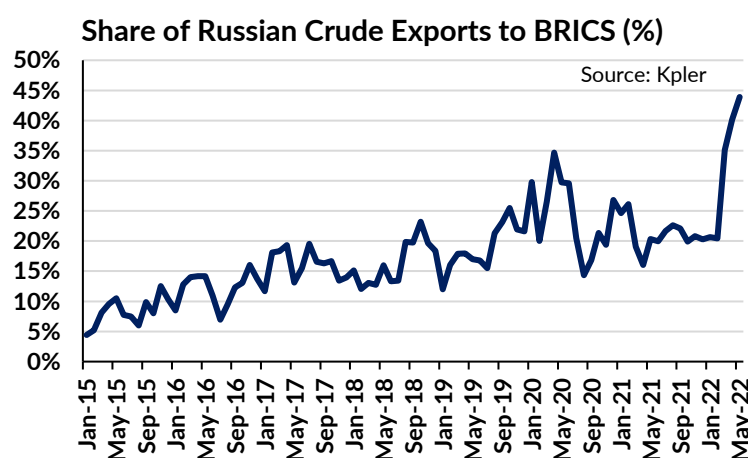


Reality Check?

Weekly Tanker Market Report

In response to Western sanctions, President Putin announced a move to pursue deeper economic and political ties within the BRICS group of economies, of which it is a member. BRICS comprises Brazil, Russia, India, China, and South Africa. All countries have not followed the path of the Western nations by sanctioning Russia. On offer is heavily discounted Russian oil and products, which is an attractive proposition at a time when oil prices are firmly above \$100/bbl and inflation concerns increasingly drive policy. In return, Russia is seeking greater imports of manufactured goods to substitute western brands that have left Russia. It is worth looking at how much oil Russia currently exports to these countries and how much additional volumes could we see being shipped to BRICS, given that these countries are broadly pursuing an alternative policy to that of the West, when it comes to energy security and Russia.



The share of Russian crude being exported to Western or Western aligned nations has been falling since 2015, whilst BRICS countries have been increasing their share. Between January 2015 and May 2022, BRICS bound flows increased from a mere 165 kbd to 2.250 mbd, from 4.5% to 44% of total Russian exports. During the same period non-BRICS exports fell from 3.55 mbd to 2.875 mbd, going from 95.5% to 56% of Russian crude exports.

Prior to the invasion, growth in the Russia-BRICS crude trade was primarily driven by sustained Chinese import growth. Further significant changes have been seen after February 24th. Indian purchasing surged from March-2022 as discounted Urals led Indian buyers to significantly ramp up their imports. India has gone from importing 58 kbd at the start of 2022 to 987 kbd by May. China increased its imports from 896 kbd in January to 1.265 mbd in May. In contrast, Brazil and South Africa are not meaningful buyers of Russian crude and are unlikely to pursue imports of Russian crude to the same extent as India and China.

In terms of the CPP trade, relatively few Russian products go to BRICS nations currently, with most heading to European countries set to end Russian imports. This is likely to lead to increased CPP volumes between Russia and BRICS. Brazil has been importing approximately 23 kbd of Russian CPP in 2022, whilst South Africa has not imported any. Higher CPP flows out of Russia to Brazil and South Africa could displace Middle Eastern and Indian volumes, which would then likely be rerouted longer haul to Asia and Europe, partly offsetting lost Russian products in those regions. Likewise, higher Russian CPP volumes to Latin America could displace USG volumes, which may be rerouted to Europe.

As India and China increase their imports of Russian oil, this will reduce the imported volume of competing crude grades and refined products from regions such as the Middle East, WAF, USG and South America. In turn, this will offer more potential supplies for Europe and other countries looking to replace Russian imports. This will boost tonne mile demand which will in turn support freight rates. Comments by Janet Yellen on a proposed plan to allow Russian exports to the West at a capped price may provide a ceiling to Russian flows shifting from West to East but the political intent of the Russian leadership may prioritise Indian and Chinese exports over that of Europe and other countries. The trade data shows that the structural shift is underway in the tanker market towards less efficient, longer haul trade. Therefore, both tanker shipping and the world in general may have to come to terms with this new political and economic reality that Russia’s energy trade will continue despite western sanctions.

Crude Oil

Middle East

A good steady flow of VLCC activity throughout the week has given Owners the chance to push levels on; however, in reality this has been purely compensatory against the higher bunker costs. Levels currently stand at around 270,000mt x ws 55 to China. Yet, with a more balanced feel for the remainder of July, we should see further increases on the horizon. Suezmax rates have remained relatively stable through the week as a slow flow of enquiry has stopped any strengthening sentiment from Owners. With the list likely to replenish over the weekend, we could start to see Owners take a more defensive stance, with levels currently holding at around 130,000mt x ws 102.5 to the East. Aframaxes have been quiet in the East; lists are beginning to build and rates will be re-tested next week. AGulf/East will head to 80,000mt x ws 170 soon enough.

West Africa

VLCC Charterers are going to have to dig a little deeper into their pockets, if they are to find cover here as other markets continue to tick up. Last done levels are 260,000mt x ws 57 but it is very likely that Charterers won't have it that easy finding someone to repeat last. Small pockets of optimism for Charterers earlier in the week, although any reduction was quickly corrected, with level now holding at around 130,000mt x ws 120 for UKCont-Med options.

Mediterranean

The Mediterranean Aframax market has stuttered somewhat after a period of clandestine fixing. Despite a thin list for firm tonnage, the absence of serious volumes from Libya has hurt Owners' ambitions. Rates for Ceyhan have feathered a little further down into the ws 160's; yet, further drops have been prevented, with Charterers looking to fix forward and profit from this dip. Black Sea loaders have been largely untested since the highs of seeing 80,000mt x ws 230; however, CPC approved ships are in very thin supply, so large premiums are expected to remain. Not enough Suezmax enquiry for Owners to work with, but as other areas start to pull tonnage away from the region, Owners are now able to secure rates around 135,000mt x ws 127.5 for a short run. A voyage Med/East has seen level gently shift upwards, with rates currently standing in the low \$4 million level to China.

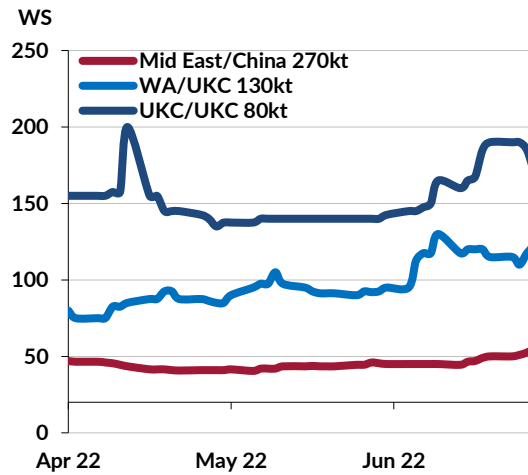
US Gulf/Latin America

The long weekend coming for the US will give Owners a chance to redraw their battle lines, as they look to turn their defensive position into a more attacking stance. Currently though levels hold in the 70,000mt x mid ws 150's for short or transatlantic. VLCC Owners haven't had too much to work with, although a firming sentiment plus higher bunker costs has seen levels move up to around \$6.45 million for a voyage East.

North Sea

The North Sea has had a challenging week off the back of limited enquiry; rates have taken a tumble. This correction was not unsurprising but perhaps just a short blip considering the fundamentals of what is to come. Whether we have levelled out yet remains to be seen, but we can expect an increase in action next week with fields coming out of maintenance, giving Aframax Owners a hint of optimism going forwards. Baltic/Cont continues to trade steadily at ws 185 for now. X-North Sea still uncertain but next done is likely to be 80,000mt x ws 150 levels, with Owners starting to dig their heels in.

Crude Tanker Spot Rates



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

Clean Products

East

A relatively busy week comes to an end, with EAF jumping over 60 points as the front end of the list was quickly drawn down by Aramco. Owners once again have begun to push ideas up even further, which makes sense given that we are fixing much more forward than usual and lacking solid itineraries ex Africa. Earnings hover around \$50k/day give or take on TC17, TC12 and short hauls, with AGulf/West on subs at \$3.95 million (with earnings a huge \$62k day), which will attract Singapore ballasters, if that region remains muted for much longer.

A slow start to the week for the LR1s saw a negative correction across all runs, especially for old units. However, as the week closes, rates appear to have bottomed out and Owners have seen a few fresh stems quoted and are trying to push for a recovery. UKCont on subs at the \$3.7 million levels but could very easily bounce to \$4.1 million levels. TC5 needs a proper test but likely 55 x ws 300-315 levels heading into next week.

LR2s have been pretty quiet all week and, with only 2 open stems heading into the weekend, further softening could be seen. UKCont at \$4.4-4.5 million levels and TC1 at 75 x ws 215-225. Owners will be hoping to see more cargoes early into the new week to try and stimulate some movement.

Mediterranean

Pressure from the beginning of this week, with a replenished list on Monday meaning Owners were on the back foot from the off. Rates have softened over 50 points throughout the week, with the going rate at the time of writing 30 x ws 460 levels, with less than last looming. That being said, Russian Black Sea tonnage remains tight and North of 30 x ws 900 is still being achieved, with those able to call this region focusing on these TCEs rather than TC6. Monday will bring further pressure, with paper trading for July at the ws 415 mark, so expect Charterers to be aggressive from the off.

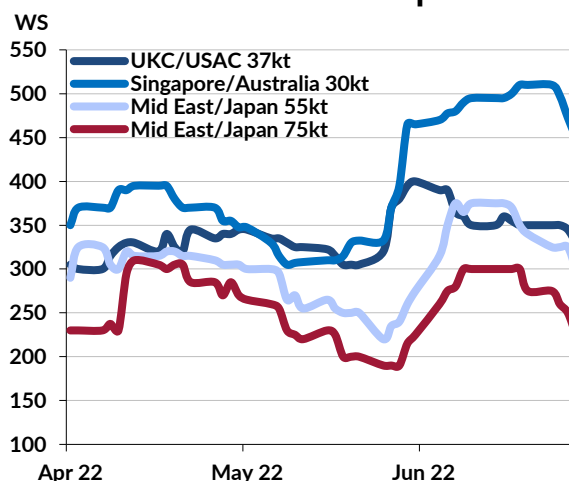
Finally, to the MRs here in the Mediterranean, where we began the week with rates at the 37 x ws 390 mark transatlantic and WAF tracking at around ws 10-15 points higher. However, once we saw the fixing window begin to extend into late first decade July dates as well as ballasters heading down from the weaker UKCont market, rates came under pressure, with 37 x ws 370 Med/Transatlantic soon being achieved midweek. Despite this slip, it has been a positive end to the week here, as we see rates holding steady due to a busier enquiry over a couple days tightening up the list. Market stable as we head into the weekend.

UK Continent

A fairly placid week passes on the MRs here in the Continent, with enquiry being slowly drip fed throughout thus seeing some negative correction. We started around 37 x ws 355 on Monday but it didn't take long for the non CPP ships to begin building and dragging this market south. By midweek we achieved 37 x ws 330 on a clean vessel and despite a couple of tenders to Argie popping up, we saw a real lack in WAF enquiry keeping our tonnage lists fairly stagnant. An improved States market will keep ballasters limited, and a small flurry of enquiry seems to have steadied the ship come Friday. However, with a Bank Holiday in the States on Monday coming, there are no real surprises there. For now, we sit at around 37 x ws 330 and ws 340 for WAF and wait to see what next week can offer us.

Kicking off the week on the Handies in the North, the momentum was definitely with Owners as good enquiry partnered with a tight supply for vessels for end/early laycans kept rates inflated. However, as the week rolled and vessels received discharge orders and firmed up, the list had been replenished, resulting in a correction seen on certain routes. UKCont/MED at the time of writing is now trading at 30 x ws 335 and X-UKCont around the 30 x ws 370 level. Russian Baltic cargoes have held the line, with freight trading at 30 x ws 505-515 and very much entity dependent.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

A subdued but firm feel to the North Handy market has left little in terms of reportable fixtures this week, with sentiment being driven largely by a short list of naturally positioned units. Despite some cargoes reaching forward on dates to find coverage the fact these are still there looking for offers highlights Owners willingness to sit and see just how far things can go. With assessments between ws 337.5 and ws 340, and injection of fishing early next week could see these numbers surpassed. In the Med, a similar story has played out where firm enquiry has just about matched supply of firm, available tonnage and levels have been repeated all week. Ws 310 for a regular X-Med was established off the back of last week's firming, but at the time of writing, activity in the region has not seen an injection of pace need for Owners to continue the push.

MR

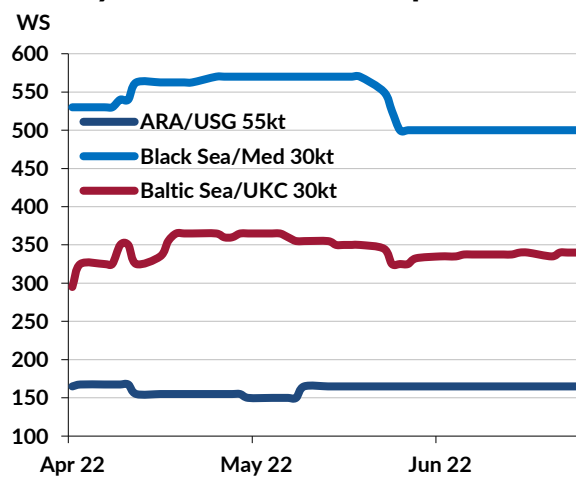
The theme for MRs in the North this week has mirrored conditions in the last 2 weeks where tonnage simply hasn't presented or been replenished to a point that has stimulated any activity. For the next units up in the North, be they ballast units or those being pushed on forward dates expect to see a fresh test. In the Med, MRs continue to ride on the fortunes of the Handies where full stems have been slim pickings but rates and sentiment continue to firm in

surrounding markets. Where opportunity lies and itineraries firm MR Owners have been able to keep idle days to a minimum.

Panamax

The Panamax market continues to trade flat despite natural tonnage showing. Fixing and failing has been a theme alongside this and as a result levels are remaining stable. Surrounding markets also continue to play a role in subdued activity here.

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	June 30th	June 23rd	Last Month*	FFA Q2
TD3C	VLCC	AG-China	+6	55	49	44	46
TD20	Suezmax	WAF-UKC	+2	120	118	92	113
TD7	Aframax	N.Sea-UKC	-15	170	185	140	156

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

			wk on wk change	June 30th	June 23rd	Last Month*	FFA Q2
TD3C	VLCC	AG-China	+4250	-10,250	-14,500	-23,750	-19,500
TD20	Suezmax	WAF-UKC	+250	22,500	22,250	6,750	18,500
TD7	Aframax	N.Sea-UKC	-7000	39,000	46,000	14,250	28,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 30th	June 23rd	Last Month*	FFA Q2
TC1	LR2	AG-Japan	-66	226	292	217	
TC2	MR - west	UKC-USAC	-28	330	358	316	304
TC5	LR1	AG-Japan	-56	296	352	251	270
TC7	MR - east	Singapore-EC Aus	-49	454	503	315	364

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

			wk on wk change	June 30th	June 23rd	Last Month*	FFA Q2
TC1	LR2	AG-Japan	-23750	31,250	55,000	27,500	
TC2	MR - west	UKC-USAC	-4750	30,500	35,250	27,500	25,500
TC5	LR1	AG-Japan	-15000	36,750	51,750	25,000	30,250
TC7	MR - east	Singapore-EC Aus	-9500	44,500	54,000	20,250	29,500

(a) based on round voyage economics at 'market' speed, non eco, non scrubber basis

ClearView Bunker Price (Rotterdam VLSFO)	+34	905	871	900
ClearView Bunker Price (Fujairah VLSFO)	+68	1139	1071	1051
ClearView Bunker Price (Singapore VLSFO)	+44	1115	1071	1135
ClearView Bunker Price (Rotterdam LSMGO)	-93	1236	1329	1280

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