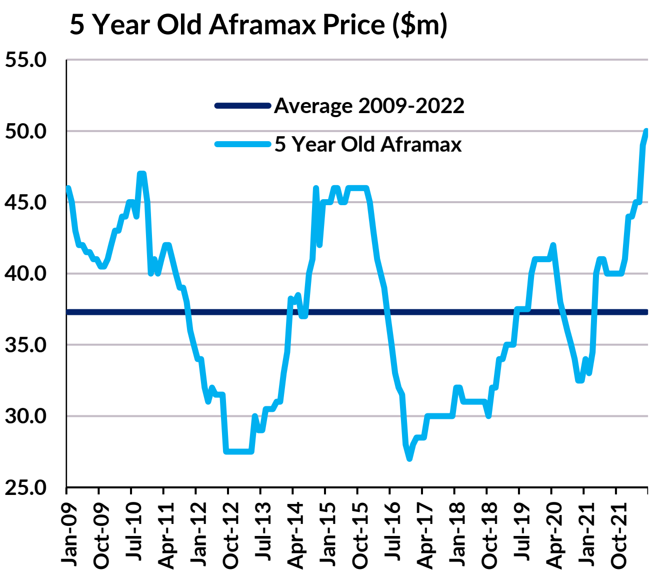
Asset Play

Weekly Tanker Market Report

Over the past few years tanker owners have watched containership values surge to unbelievable levels, whilst their own values have struggled against a backdrop of weaker transportation fuel demand following the pandemic. However, gradually recovering oil consumption and the fallout of Russia's aggression in Ukraine has propelled spot earnings and with that, secondhand values to levels not seen in over a decade. Newbuild prices had already firmed due to tighter yard availability and cost inflation; however, secondhand prices, which are more closely linked to near term spot market developments, only started to gain momentum at the end of last year, partly supported by increased optimism around oil demand and declining orderbook. Long delivery lead times, uncertain regulations and high yard pricing have also made secondhand tonnage a more attractive proposition, given the shorter investment timeline and prompter delivery a secondhand vessel offers. So, what factors might support further rises in values, or is the bubble about to burst?

For context, secondhand (basis 5 years old) MR values faced a downward trend through much of 2020, before stabilising in 2021 and growing impressively from $29 million in December to $34m at the time of writing. In fact, $34m for a 5 year old MR tanker today exceeds the price of a newbuild MR back in January 2021, and overall represents a 17% increase in the last 18 months. Aframaxes have shown even more impressive price rises, with a 5 year old values rising 50% since January 2021 to $51m to exceed newbuilding prices seen in early 2021.



Yet prices could still be driven higher. Clearly, asset values will remain supported whilst the spot markets continue to be exceptionally strong. However, other factors could be equally as impactful. The implementation of a Russian oil embargo and a corresponding Western insurance ban will prevent many owners currently willing to transport Russian oil from doing so. As we move closer to December, it is likely that increased S&P activity will occur for buyers based in Russia, the Middle East and Asia, which will continue to support prices and mark a continuation of a trend already seen since the invasion.

Conversely, any easing of sanctions against Iran or Venezuela could have the opposite effect. If sanctions against these countries were to be removed, much of the current fleet servicing these trades could migrate into Russian business – again another trend observed to some extent already. There is also the question as to whether Europe has the resolve to press ahead with its Russian oil embargo and insurance ban at the end of the year, having recently softened current sanctions relating to Russian energy exports. Such an embargo could become even more difficult to enact, if Iranian and Venezuelan barrels remain off the market. Finally, there is the wider macroeconomic picture. Slowing global growth and recessionary fears all have the potential to lower demand for tankers and thus impact asset values and, whilst most major forecasting agencies still predict growth, consumer and business confidence continues to decline.

Ultimately, there is still the potential for further upside in tanker asset values; however, increasingly the downside risk is coming into focus. Owners can take comfort from a low orderbook and be encouraged by the reallocation of trade prompted by Russia's invasion of Ukraine, yet how they balance this against the broader macroeconomic picture will ultimately depend on their appetite for risk.

Crude Oil

Middle East

A relatively stable week for VLCC Owners as Charterers pressed on with their 2nd decade program, giving a steady flow of enquiry throughout the week. Initial reports of some lower levels being posted were met with a little bewilderment, but subsequent concluded fixtures ensured possibly shakier foundations were remedied to provide a firmer foundation for Owners. Current levels hover around 270,000mt x ws 60 to the East and 280,000mt x ws mid ws 30's to the West. As the week comes to a close, Suezmax rates in the Middle-East have dipped to around 140,000mt x ws 77.5 for a Basrah/Med run due to a general slow-down of quoted enquiry. Similarly, levels for AG/East have also slipped marginally to around 130,000mt x ws 130 as VLCC tonnage remains a very viable alternative for some. It has been an interesting week for Aframax Owners in the AG region. Activity at the front end has seen a healthy number of ships cleared from the list. Meanwhile, the Med and Indo regions have also picked up. Subsequently, rates have been firming. With bunkering uncertainties in Fujairah potentially adding fuel to the fire, Owners can head into the weekend with a positive outlook. Rates sit at around 80,000mt x ws 197.5-200 for Ag/East for now.

West Africa

Suezmax Owners have not had many opportunities to push levels on here as available VLCC tonnage has given Charterers an easy escape route to ensure Suezmax rates have been capped at around 130,000mt x ws 137.5 for UK-Cont discharge. Voyages East have seen minimal interest this week but levels no more than 130,000mt x ws 127.5 should be achievable. A very quiet week for VLCC Owners with much of the activity emanating from the Middle East. Rates need to be tested but with other areas holding up it is likely we could see a similar reaction here too. Last done to the East is 260,000mt x ws 62.

Mediterranean

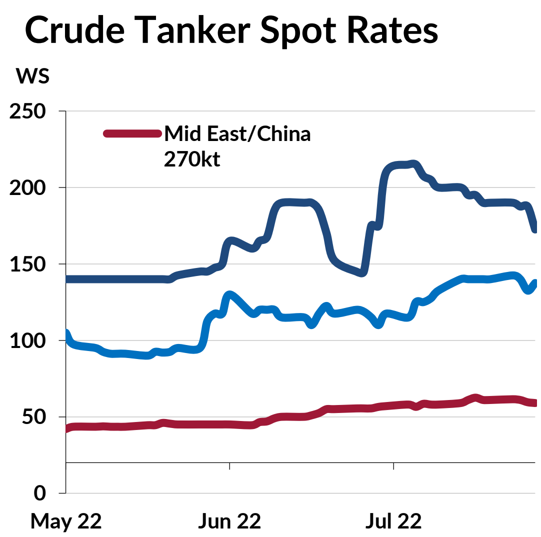
A topsy turvy week for Med Aframax Owners but they can be pleased with how things have gone. A quiet start allowed rates to erode somewhat from recent highs of ws 290-300 X-Med into the ws 270's but then a sudden splurge of activities for the next fixing window arrested the slide. Discounts were seen for West Med cargoes which proved attractive for North Sea ballasters, but aside from those the future for the market into the coming days remains firm for now. The only limiting factor is the presence of Suezmaxes looming large for longer voyages on a part cargo basis. Cargoes loading in the Black Sea continue to remain a good option for those Owners willing to call there and CPC has been paying 80,000mt x ws 355-360 levels during this week. The Med Suezmax market has been relatively steady over the course of this week, with short runs from the Med up to around the 130,000mt x ws 195 level. The market for Med/East has softened rather substantially this week with rates currently standing at around $5.0 million levels to China.

US Gulf/Latin America

Aframax Owners should be heading into the weekend on a far happier note after the latest tranche of activity has seen levels rebound to 70,000mt x ws 245 for short haul runs and similar levels fixed for Transatlantic. VLCC Owners have seen a drop in interest this week, but levels are unlikely to dip too far from last done as availability remains balanced. Rates hold at around $7.5million for a long Eastern run.

North Sea

The North Sea and Baltic markets have been the poorer cousin of the surrounding markets this week. Enquiry has been limited and the only option for many ships has been to ballast to the firming Med and U.S markets to find employment. Cross North Sea rates feathered down during the week from near 80,000mt x ws 200 levels to ws 175 which was achieved for a market quote with 6 offers. The Baltic market has been fixing under the surface, but this market will also have suffered with rates shifting down from 100,000mt x ws 230 levels to 215-220. A healthy August program however gives Owners who have remained here some hope.



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

Clean Products

East

The first quiet week for a very long time on the MR's. TC17 has dropped 50pts down to ws 450 whilst the shorthauls have been swallowed up by a stagnant LR1 market. West is non occurring, with LR1s and LR2s providing too much value on an economies of scale basis. Naphtha has moved well on the bigger sizes, with the MRs due a good test and ws 350 should be next done. Singapore continues to take away a few SAFR deliveries from the AG which will worry those building positions in the AG. On a slightly more positive note, we're lacking August tonnage for EAFR, so Owners will be hoping early next week sees a pick-up.

A tale of two halves for the LR1s this week. With the tonnage list at first glance looking well supplied and a limited number of outstanding cargoes it would be fair to say the market was steady at least. However, the number of older and last ums ships means if you have an open spec cargo charterers options are more limited. Owners are keen to get these ships moving and are willing to be competitive but at present its an upwards battle. There have been several off-market fixings (but not enough to be a sentiment driver) but these fixtures have been mostly shorts haul and as such it won't be long until they are back on the list. TC5 is at 55 x ws 260 for a younger hull and circa the 55 x ws 250 levels for older units. West needs to see a fresh test but should sit at $3.7million levels. We are missing a fair number of cargoes from the LR1 list and with all eyes being on the LR2s this week, expect targets to shift and LR1s to become more active.

Really strong volumes coming through the LR2 segment this week - proof that traders value the dollar per ton on offer here. TC1 has traded heavily; 75 x ws 240 is the peak of a firm run. Westbound is also popular - $4.6m was fixed India/UKC (which equates to 4.7m ex AG). Traders has optimised using dirty history tanks to save money against bullish Owners' ideas and will continue to do so when diesel is the product they need to move. As we move into the new week, we would expect to see traders look towards the LR1s now to move upcoming longhaul enquiry. Overall, a very quiet segment which is due some heavy retesting going into the new window.

Mediterranean

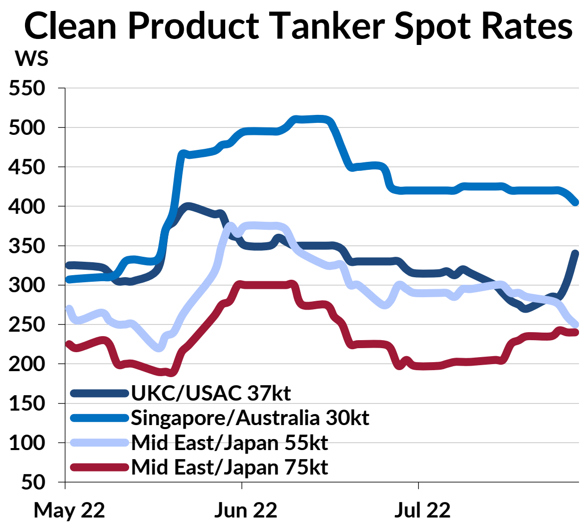
All in all, it's been an active week for the handies here in the Med which has seen a consistent level of cargo enquiry throughout. We began the week with X-Med at the 30 x ws 215 mark which is where it remained for the majority of the week but with the list improving day by day we finally saw rates move up on Thursday at the 30 x ws 225 mark. Black Sea action has been taking place under the radar for most of the week with rates still Owner and load dependent. As we approach the weekend, we see cargoes continuing to come out of late first decade dates so expect Owners to keep this momentum going.

A week of two halves in this Med MR market which started off rather lacklustre but due to the improving TC2 market has managed to firm up in the last couple of days. 37 x ws 280 was the call for Med/Transatlantic on Monday morning and with almost zero enquiry in the market the feeling was that rates could slip further. This led to a few Owners ballasting through the Suez to take advantage of the more inviting East market at the time which saw the Med list begin to tighten. This combined with rates firming in the UKC saw Med levels begin to jump and now we see 37 x ws 335 on subs Med/Transatlantic. Owners are bullish here as we near the weekend.

UK Continent

A hive of activity this week was seen on both Transatlantic and WAF runs and partnered with a lack of ballasters due to an improved States market, and even losing some vessels to ballast East. Owners have been able to capitalise and press rates back up into the 300s. As the midweek point arrived that magical 3 was back at the front of our rates and with continued positivity, we now reaching around the ws 340 mark for TA, with WAF holding a ws 5-10 premium. We are seeing Charterers look at alternative sizes, mainly LR1s for WAF employment but still Owners remain positive and expect with further testing ahead this sector should continue to improve.

It's been a steady week for Handies trading in the North. The list has been balanced throughout resulting in X-UKC trading at 30 x ws 270 and 30 x ws 240 for UKC/MED. The Russian Baltic continues to hold the line with the market very much entity/date dependent as levels close at 30 x ws 505-515. Handy Owners will be hopeful that the positive sentiment seen on the MRs will trickle down to the 30kt clips.



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Dirty Products

Handy

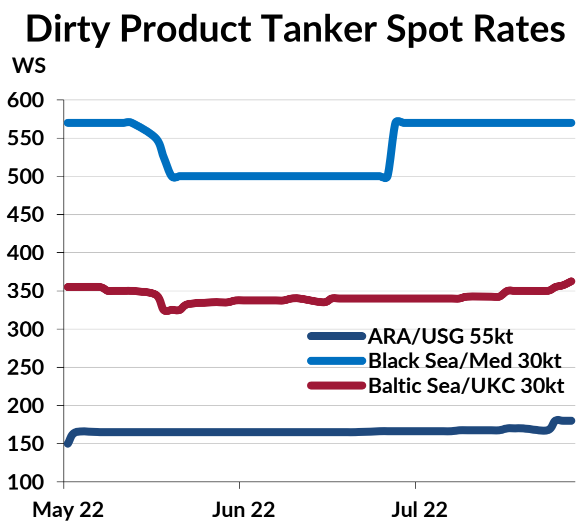
Handies in the north have benefited this week from a period of sustained steady activity which has kept tonnage options tight and put owners in prime position to push on. Under the radar questions throughout the week has seen only a handful of units marketed and tonnage disappear as they surface. With drip fed enquiry has come a steady climb in rates and we close the week with ws 360 confirmed on subs and the expectation that more is to come. The Med market, having suffered from inactivity the last week saw levels retreat to ws 310 and this level has been maintained despite a clear down in units. The clear down has been such that there is an expectation levels will bounce come Monday should a flurry of cargo surface.

MR

Once again, we have seen a week on the MRs both in the Med and the North where for the large part owners have had to ride the coat tails of the handies and pick off what cannot be covered on the smaller sizes. Off market enquiry is keeping these units ticking over and rates have largely held at last done when firm full cargoes have surfaced.

Panamax

A fresh test to start the week saw levels reflect the fact that tonnage replenishment has been limited at best this side of the pond. With just 2 Owners pushing units here, creating competition proved tough for one Charterer and a new benchmark of ws 180 established. With the US market holding firm with TD21 currently trading at ws 325-330, attracting ballasters here to pick up cargoes. It is unlikely to occur so we can expect levels to at the very least hold here for now.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	July 28th	July 21st	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**-3**	59	62	55	58
TD20	Suezmax	WAF-UKC	**-4**	137	141	120	126
TD7	Aframax	N.Sea-UKC	**-15**	177	192	170	119

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

			wk on wk change	July 28th	July 21st	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**-2250**	8,000	10,250	-10,250	9,750
TD20	Suezmax	WAF-UKC	**-2750**	38,000	40,750	22,500	34,000
TD7	Aframax	N.Sea-UKC	**-13500**	47,750	61,250	39,000	7,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	July 28th	July 21st	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+13**	240	227	226	
TC2	MR - west	UKC-USAC	**+61**	337	276	330	316
TC5	LR1	AG-Japan	**-33**	257	290	296	279
TC7	MR - east	Singapore-EC Aus	**-15**	404	419	454	362

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

			wk on wk change	July 28th	July 21st	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+5000**	44,500	39,500	31,250	
TC2	MR - west	UKC-USAC	**+10250**	34,750	24,500	30,500	32,250
TC5	LR1	AG-Japan	**-7500**	34,000	41,500	36,750	40,750
TC7	MR - east	Singapore-EC Aus	**-2250**	41,750	44,000	44,500	36,000

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

ClearView Bunker Price (Rotterdam VLSFO)	**+5**	776	771	905
ClearView Bunker Price (Fujairah VLSFO)	**-55**	916	971	1139
ClearView Bunker Price (Singapore VLSFO)	**-19**	892	911	1115
ClearView Bunker Price (Rotterdam LSMGO)	**+66**	1127	1061	1236

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