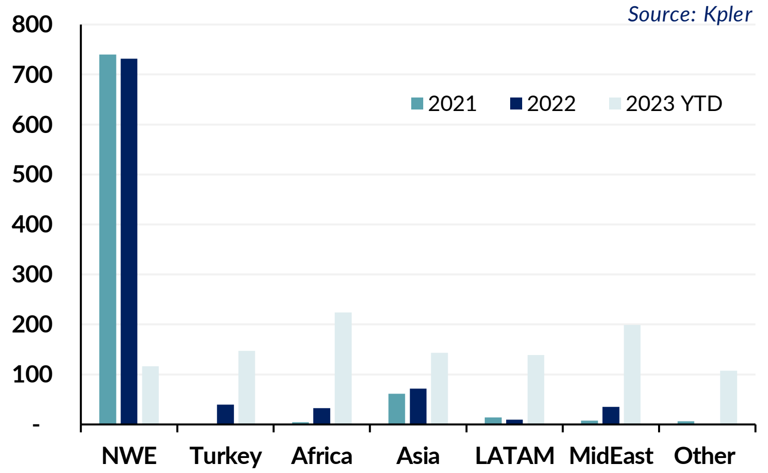
New Home for Russian CPP

Weekly Tanker Market Report

The European ban on the imports of Russian products came into effect in early February and expectations at the time were that the country's clean petroleum product (CPP) exports would come under pressure. However, Russian exports have actually increased compared to levels seen last year. Between February and April to date, Russia on average shipped around 225kbd more clean products compared to the same period in 2022. About two thirds of all Russian CPP exports in the West originate from Baltic terminals. Here, the biggest growth has been seen in shipments from the Baltic into the Middle East Gulf/Red Sea, with this trade up by circa 200kbd over the period. Strong increases in shipments have also been seen to Turkey, North and West Africa, Latin America (primarily Brazil) and South East Asia.

Russian clean exports from Baltic (kbd)



Russian CPP exports from the Black Sea also found new homes, with the Middle East, North Africa and Turkey becoming main new destinations. Not only is the volume of CPP trade up, but Russian barrels are also travelling much longer distances: sailing days (single voyage) from the Baltic for trade into Turkey are around 2 weeks and over 3 weeks for shipments into the Middle East Gulf. This compares to 3.5 days from Ust Luga into ARA.

With more and more tankers tied up shipping Russian barrels, the latest market dynamics only serve to limit further available tonnage supply for the conventional mainstream market. At the same time, however, changes in Russian CPP flows have negative implications elsewhere in a highly interconnected global oil market. Increased Russian flows into Africa and Latin America are directly competing with exports from Europe and the US, limiting regional product outflows. In Europe, reduced gasoline shipments into West Africa help to keep inventories at elevated levels and add pressure on refining margins. In the US, increased Russian diesel exports into Brazil are reducing Brazil's appetite for US barrels. The picture is similar in Asia. Russian naphtha exports into the region surged in recent months, with these arrivals contributing to the decline in naphtha cracks in Asia, which are already suffering from the weak petrochemical demand and growing substitution from cheaper LPG feed stock.

It is likely to take time for the global refining and trading landscape to adjust to changes in Russian CPP export flows, whilst further unintended consequences cannot be ruled out. Meanwhile, CPP exports out of Russia could potentially soften as we head deeper into Q2 and into Q3. Robust Russian CPP exports so far this year suggest the country's refineries are yet to go into spring maintenance. There is very little reliable information coming out of Russia at present; however, unless maintenance is postponed into autumn, more refineries should head into maintenance soon. Furthermore, Russian domestic product demand typically increases over the summer holiday season, limiting product outflows. Nonetheless, whilst some disturbance could be on the cards in the short term, the bigger picture is that Russia has successfully found alternative longer haul homes for its CPP, offering the promise of a major additional boost to clean tanker tonne mile demand going forward.

Crude Oil

Middle East

Owners had a torrid week here on VLCCs, as a very slow start especially with the EID holidays saw a drop in sentiment, which by the end of the week saw rates drop 15 per cent w-o-w. With the upcoming May Day festivities, it is hard to see a recovery anytime soon. Today we would expect 270 AG/China to fetch ws 55 and 280 AG/USG to go for at least ws 49 level.

Suezmax rates for AG/West have fallen away over the course of this week, with limited enquiry and a healthy tonnage list. Rates are hovering around 140,000mt x ws 55. Markets heading East are also softer: there are prompt ships that are keen to head in that direction. As such, rates have softened to an approximate level of 130,000mt x ws 120.

End of week comes in the nick of time for Owners, as the pressure has built up off the back of the holidays and hence a lack on inquiry across various regions. However, further holidays around the world on Monday will add further fuel to what is looking like a seasonal slowdown.

West Africa

We also witnessed a fall in VLCC rates here, as Owners struggled to find employment against shrinking cargo volumes and are having to look elsewhere, therefore flooding other areas with tonnage. Today we are expecting a 260 WAF/China to for ws 56.5.

Suezmax markets in West Africa have left Owners with little to write home about this week and the slow trickle of enquiry has taken its toll on rates. Market levels for TD20 will have Charterers pushing to break 130,000mt x ws 85. The current premium to head East has pushed up to approximately ws 15 points, with very few Owners looking to head in that direction.

Mediterranean

Suezmax Owners in the Med face another challenging week and rates for a TD6 run slump to around 130,000mt x ws 120. Runs for Med/East have held up slightly better at around $5.2M, with very few Owners willing to lock at current levels for the longer run.
A steady week for Med Aframaxes. Port delays and a stream of activity allowed rates to hold and prevented the slide in neighboring markets from affected Owners here. Vanilla Cross Med runs were concluded in the ws 150-152.5 range and Black Sea runs around the ws 195 level in the main. As we approach the long weekend, it is difficult to call a direction for next week, while Fos, Trieste, Sarroch and other ports continue to provide uncertainty. The going is flat for now.

US Gulf/Latin America

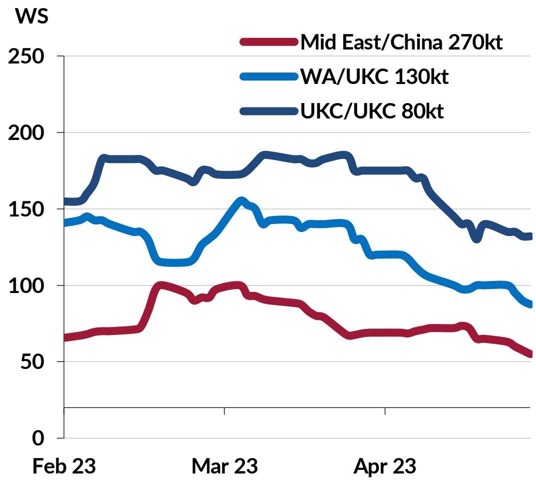
The Atlantic continued to be a challenging environment for VLCC Owners as rates dropped daily. Most worrying was the amount of ships that were failed and then replaced with ships at much reduced levels, so Charterers are confident they can push rates down further especially with others areas so flat. Currently we are calling a USG to China in the region of $8.0M.

The Aframax market saw a rate collapse in midweek, as lack of enquiry hit Owners confidence and while there may be some improvement on USG/TA runs, the Caribs/Up remains an uphill struggle.

North Sea

Flat week in the North Sea, with most attention being focused in the Baltic. Rates are trading at ws 130 levels, with nothing looking likely to change in the short term. We see the market flat for now.

Crude Tanker Spot Rates



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

Clean Products

East

LR2s have been ticking along this week and finish with a little end of week push as few fresh stems enter the market. With TC1 at the 75,000mt x ws 180-185 and UKC at the $4.5m levels Owners will be hoping that this steady sentiment pushes forward as the list of open cargoes grows and pressure on the tonnage list increases.

The LR1s have also been quietly fixing away in the background and as a result the list has tightened right up. It won't take much to see a positive rate rise if more stems make an appearance early next week. TC5 did dip down to 55,000mt x ws 195 (for units that are natural TC5 players) however, with these ships out the frame we assess TC5 at circa 55,000mt x ws 205 level, but this does need a fresh test. A UKC run has held about the 3.8m-3.9m levels this week and expect this to be a good footing starting next week.

MRs have been crumbly this week. TC17 was always a focus in a shifting market - money to be made as much on paper as on the physical hence aggressively traded, ws 235 was on subs and Owners are keen not to swallow waiting days if it shifts them towards weaker freight levels. Westbound runs are unpopular given the LRs in action. We assess internally AG/UKC at $2.4-2.5m levels, the challenge here is finding an Owner who wants to send units towards a fast-sliding TC2 market. Argie runs are quiet, although $3.6m levels pay a good premium over UKC so expect these units to run numbers back to AG instead of Europe. TC12 is also quiet given the LR activity. Owner's ideas (hopes) are circa ws 200, but Charterers will aim lower at ws 170 to bring softer numbers in line with the softening seen on TC17. The promise of repositioning closer to a popping North Asia market will come into play here.

Mediterranean

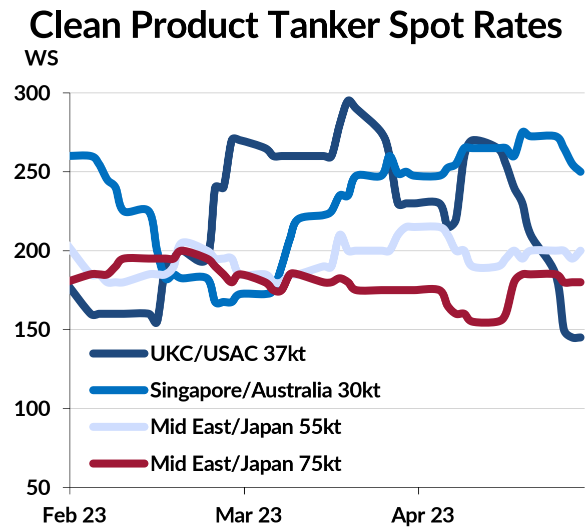
All in all it's been a lacklustre week for the handies here in the Mediterranean with rates collapsing almost 100 points. We began the week with X-Med trading at the 30,000mt x ws 245 mark but with slow levels of enquiry all week the tonnage list has lengthened and at the time of writing we see 30,000mt x ws 150 on subs. Black Sea levels are therefore expected to negatively correct to the 30,000mt x ws 200 levels (+50 premium on X-Med). Little remains outstanding and with the long weekend approaching we may not have found the floor just yet.

Finally, to the Med MR market where rates have come under pressure due to a falling TC2 market and a building tonnage list. 37,000mt x ws 210 was where we saw Med/TA rates on Monday but with ballasters from the States flooding our lists and enquiry on the slow side we saw rates fall to 37,000mt x ws 140 levels midweek. Since then, enquiry has improved however, and we see levels push up a touch to see Med holding a premium on TC2 once more. Heading into the weekend a few cargoes remain outstanding so expect Owners to dig their heels in here.

UK Continent

The question we all had in our minds come Monday morning was not “is the market going to fall?” but rather “by how much?”. Several times we felt we had reached the floor, to only see another 5-10 points lost on next done, and with the Med market not offering much either, Owners had to be decisive if they were to find employment. Come Thursday though with good levels of enquiry from multiple Charterers as well as some good WAF enquiry, a good chunk of tonnage has been clipped away and we feel we bottomed out at 37,000mt x ws 140 and dare say it, seeing some light at the end of the tunnel. With late 1st decade stems now being quoted in the UKC, expect Owners to roll the dice and wait till next week to see if there is any chance of an upside.

With little enquiry and a fallen MR sector, we have seen this Handy sector in the North really struggle to make much traction this week. With this momentum partnered with some failures also, calling where next done falls to is a bit of a shot in the dark, but we feel it is somewhere around the mid 30,000mt x ws 170s. A couple of stems quoted on Friday see 6-7 offers in and expect a test to be seen soon.



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

Dirty Products

Handy

In the Continent this week levels maintained at the conference ws 260 but attempts were made to elevate rates when closing out the April fixing program. Coming into May, although laycans only moved on by a couple of days, this really helped Charterers with availability, keeping a lid on Owners' aspirations.

In the Med, a similar tune played out, although this region has not witnessed one of the most active weeks on record. Owners recognized the importance of fixing and moving on. At time of writing, there remains an overhang of availability, which is likely to have a negative effect on sentiment when trading reopens, with Charterers likely to find themselves in a favorable position.

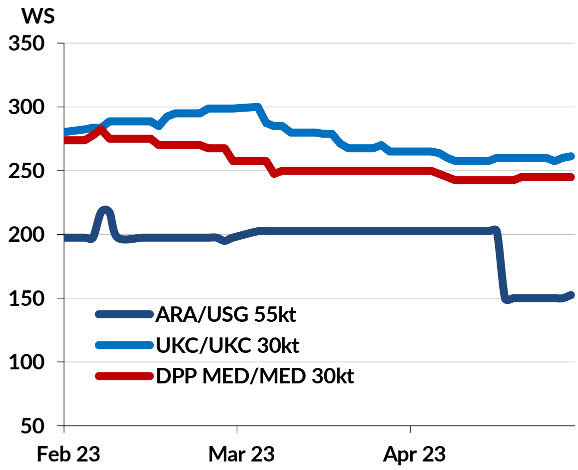
MR

This week has given us the opportunity to freshen up some benchmarks in both regions. Whereupon requirement being shown, the Continent again holds onto value, given the scarceness of availability and the need to ballast units in. This in turn has helped the Med, but there is an underlying sense of cautiousness from onwards not to miss their dates, given the holiday disruption, which the UK is now set to embark upon.

Panamax

Repetition seen this week in fixing levels is proving a bit of a prickly topic for some, who not only disagree with the drop we have seen but have opted to ballast back to the US rather than sit and wait on the continent. Losing a few ships off the lists will shorten supply significantly; however, with the Aframaxes paving the way for what a Panamax can charge, there is a limit to how much a Charterer is willing to pay for flexibility.

Dirty Product Tanker Spot Rates



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 27th	Apr 20th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-8**	57	65	80	52
TD20	Suezmax	WAF-UKC	**-7**	91	98	140	93
TD7	Aframax	N.Sea-UKC	**+3**	131	128	180	156

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

			wk on wk change	Apr 27th	Apr 20th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-11500**	38,000	49,500	71,750	32,250
TD20	Suezmax	WAF-UKC	**-4750**	35,000	39,750	67,750	37,250
TD7	Aframax	N.Sea-UKC	**+3750**	38,750	35,000	78,500	60,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 27th	Apr 20th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+3**	182	179	181	
TC2	MR - west	UKC-USAC	**-82**	143	225	294	190
TC5	LR1	AG-Japan	**+3**	200	197	207	190
TC7	MR - east	Singapore-EC Aus	**-18**	251	269	242	241

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

			wk on wk change	Apr 27th	Apr 20th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+1500**	49,750	48,250	49,750	
TC2	MR - west	UKC-USAC	**-18750**	13,750	32,500	47,750	25,000
TC5	LR1	AG-Japan	**+1000**	39,750	38,750	42,000	37,000
TC7	MR - east	Singapore-EC Aus	**-3250**	32,750	36,000	31,000	31,000

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

Bunker Price - Rotterdam VLSFO	**-18**	545	563	551
Bunker Price - Fujairah VLSFO	**-41**	580	621	573
Bunker Price - Singapore VLSFO	**-19**	591	610	571
Bunker Price - Rotterdam LSMGO	**-40**	695	735	760

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