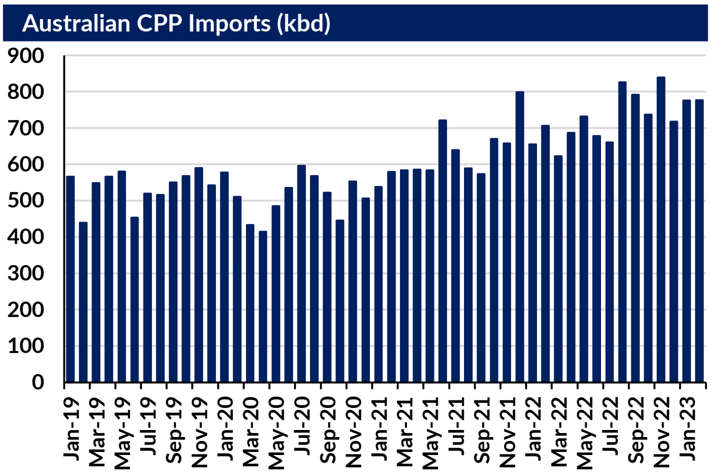
Down Under

Weekly Tanker Market Report

In recent years, Australia's refining sector has undergone a profound structural shift. Refinery rationalisation and Covid-19 related demand pressure led to the closure of several struggling refineries, following a prolonged downward trend. Recognising the implications for national security, the Australian Government intervened to keep the nation's two remaining refineries - Lytton (109 kbd) and Geelong (120 kbd) in operation until at least 2027. Still, declining refining runs have driven a significant increase in Australian CPP imports since mid-2020 as the need to replace this lost refinery output ramped up, lending support to the regional MR market, with growing trade both from SE Asia and the Far East.

Thus far, Australia has been able to make up the shortfall in refinery volumes. Weaker Asian demand stemming from much of Asia living under (until recently) strict mobility restrictions meant products could be diverted to Australia where the demand signals were stronger. However, with Asia, and in particular China expected to see an improvement in demand over 2023, Australian importers will face increased competition when sourcing import barrels.



The data shows that Q4 2022 imports peaked at 839 kbd in November but dipped to 776 kbd in February 2023. Nonetheless, the overall trend shows a year-on-year increase in average imports at 779 kbd in 2023 versus 721 kbd in 2022 (+8% YoY) and up from 627 kbd in 2021 as the impact of refinery closures took hold. Meanwhile, crude imports have seen a constant decline from 350 kbd in 2018 to a mere 152 kbd in 2022, further consolidating Australia's import dependency on refined products going forward as refinery throughput declined.

A few headwinds could see a softening of the import growth trajectory over the short-medium term. Firstly, Australian GDP growth is expected to slow into 2023 and 2024, while inflation should peak during this period which may begin to put pressure on oil demand. The other issue at hand is the impact of recovering Chinese demand which could increase purchasing competition as well as prices if regional balances begin to tighten. Singaporean middle distillate stocks are trending below seasonal levels, partly driven by higher MR exports to Australia over the previous months and this could begin to weigh on the strength of future southbound flows. Total Australian oil demand is likely to remain stable before eventually starting to decline into the 2030s as EV uptake begins to reduce road fuel demand. Although further refinery closures or conversion to import terminals could lead to further increases in CPP imports.

Also, at play there is also the possibility of Russian CPP cargos displacing some intra product trade in the region, meaning that greater volume of mainstream supplies could be diverted to Australia. Although this is dependent on Russia successfully exporting sufficient volumes to SE Asia to which for the time being is yet to fully materialize.

The market volatility of the past 12 months following the invasion of Ukraine shows the risk posed to countries such as Australia, which have a high dependency on imported fuels and the strategic risk stemming from a declining refining sector. Longer term, priority should be given to enhancing the energy security needs of Australia to withstand potential supply side shocks in the oil market as well as the future of the Australian refining sector. However, as the political mood in the country begins to shift towards a lower emissions future, the issue is far from settled. In the meantime, MRs in Asia are expected to continue benefiting from higher demand down under.

Crude Oil

Middle East

VLCC rates recovered after a sluggish start to the week and by weeks end, we were seeing East rates back towards the ws 100 level again. We are expecting a busy start to next week as the April program comes out and there is optimism amongst Owners that we on the cusp of a bull market. Today we would expect 270,000mt AG/China to fetch ws 97.5 and 280,000mt AG/USG to go for at least w 61.

Activity has improved in the AG for Suezmaxes alongside a firming VLCC market, as such Owner opportunities have grown, and Charterers are likely to find them far less malleable. Rates for AG/West are around 140,000mt x ws 72.5. There isn't too much on the list that will be keen to head East at the moment, as such, rates are at least 130,000mt x ws 155 to head East.

It has been a favorable week for Owners with rates consistently inching up off the back of a tight AG tonnage list. The West market is bubbling nicely and with that, sentiment remains warm on both sides of the Suez. As we end the week AG/East sits at 80,000mt x ws 210 level up from ws 200-205 last week.

West Africa

It's been a strange week for VLCC's ex WAF as market activity reported has been limited yet rates have managed to keep close to last done as a result of a strong
USG market and the likelihood a lot of ships in the region have been taken in off market deals and there are a large number of ships on subs within the Atlantic region. Today we are expecting a 260 WAF/China at ws 90.

Rates continue to push up in West Africa and those with more prompt ships are of a very bullish inclination. Rates for TD20 runs stand around 130,000mt x ws 135. The premium to head East is pushing up with very few ships willing to head that way, today Charterers should expect at or above a 10-point premium.

Mediterranean

Activity has begun to pick up from the Black Sea towards the end of this week for a TD6 run and there are still some units around that would get near to 130,000mt x ws 170 but sentiment is firming. Rates for Med/East stand at approximately $6.5m today.

The Aframax market started the week in a precarious fashion. Rates had slowly been eroded in last week's trading but the specter of a thinning list loomed last. The bottom was briefly touched with ws 167.5 concluded for a Ceyhan loader but this proved to be an expected flash in the pan. Swiftly afterwards Libyan cargos struggled to achieve anything in the ws 180s as replacements and forward dates worked in earnest. CPC loaders also touched a short lived bottom in the ws 240s before meeting resistance on the back of a firming Med market.

By the close ws 202.5 was achieved for a vanilla X-Med and ws 210 as an option with ws 280 concluded for a CPC run. The list is stripped bare, and the near horizon remains firm.

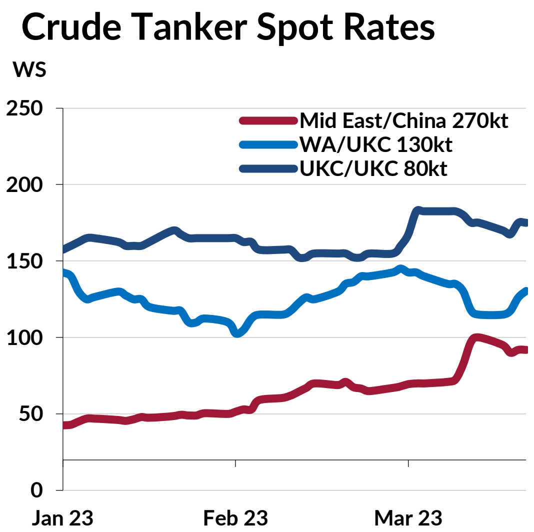
US Gulf/Latin America

VLCC Owners are spoiled for choice here as enquiry remains active on both East and UKC runs, and we have seen a plethora of ships fixed from South America which is putting pressure on Charterers trying to cover 2nd half April stems. Today we can expect a USG/China to fix in the region of $11.75m as rates continue to move North.

The Aframax market struggled at the start of the week as a sharp decline in enquiry led to a downturn in both short up coast routes and TA runs. However, by weeks end this has started to change as rates begin to turn and with good levels of cargo enquiry, we are witnessing a strong recovery here.

North Sea

A decent week of growth as ballasters paved the way for the market to push. Levels are now trading in the low ws 180s with sentiment continuing to warm. Surrounding markets are still hot and we can expect to see further rate gains into next week.



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

Clean Products

East

A slower week across the board in the Middle East - where the MRs are the only segment looking as though they could improve. LR2s have lacked volume over an over performing 1st half cargo count - and the narrative passing through the market early this week was that March dates were all but dried up, hence waiting days become quite sensitive to those Owners still with March positions to cover. ATC have benefitted, and 4.75m has been done twice and X-AG was a step down from last - and very little covered since. Naphtha last tested at ws 180 but could manoeuvre down slightly more if we continue to lack volume early next week.

Overall a pretty slow and uninspiring week for the LR1s, with a lack of cargoes the sentiment is looking softer here. TC5 needs a retest going into the new week as the 55,000mt x ws 195 (ex dd) should be fairly easily repeated but charterers will be aiming at less given lack of enquiry. Unless there is a strong push for end month stems the first decade window will be aggressively traded, and rates will come under pressure.

A busy week on the MRs has left them nicely poised. The front end of the list for the next 7 days is tight for good tonnage, solid in ins and ships without agendas (needing east for dd or wanting 'med' cargoes).

The list opens up a little into 25-30mar window (with the help of Oz-Chitt-Sing ballasters) – but with a few of these disappearing off market towards the end of the week, there is opportunity to push here. With Europe full of product - we would expect the smaller units to absorb spare volume as traders look to get optionality.

Mediterranean

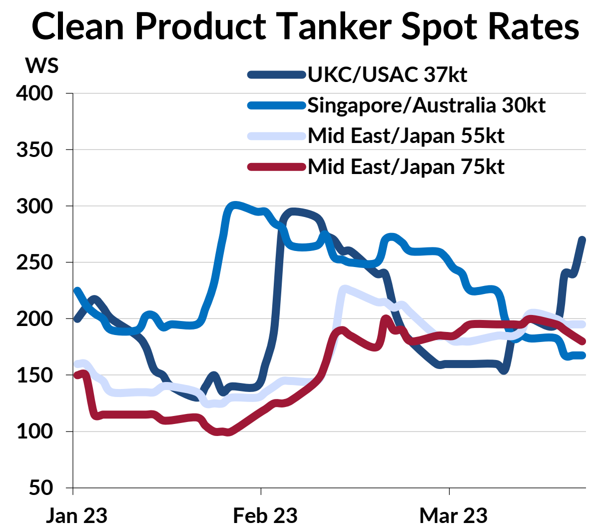
Very positive week for the Handies here in the Mediterranean, with rates skyrocketing from last Friday. We began the week with X-Med rates trading around the 30 x ws 265 mark but, with a busy Monday/Tuesday of fresh enquiry combined with a tight list, saw rates push past the ws 300 mark. At the time of writing, rates are now at the 30 x ws 335 levels, with the Black Sea expected to positively correct when next tested. At the time of writing, a handful of cargoes remain looking for cover so expect further positivity from Owners.

Finally, to the Mediterranean MR market, where rates have been firm due to a good amount of Nap/Jet enquiry. 37 x ws 215 was the call for Med/TA on Monday, but with a few tricky cargoes coming into play, we reached the heights of ws 270. At the time of writing, ws 250 is last done Med/TA, but with TC2 trading around 20 ws points more, expect Med to follow suit.

UK Continent

With a tight tonnage list and a Mediterranean market that flourished due to Nap/Jet requirements, the TC2 market made gains with almost every fixture. Monday saw us push through into the ws 200's and with some troublesome Gib/Sines liftings, we found ourselves at ws 270 come Friday with continued positivity. The list continues to offer little options for Charterers for at least the next week, but we do expect a few more ballasters from the States as that sector slows (for now anyway) that will offer some dilution. Next week the market should at least remain stable as good foundations are built, and this positive sentiment will continue from Owners.

It's been a positive week for Handies plying their trade in the North. ULSD X-UKC has been the main catalyst. With a healthy number of cargoes being quoted and vessels being fixed under the radar, levels have jumped 70 ws points to 30 x ws 260. The front end of the tonnage list remains super tight, with the weekend break potentially brining a few more candidates available for Charterers.



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

Dirty Products

Handy

Going from strength to strength, handies in the Continent became hot property as Owners continue to make gains on each cargo presented. With rates closer to surpassing the ws 300 mark and with tonnage still looking tight for fixing into the next window, Charterers as a result will need to dig a little deeper into their pockets.

In the Med, Owners eyes lit up as the week commenced after a flurry of activity surfaced and cleared down top of list tonnage but unfortunately for Owner's activity was short lived as a very quiet Wednesday allowed itineraries to firm and tonnage built. Charterers confidence grew which made Owners struggle to latch onto last done and have no option but to take a fall on numbers.

MR

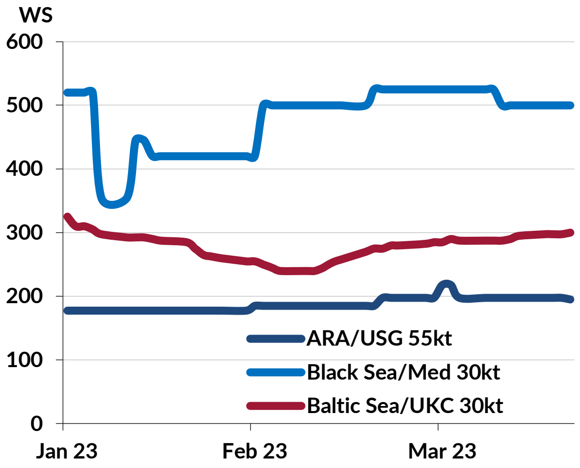
The familiar narrative of the MRs in the North continues where both availability and full stem enquiry has lacked all week but with minimal tonnage being marketed, rates are firm as a result. West Med ballasters have provided some optionality but with very little cargo on offer units have found more localised business to jump on. Despite a small number of tests seen on a full cargo basis, the handies are still offering a plan "B" option which for now is keeping marketed tonnage tight and inturn pushing dates forward.

Forward planning for the next window will be key to securing tonnage.

Panamax

Owners with tonnage this side of pond have a reason to stay positive as itineraries begin to firm and with natural tonnage still tight, they are expected to look to gain on the next cargo they find. Unfortunately, this week, activity has continued to be drip fed with little for Owners to get their teeth into, rates are holding steady for now. The States market continued to trade firm this week with Owners in the driving seat. Assuming activity continues at current pace Owners this side of the pond could potentially look to ballast their tonnage west in order to not miss out on activity there.

Dirty Product Tanker Spot Rates



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 16th	Mar 9th	Last Month*	FFA Q1
TD3C	VLCC	AG-China	**-5**	94	99	66	65
TD20	Suezmax	WAF-UKC	**+13**	129	116	125	123
TD7	Aframax	N.Sea-UKC	**-4**	171	175	153	166

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

			wk on wk change	Mar 16th	Mar 9th	Last Month*	FFA Q1
TD3C	VLCC	AG-China	**-3500**	92,750	96,250	48,250	52,750
TD20	Suezmax	WAF-UKC	**+10750**	62,000	51,250	56,500	58,250
TD7	Aframax	N.Sea-UKC	**-2500**	73,000	75,500	56,000	69,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 16th	Mar 9th	Last Month*	FFA Q1
TC1	LR2	AG-Japan	**-12**	183	195	184	
TC2	MR - west	UKC-USAC	**+72**	271	199	264	206
TC5	LR1	AG-Japan	**+7**	196	189	215	187
TC7	MR - east	Singapore-EC Aus	**-21**	168	189	256	235

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

			wk on wk change	Mar 16th	Mar 9th	Last Month*	FFA Q1
TC1	LR2	AG-Japan	**-3000**	51,500	54,500	48,250	
TC2	MR - west	UKC-USAC	**+18000**	43,500	25,500	40,250	28,500
TC5	LR1	AG-Japan	**+3750**	39,750	36,000	42,250	37,250
TC7	MR - east	Singapore-EC Aus	**-2500**	17,000	19,500	31,750	30,250

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

	wk on wk change	Mar 16th	Mar 9th	Last Month*
Bunker Price - Rotterdam VLSFO	**-52**	524	576	591
Bunker Price - Fujairah VLSFO	**-80**	541	621	634
Bunker Price - Singapore VLSFO	**-55**	543	598	645
Bunker Price - Rotterdam LSMGO	**-59**	716	775	795

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