

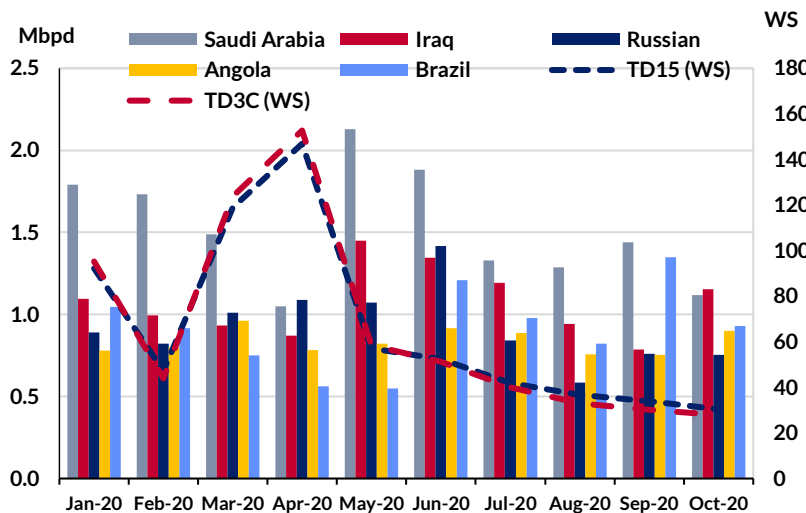
China is the key

Weekly Tanker Market Report

Chinese crude imports have continued to set new records this year, peaking at 11.7 million b/d in June, with Saudi Arabia the largest exporter of seaborne crude to China. From January to October Chinese crude buyers bought an average of 1.52 million b/d from Saudi Arabia. Such has been the appetite in the country that it has become the key buyer of crude, especially during the COVID-19 pandemic, where other countries demands plummeted, and shipments significantly declined. Saudi Arabia wasn't the only country to benefit from this up-tick in demand. Iraq became the next largest seaborne exporter of crude to China. During the course of the year exports averaged just over 1.0 million b/d. Russia is the next largest exporter, averaging 0.92 million b/d. Other countries such as Brazil and Angola have also benefited from the increased demand from China.

Chinese crude imports by country

Source: Kpler/Gibson



According to Platts, Overall Chinese crude stocks reached over 890 million barrels during July as a wide contango incentivised storage. In 'normal times' additional storage capacity would take over a year to construct. But as we have witnessed, these are anything but normal times, and to benefit from the cut priced crude that was being offered to the market, various crude Chinese storage companies expedited adding 95 million barrels of additional storage capacity by the end of the year. Sinopec has various storage projects on the go, with additional volumes at its

Dongjiakou port as well as its storage facility in central China at Luoyang, which will increase crude storage by 64 million barrels. The tank farm at Luoyang has already started to fill its 5.0 million barrels capacity with Saudi Arab Medium and there are plans to expand storage by a further 5.0 million barrels by mid-2021. Also, Hengli Petrochemical (Dalian) will increase its overall storage by 22.6 million barrels. These largescale increases in storage were part of a strategic Governmental plan, but have been accelerated due to the recent low oil prices.

Whilst there are big plans for the storage sector, arguably these developments are partly driven by expansions within the country's refining industry. Ningbo city is seeking to become a major refining and petrochemical centre. The local government plans to double refinery capacity to 1.2 million b/d, with additional capacity for ethylene, purified terephthalic acid (PTA) and paraxylene. CNOOC's Daxie plant currently has a refining capacity of 160,000 b/d and is currently adding 120,000 b/d, while Sinopec's Zhenhai complex is building a new 220,000 b/d crude unit.

Chinese demand is poised to rise further over the next few months, driven by higher import quotas for 2021. The Ministry of Commerce announced that qualified refineries and trading companies will be able to apply for an additional 4.86 million b/d of crude import quotas, up by around 20% compared to 2020. Of this around 400,000 b/d will be absorbed by the expansion of Rongsheng's ZPC refinery at Zhoushan, which will have a capacity of 800,000 b/d. We are still not out of the wood when it comes to the overall demand destruction caused by the COVID-19 pandemic, but the long-haul crude routes to China are at least providing significant employment for those involved. Demand from China looks set to continue to remain robust as we head to close off a year that many will be glad to see the back of.

Crude Oil

Middle East

Modest VLCC volumes still fell way short of those required to tighten availability and to allow for any break-out. That said, there has been a fractional upward shift in Worldscale rates but only in part compensation for higher bunker costs, and net earnings remain basically at their very poor starting marks. The compensatory trend may continue but until production cuts are eased there is unlikely to be any material change. Currently up to ws 28.5 payable East and down to ws 16 still marked to the West. Suezmaxes started with just a touch of hope but interest waned in the second half of the week to put pressure back on and rates to the East struggled to better ws 42.5, with runs to the West still in the high 'teens'. Aframaxes failed to build further as enquiry moderated and the farther East markets failed to support. 80,000mt by ws 55 again to Singapore, and more of the same to come.

West Africa

Suezmax Charterers were tested a little more sternly than they had been used to from last Friday until the midweek point but momentum was then lost as Charterers held back and left Owners with few toys to play with. Now, it's a little wobbly once again and discounting back towards 130,000mt by ws 37.5 to Europe, and to ws 35 to the USGulf, beckons. VLCCs enjoyed a couple of pulses of activity but didn't see any late week action and rates failed to breach above ws 30 to the Far East. If the AGulf does add a little upon higher costs, then Owners here will replicate.

Mediterranean

Aframaxes are daring to believe that they have turned the corner. It has been busier, and rates have gained a little to 80,000mt by ws 65 X-Med and to ws 67.5 from the Black Sea, but there have been a few false dawns over recent times and Charterers will do their best to frustrate next week. Suezmaxes held up, but no more than that, although there is a degree of extra resistance on longer runs to the East now. Rates from the Black Sea to European destinations operate in a 140,000mt by ws 52.5/55 bracket, with around \$2.75 million sought for runs to China.

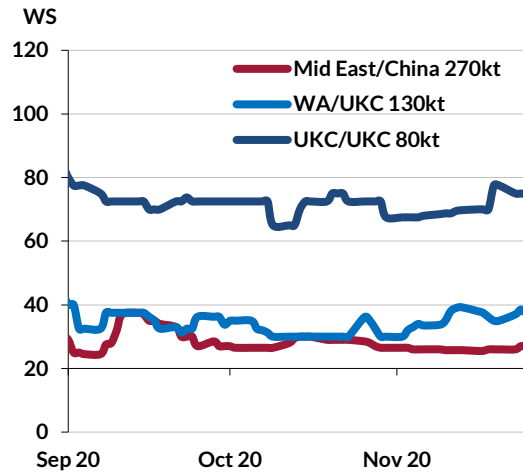
US Gulf/Latin America

Aframaxes pumped up to levels not seen for a long while - as high as 70,000mt by ws 125 for the shortest hauls - but the Thanksgiving got in the way of the fun and the loss of momentum may prove hard to re-find early next week. VLCCs saw less interest as the week wore on, and whatever was done went at unchanged numbers - \$4.6 million to South Korea/China but those higher costs will start to pull a little as dates move deeper into January.

North Sea

As in the Med, better for Aframaxes here as extra fuel oil demand supplemented crude liftings. Rates jumped to 80,000mt by ws 85 X-UKCont, and to 100,000mt by ws 52.5 from the Baltic and could stretch some more, but Owners may well decide to bank the gains and consolidate, rather than risk withholding reaction from Charterers. VLCCs saw little and a slightly weaker \$4.35 million from West Coast Norway to the Far East was noted but forward deals will probably yield a little more than that.

Crude Tanker Spot Rates



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

Clean Products

East

A quiet week for the LRs in general after the previous weeks encouragement on both sizes. LR1s have fared better, with a steady stream of stems meaning rates are staying flat for now. 55,000mt naphtha AGulf/Japan is now ws 80 but could dip below next week. 65,000mt jet AGulf/UKCont is steady at \$1.35 million but again is under slight downward pressure. Depending on dates, we may see just a little less paid.

LR2s have been very quiet, with ATC seemingly already all done up to 20th December. Indeed, with new crude vessels taking some stems rates have suffered. 75,000mt naphtha AGulf/Japan is now ws 80 but less is soon expected. 90,000mt jet AGulf/UKCont is now \$1.75 million and again we can expect at least another \$50k off that when tested. Overall, Owners just hope activity can once again ramp up prior to the end of the year.

The MR segment has failed to capitalise on a good volume of cargoes put on subs this week, which has thinned out both the front end and the natural window. EAF has been the key talking point. Ws 145 was fixed for a prompt jet replacement but the market settled again to ws 135 and has been repeated numerous times. Westbound has only been tested to Argentina; \$1.1 million is on subs again and TC12 hasn't moved from ws 95. Given that the week is all but over and the \$/tonne starts to look more attractive on a quiet LR2 market, we could see the MRs come off next week as other sizes are preferred.

Mediterranean

A two tier market has been seen this week in the Med, with a tightening list ex W-Med coupled with an influx of cargoes from this region throughout the week resulting in more points on offer. We've now jumped 25 points between Monday and Friday with the current going rate ex W-Med at the 30 x ws 95 mark for dates off early December and, with a couple of cargoes still there to cover, expect Owners ideas to remain in this region. Further East however, fixing window tonnage is better supplied and 5-10 points less is achievable. The Black Sea has traded around the 30 x ws 80-85 mark for much of the week but is in need of a fresh test off the back of the firming ex W-Med. The million dollar question is whether West will come off on Monday or E-Med / Black Sea rates firm in line with the 30 x ws 95, which will be determined by cargo enquiry following the weekend. Owners will be pleased with how this week has panned out and, with paper trading at around 105 for Dec, some more momentum is on the cards.

On the MRs, with limited activity and a sliding UKCont market, Owners have struggled to take much of a grasp of the market and we have seen rates reflect this. Any thoughts that transatlantic runs were still 3 digits were quickly swept away and by the midweek point we sat around 37 x ws 80, with pressure continuing. TC2 now slips to ws 75 and expect with a fresh test a similar fate to be seen here in the Mediterranean. Not to sound too despondent, but the fact that

East runs are being seen once again with \$800k to the AGulf, will give another lifeline, and an improved Handy market won't hurt either. Enquiry levels across the Continent will be key here and with a few outstanding cargoes coming into the weekend, Owners will hope they can at least dig their heels in for Monday and prevent any further losses.

UK Continent

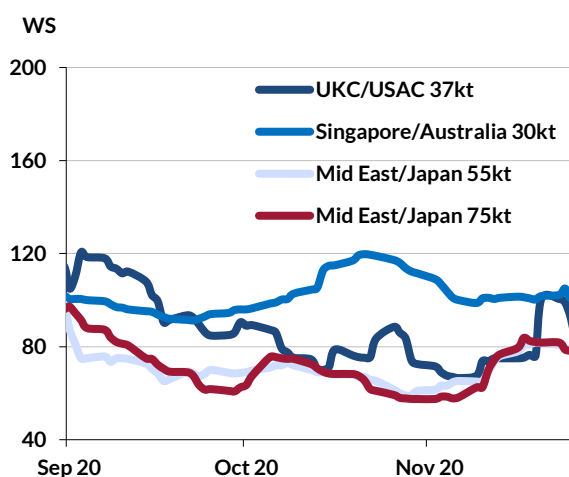
Almost the polar opposite to the last 2 or 3 weeks as enquiry levels fall sharply and rates drop 25 points to virtually wipe out the recent gains. It would be easy to blame holidays in the U.S. as the main culprit but the reality is the week started slowly and it was never able to gain any momentum. The tonnage list has naturally swelled on the back of that and we suddenly find ourselves back in the same predicament as 3 or 4 weeks ago. It is certainly going to take a busy week next week to see a reversal in fortunes once again, but the reality is it may end up needing a couple of good weeks to see rates get back to anywhere near where they began this past week. Currently TC2 sits at 37 x ws 75 but still under pressure with a very quiet WAF market untested but likely to be no better than 37 x ws 80-85 levels.

Handy tonnage has been well supplied for the amount of enquiry we have seen this week resulting in rates trading sideways at 30 x ws 85 for TC9 and 30 x ws 82.5-85 for X-UKCont. Charterers with exposure ex Baltic have continued to lean on their COAs partners meaning most fixing has

actually been happening under the radar. Owners were hopeful that the positivity seen on the MRs at the start of the week could have had a domino effect onto the 30kt clips but, with that market stalling and then softening, Handies are expected to trade flat for the foreseeable.

As we reach the end of what has been a very slow week overall in this UKCont Flexi market, we have now seen glimmers of fixing activity taking place behind closed doors. These signs of action will give Owners some hope of improvement but for now rates continue to track in line with UKCont Handy levels with the call for a X-UKCont run at the 22 x ws 107.5-110 mark. Market Handy driven for now.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

This week saw December's fixing program getting underway albeit in a less than anticipated fashion. Drip fed enquiry up in the Continent has left us with a market trading softer yet again, with many units coming into Monday now outside of their fixing windows. It is worth noting here that we are trading now at levels more akin to a summer market rather than last month Q4.

The Med has fared a little better with an injection of pace in the Black Sea and a starting point on Monday where prompt tonnage on the list had been chipped away at. By mid-week ws 102.5 was on subs from the Black Sea with the usual X-Med diff trading the same. By Friday, the Owners with units to market had the bit between their teeth as enquiry continues to flow and dates shift on. Expect a market in the mid-high teens by mid next week should enquiry continue.

MR

In a turnaround from recent weeks, marketed tonnage in the North has for the first time been in plentiful supply. Despite this however, very little has been reported in terms of Charterers and their cargoes being drawn to test Owners and their units. It has taken to the end of the week for a test to be seen and there is some inevitability in last done being some way off where today's levels lie. Adding to the woes of those marketing tonnage has been the lack of a backstop on the Handies as this market has seen decrement from the start to the end of the week.

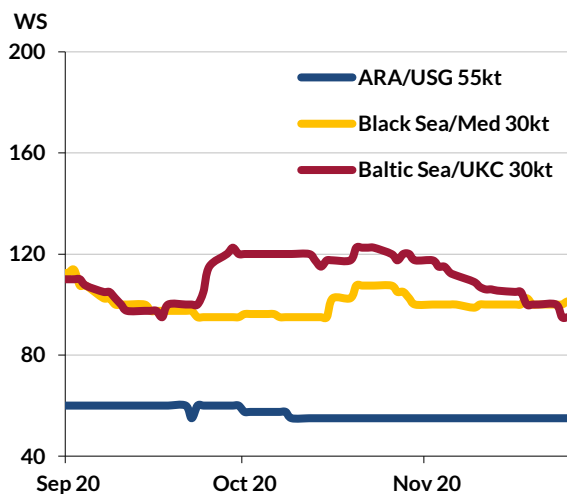
In the Med, a similar story plays out in recent weeks where part cargo opportunities are being taken up by MRs to find coverage and

only if restrictions call for an MR are these Owners being short listed. The Black Sea continues to be the one load area where MRs can expect some questions however these remain few and far between if they come to the market at all.

Panamax

This week started with a fresh test on the Panamax but as has been the case for some time now the conference level of 55 @ ws 55 stuck. A flurry of activity across the pond prior to Thanksgiving provided some glimmer of hope to Owners there however, with prompt tonnage stacked up here very little change is on the horizon. Questions have bubbled all week and enquiry from WAF has pleased a couple of Owners but the reality here is that with Aframax still offering a better all-round deal and prompt tonnage showing, expect more of the same in week 49.

Dirty Product Tanker Spot Rates



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

Dirty Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Nov 26th	Nov 19th	Last Month*	FFA Nov/Dec
TD3C VLCC	AG-China	+2	28	26	26	29
TD20 Suezmax	WAF-UKC	+2	39	37	32	42
TD7 Aframax	N.Sea-UKC	+4	79	74	73	92

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

		wk on wk change	Nov 26th	Nov 19th	Last Month*	FFA Nov/Dec
TD3C VLCC	AG-China	+1,500	8,500	7,000	9,750	9,750
TD20 Suezmax	WAF-UKC	+250	6,000	5,750	5,500	8,000
TD7 Aframax	N.Sea-UKC	+2,000	2,000	0	1,750	11,250

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Nov 26th	Nov 19th	Last Month*	FFA Nov/Dec
TC1 LR2	AG-Japan	-7	75	82	57	
TC2 MR - west	UKC-USAC	+3	79	76	74	86
TC5 LR1	AG-Japan	-4	78	82	59	80
TC7 MR - east	Singapore-EC Aus	+5	107	102	112	113

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

		wk on wk change	Nov 26th	Nov 19th	Last Month*	FFA Nov/Dec
TC1 LR2	AG-Japan	-3,000	12,250	15,250	8,000	
TC2 MR - west	UKC-USAC	+0	3,750	3,750	4,750	5,000
TC5 LR1	AG-Japan	-1,750	8,250	10,000	5,250	8,750
TC7 MR - east	Singapore-EC Aus	+500	7,500	7,000	10,000	8,500

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

ClearView Bunker Price (Rotterdam VLSFO)	+25	353	328	286	
ClearView Bunker Price (Fujairah VLSFO)	+22	378	356	321	
ClearView Bunker Price (Singapore VLSFO)	+18	378	360	312	
ClearView Bunker Price (Rotterdam LSMGO)	+32	391	359	301	

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