Cut and Run?

Weekly Tanker Market Report

In just a few weeks' time OPEC and its allies will meet again to discuss the oil markets. Analysts are mixed on what the decision will be, with the next few weeks having the potential to influence OPEC's final decision. At this stage it would seem likely that the current agreement, which expires in March 2020, will be maintained. However, several events taking place over the coming weeks could influence the decision-making process.

Pricing signals will of course be key. With the meeting taking place on the 5-6 December and Aramco's IPO in early December, Saudi Arabia will be keen to see stability in oil prices. If oil prices begin to slide in the weeks approaching the meeting, then the rhetoric may well shift towards deeper cuts or stricter compliance. Likewise, any progress (or lack of) with regards to trade talks between the US and China will be pivotal. A major breakthrough could of course see demand expectations revisited upwards, giving the cartel and its partners confidence to stay the course; equally, the lack of progress will only add further downwards pressure on prices. The possibility of a Trump-Xi meeting just days before the OPEC conference creates additional uncertainty.

OPEC+ Crude Production (000 b/d)

Eyes will of course be heavily focused on US crude production and exports. The market expectations for US output have been pared back over the course of the year, although the latest forecast from the EIA is still expecting growth of 1 million b/d for 2020 despite the ongoing decline in US rig count. On the face of it, this may give OPEC+ confidence to maintain output. However, the group also must consider output increases from other countries such as Brazil, Norway and Guyana, which contribute 800,000 b/d collectively. All in all, without any OPEC cuts, global crude production growth is expected to average 1.8 million b/d. Unless any major outages occur, US production growth stalls, or demand surprises significantly to the upside, OPEC will surely have to act eventually. OPEC's decision may also be influenced by the pending IMO2020 regulations, with the group waiting to see the impact on demand, refining margins and crude prices before making a premature decision.

For the tanker market OPEC cuts always tend to strike fear into the Owner's hearts, however, all things being equal the oil market has to find a balance. Cuts from OPEC Middle East producers should be more welcome than a slowdown in production from the US, which is the only other real 'swing' producer. OPEC may have abandoned it's market share strategy in 2017 in favour of one which supports prices and may well stick to this approach for the foreseeable future. The future of OPEC may also be in question. Ecuador will leave at the end of 2019, just 12 months after Qatar's withdrawal, further reducing the group's control on global oil output. And whilst Brazilian President Jair Bolsonaro suggested earlier this month that he would like to join OPEC, such a move is considered unlikely, given Brazil's desire to expand production. And their lies the group's core issue, how to grow production and maintain prices in a mutually acceptable range, whilst also tackling slower longer-term demand growth…

Crude Oil

Middle East

A busier than expected week as VLCC Charterers moved on early December stems and rates bottomed at ws 37.5 West and low ws 70's to the East. There has been a recovery for modern tonnage, with rates currently standing at ws 76 East. Owners are hopeful of further gains next week when everyone is back from the well-attended events in Dubai. The Suezmax market has continued to be light on activity, with many Owners deciding to ballast to other more prosperous load areas. Levels currently stand at ws 85 East and ws 42.5 West but it seems inevitable that higher will be paid next week.

West Africa

VLCC enquiry has picked up in the latter part of the week after a slow start. Rates had been steady at ws 70 level for East discharge but in the last 24 hours we have seen an upward trend, with a healthy level of enquiry, Owners are looking to achieve levels in excess of ws 80+ East. Suezmax rates have firmed throughout the week as owners sentiment grew, levels of ws 110 have been paid to Europe. The market is poised for higher rates to be paid by the early part of next week.

Mediterranean

This week has shown the volatility of the Mediterranean Aframax market. The week begun with rates sitting at 80,000mt by ws 95 for X-Med and by the end the week ws 175 had been achieved. Black Sea rates are pushing 80,000mt by ws 200. The tonnage list has tightened and, with a firming North Sea market, the outlook for all markets West of Suez is positive going into next week. By the middle of the week the Suezmax market sprung into life as Charterers looked to cover first decade December loading Black Sea cargoes. Levels are currently 140,000mt at ws 125 for European destinations and rates to the East have firmed to $5.2 million for South Korea discharge. With Charterers now looking to cover very forward cargoes rate levels will only push further up next week.

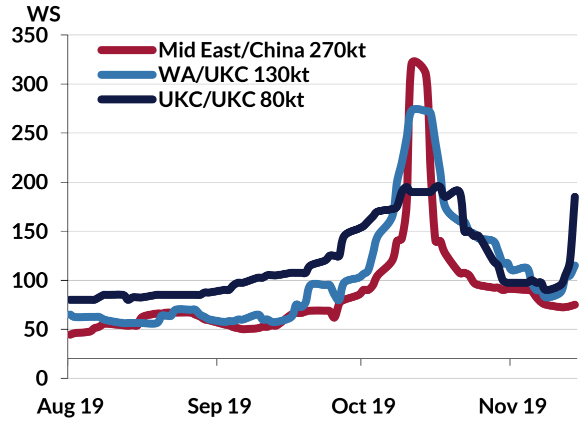
US Gulf/Latin America

VLCC rates remain static as Owners have been resisting Charterers' attempts to secure tonnage at below last done levels for end December loading. Rates remain around $8.5 million from USGulf to Singapore. Aframax Owners have been able to reverse last week's situation. Very active week, coupled with a tighter tonnage list, has enabled Owners to achieve 70,000mt by ws 155 upcoast. The week is ending on a quieter note but, with tonnage in tight supply, rates are likely to hold.

North Sea

The Aframax position list thinned quickly this week as a busy program chipped away available tonnage. Charterers have consequently had to reach further ahead on the fixing window and rates have climbed in chunks. By midweek increments were made of some ws 20 points at a time. At the time of writing, last achieved from the Baltic was 100,000mt by ws 150 and 80,000mt by ws 187.5 X-UKCont, with the prognosis of higher levels to be paid. A very quiet week with virtually no VLCC enquiry. There are rumours circulating of a couple of vessels being on subjects with rates not reported, but freight levels appear to be holding for now.

Crude Tanker Spot Rates



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

Clean Products

East

Despite the mystery of Bahri and direct deals, we have seen a lot quoted this week. TC5 has been tested down to ws 130 and repeated numerous times. Westbound rates remained fairly flat at $1.8 million levels. The list needed some serious attention as we started the week, but Owners expectations on earnings have been scraped off a fairly weak footing, and right at the back end of the week we have seen naphtha bounce back to ws 145 on subs. At this rate, we will see some further movements in the new week.

Mediterranean

A positive week all in all for the Owning fraternity in the Med with momentum seen throughout, allowing Owners to capitalise and see consistent rate gains. It was a simple case of healthy cargo flow, which clipped away tonnage at the front end and has led to a ws 15 point jump between Monday and Friday, with 30 x ws 180 the going rate for X-Med, at the time of writing. Black Sea rates have followed suit, with a positive correction seen to 30 x ws 190. It's certainly worth noting that NB Turkish Straits delays are now up to 3.5 days and so if these don't ease over the weekend, then expect Owners to arrive on Monday morning with bullish ideas, especially those with safer itineraries. With cargoes still there to be covered and a list that is certainly tightening, Owners will come into work Monday on the front foot and aim to continue this period of positivity.

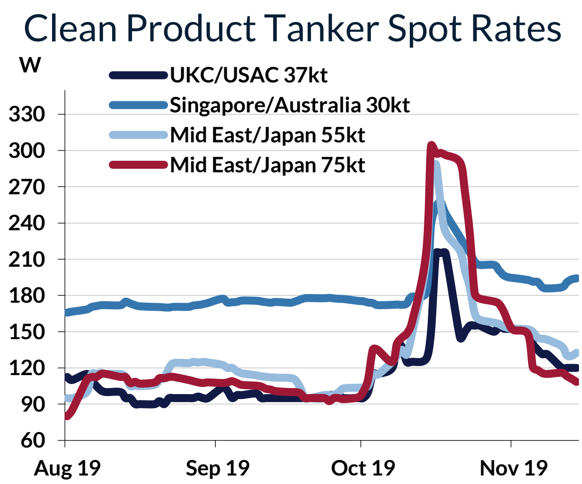
Finally to the MRs, where despite a light dusting of enquiry throughout the week, Owners remain positive as we see the Mediterranean Handy market drive upwards, giving further opportunity of fixing. Transatlantic runs had its wings clipped by the poor UKCont market at 37 x ws 120, with WAF being seen around ws 150-160. However, as the 2nd half of the week appears and with it fresh enquiry, Owners are becoming more bullish. Improvement in this sector is on the cards, with Owners seeing surrounding markets support this sentiment.

UK Continent

Our views remain much the same that this market should firm next week. Plenty of uncovered cargo, with a good spread of options for Owners to pick and choose their preferences. We cannot see much being covered today, as we imagine the rate aspirations of Charterers and Owners will be pulling in different directions now. Having said that, there will still be the odd prompt unit that might be there to do very close to last done levels before the weekend. Yet, they should be in the minority now as opposed to the beginning of the week when they were in the majority. We will likely start next week with a good proportion of the current outstanding cargoes still there and that is always a positive start to any week. Rates remain at 37 x ws 120 for TC2 for today but fully expect improvement next week.

As a whole, it has been a rather lacklustre week for Handies plying their trade in the North, with cargoes continually being drip-fed into the marketplace. You could argue that at the start of the week the LR fixing was still having some effect on the Handy market. As a result, a healthy amount of prompt units were hunting for employment, meaning Charterers were always going to be in the driving seat. As we continued, a busy Thursday and a healthy amount of 3rd decade Baltic stems being quoted, resulted in Owners being able to steady the ship at 30 x ws 135 and Continent cargoes trading ws 10 points below at 30 x ws 125. Reports are now surfacing that 30 x ws 140 has been paid ex Baltic, which will give Owners some much needed momentum heading into Week 47.

All in all, it has been an up and down week in the Flexi market. We started the week brightly, with a few vessels being fixed around the Bay of Biscay area, but since then very little has been seen. The slow Handy market this week seems to have cut out any potential this market may have had, with rates still pressured around the 22 x ws 160 mark. However, a late flurry activity towards the back end of the week in the Handy market may give Flexi Owners some much needed hope going into next week.



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

Dirty Products

Handy

Once again, the NWE sector kicked off with a flurry of fresh activity to start proceedings for this week. This activity has given Owners the uplift in spirits they have been looking for, as they gained ground on a deal by deal basis. At the time of writing, this is a solid ws +30 point gain compared to last week's trading. Overall, volume has not been overwhelming. However, as tonnage was clearing down, Charterers options to cover cargoes started to look extremely limited. If we see a repeat of the theme, we will be looking at ws 260 in early next week's trading, as tonnage replenishment is likely to remain limited.

The Mediterranean has seen one of the most dynamic weeks so far this year. It goes without saying that the sentiment that has built in previous weeks rolled straight into this one like steam roller. Fresh stems relentlessly continued to come from the Black Sea and in turn gave Owners more than enough ammunition to push on fixing levels fixture by fixture across the region. Rates reached a high of ws 300 from the Black Sea by mid-week, some ws 40 points from where the week started. The outlook for next week looks to be much of the same, as at the time of writing, there are cargoes yet to be covered. With tonnage tight Owners will be looking to continue the push.

MR

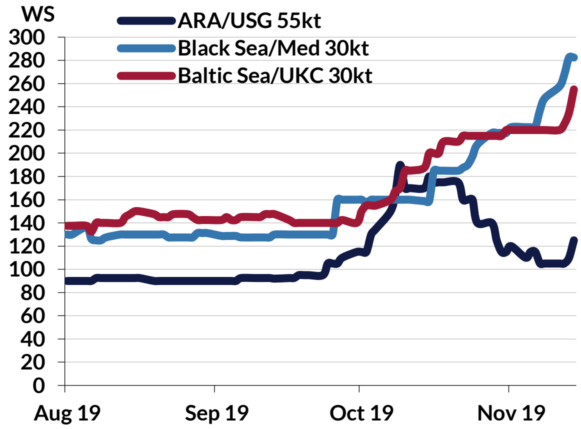
MRs in the North have seen a lacklustre week, with not much fresh activity, despite candidates willing dirty with their clean MRs open on near dates. With stems from last week having been confirmed at strong numbers, repetition was seen at the rate of UKCont/Med at ws 195. In the tail of this week's rumours of a tender, there have been some enquiries for the remaining natural units, with reasonable Owners interest willing transatlantic ballast.

The Med has been a dynamic week of change for the MR market, with Owners unsure where to offer due to a changing tonnage list. One vessel has been reported to have been taken on a 6 month Time Charter but replaced again by Owners willing dirty on other units. The last done reported spot deal was X-Med into Israel at ws 205. However, with larger sizes ticking up and taking the ceiling off, we would expect that once tested, the market for MRs in Black Sea and Med will start to follow the Handies, with Black Sea/Med ws 200 being Owners' ideas.

Panamax

We finish week 46 in a purgatory state of limbo, where swings of some ws 20 points have separated what could be achieved, depending on where to load. Subsequently, Owners are now looking at what they need to take care of now and wondering at which point Charterers turn away from proposals. We now begin the process of treading new ground, with the likely outcome that both the peaks and troughs get ironed out with market formation falling in the middle of the two markers set this week, as Charterers become all too aware that transatlantic voyages offer a golden ticket to become 2020 compliant.

Dirty Product Tanker Spot Rates



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 14th	Nov 07th	Last Month	FFA Q4
TD3C	VLCC	AG-China	**-6**	75	81	133	92
TD20	Suezmax	WAF-UKC	**+20**	111	91	201	129
TD7	Aframax	N.Sea-UKC	**+87**	183	96	194	152

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

			wk on wk change	Nov 14th	Nov 07th	Last Month	FFA Q4
TD3C	VLCC	AG-China	**-2,750**	58,250	61,000	118,000	92
TD20	Suezmax	WAF-UKC	**+11,000**	41,000	30,000	88,500	129
TD7	Aframax	N.Sea-UKC	**+62,750**	75,250	12,500	84,750	152

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 14th	Nov 07th	Last Month	FFA Q4
TC1	LR2	AG-Japan	**-7**	108	116	298	
TC2	MR - west	UKC-USAC	**-13**	120	133	171	159
TC5	LR1	AG-Japan	**-12**	133	144	256	152
TC7	MR - east	Singapore-EC Aus	**+8**	194	187	257	215

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

			wk on wk change	Nov 14th	Nov 07th	Last Month	FFA Q4
TC1	LR2	AG-Japan	**+0**	22,500	22,500	78,750	
TC2	MR - west	UKC-USAC	**-2,500**	10,250	12,750	19,500	17,750
TC5	LR1	AG-Japan	**-1,000**	21,250	22,250	47,500	26,000
TC7	MR - east	Singapore-EC Aus	**+2,750**	21,000	18,250	30,000	24,750

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

	wk on wk change	Nov 14th	Nov 07th	Last Month
ClearView Bunker Price (Rotterdam HSFO 380)	**-2**	256	258	269
ClearView Bunker Price (Fujairah 380 HSFO)	**-58**	245	303	303
ClearView Bunker Price (Singapore 380 HSFO)	**-67**	300	366	346
ClearView Bunker Price (Rotterdam LSMGO)	**+3**	563	560	571

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