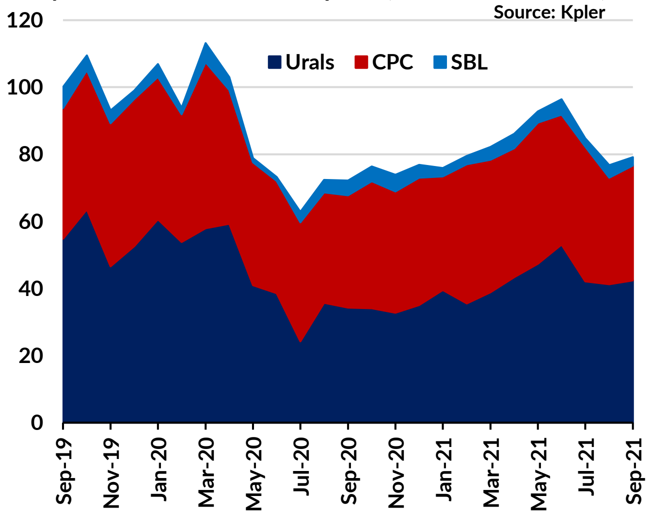
From Russia With Love

Weekly Tanker Market Report

After many months of pain, crude tanker owners will finally see an increase in the volume of Russian export cargos in the coming weeks. Loading schedules indicate rising shipments of Urals and CPC blend crude. Reuters estimates that Urals crude loading in Baltic ports such as Primorsk, Ust Luga and Vysotsk will increase to 6m tonnes in October from 5m tonnes in September. This represents an increase of approximately 20% MoM on total Baltic Ural loadings for October. Similarly North Sea production is up 10% MoM for October, while overall OPEC+ production is set to increase by another 400 kbd. All of which shows rising production across the board.

Current estimates place Urals volumes out of Novorossiysk for October at 1.74m tonnes, somewhat lower levels compared to 1.81m tonnes in September. However, CPC volumes are expected to increase as completed upstream pipeline maintenance should facilitate greater flows to Black Sea Ports. In the Baltic region, completed oil field maintenance and ongoing autumnal refinery maintenance are contributing to a rising surplus of Urals requiring additional Baltic loadings. This means Russian crude will have to be absorbed by overseas markets. All these factors provide a very positive short to mid-term set of drivers for Aframax tankers which many owners hope will translate into higher vessel earnings albeit from a very low base.

Key Russian Crude Grade Exports (Million bbls/Month)



Whilst this loading data represents positive news for Aframaxes in October, this could be an early indicator of seasonal strength in the market. In the Black Sea the higher probability of Turkish Straits delays over the coming months rises. Whilst these delays are a short-term boost, recent occurrences show the extreme volatility they can briefly generate.

As Q4 progresses the market should see increased production along with deteriorating weather patterns which should help Aframax rates to rise. Beyond the next few months, winter demand for crude and Baltic ice formations could put further upward pressure on rates, should ice class season materialise to a sufficient level.

More broadly, the October data provides evidence of expanding Russian crude production and exports under the OPEC+ deal. As Brent crude briefly touched $80/bbl and oil demand continues to rise, this may raise the prospect of a gradual loosening of OPEC+ production quotas at upcoming meetings. Producers such as Russia will become increasingly incentivised to raise production levels further in line with any amended agreements to benefit from higher earnings revenue to finance Government expenditure and shore up foreign currency reserves. Bloomberg believes Russia will increase its crude and condensate production to 11.24m bpd in 2022 (up 8% on 2021 levels). This would be a significant development in coming close to reaching the 2019 production level of 11.25m bpd, which represents Russia's post-Soviet production record. Therefore, it is likely these factors could support higher levels of crude production beyond pre Covid-19 highs.

Overall, the picture for tankers loading Russian crude looks more promising at least in the short to medium term, although signs of longer-term support for Aframaxes may provide further hope. Whilst issues such as the energy transition and Covid-19 economic recovery raises some questions about exactly how long Russia could maintain higher exports, the short to medium term necessity to meet energy demand and rising supply should provide some much-needed comfort for the market.

Crude Oil

Middle East

A week that started off looking like it would provide VLCC Owners with the required ammunition to really get a stranglehold on the market and push levels on to something near reasonable for this time of year, but unfortunately, Charterers had other ideas. As the week progressed enquiry diminished and as such rates levelled off. Last done for a voyage East is 270,000mt at around ws 40 with a voyage West estimated at around 280,000mt x ws 20 for the US Gulf. An active week for Suezmax Owners but rates have softened due a greater supply of available tonnage. Rates to the West are slightly weaker at 140,000mt x ws 27 and 130,000mt x ws 55 East. Aframaxes have struggled again this week. Activity levels remain low and with that, rates have plunged to new lows. However, Owners can take some comfort from a slightly more balanced tonnage list and general improved market sentiment. Rates for AGulf-East sitting at around 80,000mt x ws 85 level.

West Africa

Limited VLCC interest throughout the week has kept fixing levels rangebound, but there is resistance from Owners to repeat last done. Higher bunker costs and the lack of interest to lock in for the longer voyages for the last quarter of the year has ensured Charterers may have to dig a little deeper into their pockets to find cover. Another uneventful week for Suezmax Owners that has lacked any momentum and levels have only risen due to higher bunker prices. The week closes with rates not being lower than 130,000mt x ws 55 to Europe and low ws 60's East.

Mediterranean

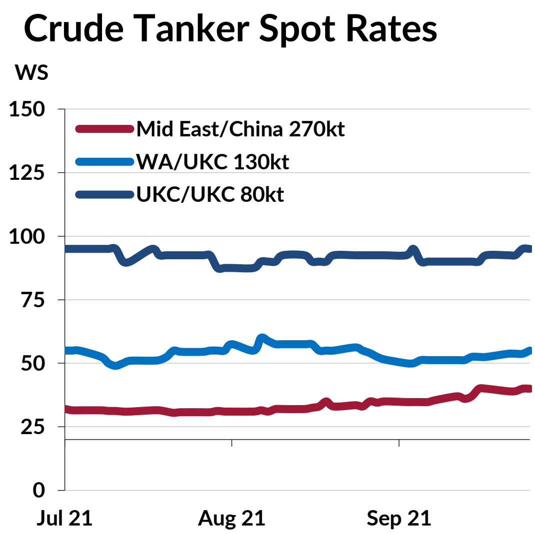
A very active week for Suezmax tonnage, which has seen many long-haul cargoes to China being concluded. However due to ample supply of tonnage, rates have hardly moved, with levels close to $2.5 million to Ningbo. If demand is maintained next week Charterers might struggle to be able to repeat these levels. Black Sea rates have pushed higher this week, with 140,000mt x ws 65 being paid to Europe and $2.75 million to China. The Aframax market has finally improved somewhat as the clear out of tonnage in recent weeks has borne fruit for Owners. As the reality kicked in, Charterers fixed a little further forward and accepted the small premiums being asked. This, in addition to bad weather abound and consequent delays (especially in the Black Sea), has left a warmer sentiment going into next week. At the close of the week Ceyhan/Med voyages are tracking at around 80,000mt x ws 102.5, up from a low of ws 87.5 in recent weeks and Black Sea rates are tracking at similar levels. Earnings are better for Owners, and they will look to push further but the limiting factor in addition to ambition is the spectre of Suezmaxes, which will look to dip in should rates move much more.

US Gulf/Latin America

Aframax Owners have again been put the through mill as the tonnage list continues to grow with Charterers having no difficulty in repeating last done. Levels remain on the bottom with Owners having very little left to give to get fixed, with last done at 70,000mt x ws 82.5 for a short haul run. An uptick in VLCC South American enquiry has taken a few Eastern ballasters away from the position list but for Owners to really see opportunities to get the rates moving more enquiry is needed. Levels currently remain around $5.1 million from the US Gulf to the Far East.

North Sea

Overall, a bit of a funny week for Aframax tonnage. Initial anticipation suggested that there would be some rate gains but as the week progressed this sentiment seemed to slip somewhat. Having said that, as we end the week there are a fair few units on subjects, with a poised feeling in the market. For now, X/North Sea trades at 80,000mt x ws 97.5 and Baltic/UKCont at 100,000mt x ws 65 but, with bunkers the way they are and a shifting sentiment there is an air of anticipation yet again!



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

GIBSON SHIPBROKERS

Clean Products

East

LRs have seen a quieter week with both sizes seeing a decline in some rates. LR1s have perhaps fared worse, with 55,000mt naphtha AGulf/Japan down to only just above ws 100. 65,000mt jet AGulf/UKCont is also down and trading some $150k less than a week ago at $1.525 million. Short haul rates have been hit harder and X-AGulf is only now $175k and probably cheaper than MRs!

LR2s have seen a lower volume and rates are vulnerable but, with the list still remaining relatively short discounts are harder fought by Charterers. But all rates will need a new test on Monday after an almost cargo free end to the week. 75,000mt naphtha AGulf/Japan is now surely into the ws 90s, whilst 90,000mt jet AGulf/UKCont is perhaps a bit more resilient at $2.20 million for now.

Pretty uninspiring week for the MRs and with Golden week in the Far East approaching the lack of activity looks set to continue. With LR1s and MRs trading at parity on the short hauls the ceiling is very much in place from the larger ships. EAfrica has seen some fluctuations over the week, but on the whole a negative trend currently sits at the 35 x ws 200 levels. UKCont around the $1.3 million level and TC12 at 35s ws 135. With bunker price edging upwards, only few open stems in the market there is potential for a quiet next week. Could be a long week ahead.

Mediterranean

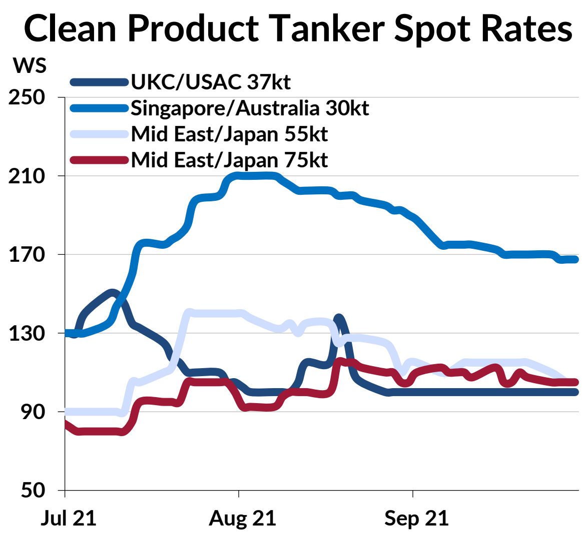
Some good gains made by Owners this week although the bunker price continually increasing hasn't done wonders to their TCE. Monday saw a jump in rates, with a couple of naphtha cargoes ex WMed causing rates to increase to the 30 x ws 130 mark, which then translated into Owners continuing their bullish ideas. 30 x ws 140 was repeated numerous times ex Black Sea and by Friday there was a further influx of cargoes. There is potential for a few points off these rates dependent on vessel position but expect the majority to hold at 30 x ws 130 and 30 x ws 140 for X-Med and Black Sea respectively. Expect next week to start at these levels and although a replenished list will be seen, activity levels should remain the same.

All in all, a lacklustre week for the MRs in the Mediterranean as the abundance of tonnage available to Charterers keeps rates at the bottom. Over the course of the week enquiry in this sector has improved in comparison to previous weeks but overall, there hasn't been enough interest for rates to move in the right direction. We therefore end the week where we started with 37 x ws 100 being the call for both transatlantic and WAF.

UK Continent

This MR market has remained stuck in the mud all week, with Charterers comfortably able to repeat 37 x ws 100 for both transatlantic and WAF voyages. Enquiry levels have remained consistent throughout, with the addition of X-UKCont and UKCont/MED stems being upgraded from 30kt offering a few more options of employment, but within excess of 20 available ships over the next 5 days Owners have had little foundations to build from. The improved US market should help keep the ballast tonnage limited over early October dates, but until the shackles of prompt tonnage are released, this market should hold fast.

Handies can be pleased with the activity seen this week with the feeling that if the larger MRs were not so readily available, then rates would have improved further. Instead, we see Baltic/UKCont bounce between 30 x ws 130 and ws 135 with the X-UKCont numbers continuing to sit at 5 points less.



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

Dirty Products

Handy

Rates in the North went from strength to strength this week where the impact of a tight tonnage list was finally felt. An upward swing of 10 points has been the measurement of success but, with Charterers still waiting to cover and itineraries still uncertain for those ships open naturally on the Continent, relief from West Med ballasters hasn't exactly favoured Charterers hopes of any improvement in rates, at least when short haul X-UKCont cover is being sought. Looking forward, for the Continent, although further upside may have escaped Owners for now, sentiment is likely to remain firm, where it won't take a lot to add more on these gains.

In the Med, having already spoken of units in the West Med area ballasting up to the Continent for employment, tonnage in the Central/East Med areas also found that opportunity were presented this week. Put into context, although the pace of activity did not warrant any attempt to push for noticeable increment, tonnage lists have been consistently moved along for a second successive week which goes a long way to prop up Owners confidence.

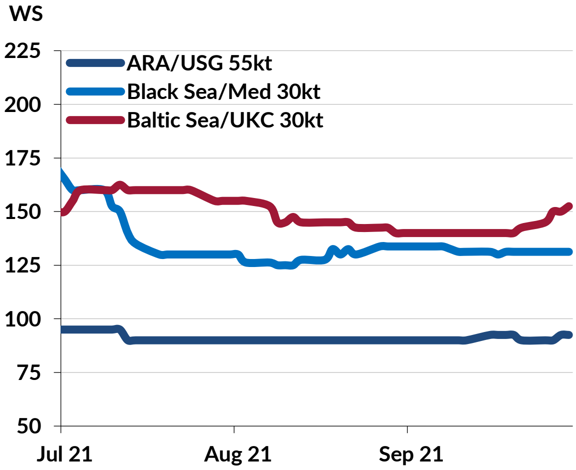
MR

We find ourselves once again mirroring sentiment shown in the surrounding Handy sectors, where on the Continent availability for most of the week looked tight, with Owners bullish in their rates ideas. There is however, a caveat to this statement, as come Friday there may be one or two sweating slightly having not moved on part cargo employment. Elsewhere in the Med, we also find ourselves gauging the state of play in surrounding sectors when making decisions about what to do. MRs have mostly lacked any ability to press on supply vs demand imbalance, however, neither have conditions been slow enough to force Owners into discounting / taking contribution cargoes just to prevent idle time. Furthermore, in the Med although conditions look flat, it's been one of those weeks where Charterers have had to tread carefully.

Panamax

Fixing and failing this week at least provided the sector with a much needed refresh on benchmark levels as well as providing stimulus for conversation. Cargoes being distinctively absent as of late, at the time of writing, there remains a requirement attempting to test sub ws 92.5. That said, because of the slow conditions, units are open to the idea of ballasting back across the Atlantic once they pass their open dates. The significance of this is that, although Charterers may attempt to lower the market, whilst also taking into account the surrounding Aframaxes being more competitive, we have an artificial floor that remains in spite of fundamentals that would normally be brought into consideration.

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	Sept 30th	Sep 23rd	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+2**	41	39	34	33
TD20	Suezmax	WAF-UKC	**+2**	55	53	55	53
TD7	Aframax	N.Sea-UKC	**+3**	96	93	93	94

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

			wk on wk change	Sept 30th	Sep 23rd	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+1500**	4,250	2,750	-1,250	-4,000
TD20	Suezmax	WAF-UKC	**+750**	1,250	500	3,250	750
TD7	Aframax	N.Sea-UKC	**+1500**	-3,500	-5,000	-4,250	-4,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sept 30th	Sep 23rd	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**-3**	105	108	115	
TC2	MR - west	UKC-USAC	**+0**	100	100	109	112
TC5	LR1	AG-Japan	**-8**	104	112	126	107
TC7	MR - east	Singapore-EC Aus	**-3**	166	169	195	163

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

			wk on wk change	Sept 30th	Sep 23rd	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**-1250**	9,250	10,500	13,500	
TC2	MR - west	UKC-USAC	**-250**	-1,500	-1,250	1,000	500
TC5	LR1	AG-Japan	**-2250**	5,000	7,250	11,000	5,750
TC7	MR - east	Singapore-EC Aus	**-750**	8,250	9,000	13,500	7,750

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

ClearView Bunker Price (Rotterdam VLSFO)	**+9**	545	536	509
ClearView Bunker Price (Fujairah VLSFO)	**+10**	561	551	527
ClearView Bunker Price (Singapore VLSFO)	**+8**	568	560	536
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London
Audrey House
16-20 Ely Place
London EC1N 6SN

T +44 (0) 20 7667 1247
F +44 (0) 20 7430 1253
E research@eagibson.co.uk

Hong Kong
Room 1401, 14/F,
OfficePlus @Wan Chai,
303 Hennessy Road.
Wanchai. Hong Kong.

T (852) 2511 8919
F (852) 2511 8901

Singapore
8 Eu Tong Sen Street
12-89 The Central
Singapore 059818

T (65) 6590 0220
F (65) 6222 2705

Houston
770 South Post Oak Lane
Suite 610, Houston
TX77056 United States

Mumbai
Office 128, Level 1, Block A,
Shivsagar Estate,
Dr. Annie Besant Road, Worli,
Mumbai, Maharashtra, 400018,
India
T +9122-6110-0750