charterers move to clear their pre-holiday lines early next week. VLCCs also found a late week pulse of interest to lead rate demands up towards the ws 45 mark to the Far East, though it will need a more robust AGulf market to allow for anything much better than that into next week.

Mediterranean

Very little rate change week on week on Aframaxes, as demand consistently failed to reduce availability to any positive balance. 80,000mt by no higher than ws 85 X-Med and ws 92.5 from the Black Sea for now, and probably through next week too. Suezmaxes, on the other hand, began to tighten and replacement needs then provided an extra catalyst to drive rates up to 140,000mt by ws 92.5 from the Black Sea to European destinations, with around $3.2 million asked for runs to China. No early retreat likely, but it will need the Aframax size to improve to become sustained for a longer duration.

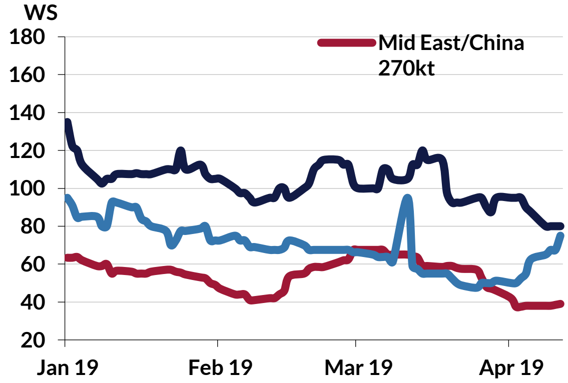
Caribbean

There was moderate Aframax fixing, but never enough to seriously dent easy supply and rates spent the week knocking a 70,000mt by ws 75 floor upcoast, with a lot more attention required to pull away from that. VLCCs did find more to do, which arrested the recent rate slide at $3.5 million from the USGulf to Singapore, and then allowed rates to inflate slightly to $3.7 million. Anything much higher will be quickly compromised, however, by ballasters from the Far East.

North Sea

Aframax lists were steadily eroded through the week to leave the market in a marginally better balance by the week's end. That said, rates didn’t show much improvement at 80,000mt by ws 87.5 X-UKCont and 100,000mt by ws 65 from the Baltic, but just a little more early action next week could post something a little more significant. VLCC activity remained muted and rates for crude oil from Hound Point to South Korea are theoretically marked at around $4.4 million, with the fuel oil 'arb' to Singapore again 'out of play'.

Crude Tanker Spot Rates



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

Clean Products

East

An incredibly slow week on the LR2s, with minimal activity to really discuss in the Middle East. 75 x ws 95 has been tried and repeated numerous times for naphtha East. Charterers feel that these levels are cheap enough to pick off preferred ships at last done levels. Westbound cargoes have been comparatively even quieter; the majority of distillate moving in that direction is being sourced ex Yanbu. $1.63 million is the level for Yanbu/UKCont, but whether a natural $300k differential for AGulf loading applies in this market is debatable. The power to squash this differential most definitely is in the hands of Charterers. The tonnage list at first glance illustrates a fair few ships on subs, but in reality these are mostly short haul cargoes in the North and we will see these ships reopen fairly shortly on a similar looking list.

The LR1s have been dire this week, no other word for it. For most of the week, there has been a solitary one cargo in the market and Charterers have been pushing hard to achieve a ws 90 equivalent on TC5. Well, that cargo went on subs last night and, although many Owners will argue that a Singapore discharge intention is more attractive than a 'proper' TC5 headed Far East, there is no denying that an incredibly heavy tonnage list leaves Owners with little choice other than to do as they are told. Large pools are 'hiding' ships in plain view, and a Charterer could probably take 3 or 4 options from the same Owner to cover any prompt requirements. Westbound should be rated at $1.575 million to finish the week, but this is in need of a test and likely to soften sympathetically against weaker TC5 levels.

The MRs haven't been spared any particular respite from this nasty market this week. Short haul figures have softened to the point where Owners are just thankful to be chosen for any particular cargo, many willing $150k to tide them over until the next window. EAF has dropped even further from its perceived 'bottom'; 35 x ws 125 is now on subs, and Owners are still eager to offer themselves for the next. TC12 sits at ws 110 and ws 115 for an ECI loader, but even at these woeful levels it is still more of a catch than westbound. Shell were countering $1.35 million basis USAC last night, that's a $1.05 million level into UKCont! Although no Owners have been filthy enough to take these numbers, it serves as a stark indication of how weak this market is. We will likely see a $1.15-$1.2 million equivalent to go on subs for this cargo, but again it serves as pretty sad reading. Buckle up for another week of fun, a long LR1 list will put further pressure on short haul. The only hope for Owners is that Ramadan and Easter around the corner could eek out some unseen stems into the market come Monday.

Mediterranean

The Med market has suffered this week due to the simple case of supply and demand. There were simply not enough cargoes to clear out the lengthy tonnage list and rates have softened throughout the week. At the time of writing, 30 x ws 175 is the going rate for X-Med cargoes; however, given the current sentiment, less is certainly on the cards. Black Sea rates have followed suit. Although rates are still starting with the number 2, next week it is likely to be slightly less, with E-Med tonnage in abundance. Come Monday, Charterers will begin the week firmly in the driving week, with rates certainly under pressure.

A busier start to the week helped MR proceedings in the Med, with Owners capitalising on a healthy list of outstanding cargoes. Transatlantic rates firmed, with 37 x ws 155 now being the going rate and a fresh test was seen for an AGulf run at $925k. Rates currently look steady and, with Easter on the horizon, we can see an influx of cargoes next week needing cover before the long weekend, which will likely help rates.

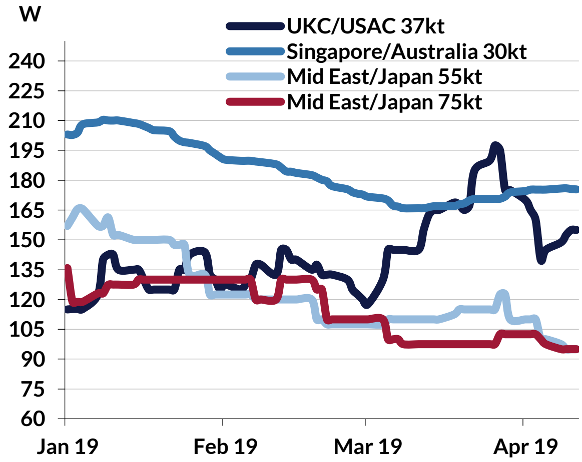
UK Continent

Apart from some marginal gains, it's been a relatively flat week for the MRs in NWE. A good spate of enquiry at the midweek point pulled TC2 rates up 5 ws points to 37 x ws 155, whilst WAF made some further gains to go on subs at 37 x ws 167.5, after enquiry was a little stronger. This left Owners bullish for Thursday and Friday; yet in reality the impending weekend and shorter cargo list has left rates trading sideways rather than pushing on. Short haul routes ex Baltic now track the TC2 numbers as ice-premiums are all but gone; 40 x ws 145 was seen early in the week but a fresh test should pull this up to 40 x ws 150-155. We haven't seen enough 3rd decade cargoes quoted yet; so provided the tonnage list doesn't grow by any substantial margin over the weekend, rates should hold for the early part of next week… though the softer USGulf market means we will start to receive the inevitable ballasters .

A rather lacklustre week has passed on by for Handies up in the north, as the combination of drip-fed enquiry and a lengthy tonnage list for both prompt and natural fixing dates has kept Charterers firmly in control here. Baltic levels quickly trickled down to 30 x ws 145 and off the back of this, X-UKCont quickly followed suit as 30 x ws 135 was repeated a couple of times. By Friday, and at the time of the writing, there is a sense that the bottom has now been found on both markets as Owners look to hold the line at last done levels and potential try to rebuild rates as we head into next week. Poised.

There has been enough enquiry to clip away the Flexis poking through the front end of the list. For the most part, COAs continue to be the mainstay of employment for this sector but the occasional cargo in the spot market continues to play its part. ARA/Las Palmas was seen early in the week and there's a couple of ships doing cargoes ex Arkhangelsk both basis lumpsum. However, ultimately rate ideas continue to be derived from the Handies, with a few points either side of 22 x ws 175 being the rough benchmark to work from.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

From an Owners' perspective week 15 marks a significant turnaround from recent sluggish conditions: not only did the tonnage list reshape completely but activity levels even promoted an increment of around +5 ws points week on week. Fixing dates also began reaching ahead, which should now serve to keep trend continuing in this direction, considering that many units have been fixed away from the region.

In the Med conditions have not been that bad for Owners either. Although a flat trend was reported throughout the week, the positive is that tonnage has been kept moving without the lists being allowed to stagnate. There are, however, some warning signs for the West Med area, where it seems so many of the Black Sea/Med deals booked in recent weeks will end up discharging here. This does threaten to undermine recent efforts and at time of writing, does offer a slight discount to regular X-Med trading.

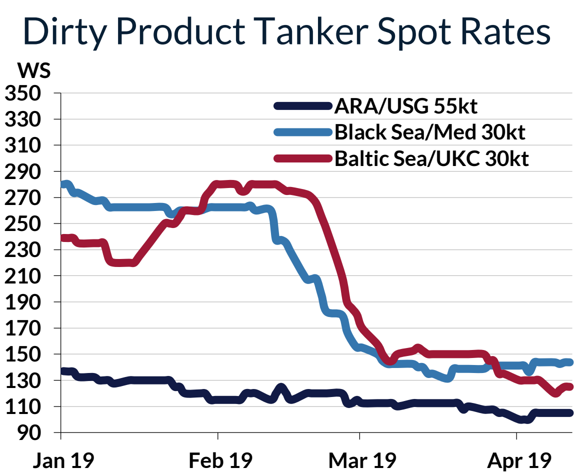
MR

On the MRs in the North this week, we have seen an expectedly quiet period, where tonnage cleared in previous weeks has simply not been replaced. Despite efforts later in the week to fix tonnage from further afield, this sector has lagged far behind the busier Handy market. If there are full size stems in the pipeline, then replenishment is now needed. However, with ballasters currently the only option, planning further ahead and flexibility on dates will be needed to secure units.

Inactivity is a recurring theme in the MR sector, with the Med slow despite tonnage showing. At the start of the week, several itineraries were uncertain; however, despite ending the week with firm units, the region has still struggled to pick up pace. We finish the week with a unit in the West Med fixing a Handy cargo and one reported to be leaving the region (should subs be lifted). Going forward Owners that are now firm will be hoping to see a turnaround before becoming easy targets.

Panamax

With the Aframaxes continuing to offer a better $/MT, Panamaxes have had to wait for the scenarios where larger ships are not workable through restrictions surrounding the voyages in question. Where Panamaxes have been needed, we have seen ws 105 repeated several times. It's fair to say that the lists are now looking shorter for natural availability. However, any positivity looks limited for the time being, as ballast units are willing to come over at these levels should the need arise. Yet, Owners should be a little more optimistic, as some liquidity is now being seen.



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 11th	Apr 4th	Last Month	FFA Q2 (Bal)
TD3C	VLCC	AG-China	**+1**	39	38	61	45
TD20	Suezmax	WAF-UKC	**+19**	77	58	56	70
TD7	Aframax	N.Sea-UKC	**-6**	82	88	117	92

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

			wk on wk change	Apr 11th	Apr 4th	Last Month	FFA Q2 (Bal)
TD3C	VLCC	AG-China	**+1,250**	10,500	9,250	32,750	45
TD20	Suezmax	WAF-UKC	**+9,750**	16,250	6,500	9,500	70
TD7	Aframax	N.Sea-UKC	**-5,000**	1,250	6,250	27,250	92

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 11th	Apr 4th	Last Month	FFA Q2 (Bal)
TC1	LR2	AG-Japan	**-3**	95	98	98	
TC2	MR - west	UKC-USAC	**+8**	156	148	165	146
TC5	LR1	AG-Japan	**-10**	94	104	111	104
TC7	MR - east	Singapore-EC Aus	**+0**	175	175	167	166

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

			wk on wk change	Apr 11th	Apr 4th	Last Month	FFA Q2 (Bal)
TC1	LR2	AG-Japan	**-750**	11,750	12,500	12,000	
TC2	MR - west	UKC-USAC	**+1,250**	14,000	12,750	17,000	12,250
TC5	LR1	AG-Japan	**-2,250**	7,250	9,500	10,500	9,750
TC7	MR - east	Singapore-EC Aus	**+250**	14,750	14,500	16,000	13,250

(a) based on round voyage economics at 'market' speed

ClearView Bunker Price (Rotterdam HSFO 380)	**+2**	418	416	414
ClearView Bunker Price (Fujairah 380 HSFO)	**-3**	428	431	431
ClearView Bunker Price (Singapore 380 HSFO)	**-3**	429	432	438
ClearView Bunker Price (Rotterdam LSMGO)	**+14**	599	585	579

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