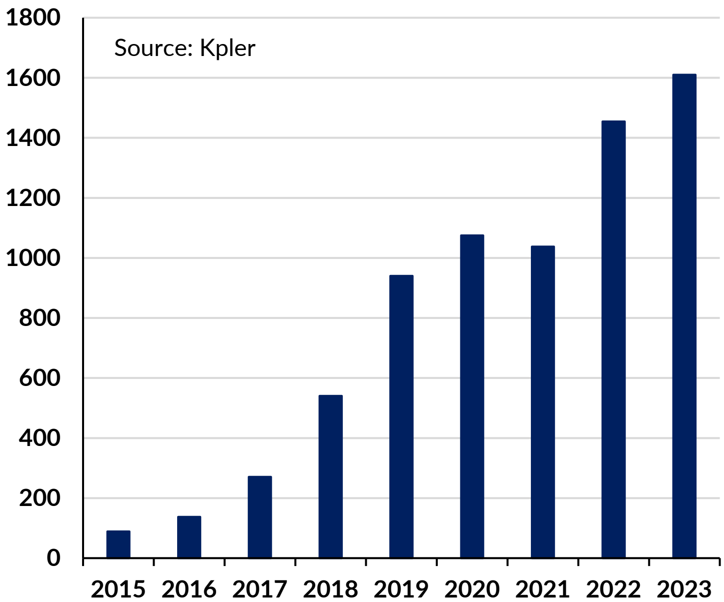
A Sign of the Times

Weekly Tanker Market Report

North Sea Brent, the main global benchmark for crude oil pricing is moving with the times to reflect new market realities. Originally based on North Sea production since the 1970s, questions have arisen in recent years over the benchmark's viability for pricing oil contracts, given the declining output of Brent and other North Sea grades with the implications this could have for trading liquidity. Brent has now been thrown a lifeline with the inclusion of US WTI crude into the dated Brent basket which should in theory alleviate concerns about volumes by significantly increasing the quantity of delivered crude into the North Sea basin, providing a liquidity boost going forward.

US Crude Exports to Europe (kbd)



However, this could provide an interesting development for the crude tanker market, given there is an important freight element to this new liquidity. In the new Brent price assessment only Aframax cargoes of 700kbbls will be included, this may provide some support to Atlantic Aframax tankers loading out of the US as traders look to move cargos consistent with the updated pricing framework. Kpler data shows that since 2021, US crude volumes to Europe carried on Aframaxes increased modestly from 844 kbd to 894 kbd in 2022 but this has since weakened in 2023 as barrels have shifted onto larger Suezmax and VLCCs This means the pricing framework may require some adjustment going forward to reflect this shift up to larger cargo sizes.

This too may improve chartering appetite for transatlantic VLCCs and Suezmaxes out of the US going forward as economies of scale mean a cargo of 2 million or 1 million barrels on a VLCC or Suezmax respectively should be cheaper than a 700kbbls Aframax cargo, which should be more appealing for traders given the underlying economics and the ability to sell WTI into Europe. However, this will also depend on fluctuations within the individual tanker segments in terms of freight rates and which provides the best value on a $/bbl basis and how this plays out in terms of market practice remains to be seen. In addition, Aframaxes may be preferred over larger vessels due to the cost and complexity of lightering and STS operations off Europe, but this will likely be price driven.

In terms of overall timing, this comes as the US increasingly exports more cargo to Europe to replace lost Russian crude barrels following the December 5th import ban and as such this should be welcome news for European buyers of WTI. Fundamentally, Europe needs crude, both from within the region and from strategic partners such as the US to secure oil supply security. In terms of the tanker market, the inclusion of WTI into Brent pricing should help to support the Atlantic Aframax market through a base of demand but this will depend on the ability of such trade volumes to be maintained as well as the trajectory of European decarbonisation and the implications for regional oil demand.

Crude Oil

Middle East

As expected, this week proved to be very challenging for VLCC Owners as a lack of activity due to the Eastern holidays had a detrimental effect on rates and with the tonnage list expanding, it's going to be a hard slog to turnaround this downward cycle. Owners will hope that next week will at least be better in terms of cargoes and hope we have a active last decade to alleviate the gloom. Today we would expect 270 AG/China to fetch ws 46.5 and 280 AG/USG to go for at least ws 34.5 level.

Suezmax rates for AG/West have improved this week as we have seen a healthier level of enquiry. Rates for a standard TD23 sit around 140,000mt x ws 60. Owners looking to head East have seen very few cargoes, except into India. Though with improved rates for those heading West we expect the current market level for AG/East to be approximately 130,000mt x ws 120.

A challenging week for the Aframax market in the East as the lack of activity and growing tonnage list finally took its toll on rates. As Labour Day set the tone for a quiet week ahead, the week ends with TD8 at ws 180 - down from ws 189.5 on Tuesday.

West Africa

The VLCC market in this sector faced similar challenges to those in other zones as enquiry was limited and owners were forced to take big discounts to find employment especially with the USG market in free-fall. Today we are expecting a 260 WAF/China to for ws 45.

Suezmax markets haven't actually seen too much enquiry this week. Though with the USG firming and a number of ships picked off off-market, Owners are feeling bullish. Market levels for TD20 have pushed up and remain firm at approximately 130,000mt x ws 90. The current premium to head East sits around 10-15 points but the market has been largely untested.

Suezmaxes in the AG are now firming after snapping up numerous Afra stems at the back end of last week. Owners will now be looking at Western markets for some hope as the Med sentiment grew warmer and the USG saw somewhat of a rebound. Despite a couple of market quoted fixtures being concluded at lower rates than expected, a fresh test is required for numerous routes to see the true impact of the above-mentioned factors.

Mediterranean

Suezmax Owners in the Med are feeling optimistic about rates this week, with a firmer Afra market we are seeing rates for TD6 push towards 130,000mt x ws 130. Runs into the East are still infrequent, and current levels are around $5.2m for a standard Med/East. However, there are very few Owners willing to lock in current levels for the longer run.

Rates in the Med Aframax market have slowly crept up over the course of this week. The catalysts, uncertainty in French ports as post-strike backlogs have affected vessel turnarounds and the shorter week has caused Charts to reach further forward to cover.

This in turn has caused the list to be worn thin and has not been replenished on the front end. Cross-Med rates started the week at ws 150 levels and as we draw to a close, we are at mid ws 160's levels. With the Med market still warm and the list on the thinner side the near horizon provides Owners with a muted sense of optimism.

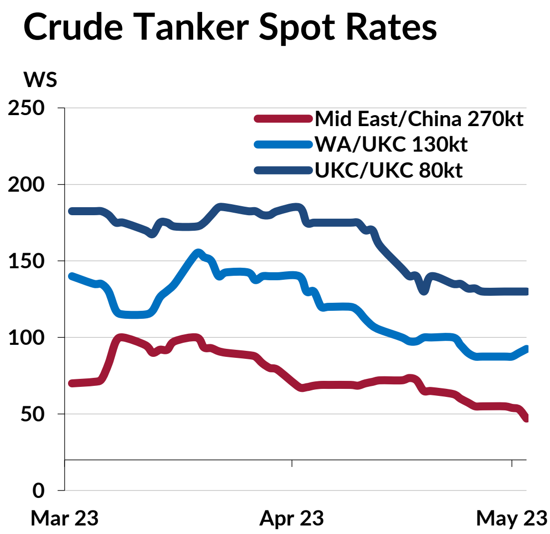
US Gulf/Latin America

VLCC rates were in free fall here as every fixture reported is considerably lower than last done and this cycle is being repeated on a daily basis despite some spurts of activity. The trading environment has been hurt by a large number of ships failing and this led to sentiment softening as Owners struggle to get tonnage fixed away. Today a USG / China run will make $6.75m.

The Aframax market enjoyed a resurgence towards the end of the week after a calamitous fall in rates at the start led to a fresh surge of enquiry which gave Owners the confidence to push rates upwards and the challenge will be to carry this momentum into next week.

North Sea

The week has ended in little flare with surface action trading sideways. X-North Sea is hanging at around ws 127.5 with little looking likely to swing things. The list still offers tonnage but those looking at other regions are still seeing the ballast potential. Another short week in London could help bunch up activity but it will take more than that to see a significant shift in the market.



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

Clean Products

East

The LR2s took a surprisingly sharp dip to the end of the week with $3.5m on subs for a West run. Shortly after TC1 corrected with 75,000mt x ws 145 being put on subs. Not the end to the week Owners were hoping for and as such the sentiment is very subdued heading into the long weekend.

As a result of the dip seen on the LR2s, the LR1s now looked overpriced. It will be interesting to see whether the larger Charterers can find the extra barrels or whether they can use the LR2 rates to press down LR1 Westbound freight to something a little more in line on d/t. Either way, a UKC run must sit at circa $3.4-$3.5m levels and TC5 at 55,000mt x ws 175 levels, however, all are very much in need of a fresh test early next week.

Unsurprisingly, a relatively quiet end to the week for the MRs given the LR2s and the fact that there was good-to-fair level of activity on the MRs yesterday which leaves the list looking more balanced. We assess that we are at close to the bottom, with perhaps another 5 pts or so to go and maybe 5-10pts for undesirable tonnage (i.e. those with no sire or palms etc). The issue facing Owners is for the market to hold and bounce we need volume, and right now we don't have it. A UKC run is at $2.1m levels and TC12 is at 35,000 x ws 160 for now.

Mediterranean

All in all it's been a steady week for the handies here in the Mediterranean with rates trading sideways for the majority. 30,000mt x ws 150 has been the call X-Med with this being repeated numerous times throughout the week with the Black Sea trading at +40-50 ws points depending on the grade. The steady enquiry we saw mid-way through the week has started to clear out the front-end of the list and with the long weekend approaching we now see a handful of more stems out looking for cover. Expect rates here to hold into the weekend but Owners will certainly feel more positive come Monday and Tuesday.

Finally, to the Med MR market which throughout the week has been holding onto the coattails of TC2. We began the week with Med/TA being repeated at the 37,000mt x ws 145 mark but with TC2 pushing up to 37,000mt x ws 170 it wasn't long before the Med followed suit. 37,000mt x ws 165 was therefore achieved but since then there has been very little enquiry and TC2 has fallen back down to the 37,000mt x ws 150 levels. Negative correction to follow here.

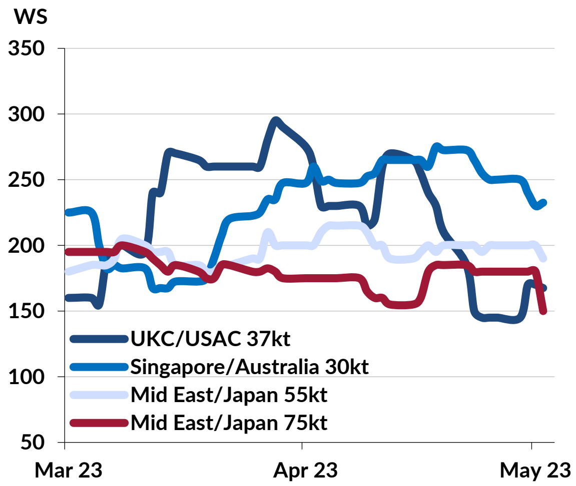
UK Continent

A tale of two halves for the MR Owners here in the Continent, as the May Day Bank Holiday gave us a flurry of stems to cover on Tuesday morning. This saw rates gather some momentum and suddenly we were staring at a 30 point gain at 37,000mt x ws 170 for TC2.

Once Wednesday passed though, Charterers slammed on the brakes and the weight of incoming ballasters began to suck the buzz out of the market. Come Friday and another long weekend ahead for the UK (God save the King) we see the desire for Owners to fix away with 37,000mt x ws 152.5 now the call for TC2. Mixed views as to where this market goes next, but certainly we see good levels of tonnage around mid-month dates and Charterers taking back momentum.

Unfortunately, here on the Handies we've seen very little for Owners to get their teeth into as rates were set very early on at 30,000mt x ws 155 for X-UKC and haven't been able to shift either up or down from there. A couple of STS Southwold stems have kept tonnage moving partnered with the usual movements, and with that it feels a floor has been found. More of the same ahead it feels for now.

Clean Product Tanker Spot Rates



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Dirty Products

Handy

In the north this week a relatively sluggish start saw levels stay mostly flat for the most part. With charterers swapping in their own tonnage for system moves, those at the top of the list have remained largely untested. As the week progressed, under the radar activity has seen 1 or 2 units disappear but again this has not been the injection of pace the list needed. Looking forward to week 20, there is not much to suggest a shift in sentiment will soon favour Owners.

In the Med, the recent trend of a well-stocked list showing a large number of prompt units continued into week 19 on a Monday. Rates saw an inevitable negative correction early on, with off market activity seeing some 20 points taken from last done. While this level wasn't maintained across the board, the conference rate of ws 245 has eroded. With this, the subsequent uptick in activity saw prompt units clipped away; however, stocks are yet to diminish enough to stabilise the drop. Despite an air of optimism amongst those that have cleared their next up units, replenishment come Monday is likely to see a similar trade to this week.

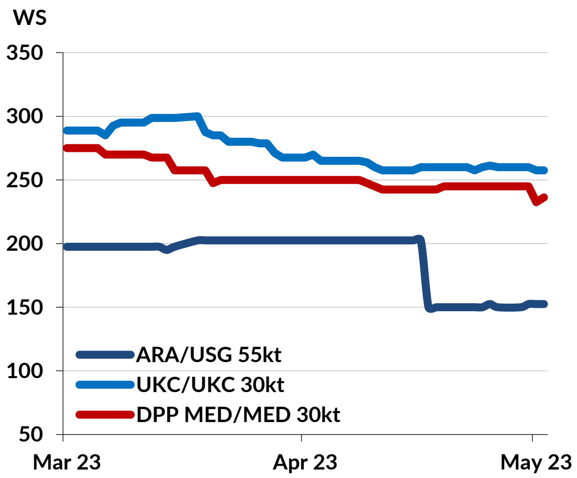
MR

On the MRs this week availability of firm units has increased in both regions; however, cargo volume has tracked the surrounding Handies and opportunities to fix have been few and far between. With ws 195 in the Med and levels eroding for part cargoes in the North, there is little to suggest anything starting with a 2 is now achievable. Should current levels of enquiry remain, expect to see those at the top of the list to be tested as week 20 kicks off.

Panamax

This week, there has been little change in vessel demand or marketed activity for Owners to get their teeth into. With last done at ws 152.5 and very little in terms of fundamental reasons why sentiment should swing either way in this market, expectation is for this level to hold. Forward availability is now tight this side of the pond; however, we have seen the markets across the pond drop some ws 50 points in a week. Should this trend continue - which is likely - this brings in to play the possibility for ballast tonnage to head this way.

Dirty Product Tanker Spot Rates



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 4th	Apr 27th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-11**	46	57	68	49
TD20	Suezmax	WAF-UKC	**+1**	92	91	123	95
TD7	Aframax	N.Sea-UKC	**-1**	130	131	175	155

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

			wk on wk change	May 4th	Apr 27th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-12500**	25,500	38,000	51,250	29,750
TD20	Suezmax	WAF-UKC	**+3000**	38,000	35,000	54,750	40,250
TD7	Aframax	N.Sea-UKC	**+500**	39,250	38,750	73,500	60,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 4th	Apr 27th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-34**	148	182	172	
TC2	MR - west	UKC-USAC	**+27**	170	143	231	178
TC5	LR1	AG-Japan	**-9**	191	200	213	171
TC7	MR - east	Singapore-EC Aus	**-10**	241	251	253	238

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

			wk on wk change	May 4th	Apr 27th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-12750**	37,000	49,750	44,500	
TC2	MR - west	UKC-USAC	**+7500**	21,250	13,750	32,500	23,000
TC5	LR1	AG-Japan	**-1500**	38,250	39,750	42,500	32,250
TC7	MR - east	Singapore-EC Aus	**-1500**	31,250	32,750	32,000	30,750

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

Bunker Price - Rotterdam VLSFO	**-25**	520	545	587
Bunker Price - Fujairah VLSFO	**-24**	556	580	598
Bunker Price - Singapore VLSFO	**-19**	572	591	603
Bunker Price - Rotterdam LSMGO	**-62**	633	695	771

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