Bunkers Up, WS100 Will Follow

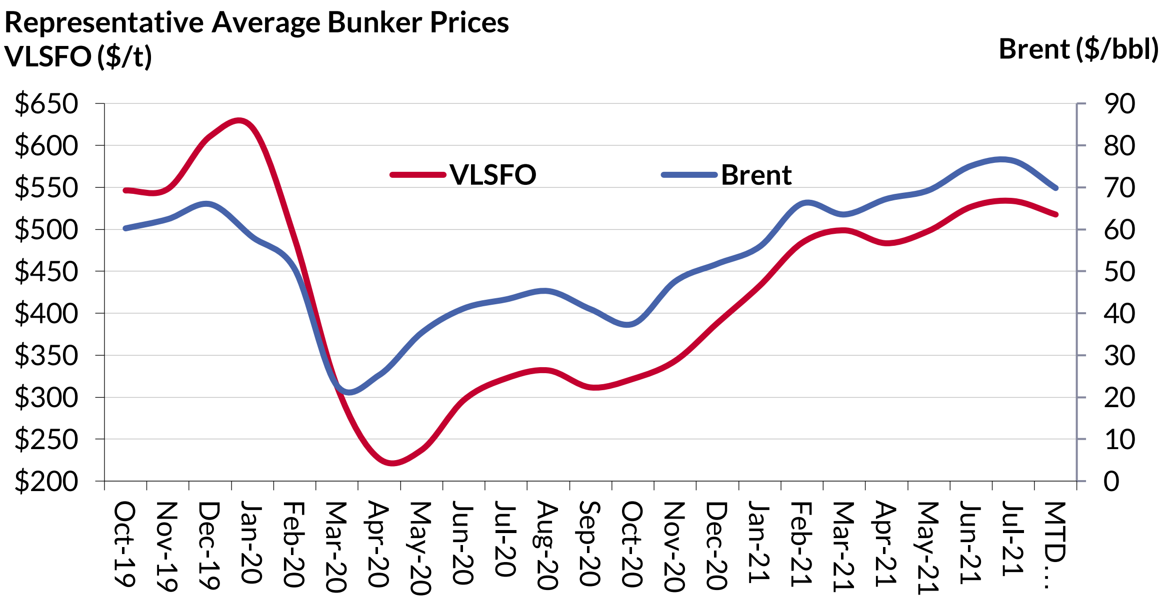
Weekly Tanker Market Report

The past couple of years have been very turbulent in many international markets due to the global pandemic. We have seen very wide swings in prices of different raw materials, including crude oil. Brent futures dived from $66/bbl in December 2019 to $22/bbl in March 2020, while WTI front month futures briefly dipped in late April 2020 into an unprecedented negative territory as desperate traders paid to avoid taking physical delivery of oil. Thereafter, oil prices staged an impressive rebound, despite a sluggish recovery in oil demand. By December last year, Brent climbed above $50/bbl and has continued to firm this year, largely trading within the $70-75/bbl range over the past couple of months, as most of OPEC+ production cuts, implemented in spring last year, remained in place.

The extreme volatility in crude oil prices and hence bunker prices has meant that we have consistently seen large-scale changes in WS flat rates. In 2021, WS flat rates on long haul voyages dropped by around 16-17%, reflecting a dramatic collapse in oil prices in spring 2020. This year the picture is similar. The rebound in international bunker prices that took place between October 2020 and July 2021 implies that in 2022 we are bound to see yet another significant change in WS flat rates.

As the bunker element included in the WS flat rates formula is computed between October and September each year, we already have over 10 months of data that will go into 2022 WS100 calculations. These figures on their own show a nearly 12% increase in bunker prices compared to the corresponding period in the previous year. If we combine these numbers with the current forward bunker price indications for the rest of August and September, this suggests that next year WS100s will need to appreciate to compensate for higher bunker expenses, with the biggest revisions expected on long haul voyages.

All in all, this means that in 2022 WS flat rates are likely to rise by 8-10% on long haul routes and by 6-8% on short haul voyages. Sadly for owners, however, these expected increases in nominal flat rates are cosmetic and will not have any impact on the dire spot tanker market reality…



Crude Oil

Middle East

A fairly active start to the week gave VLCC Owners the faint hope that they were about to see a revival in fortunes, but as the week progressed it turned out like most other weeks, with Charterers pulling back and quietly going about their business without too much fuss. We end the week worryingly slightly down from the previous one, with last done for a modern approved unit fixing at 270,000mt x ws 30.75 to China. A voyage West remains illiquid with rates estimated to be around 280,000mt x ws 18.25 to the US Gulf (via Cape). A more buoyant week for Suezmax Owners that has seen rates dip to 140,000mt x ws 25 to Europe early in the week only to see levels rebound to ws 27.5 towards the end. Rates to the East hover around 130,000mt x ws 60. Now that we have a busier Atlantic market we will see more Owners deciding to ballast West. Continued activity paired with tight lists has seen rates and sentiment in the AGulf on Aframaxes continue to firm. A few pockets remain tight such as the Red Sea region and with that Owners are in a healthy position for the first time in recent memory. AGulf-East rates are hovering around the 80 x ws 102.5 level.

West Africa

VLCC Owners were unable to break away from the conference rate of 260,000mt x ws 33 for a voyage to the Far East as there was never enough interest to structure any momentum. Although Owners will be keeping a close eye on how the AGulf market fares for any positive or negative rate swings. An active week that has seen Suezmax Owners pushing for slightly higher levels and the week concludes, with rates of 130,000mt x ws 55 to Europe. We will need to see a continuous concentration of cargoes for rates to push higher as there remains tonnage still committed to the area.

Mediterranean

This was not a week for the shipping purists. What was once known as one of the most volatile tanker markets has been a sleeping giant for another week. Aframax X-Med rates sit at the bottom with low single digit TCEs and little prospect of change with ships available and fixing dates moving forward. Ceyhan cargoes currently fetch around 80,000mt x ws 85 for Central Med discharge, with CPC voyages ws 2.5 points higher. Without the draw or support of neighbouring markets there is little chance of much change in the short term at least. Port delays can happen but ships are in sufficient supply to pick up the slack. No change for Suezmax earning in the Mediterranean this week with 130,000mt x ws 57.5 on a Libya/Europe run and $1.65 million to Singapore. The overhang of prompt tonnage is gradually eroding but until this disappears it will be difficult for Owners to push rates up.

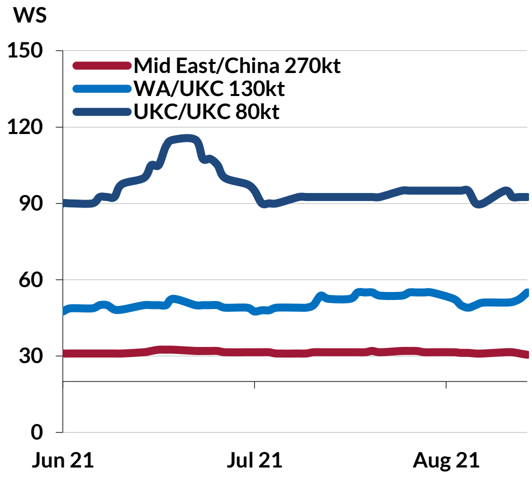
US Gulf/Latin America

Another depressing week for Aframax Owners, with very little interest for Owners to work with. Availability remains high and until we start to see a prolonged period of activity, rates will continue to stay anchored to the floor. Last done for a short-haul run holds at around 70,000mt x ws 75. VLCC Charterers continue to operate as covertly as possible quietly looking to pick off their targeted vessel without too much of a fuss. Last done is reported at around $4 million to the Far East and, with tonnage already committed to the region we will need to see more ships being picked off before we see any real move in rates.

North Sea

A little bit more action from the North with some Aframax fuel enquiry in the early part of the week. Although as usual it seemed to tail off somewhat. Rates remain depressed with Baltic/UKCont trading in the high 100,000mt x ws 50s and X-North Sea around the 80,000mt x ws 92.5 level. In the short-term there seems to be no obvious driver that will buck this current trend and, with further tonnage arriving from the States there is a good chance some Owners will simply sit spot instead of making next to zero returns.

Crude Tanker Spot Rates



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

Clean Products

East

LRs have seen a much more productive week and the pressure has finally been realised in actual rate rises. LR1s have seen their rates jump dramatically in the last 24 hours, with Hafnia being the Owner that all Charterers have had to go to for safe positions. Accordingly, rates are up this week 30 ws points on TC5 and $400k for 60,000mt jet AGulf/UKCont. These rates will need to take a breather now if there is to be any sustainability to such rises - Owners need to take this into account or it will collapse as fast as it has risen when the time comes. But 2H August into early September will continue to be short of tonnage with all far east tonnage being fixed out there.

As ever, the sustained push by LR1s has brought parity initially for AGulf/UKCont so Owners are now pushing their ideas up. Decent rises all the same have been seen with 90,000mt jet AGulf/UKCont now at $2.0 million, some $200k already this week, with $2.20 million predicted next. TC1 took a step finally but LR2 Owners will be enviously looking at the LR1s and hoping for similar results! Only some 10 points so far have been added, with 75,000mt naphtha AGulf/Japan now trading at ws 105 but this could ramp up early next week. We expect a quiet Friday, with all sides keeping their powder dry for the next onslaught.

Despite what was on reflection a quiet week for the MRs, the sentiment continues to be bullish as multiple vessels, both good and bad (last veg/old) have been removed from the list. Combined with zero Singapore ballasters, delays in Karachi and 3-4 no sires vessels prompt finding a decent ship, which will give options pre 22-23 August is not easy. Whilst there might be limited outstanding cargoes to finish the week, the LR1s have jumped dramatically this week, removing the ceiling that so often hangs over the MRs. On a $/mt basis last done on TC5 and LR1 West now exceeds TC12 and an MR West. As such the economics point towards a favouritism to the MRs next week.

Mediterranean

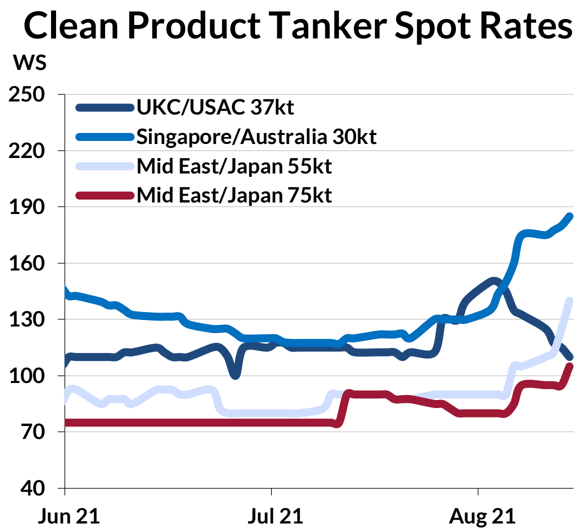
Although the majority thought 30 x ws 117.5 was the bottom, slow enquiry and an abundance of fixing window tonnage has led to further losses, with 30 x ws 115 now the going rate X-Med. Expect Owners to dig their heels in now with returns so low, however, with Black Sea activity almost non-existent, pressure remains in this market with Charterers likely to push for less on Monday.

Med MR rates have consistently slipped throughout week 32, with a lack of enquiry and plenty of tonnage meaning Owners have been on the back foot throughout. A market quote on Thursday evening showed the true colours of the tonnage list receiving 10 offers with 37 x ws 100 now on subs for Med/transatlantic albeit on a LC palms vessel. It wouldn't be surprising to see further losses on Monday given the current sentiment.

UK Continent

A slow and steady decline has been seen in this MR Continent market, with the sheer weight of available tonnage thwarting any hopes of Owners being able to hold onto last done rates, as we go from 37 x ws 135 to 37 x ws 110 by Friday. WAF or East moves have been nearly non-existent, with larger tonnage being the preference still, keeping Owners options slender. With the Med market equally struggling with excess ex D/D and non CPP ships also, Owners have had little option but to go with the flow of Charterers and as we look ahead into next week, it's hard to see this market change its direction.

On the whole a good week for Handies up in the North as better enquiry has been seen across the board. TC9 has mostly traded at 30 x ws 145 throughout, but the weak MR market ultimately capped any chances of Owners being able to improve levels from last done. Better demand has been seen for X-UKCont voyages and this sector did firm to 30 x ws 140. Although with a quieter end to the week and MRs continuing to soften 30 x ws 130 has gone on subs off 20-22 as more options for that window are available for Charterers. Pressure expected come Monday.



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

Dirty Products

Handy

A slower week up on the Continent, yet what activity has been seen shows levels have remained consistent and rather unchallenged where charterers were happy to find a firm ship that meets vetting standards. What has happened though is that fixing dates have been allowed to catch up with working windows, which coming into the week, was a concern for Charterers with availability looking stretched. That said, with the arrival of West Med tonnage now into the mix, the lists have populated slightly where unless we see an influx of activity in a narrow window, then conditions should look a tad more favourable for Charterers.

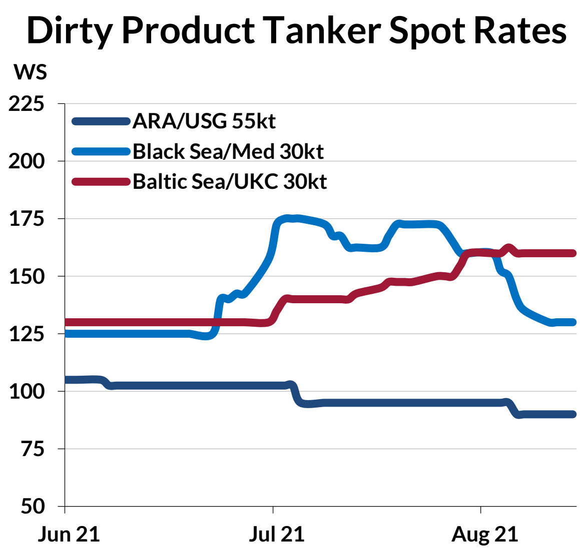
In the Med, levels were tested down to current lows, however, with activity the that then followed, Owners have been able to set this as the floor and focus on the task at hand of fixing on their front end units. That said, last decade dates are now in play, but there remains ample supply for the dates yet to be worked, therefore whilst relief is welcomed by owners, the current pace of activity is looking like it had the kind of fragility which won't allow owners to press on just yet.

MR

In both the Med and Continent, we have seen the MR markets mirror the Handies, where in the North activity and a tight list has maintained levels throughout the week and in the Med, idle days are looking like they will stack up. On the Continent a clear down of tonnage has been seen and, with two candidates potentially leaving the region we are left with just one marketed unit going into next week. Tonnage replenishment aside, the North is expected to stay firm well in to week 33. With full cargo questions from the Black Sea and wider Med region few and far between Owners here have pinned hopes on the Handies rallying, however, with enquiry there just about keeping the prompt units occupied there is little in terms of a back stop. The region now needs a test to see where values lie.

Panamax

This sector continues to have its fortunes determined by the surrounding Aframax markets, as with a cap on where Panamaxes can trade, we seem to have a stalemate situation for another week. That said, European lists are looking thinner (or at least leading into September dates) but until spot tonnage is removed from the lists, the recovery continues to get pushed back.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 12th	Aug 5th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+0**	31	31	32	33
TD20	Suezmax	WAF-UKC	**+3**	54	51	52	54
TD7	Aframax	N.Sea-UKC	**+0**	94	94	93	95

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

			wk on wk change	Aug 12th	Aug 5th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**-750**	-3,750	-3,000	-4,500	-1,750
TD20	Suezmax	WAF-UKC	**+1500**	3,000	1,500	750	3,000
TD7	Aframax	N.Sea-UKC	**+0**	-3,000	-3,000	-4,750	-2,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 12th	Aug 5th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+20**	103	83	88	
TC2	MR - west	UKC-USAC	**-28**	110	138	114	123
TC5	LR1	AG-Japan	**+36**	140	104	90	110
TC7	MR - east	Singapore-EC Aus	**+28**	186	158	120	150

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

			wk on wk change	Aug 12th	Aug 5th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+6000**	10,500	4,500	4,750	
TC2	MR - west	UKC-USAC	**-4500**	1,500	6,000	1,500	3,500
TC5	LR1	AG-Japan	**+8000**	14,500	6,500	2,500	7,500
TC7	MR - east	Singapore-EC Aus	**+4250**	12,500	8,250	1,500	7,000

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

ClearView Bunker Price (Rotterdam VLSFO)	**-5**	496	501	528
ClearView Bunker Price (Fujairah VLSFO)	**-11**	520	531	541
ClearView Bunker Price (Singapore VLSFO)	**+5**	526	521	549
ClearView Bunker Price (Rotterdam LSMGO)	**-1**	563	564	591

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