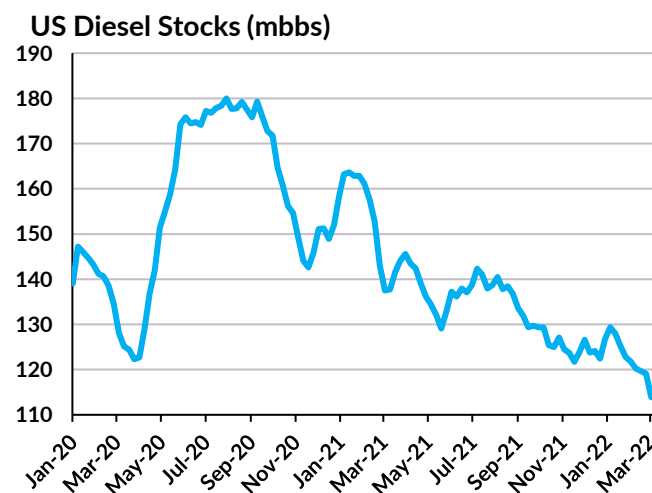


# Tight Tanks

## Weekly Tanker Market Report

Each week, Gibson monitors developments in refined product and crude oil inventories. Even before the invasion of Ukraine and subsequent sanctions on Russia, stocks were low in every major trading hub, leaving the world exposed to a major supply shock. Although each region has its own supply/demand dynamics and that for now, Russian exports continue flowing, the world now finds itself in a very precarious situation just as seasonal demand would ordinarily be expected to increase.

In the US, diesel stocks are the lowest for this time of year since 2014 owing to record oil demand, mostly driven by freight and industry. Following spring maintenance, which is now largely completed, inventories are expected to build again ahead of winter. However, refiners will be pressured to maximise gasoline output which could leave distillate stocks at historic lows. Alternatively, they could continue to chase distillate output, serving both domestic demand, exports, and stock building. Yet, this approach would then leave the country with a larger than normal gasoline shortage, necessitating increased imports of the road fuel. Gasoline stocks on the US Atlantic Coast are the lowest since 2014, whilst regional refining capacity today is 474kbd lower than 2014 levels. However, with gasoline prices recently exceeding \$4/gallon, the strength of summer demand is a source of uncertainty.



In Europe, observed inventories in the Amsterdam-Rotterdam-Antwerp (ARA) area also sit at historical lows. ARA gasoil stocks are the lowest since 2008 and could remain under pressure for some time given the region was the largest importer of Russian clean products. Some Russian barrels will continue flowing unless fresh sanctions prevent it, with those under threat being at least partially replaced by barrels from the US Gulf and East of Suez. However, the key question is how will European refining capacity respond to tighter supplies, and to what extent can it offset lower imports?

East of Suez, the key trading hubs of Fujairah and Singapore are also experiencing tight inventories, although the degree to which depends on the product and location. Middle distillates in Singapore are particularly tight, partly due to reduced Chinese export volumes and regional refining capacity closures, whilst gasoline stocks have fared better due to regional lockdowns. Indeed, Chinese policy is a key factor to consider, whilst the Government has instructed refiners to lower exports in April and focus on domestic supplies following Russia’s invasion, renewed covid restrictions could reverse this decision if internal demand wanes. Chinese supply will be key to restoring the Far East middle distillate surplus required to ship more product to the West and until this occurs, flows are likely to remain restricted.

Ultimately, the only way for the supply tightness to alleviate itself is for refinery run rates to rise. Stocks may not recover to ‘normal’ levels for some time given the current market dynamics, however outright demand levels are a key area of uncertainty. Prior to recent events, demand had been on track to exceed pre-covid levels, yet now the economic fallout from Western sanctions on Russia is likely to prevent this occurring. Low inventories have reduced the oil industry’s ability to weather supply shocks, whilst also accentuating pricing differentials (arbs). Freight rates will likely remain volatile, and trade will become increasingly inefficient. Nonetheless, whether this creates a sustainable upturn in freight rates or not will depend entirely on the absolute demand levels.

## Crude Oil

### Middle East

A difficult week for VLCC Owners as Charterers quickly took back control with a measured approach of delivering enquiry at a slow and steady pace, never giving Owners the chance to build any momentum. As the week progressed, the more discounts Charterers were able to secure. Last done for a AGulf/China run is 270,000mt x ws 38.5 on a modern approved unit and we estimate a voyage West to have fallen down to around 280,000mt x ws 21 to the US Gulf (via Cape). A quiet week. Suezmax rates have continued on a steady footing with little AGulf/West activity to talk about. Charterers haven't managed to make significant inroads into last done, with TD23 sitting at 140,000mt x ws 45 level and voyages East going at around 130,000mt x ws 85. The list remains well populated and any potential upside looks unlikely in the short term. Rates on Aframaxes have come of gradually this week, as bunkers and the Med market have given way. There has, however, been a reasonable level of activity so good quality tonnage is lacking off the front end of the list. AGulf/East is currently sitting at around 80,000mt x ws 140-145 level, but for a straight run, expect less to be done soon.

### West Africa

Limited VLCC interest throughout the week, combined with a faltering AGulf market, ensured Owners were never in a position to hold on to their recent gains that had been built over the last couple of

weeks. Levels today have drifted down to around 260,000mt x ws 40 to the Far East, with the weekend not coming soon enough. Slim pickings for Suezmax Owners this week, with tonnage outstripping demand once again. Voyages to the UKCMed or East are currently fixing circa 130,000mt x ws 77.5-80 level. The bunker price coming off has emboldened Charterers in attempting to chip away at last done levels. Cargo enquiry levels down to a mere drip feed has meant little need to panic. We may well see Charterers succeed but their attempts so far have been met by good resistance from the Owning community.

### Mediterranean

A week with little to write home about for Med Aframax. X-Med enquiry remained thin on the ground, with Libya and Ceyhan voyages slipping from 80,000mt x ws 140 levels down to ws 130 levels by midweek. Black Sea cargoes started to emerge from the woodwork, with Owners even beginning to accept slightly less for this currently premium run. At the peak, rates were up to ws 480 for Russian Black Sea loads but ws 410 and ws 400 have since been achieved, with a market cargo rattling Owners and achieving ws 320 before the end of the week. This fixture subsequently failed but the cat is very much amongst the pigeons and Owners' resolve will be tested into next week for these runs.

Enquiry levels have really slowed as more and more Suezmax Owners seek an opportunity to cash in on the premium paying business, with TD6 coming off to 135,000mt x ws 210-220 level. What we see is a very clear two-tier market of those who can fix Russian business and those who cannot. Unsurprisingly, given the weight of tonnage in the Med, long haul East business tested downwards by \$300k.

## US Gulf/Latin America

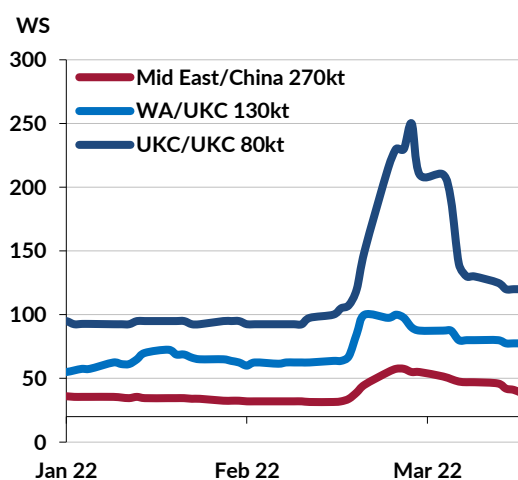
Aframax levels started to drift off at the start of the week against a replenished position list, but as the week progressed Owners were able to slow the decline and as of now levels are holding around 70,000mt x ws 132.5 for transatlantic and around ws 150 for short haul runs. The expectation of an increase in activity for transatlantic voyages should encourage Aframax Owners that better times are coming soon. VLCC levels have stabilised at around \$5.05 million for a USGulf/China or South Korea voyage but these levels won't be encouraging any new potential ballasters from the East as returns remain lower than what can be currently achieved elsewhere.

## North Sea

As predicted a few weeks ago these recent Aframax rate gains were only going to be short lived. A Baltic cargo quoting the market garnered a fair amount of interest and saw rates come off by around ws 175 points. This correction was inevitable after the over

inflation of the market and the next couple of cargoes will likely find the market's equilibrium. X-North Sea seems to have grounded itself, sitting solidly at 80,000mt x ws 125 levels for the time being.

## Crude Tanker Spot Rates



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

## Clean Products

### East

Softer bunker prices have taken their toll on what has been a sentiment driven market until this point. We have therefore experienced an LR1 segment where Owners compete to lock in at these earnings, encouraged no doubt by higher management nervous of who else may do it, if they don't. TC5 has softened to 55 x ws 190; 5 points less on subs for an older unit. Westbound likely softens to \$2.1 million although yet to be tested at these levels with our assessment taking into account sympathetic movement against naphtha returns.

The LR2s have been steadier, with 75 x ws 185 representing last done TC1 levels, and \$2.8 million AGulf/UKCont to the West. It's important to note that the West market is under serious pressure; 55 points off last done for a ARA/WAF run will encourage West-East ballasters making Yanbu loading cargoes easier to cover. The list is relatively long so ominously absent end/early cargoes emerging early next week will likely knock levels before we can assess where rates sit going into mid-week.

A tough week for the MRs as a lack of cargoes has seen the front of the list buckle and last done beaten every time. TC17 is down to ws 240 from the highs of ws 260 last week but, with bunkers coming off mid-week earnings haven't dropped too badly. TC12 is due a correction as earnings - at least \$20k/day far exceed EAF and West runs. However, the Far East market remains better

paying so ballasters will be few and far between. As such, the list looks well balanced into the end of March/start of April - so rates should not crumble from here.

### Mediterranean

A week to forget for Owners in the Med, with a build-up of prompt tonnage and slow enquiry resulting in rates falling throughout. With fewer Owners willing to call Black Sea, this X-Med market is likely to keep heading South, with certain Owners having to settle for X-Med cargoes with Charterers ideas aggressive. Non-Russian Black Sea is in need of a fresh test but will likely warrant +50 points or so whilst we expect Russian Black Sea to remain at 450+ levels. Poor weather could hinder some itineraries over the weekend but it looks to ease on Monday so expect further losses next week.

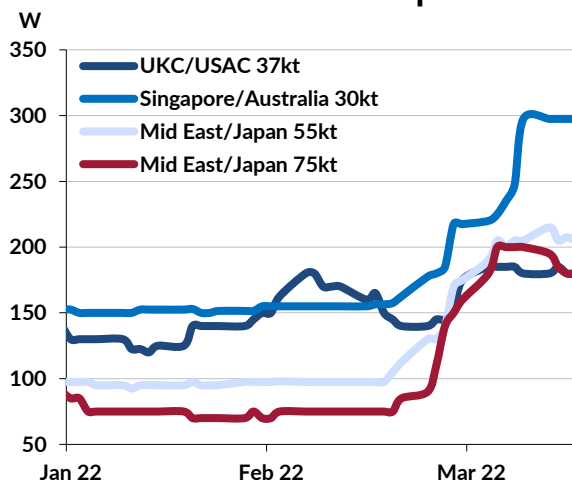
The combination of a tight list and high bunker prices has allowed Owners to capitalise this week, with rates trading around the 37 x ws 190-195 mark throughout. A 37 x ws 200 replacement transatlantic ignited rates this week and consistent enquiry has led to NWE ships ballasting into the Med for cargoes (which in turn has helped the UKCont market). A busy day in terms of enquiry on Friday ex UKCont will inevitably tighten the Med list going forward with WAF ballasters heading North so expect positive ideas on Monday.

## UK Continent

For the majority of this week, Owners and Charterers alike continued to remain content to fix transatlantic levels at 37 x ws 180 and the main conversation was the ever increasing WAF premium, which seems to settle at around ws 20 points now due to increased bunkers. That was until Friday morning arrived and, with that a glut of relatively prompt enquiry was seen with limited options. Owners have certainly firmed up their view on next done, but as of now are yet to make their advantage pay. Expect some bullish numbers to be thrown around at the start of next week.

Many continue to lean on COA partners in order to cover their Russian Baltic enquiry under the radar as rates close the week at 30 x ws 390. X-UKCont cargoes have been drip-fed into the market as levels have traded between 30 x ws 190-200. The firming MR market could have a positive impact on Handies moving forward as Charterers could look to downsize cargoes to cover their exposure.

## Clean Product Tanker Spot Rates



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

## Dirty Products

### Handy

Conditions on the Continent remain firm where both Russian and non-Russian business continued to show numbers based on solid foundations. As a result, the market trades around ws 240, but with most of the front-end availability being moved on, the immediate outlook remains fairly positive.

The Med came under pressure this week with a build-up of units that cannot call Russia. However, as the week progressed, we started to see activity levels pickup but with a such surplus of supply, an inevitable test followed with ws 170 setting the floor and becoming a conference rate. Perhaps the only good thing here is that bunker prices did come down from their peaks which massively helps underlying TCEs.

### MR

Finally, we were given a refreshed look at where MR values in the Med should sit. Suffering from similar conditions as the surrounding Handies, Owners were very conscious to hold onto as much value as they could, with ws 130-135 numbers being the eventual result. In this sector however, Russian premiums remain to be established with even less liquidity being seen.

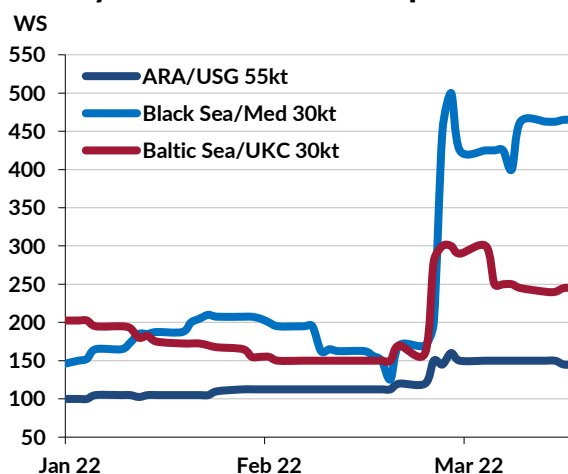
On the Continent, a fairly quiet week has been somewhat of a blessing for Charterers giving tonnage a chance to firm up somewhat. As often witnessed however, this sector can withstand

periods of inactivity without much influence. With this in mind, last done should hold validity.

### Panamax

It has been another solid week for Panamax Owners as local activity combining with some transatlantic requirements has transformed front end availability. That said, there is a distinct blight on a positive outlook where the surrounding Aframaxes have lost huge chunks of value and are now prorating at considerably less than the ws 150, which had become a recognised benchmark. Transatlantic will need testing again but, with bunker prices remaining high and fewer options for Charterers, perhaps Owners can limit the downside more effectively in this cycle.

### 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	Mar 17th	Mar 10th	Last Month*	FFA Q1
TD3C	VLCC	AG-China	-8	39	47	32	39
TD20	Suezmax	WAF-UKC	-3	78	81	62	70
TD7	Aframax	N.Sea-UKC	-10	125	135	96	119

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

			wk on wk change	Mar 17th	Mar 10th	Last Month*	FFA Q1
TD3C	VLCC	AG-China	+1250	-9,750	-11,000	-12,500	-9,750
TD20	Suezmax	WAF-UKC	+3500	3,000	-500	1,500	-1,750
TD7	Aframax	N.Sea-UKC	-3750	9,750	13,500	-2,250	5,250

## Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 17th	Mar 10th	Last Month*	FFA Q1
TC1	LR2	AG-Japan	-14	180	194	75	
TC2	MR - west	UKC-USAC	-4	181	185	167	156
TC5	LR1	AG-Japan	-9	193	202	96	127
TC7	MR - east	Singapore-EC Aus	+45	296	251	154	187

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

			wk on wk change	Mar 17th	Mar 10th	Last Month*	FFA Q1
TC1	LR2	AG-Japan	+1750	27,250	25,500	-4,750	
TC2	MR - west	UKC-USAC	+2250	6,000	3,750	8,750	1,500
TC5	LR1	AG-Japan	+2750	20,500	17,750	-500	4,500
TC7	MR - east	Singapore-EC Aus	+11750	25,750	14,000	4,000	7,500

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

ClearView Bunker Price (Rotterdam VLSFO)	-111	840	951	680
ClearView Bunker Price (Fujairah VLSFO)	-137	834	971	756
ClearView Bunker Price (Singapore VLSFO)	-166	810	976	734
ClearView Bunker Price (Rotterdam LSMGO)	-110	1051	1161	810



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