

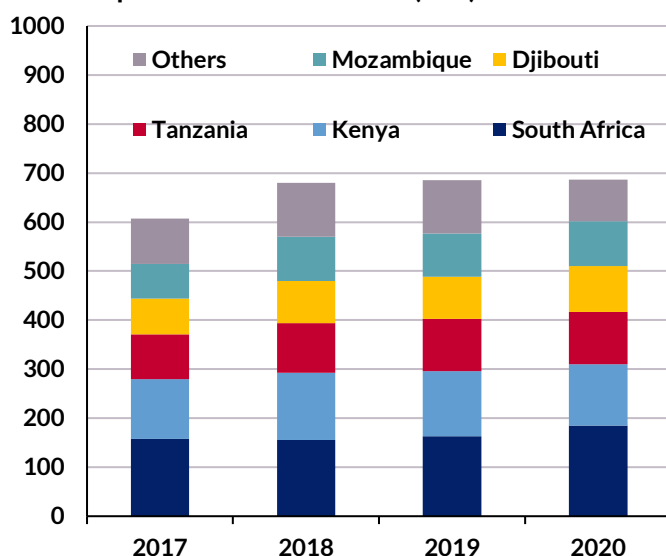
East Africa in Focus

Weekly Tanker Market Report

Late last week, an explosion at South Africa’s second largest refinery cast focus firmly on the East and South African refined products market. Engen’s 120,000 b/d Durban refinery is small by modern standards but combined with the ongoing outage at Astron Energy’s Cape Town plant (100,000 b/d), the nation’s product balances have moved more sharply into deficit.

Overall imports into South Africa stood at just 165,000 b/d in 2019, indicating how small a role the country plays in the global products market. Imports have increased to about 185,000 b/d for the year to date, with higher imports needed to cover Astron’s outage. However, the impact of the Cape Town incident was muted by weaker demand in the wake of covid-19. Now, with Engen’s refinery out of action in addition to Astron’s, the easing of lockdown measures and a \$26bn government stimulus package, South Africa’s petroleum consumption (and with that import demand) is set to rise.

CPP Imports East/South Africa (kbd)



It is not yet known for how long Engen’s refinery will be offline, but the company had been considering its future before the latest outage and was evaluating converting the facility into an import and storage terminal by 2023, a decision which may now be accelerated. Astron’s Cape Town plant is planning to return however, although a series of delays are likely push this back into 2021. Plans are in place to develop a new refinery in South Africa. The government has been working with Saudi Aramco to explore developing a greenfield refinery at Richards Bay. Yet, with the project still very much in its infancy, it will do little to address the nation’s needs in the short to medium term. If Engen’s facility fails to return, the country will be increasingly import

dependent for much of the decade.

Beyond South Africa, the wider East African region is an important export market, particularly for Middle East refiners who hold the largest market share. Collectively the region imported nearly 700,000 b/d of refined products in 2020. Import volumes this year may have been stunted by the pandemic but growth should resume in 2021 as the region develops, although geopolitical risk is rising. It is also important to look beyond the coastal states when assessing demand. Landlocked markets in Ethiopia, South Sudan, Uganda and Zimbabwe (among others) import products through the key East African ports of Djibouti, Dar es Salaam and Mombasa. However, some of these inland markets are seeking to develop their own refining capacity. South Sudan is expected to bring online a small 8,000 b/d refinery next year and plans to construct a 25-40,000 b/d plant by 2025, whilst Uganda plans to take FID on the 60,000 b/d Albertin Graben refinery in 2022.

Ultimately, the region remains a small but important (and growing) source of demand for product tankers. Refining capacity additions are challenging, whilst much of the existing infrastructure is ageing. In the short term, product imports are set to rise until some of the larger projects, such as the potential Richards Bay project, come to fruition.

Crude Oil

Middle East

Busier, but never busy enough to get VLCCs truly moving. Rates did tick up a little but only in response to higher bunker costs that raised the absolute bottom line, and by the week's end availability remained very much on the heavy side. December needs are almost fixed out now and January will again be compromised by ongoing production cuts, which have only been marginally alleviated. Rates currently stand at up to ws 34 to the East, and theoretically in the high 'teens' to the West. Suezmaxes lost any of the small spark of late last week and drifted back towards 130,000mt by ws 40 to the East, and to ws 15 to the West, with little realistic hope of a positive early turnaround. The end of the year can't come soon enough for beleaguered Aframax - prompt vessels remain and rates scrape along at 80,000mt by ws 52.5 to Singapore, with more of the sorry same to come.

West Africa

Suezmaxes look toppy - they never really threatened anyway and, with every cargo now attracting numerous offers, Charterers are taking a relaxed view to let Owners do the softening up for them. Rates are back to ws 40-at best - to Europe, and to ws 35 to the USGulf, with runs to the West at sub ws 45 marks. VLCCs found only modest interest and failed to hold last week's small gain. Rates are back to ws 34 to the Far East now, which gives no differential over prevailing AGulf/East numbers. Bunker prices may

lend support to Worldscale values, but that won't help earnings much on the spreadsheet.

Mediterranean

Aframaxes slipped further off despite pockets of improved activity. Bottom feeding at bargain prices in the main, and rates bum along at down to 80,000mt by ws 55 X-Med and to ws 57.5 from the Black Sea. Owners will be wishing 2020 away next week too. Suezmaxes did actually show slightly better results week on week as Charterers concentrated on vessels with nice safe itineraries, and were prepared to allow a little market inflation for the privilege. 140,000mt at up to ws 57.5 now from the Black Sea to European destinations, and to \$2.75 million for runs to China, with consolidation likely over the near term.

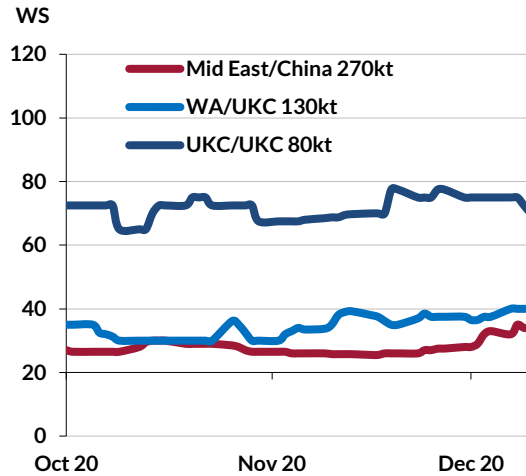
US Gulf/Latin America

Back to 'nasty' for overweight Aframax that have now found themselves eating sand at down to 70,000mt by ws 42.5 transatlantic, and to ws 52.5 upcoast. Owners would like to think that such poor levels can't hold for too long, but there's no optimism of anything much better kicking off next week's campaign either. VLCCs had a slow week of it but rate demands have been largely unaffected, and Charterers would find it hard to knock much lower than \$4.8 million to South Korea/China on ever forward load dates.

North Sea

Aframaxes trod water within a meandering market current with hopes of bad weather to come and stir things up a bit. 80,000mt by ws 70 X-UKCont and 100,000mt by ws 42.5 from the Baltic are the bottom levels currently and Owners eyes will be glued to those weather charts over the weekend. VLCCs found occasional interest but resultant rates of down to \$4.6 million to South Korea/China failed to surprise, and few surprises are anticipated though next week also.

Crude Tanker Spot Rates



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

Clean Products

East

The MRs have had no let-up this week, and really should sit in a much topnier position - let down solely by some cack handed fixing from Owners (and a couple in particular). EAF has been much tested, climbing to ws 175 before a 'mysterious' Charterer reletting a previously fixed MR at ws 175 equivalent - other offers into the 2s... These levels have sat very flat. Owners not asking Brokers what their competition is or spilling coffee on their position list. A couple of veg history ships being dropped today (Verige subs \$1.175 million UKCont and Scorpio \$295k Jub/Jeb) won't change sentiment massively - neither of those Owners are going to chase the market too desperately on a Friday. This level of volume, particularly on a Friday - points to a busy Monday. TC12 should be widely called ws 125 now and a healthy volume of enquiry in the South market will remove some traditional TC12 players from the list. All good signs as we move into the new week, the only question is whether Owners can hold their bottle.

The LR1 segment again has moved very quickly this week, far outperforming the LR2s, and in fact dragging the larger size up in tow. TC5 has climbed from ws 90 levels to ws 120 (general assessment, yet to be tested). Distillate has been absorbed on programme - Charterers finding little value from pure Owners to take to their traders. Traf covered their UMS to the states internally and remains in the market now only with their Singapore delivery. The list doesn't open up at all until end month and what Owners are going to chase cargoes late on a Friday?

Finally, we have seen some more value pushed into the LR2 segment, after weeks of underperformance and a growing list. ATC's prompter requirement encouraged Owners,

fewer are workable and only Traf willing sub \$1.8 million on their discharge itinerary. This stem returned to the LR1 segment eventually but we had decent volume elsewhere to concentrate on. Total getting pushed to \$1.875million on their second westbound is likely look light next week, even smaller cubic units are dragging their ideas over \$1.8 million. On naphtha, Marubeni have really been the stand-out performers this week. 3 ships taken for TC1 and a fourth currently in the market yet to be covered; the majority of which done before sentiment took a shift north. BP did well to get Lyras on subs quickly, their head Owners very vocal about wanting to be fixed sooner rather than later; unfortunately for them, they missed the market. MCC have paid over 90 now, watch the LR2s closely next week, as MRs are busy today again and the LR1 list is insanely thin. Progress seems an inevitability.

Mediterranean

Rates have traded sideways for much of week 50, with 30 x ws 85 the number most have aimed for. Towards the back end of the week, however, a tighter WMed coupled with prompt replacements needing specific vessels has seen 'heights' of 30 x ws 100 ex WMed, which has begun to drag rates up. Further East in CMed, ideas on Friday have been in the mid ws 90s, although 30 x ws 85-90 will be the target point once again for an EMed load. Black Sea has remained relatively subdued, with 30 x ws 92.5 achieved throughout. Monday will likely bring a stretched fixing window well into the third decade, which will provide more options. However, with Xmas on the horizon, cargoes are likely be covered far in advance, which should result in an influx.

Finally, to the MRs in the Mediterranean, where we have seen the market beat to its own rhythm, with rates improving early on to 37 x ws 85 transatlantic and holding throughout. With much of the tonnage required needing to ballast into the region, Owners were able to capitalise and improve the UKCont sector similarly by the end of the week. Charterers who are able to be a little more flexible on age/vetting, are able to pick out distressed tonnage at lower levels. However, this had little effect for vanilla runs, helped also by the improved East market, tempting some to ballast that way. This leaves this market with some good foundations built for potential improvement ahead.

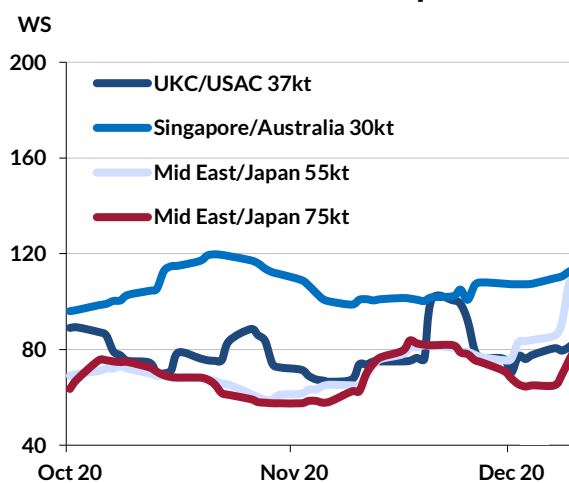
UK Continent

A temperate week has passed here for the MRs in the Continent, where despite a relatively good level of fixtures throughout, rates have been unable to improve drastically with the weight of ballast tonnage subduing opportunities. We found ourselves in a slightly different perspective, as the Mediterranean rates managed to improve and drive the MR market, with the lack of natural positions having to take out ballasters. Soon 37 x 85 transatlantic became the norm, with WAF holding a 10 point premium. These levels have taken some time to filter to the UKCont, but by Friday this 5 WS point improvement sticks and Owners can start moving their targets towards the dizzying heights of ws 90. An improved Handy market also have given Owners another route of employment, which has been beneficial, as WAF runs have been on the thin side. Moving into next week, there certainly is positivity in the air, although with the States market offering so little, Owners will have to keep a close look over their shoulder for the inevitable armada of ballast tonnage on the horizon.

It's been a very positive week for Handy Owners plying their trade up in the North, with rates continuously firming throughout. We began week 50 with TC9 at the 30 x ws 95 mark and X-UKCont trading just below at 30 x ws 90. As we have progressed further into the week, the tonnage list has tightened with a handful of ships being picked off on COA business. This combined with a consistent flow of fresh cargo enquiry, has left Owners pushing for more and at the time of writing rates stand at 30 x ws 110 ex Baltic and 30 x ws 105 X-UKC. Charterers will be hoping the weekend will help replenish tonnage with the fixing window now stretched to the 20th, however, expect Owners to be bullish until then.

All round a good week for the Flexis, as we see rates increase on the back of improvement in the UKCont Handy market. Fixing activity has been a little less busy in comparison to last week, with any glimmers being kept below the market surface. Rates, however, have tracked the Handies, with the current call for a X-UKCont run now up at around the 22 x ws 135-140 levels.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

In the North poor weather has not affected the market in the same way it has in the Mediterranean. The trading in the area created more connection between the Handy segment and the Aframax-Panamax markets and cargo volumes have been relatively scarce for the time of year. The outcome is another week passing by in full winter season and rates crab walking at the bottom. Some hope is being pinned on the back of positivity coming from the south as tonnage availability is tightening up and ws rates in the low 100's on the horizon. The hope for better in week 51 is there but expectations for a Mediterranean style feast should be put on ice for now.

Without doubt the best week in months for the Mediterranean market, the foundations for which had been laid in week 49. Rates have steadily climbed from ws 155 up to ws 175, gaining few points every day. With tonnage thinning in the previous week, this week both Owners and Charterers have had to battle, with weather delays and port closures only boosting sentiment. As the week closes, the firm sentiment continues, but driven not by a flow of cargoes but by replacement business and uncertain itineraries on units fixed in the last week. Going into next week, rates are expected to plateau for the natural window but those still in need of a replacement due to continuing poor weather forecast will see Owners sharpening their pencils, not their rates.

MR

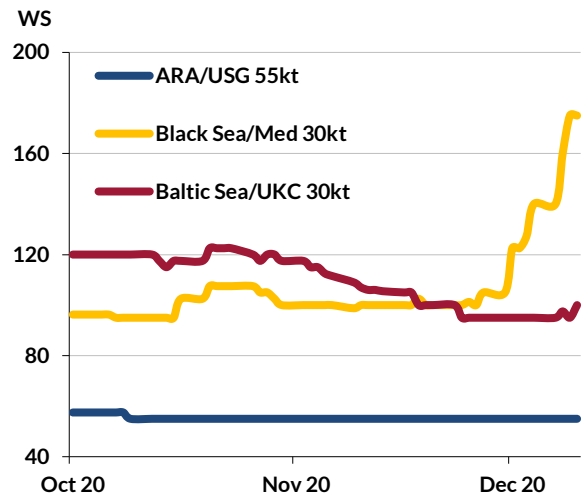
In a change of fortunes for MR Owners on the Cont, this week's full stems have provided more opportunities to re-establish benchmarks. With sub ws 80 being fixed twice, tonnage tightened and with the next cargo came the inevitable bounce, with the week finishing on ws 90. Such activity has been a welcome change in fortunes, as for the most part the Handies have offered little back stop this week. Going forward, tonnage looks tight, so expect to see those with firm cargoes to reach forward on dates to secure either the next units up naturally or those needing to make the ballast. In the Med, part cargoes continue to keep idle days down but for the majority of tonnage in the natural window weather and port delays have only provided missed opportunities until prospects become clear.

Panamax

The Panamaxes this week have in general continued to trade flat off the back of little activity and further softening in the surrounding Aframaxes. With very few questions being asked throughout the week, some Owners are starting the ballast back towards the States, where activity continues to tick over albeit at subdued levels still. One caveat to the above is a rumour that one Owner has picked up a cargo in the north and, being the sole unit, has been able to claw back some ws 5 points from last done.

However, going forward it is difficult to see any increment being maintained, as tonnage options remain well stocked elsewhere.

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	Dec 10th	Dec 3rd	Last Month*	FFA Dec
TD3C VLCC	AG-China	+3	34	31	26	36
TD20 Suezmax	WAF-UKC	+5	42	37	39	41
TD7 Aframax	N.Sea-UKC	-3	72	75	69	99

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

		wk on wk change	Dec 10th	Dec 3rd	Last Month*	FFA Dec
TD3C VLCC	AG-China	+3,250	15,500	12,250	7,000	17,750
TD20 Suezmax	WAF-UKC	+3,000	7,500	4,500	7,500	7,000
TD7 Aframax	N.Sea-UKC	-2,250	-3,750	-1,500	-3,000	15,500

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Dec 10th	Dec 3rd	Last Month*	FFA Dec
TC1 LR2	AG-Japan	+16	81	65	74	
TC2 MR - west	UKC-USAC	+8	84	76	75	87
TC5 LR1	AG-Japan	+27	111	84	74	116
TC7 MR - east	Singapore-EC Aus	+7	114	107	101	116

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

		wk on wk change	Dec 10th	Dec 3rd	Last Month*	FFA Dec
TC1 LR2	AG-Japan	+5,750	14,000	8,250	12,500	
TC2 MR - west	UKC-USAC	+1,500	4,250	2,750	3,750	4,750
TC5 LR1	AG-Japan	+7,000	17,000	10,000	7,750	18,500
TC7 MR - east	Singapore-EC Aus	+1,000	8,500	7,500	7,000	8,750

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

ClearView Bunker Price (Rotterdam VLSFO)	+4	361	357	328
ClearView Bunker Price (Fujairah VLSFO)	+9	385	376	369
ClearView Bunker Price (Singapore VLSFO)	+7	383	376	355
ClearView Bunker Price (Rotterdam LSMGO)	+20	413	393	356

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