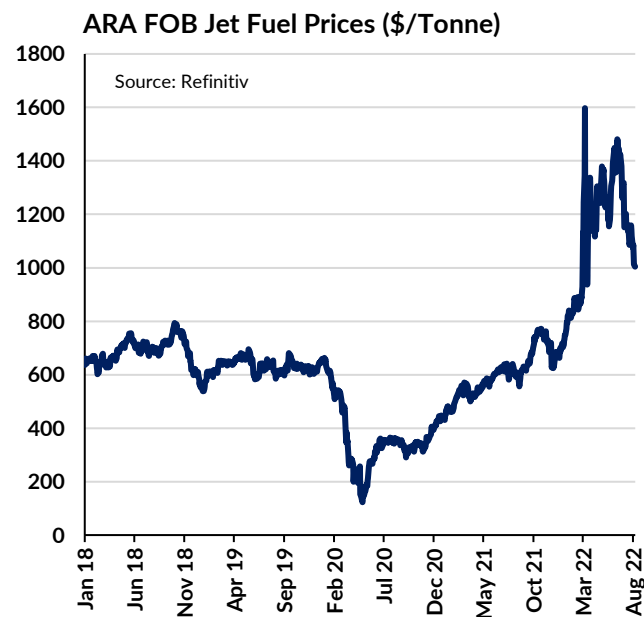


Turbulent Takeoff

Weekly Tanker Market Report

This summer travel season has been marked by widespread flight cancellations, airport chaos and lost luggage. Amidst this disruption, the European jet fuel market is going through an interesting period given higher demand for air travel this summer. So far in 2022, ARA jet fuel prices have increased by 55%, which represents a 128% gain since March 2020 when travel demand started to fall in response to travel restrictions that saw jet fuel prices nosedive. Many were unsure if higher jet fuel prices would lead to reduced demand by travellers for air travel, it appears pent up post Covid-19 demand has been and continues to be strong enough to offset higher ticket prices for the time being.



Data from IATA shows that in June 2022, revenue passenger kilometres (RPKs) – an indicator of passenger demand for air travel, were up 72.6% compared to June 2021, driven by the removal of mobility restrictions. Overall air traffic is up to 70.8% of pre-pandemic levels, indicating that the demand recovery in air travel demand is underway, albeit with some way still to go until a full rebound. It was assumed jet fuel prices were ready for take-off this summer and would climb even further, but recent European pricing shows prices remain turbulent, having fallen 26% since Mid-June. This is being driven by robust supply side factors in the face of firm demand. Strong arbitrage trade has been pulling East of Suez and Asian jet fuel cargoes into Europe, healthy jet fuel margins and declining European jet fuel exports have all contributed to weaker prices

since June.

Trade flow data shows approximately 9.45 million tonnes of jet fuel has been shipped from the East of Suez to Europe since January 2022. This is due to much stronger demand fundamentals in Europe compared to producers in Asia such as China which continue to experience mobility restrictions and a weaker recovery in international air travel. At the same time, European jet fuel exports have been on a downward trend this year, with 3.1 million tonnes exported thus far in 2022. Unlike other segments of the CPP market, the reallocation of Russian trade is unlikely to have a significant impact on the global seaborne jet fuel market. Russia's jet fuel exports are very low compared to diesel and naphtha; on average, jet fuel represents a mere 1.4% of Russian monthly CPP exports and unlikely to increase significantly, although Turkey has become a notable buyer in recent months. The bulk of jet fuel volumes to Europe will continue coming from producers such as India, the Middle East, and the Far East. This in turn will support tonne mile demand and larger product tankers heading west.

To conclude, Europe is importing considerably more jet fuel than it is exporting whilst higher jet fuel margins in the continent that are also incentivising production. This means greater product availability, which has put pressure on prices within the region despite the seasonally higher product demand. However, as the summer season passes, we are likely to see some rebalancing of the market as travel demand in Europe eases off and Asian demand improves as the region gradually begins to open to travel whilst the arbitrage economics become less appealing. This could reduce some of the flow from East to West, but product tankers will still be able to find support from the fact that Europe is net short in jet fuel, and this will necessitate the continued import of the demand balance from further afield.

Crude Oil

Middle East

Another hectic week for VLCC Owners with a good amount of enquiry, which takes the numbers already very close to last month's figures. We would expect only a small amount of remaining stems for August to be concluded but even with this strong amount of fixing, Owners have not really taken full opportunity of the situation and rates have only shifted up a few points with last done being 270,000mt x ws 61 to the East. A voyage West was concluded at 280,000mt x ws 34.5 to the UKCont. Suezmax rates in the Middle East continue to suffer and have dropped off to a level of around 140,000mt x ws 62.5 for Basrah/Med. Rates remain under pressure, despite the VLCC markets in the region managing to firm this week. Levels for AGulf/East on a Suezmax have come off slightly to the 130,000mt x ws 127.5 mark. AGulf Aframaxes have maintained a healthy level of fixing, with rates inching further up even with the Med market starting to come off. Tight tonnage list and continued activity should see rates remain firm heading into next week which currently stands at around 80,000mt x ws 210.

West Africa

Only a few VLCC fixtures have been concluded this week from here with Charterers starting to see Owners become increasingly resistant to just repeating last. A buoyant US Gulf scene has emboldened Owners and a last done of 260,000mt x ws 59.5 to the East will

be bettered on the next deal concluded. The US Gulf markets staying firm doesn't seem to have had much of an impact on rates in West Africa just yet. Charterers have been busy in this region, but the supply of tonnage is allowing them to fix at approximately 130,000mt x ws 127.5 levels to the East and 130,000mt x ws 122.5 for UKCont.

Mediterranean

The market was reset in the Med this week as the dearth of Black Sea Aframax cargoes was felt. A gas leak in the Kashagan field put paid to any further CPC cargoes for the month and Owners reacted accordingly. X-Med cargoes were keenly sought and rates were tested down first to 80,000mt x ws 190 for simple Ceyhan voyages and subsequently ws 170 for an older unit. However, with the spicy States market providing potential refuge for ships in the Central and West Med some Owners pulled the handbrake and are expecting some improvement going into next week. The Med market has remained rather flat this week, with minimal enquiry for Suezmaxes with many looking towards part cargo options. Short runs from the Med have stayed within range at approximately 130,000mt x ws 150. The market for Med/East has also remained moderately steady with runs into China looking around the \$5 million region.

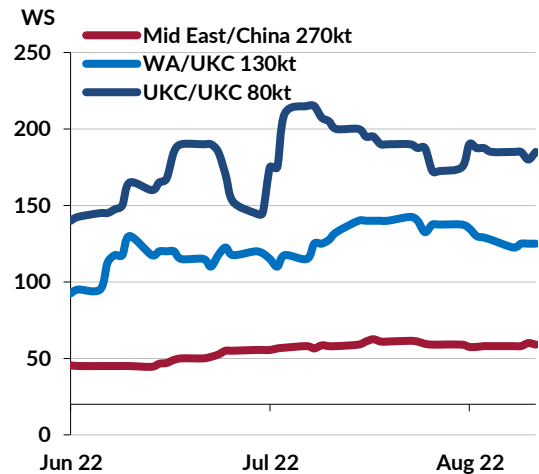
US Gulf/Latin America

Aframax Owners have had another exciting week with cargoes coming from all directions. Short haul enquiry has been the main focus with levels shifting up to 70,000mt x ws 330-340 level. Transatlantic runs have tapered off a little as the week progressed as Charterers turned their attention to taking VLCCs as a viable alternative. Last done here was 70,000mt x ws 265. Like the constant rush of activity Aframax Owners have seen this week, VLCC Owners have enjoyed similar attention. With over 10 cargoes in the market the balance between availability versus enquiry has firmly swung in Owners favour and again last done at \$7.5 million to the East will be the best Charterers can hope to pay now.

North Sea

A pancake like week for the North as Aframax rates tracked sideways despite a bit of an uptick in activity. Next week will reveal the true volume of tonnage heading out of the region for potentially greener pastures. For now, X- North Sea rates sit in the 80,000mt x ws 185 levels and Baltic/UKCont around 100,000mt x ws 225. The outlook seems unchanged for the near term but more positive the further ahead we look.

Crude Tanker Spot Rates



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

Clean Products

East

A much needed reset week for the MRs as the quiet past two weeks has seen over 125 points dropped on TC17. Wednesday saw lots of activity and the bottoming of the MRs at ws 250 TC12 and ws 280 for EAF. Short hauls have dropped to \$425k for X-AGulf and finally from disparity to the LRs. Plenty of EAF enquiry to finish the week, next week should see the slow build again towards ws 300.

On the face of it the LR1s have been quiet during the week (two public holidays didn't help), but the amount of off market fixing has really changed the way the position list looks coming to the end of the week. Early and exposed tonnage has been fixed away/on subs (albeit the rates aren't the best numbers the Owners have seen recently), however, its positioned with a much better footing going forward. There have been a few West runs that saw rates fluctuate a little, and very much highlighted the lack of jet suitable ships when there are multiple stems in the market. West sits at \$3.8 - \$3.85 million levels and TC5 seeing a slight negative correction to the 55,000mt x ws 265 levels. The window of cargoes fixing this week has only seen up to 25 August dates, therefore we expect to see end month enquiry as Charterers try to repeat some last done levels if they can!

LRs have struggled to clear the early list with the rates dropping away accordingly. But with a few vessels now cleared and LR1s pushing up, attention

has focused more on the bigger units and they have stabilised now with the likelihood of a slight improvement next week. 75,000mt naphtha AGulf/Japan has flattened out at ws 215 but, with 50 points to LR1s this should in theory firm. 90,000mt jet AGulf/UKCont is last done at \$4.1 million and although probably repeatable, short term that may change into the new week if more activity enters the market.

Mediterranean

It's been a very positive week for the Handy Owners here in the Mediterranean, with rates firming up around 80 points from Monday. We began the week with X-Med trading around the 30 x ws 270 mark but due to a consistently good supply of enquiry into the market, rates have pushed up on almost every fixture to the point where we currently see 30 x ws 350 being repeated. Black Sea activity for the majority of the week has been kept under the radar but, with improving TC6 levels it is likely we will see Black Sea follow suit when next tested. At the time of writing, a handful of cargoes still remain outstanding so expect Owners to remain bullish here as we approach the weekend.

All in all, it's been a quiet week in the Mediterranean MR market, with little to report in the way of fresh enquiry nor fixing action. Rates for the majority of the week have traded flat at the 37 x ws 340 mark transatlantic but today we have

seen this level achieved down to WAF on a big cubed Handy. This combined with a slipping TC2 market will likely see Med/transatlantic levels come under some pressure when next tested. A slow market heading into the weekend.

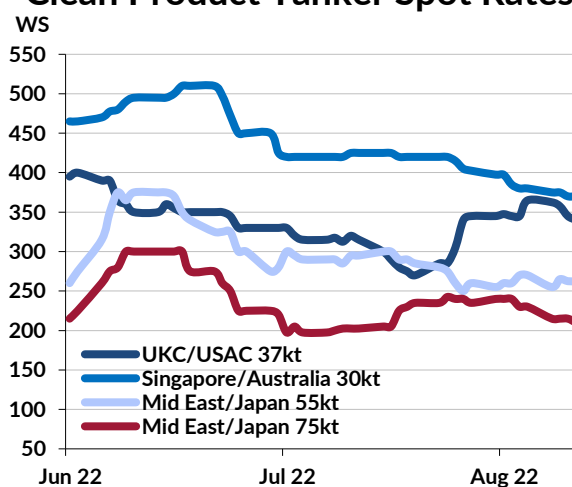
UK Continent

Unfortunately, all good things must come to an end at some point, and this ever increasing MR sector has finally hit the brakes. With enquiry levels relatively limited and a US market which has collapsed, Charterers throughout the week have felt more and more in control and with that we have seen rates slip. We find ourselves on Friday now with 37 x ws 340 on subs for WAF and expect with the next fresh test of TC2 to see something sub ws 330, as we see our tonnage list begin to fill with the infamous “BLST” vessels. Enquiry next week will really have to be something special if we are to stop this rot ahead especially with a couple of European bank holidays to start things off, and we would anticipate rates to fall back towards the low ws 300, possibly into the ws 200s again if things don't pick up pace again.

With the Mediterranean market really enjoying some positivity this week, the lacklustre UKCont sector has seen a thinning of available vessels as certain Owners look to exploit the more attractive rates further south. This in turn has given the Owners a chance to

increase their fixing ideas in the UKCont as we see rates back up towards the 30 x ws 280 levels being achieved and expect further bullishness from remaining vessels.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

The best way to describe this sector is “as steady as she goes” as this week has not been able to offer any stimulant to steer the market away from the flat sentiment. The drip fed enquiry throughout the week has managed to maintain fixing levels in the ws 295-300 range. In addition, non-Russian Black Sea enquiry has taken a slight upturn this week, with a select few units being clipped away for said runs. So, this leaves us with a somewhat depleted tonnage list as we close this week out. In turn, this leaves Monday key in terms of replenishment in terms whether the flat trade can be shaken off or not.

The NWE market on the other hand indeed has had some different fundamentals surrounding it. It could be said that with the limited amount of enquiry seen this week, the firm sentiment may have waived; however, is has not, with limited well approved units in play and little firm replenishment to Charterers to build competition between. Sentiment remains steady for now.

MR

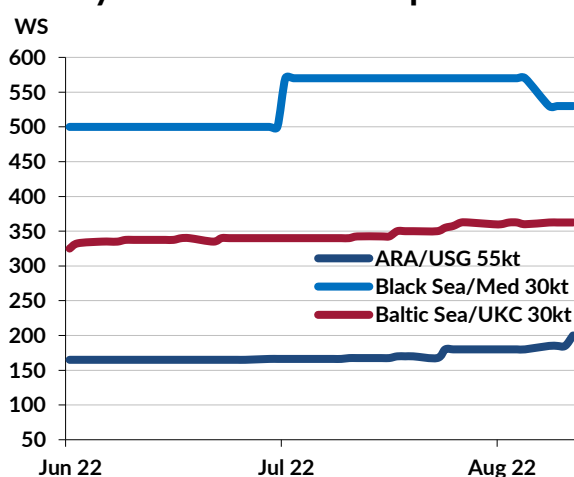
Levels remain buoyant this week, albeit for the most part in absence of activity to reflect validity of last done. That said, with the Handies in the Med picking back up and the Continent gaining further value this week, surrounding markets continue to dictate pricing for the MRs. Looking ahead, we can expect more of

the same and when firm units appear, we are likely to see charterers evaluate whether this size offers a comparatively attractive \$/MT.

Panamax

With so little firm availability on this side of the Atlantic, a lot of attention has been placed on value of what a transatlantic should be concluded at, particularly taking into account what the surrounding Aframaxes are now paying. On this basis, we are expecting a jump up on what is next done. The size of this jump though is something we are yet to fully comprehend; however, when you take a pro rate of 80kt onto 55kt, you have to take a Panamax. With this in mind, you get a feel for where the ceiling has risen.

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	Aug 11th	Aug 4th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	+2	60	58	58	62
TD20	Suezmax	WAF-UKC	-7	123	130	129	124
TD7	Aframax	N.Sea-UKC	-3	185	188	202	151

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

			wk on wk change	Aug 11th	Aug 4th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	+1250	15,500	14,250	3,000	18,750
TD20	Suezmax	WAF-UKC	-5000	31,750	36,750	34,500	33,250
TD7	Aframax	N.Sea-UKC	-2000	56,500	58,500	67,750	32,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 11th	Aug 4th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	-21	212	233	204	
TC2	MR - west	UKC-USAC	-10	341	351	315	310
TC5	LR1	AG-Japan	+0	265	265	291	262
TC7	MR - east	Singapore-EC Aus	-15	364	379	426	361

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

			wk on wk change	Aug 11th	Aug 4th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	-8000	39,500	47,500	29,250	
TC2	MR - west	UKC-USAC	-2000	37,000	39,000	31,500	31,750
TC5	LR1	AG-Japan	-750	39,500	40,250	39,750	38,750
TC7	MR - east	Singapore-EC Aus	-3250	38,000	41,250	43,500	37,750

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

ClearView Bunker Price (Rotterdam VLSFO)	+26	741	715	756	
ClearView Bunker Price (Fujairah VLSFO)	-96	835	931	989	
ClearView Bunker Price (Singapore VLSFO)	+25	781	756	973	
ClearView Bunker Price (Rotterdam LSMGO)	-12	1037	1049	1099	

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