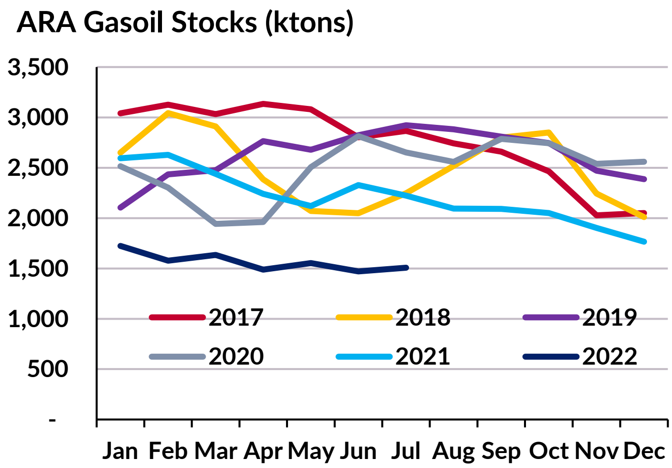
Taking Stock

Weekly Tanker Market Report

Back in March we looked at commercial stock developments for both crude and products in the key trading hubs. Whilst the invasion had just begun and therefore not yet had any impact on inventory levels; stocks were already trending towards historic lows. Now, after 5 months of war and resurgent oil demand, stocks have come under further pressure and conceivably, are expected to face additional tightness as sanctions against Russia ramp up towards the year end and into early 2023.

In Europe, by far the largest destination for Russian oil and products, gasoil/middle distillate stocks have remained near record lows, failing to register any seasonal increase despite higher local refining activity. Typically, storage volumes would rise during summer ahead of increased winter demand; however, without any meaningful increase in inventories in the coming months, Europe will face a precarious position heading into winter, forcing increased volumes of long-haul imports as the refined products import ban takes effect. In contrast to the middle of the barrel, gasoline stocks sit at healthy levels, with the region ramping up refinery output to maximise distillates, gasoline supply has increased as a result, supporting export flows.



Across the pond, the picture looks somewhat different. US gasoline stocks sit at a 7-year seasonal low during peak demand season. Whilst storage levels typically draw down this time of year due to high demand, persistent supply tightness is likely to support transatlantic gasoline flows throughout the year. Total distillate inventories tell a similar story. However, whilst supply has risen in the US Gulf towards 'usual' levels, the Eastern seaboard is exceptionally tight, which could cause a supply squeeze come winter when demand peaks, necessitating imports from overseas and potentially creating a 'reverse arbitrage'.

In the East, the picture is somewhat mixed. In Singapore, a barometer for the Southeast Asia market, light distillate stocks (primarily gasoline/naphtha) are near record highs for this time of year, yet middle distillate stocks sit close to record lows – a similar picture to Europe, driven by lower exports from China, resurgent regional demand and competition for Middle East exports. Strong regional refining margins should boost volumes later in the year, although volumes from the Middle East may come under pressure as Europe is forced to source alternatives to Russian supplies. Fujairah, the main products hub for the Middle East and East Africa, shows a contrasting picture yet again. Light distillates are in tight supply and close to record lows, whilst middle distillates have risen to healthy levels for this time of year. The hub is expected to grow as a destination for Russian products, making it difficult to call inventory levels in the months ahead.

So, what are the implications of these balances on trade flows? Many of these fundamental imbalances have been in place for decades, such as Europe being short of diesel. The difference now is that the deficit will have to be filled from further afield with traders already making plans for post sanctions supplies. These matters will be complicated by uncertainty over how much Russian product can be redirected. If, as claimed by President Bolsanaro, a contract between Brazil and Russia has been agreed, then more US Gulf product is likely to be redirected to Europe. Likewise, we wait to see how many Russian barrels find their way into Africa and Asia. The reallocation of flows is likely to be accentuated by low inventories, with very little supply cushion to help manage the disruption.

Crude Oil

Middle East

VLCC rates continue to remain steadily firm towards end of July laycan fixing despite slightly less volume reported compared to last week. Baltic Exchange TD3C has edged up to ws 58.5 level and its TCEs (basis non-scrubber, non-eco) have returned to positive for the first time since April. The adverse weather in Indian ocean could still put uncertainty on tonnage availability and August program, which is around the corner for next week. Rates currently stand at around 270,000mt x ws 58.5 for an approved unit for long East. Voyages West remain around 280,000mt x ws 35 to the US Gulf (via Suez). As the week progressed on the Suezmax front, the lists got tighter in the AG, pushing rates higher with people edging towards working off market. The week comes to an end with levels around 140,000mt x ws 80 for Basrah/Med, which is likely to continue pushing upwards in August once the program is released. Levels for AG/East were pushed this week and are at 130,000mt x ws 135 levels. Aframaxes remain steady in the AG for now, with one Owner fixing AG/East at 80,000mt x ws 185 level this week. One eye will be on the Med market, however, as if that region improves, it will increase Owners' ideas.

West Africa

VLCCs are relatively quiet for East this week, with last done at $4.36 million (equivalent of ws 60) to East Coast India, while the longer haul to Far East cargoes are believed to have been covered under COA or off the market. However, increased interest for Europe runs have been noticed on the back of firming Suezmax rates. It is expected that next done for West Africa/East will be 260,000mt x ws 59 levels. West Africa came alive with Suezmax levels pushing on to low ws 130s by the end of the week.

There are still some gains to be made but any substantial will be capped by the VLCCs. Levels currently are at 130,000mt x ws 135 mark for West Africa/UK Cont-Med options.

Mediterranean

A holding pattern in the Med this week as Aframax Owners digest a tight list for well approved firm tonnage. The threat of a market lacking Libya stems though prevented Owners from pushing too hard, especially those for whom Black Sea cargos did not provide an acceptable alternative. Ceyhan cargos were in the main concluded in the mid ws160 levels but the Black Sea is where the interest came. CPC approved tonnage is at historically low volumes in the area and it did not take much for some replacement cargos to force rates much higher. In cases where Suezmaxes did not provide a workable solution, Owners managed to force rates up to ws 325 by the close. All eyes are on next week, especially with further rumours of a breakthrough in Libya. Med cargoes remain quiet, with the ongoing situation in Libya which is yet to be resolved. Increases in CPC stems are expected to keep Owners spirits high. As Aframaxes push above ws 300 for CPC/Med, Suezmax Owners will be eyeing this out. Rates currently stand at 135,000mt x ws 140 for a short run and optimism is in the air.

The market for Med/East has remained steady, with a firmer feeling; rates stand at approximately $4.45 million level to China.

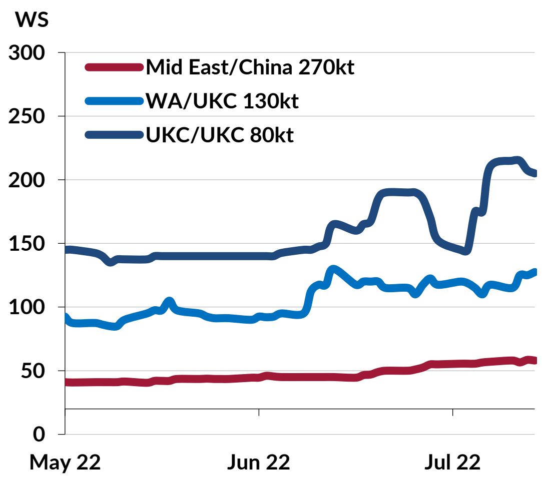
Caribbean Sea

Owners in the USG on Aframaxes will be licking their lips as hefty premiums have been paid in this region off the back of consistent enquiry. Rates have eased somewhat from their highs of ws 320 levels but still remain hot at around 70,000mt x ws 300 for short haul enquiry and ws 200 for returns to Europe. TD22 has achieved further gains at $7.2 million level, as a result of continued demand for both Far East and transatlantic runs. Brazil exports have also helped to draw tonnage in the Atlantic. The US Gulf has undoubtedly been the main driver for the whole VLCC market during the last few weeks, and we expect that the trend will carry on for the balance of the month. Levels stand at around $7.2 million to the Far East and a rate nearer $3.5 million for transatlantic.

North Sea

The preceding week was like a child who got his hands on all of the Halloween sweets at once. In contrast, this week we have witnessed the sugar low that the overexcitement has created: little action to move things and fixtures getting tucked away under the radar, leaving the end of the week with X-North Sea at ws 200 levels and Baltic at ws 240. Perhaps some of this is also the standard summer market coming into play. When compared to the last few years, one can hardly turn their nose up at the comparative rollercoaster that we are on. For now though, the cart is stuck in a low gear and failing to make it up the loop de loop.

Crude Tanker Spot Rates



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

Clean Products

East

LR2s have struggled to gain any real traction this week. Limited cargo flow meant Owners went looking for smaller stem sizes to keep tonnage moving. As a result UKC is on subs at $4.1m on a LR1 cargo and TC1 is on subs a ws 202.5; certainly not rates that will be inspiring Owners at present. The hope is that next week we will see the end month requirement enter the market and as such this will be the catalyst to get the market moving again. The LR1s have had an interesting week with a fair amount of market fixing helping to keep Owners ideas positive, but, at times this positivity was a touch aggressive as Owners lost out to the larger LR2s covering these smaller stems. TC5 sits at 55 x ws 295 and UKC should be at the $4.0m levels but needs to be tested on a LR1 next week.

Despite the talks of summer lulls, the AG MRs have continued to be busy (but have seen rates drop). Most of the enquiry has been off market, "P&C" TC17 trades with occasional shorthaul options. With Owners 'sworn to secrecy' rates fell to ws 450 and were repeated multiples times instead of being nudged higher. Whilst disappointing for the week, the result has meant the list is tight for the next 10 days and a few prompter enquiries stuck with limited Owners left to work (Norient are demanding at least ws 500).

Elsewhere, eastbound has dropped to ws 385 levels but still earns at least $50k/day, the highest of any AG load route. Westbound on its own is due a test, Admic took a $3.825m UKC option on Thursday - a sum barely $250k less than you would pay for an LR.

Mediterranean

The lengthy tonnage list pulled on Monday was the writing on the wall for Owners this week with pressure from the off. Rates have slipped 25 points throughout the week for TC6 and we end the week with negative sentiment. Although activity has been consistent, too many prompt vessels have been available for Charterers to pick off at less than last done levels. Black Sea activity is still being done under the radar with Russian Black Sea rates now around the 30 x ws 850 - 875 mark whilst non-Russia is Owner dependent with most likely to ask for a 30 - 50 point premium on top of X-Med levels.

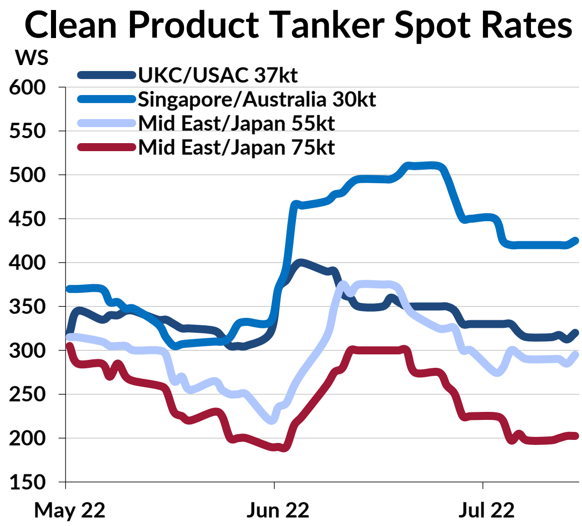
The gap between Med & UK-Cont rates has been apparent the last few weeks however, a quiet week coupled with the list starting to lengthen has seen this gap close in the negative direction. 37 x ws 345 was achieved midweek Transatlantic X-Med however with TC2 levels bouncing around the 37 x ws 315 mark, most Owners would likely settle for around the ws 320 - 325 level on Friday given the lack of activity. We continue to see Owners keep an eye on Red Sea cargoes with rates high from this region and have seen ships X-Med go on subs this week from Red Sea too.

UK Continent

MR - All things considered it had been a fairly stable week on the MRs in NWE all the way up until Thursday, thereafter we saw a real halt in activity. TC2 sat at around 37 x 315 l/c CPP but with a very slow finish to the week and with TC14 dropping, we are very likely to get all USAC ballasters head our way.

Cargoes are covered pre 20th which was where the list was tight enough for levels to hold but looking forward in the 20-30 window, we should see a substantial number of ships come into play. Expect a downward correction.

On the Handies, Russian cargoes continue to hold a big premium with levels once again trading between 30 x ws 500-515 but entity dependent. The Continent remains pressured and with a healthy number of units now in the fixing window, a further dip could be on the cards as X-UK-Cont closes at 30 x ws 300-305 and UK-Cont/Med at 30 x ws 285.



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

Dirty Products

Handy

On the surface, this has been a much less active week in the Northern Handy market, as it has taken until the end of the week for both cargoes and details of the market enquiry to surface. Where BITR assessments have been unwavering for the majority of the week, sentiment has remained firm as marketed tonnage and the availability of firm units has kept the list tight. As a result, expectations have been for levels will hold at ws 340. However, we close the week with ws 342.5 achieved and the potential for more to come next week with replenishment tight. Likewise, activity in the Med this week has been drip fed at best. The central and West Med have been well stocked with firm units most of the week; however, in the East Med units have been tighter, following a clear down in week 27. With competition for a market cargo seeing ws 2.5 points off for a central Med load, there is potential to see this level repeated, depending on where cargoes are loading and how far forward Charterers can plan.

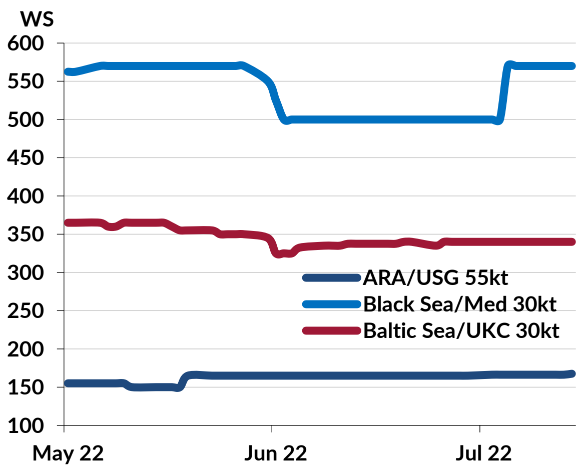
MR

The Cont market continues to suffer from a lack of activity in part due to a glut in supply of firm, localised tonnage. West Med units have been drawn in to picking off any Handy stems close by and on better dates as levels remain firm, and preference is to stay in the southern region. Going forward expect more of the same, with MRs in the Med throwing their hat in the ring for part cargoes to take coverage and the Cont waiting for replenishment to spark inquiry.

Panamax

Once again very little to talk about in the way of fresh activity seen this week on this side of the Atlantic, as only short haul stems or part cargoes are offered. One positive here is that with continued firming on the surrounding markets and a limited amount of natural units in play, Owners are able to pick up a reasonable gap filler to take them to the next fixing window for Transatlantic. In addition, this week our cousins on the US/Caribbean markets have experienced a market that continues to firm day by day.

Dirty Product Tanker Spot Rates



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	July 14th	July 7th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+1**	58	57	45	58
TD20	Suezmax	WAF-UKC	**+15**	129	114	115	118
TD7	Aframax	N.Sea-UKC	**+21**	202	181	160	129

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

			wk on wk change	July 14th	July 7th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+2500**	3,000	500	-19,250	5,500
TD20	Suezmax	WAF-UKC	**+11500**	34,500	23,000	19,000	30,250
TD7	Aframax	N.Sea-UKC	**+14250**	67,750	53,500	27,500	16,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	July 14th	July 7th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**-2**	204	206	301	
TC2	MR - west	UKC-USAC	**+0**	315	315	365	271
TC5	LR1	AG-Japan	**+3**	291	288	378	278
TC7	MR - east	Singapore-EC Aus	**+8**	426	418	490	352

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

			wk on wk change	July 14th	July 7th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**-500**	29,250	29,750	58,250	
TC2	MR - west	UKC-USAC	**+1250**	31,500	30,250	35,750	24,500
TC5	LR1	AG-Japan	**+1000**	39,750	38,750	58,000	38,000
TC7	MR - east	Singapore-EC Aus	**+1750**	43,500	41,750	51,750	32,250

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

ClearView Bunker Price (Rotterdam VLSFO)	**-90**	756	846	913
ClearView Bunker Price (Fujairah VLSFO)	**-37**	989	1026	1090
ClearView Bunker Price (Singapore VLSFO)	**-10**	973	983	1066
ClearView Bunker Price (Rotterdam LSMGO)	**+31**	1099	1068	1346

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