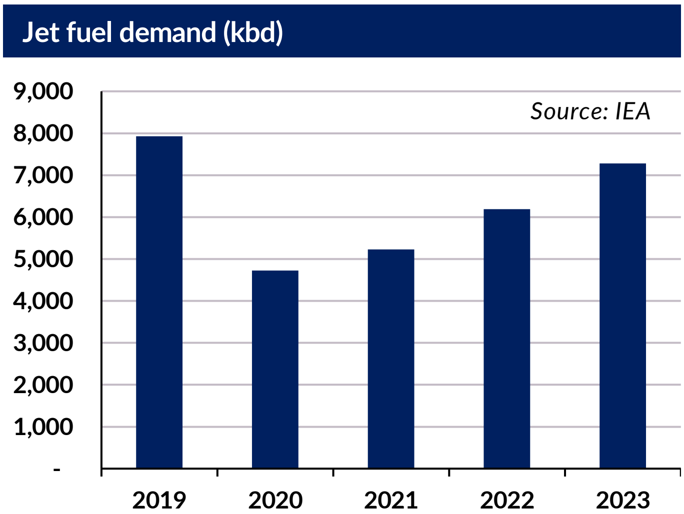
Jet Set

Weekly Tanker Market Report

Over the past 3 years jet fuel demand has taken a hammering, with the product by far the most impacted by the pandemic for obvious reasons. However, whilst jet fuel was hardest hit, it was also the fastest growing product group in 2022 and is predicted to continue that trend this year. Aviation will contribute 1.1mbd (50%) to global oil demand growth this year – more than double any other product. China will contribute nearly 90% of this growth, with pent up consumer demand after years of strict lockdowns fuelling the increase in both domestic and long-haul aviation.



In China, domestic flight numbers have largely recovered to pre covid levels, however long-haul flights in April were still just 69% of 2019 levels, yet this is where the bulk of the demand growth will come from, with intercontinental aviation being a bigger contributor of jet consumption compared to regional travel. Yet, despite this strong rebound, China is forecast to remain a net exporter of jet fuel, with volumes for the year to date higher than the corresponding period of 2022, although any near-term upside in exports is likely to be limited given domestic demand.

Outside of China, aviation growth rates have slowed with Western economies further along the recovery curve. Ahead of the peak European summer travel period (typically June to September), sales have reached 91% of 2019 levels, whilst in the US, ticket sales have reached 99% of pre pandemic volumes, according IATA. In Europe, travel season will see increased consumption over the summer, with exports to Europe from East of Suez typically peaking in Q3 as domestic inventories draw down. Volumes could find further support given European refinery closures since 2019, although there will be limited impact from Russian sanctions as the country exported only negligible volumes to Europe.

In the long term, jet fuel demand is forecast to continue growing all the way to 2050, with few alternatives to power international aviation. However, the growth rates will slow down dramatically, with 2050 demand reaching around 11.8mbd, implying an annual average growth rate of 170kbd. Sustainable aviation fuel (SAF) will eat into that demand growth, with SAF representing the only viable alternative for aviation to kerosene-based jet fuel at this time. Initiatives such as the EU's RefuelEU programme targets a 6% blend ratio of SAF into jet fuel by 2030, whilst Japan is mulling 10% blend ratios by 2030. However, it is uncertain whether there will be sufficient global supply to meet these targets, with Shell recently cancelling a 550,000 tonnes/year project in Singapore, ironically citing demand concerns. Other fuels such as hydrogen are being developed, yet these face even greater challenges in achieving large scale uptake and are yet to be proven.

Thus, whilst jet fuel demand will inevitably fluctuate with macroeconomic trends, in the long term, a lack of viable alternatives at scale and a growing population bode well for the fuel's long term outlook. Even if SAF grows faster than anticipated, it will still need to be transported on tankers to end users, just like conventional jet fuel is today.

Crude Oil

Middle East

It's been a busy week for the VLCC's in AG as we saw a large volume of ships get fixed as Charterers rushed to take advantage of weak sentiment and falling rates. This has resulted in a slow recovery as the tonnage list has been shortened especially for earlier dates and Owners are more positive they can turn things around as we move into the last decade of June stems. Today we would expect a 270,000mt AG/China run to fetch ws 45.5 and a 280,000mt AG/USG voyage to go for at least the ws 32 level.

Suezmax rates for AG/West runs remain under pressure due to limited enquiry, we expect rates today for TD23 to sit around the 140,000mt x ws 65 mark. A lack of enquiry has extended to runs into the East, and with a softening market puts rates at approximately 130,000mt x ws 117.5.

A quiet week in the East has left a healthy list of tonnage hunting for employment. Rates are likely to get chipped away early next week unless we see a flurry of fresh inquiry. The week ends with AG/East at the 80,000mt x ws 185level.

West Africa

There has been a turnaround in the WAF VLCC market as rates were boosted by the heavy volume of ships fixed in the AG and Brazil and Owners feel confident, they can make further gains as we move into July dates. Today we are expecting a 260,000mt WAF/China run to go for ws 48. The Suezmax market in West Africa has fallen away this week with an array of ships for Charterers to choose from, they will be aiming to break 130,000mt x ws 102.5 for TD20. Premiums to head East still stand at approximately 10 ws points but this market needs a fresh test.

Mediterranean

Throughout the week there has been activity in the Med but with a softer Aframax market and readily available tonnage, rates for TD6 are around 130,000mt x ws 120 at the time of writing, although this market needs a fresh test. There are still a healthy number of Owners willing to give East discharge options, current rates are approximately $5.6M for a generic run Med/East.

The Aframax market in the Mediterranean and Black Sea performed as expected this week. A buildup of tonnage on the early side, unseen for months, in addition to a long weekend for London contributed to doom mongering. Cross Med rates for Ceyhan loading cargos corrected down to ws 182.5 levels with quoted cargos gaining 5+ offers with ease. Further erosion was achieved as the rot set in with ws 180 and finally ws 170 achieved for a vessel which had missed the natural window. There was some fixing once the levels had reset but the appearance of ballasters from the North Sea will ensure a steady stream of vessels to prevent a quick rebound. CPC cargo volumes remain thin on the ground and rates have softened in line with cross-med since last week, trying to cling to levels just above ws 200 for now.

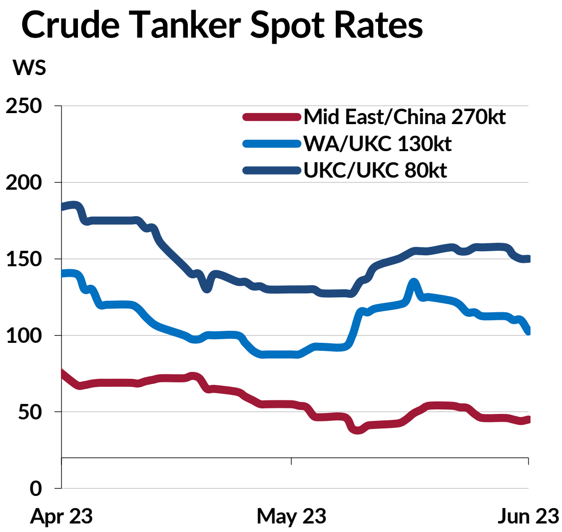
US Gulf/Latin America

The USG has proved to be a challenging market for Owners recently as Charterers were able to chip away at last done levels especially on more forward dates. However, this is now changing especially with the plethora of fixtures on Brazil export which is impacting the available ship supply. Today a USG / China run will makes in region of $8.m.

A traumatic week for the Aframax sector here as rates dropped alarmingly and enquiry levels remain very limited as Owner's struggle to find suitable employment.

North Sea

Overall, this week has failed to entertain as tonnage has continued to add itself to an already lengthy list. This together with limited activity across the North, this has seen rates test downwards. At the beginning of the week, X-North Sea was trading at the ws 155 level and we close with rates hovering at the ws 145 levels with a sense that these could fall further as we move into next week. We have already seen tonnage attracted to other warmer markets which is likely to continue in the near future, whether it will be sufficient enough to level things out remains to be seen.



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

Clean Products

East

TheLR1s have seen another fairly quiet week and rates have dipped slightly as we have gone through. A 55,000 mt Naphtha AG/Japan run has lost 10 ws points to ws 150 for a fully clean and suitable vessel and a 60,000 mt Jet AG/UKC voyage is now $3.0 million. This is again down on last week. We expect rates to now remain flat and in fact the coming weeks should see further enquiry into this size and maybe see a slight bounce back up.

The LR2s have struggled for obvious volume this week even though a fair amount has been fixed off market. A 75,000 mt Naphtha AG/Japan run is hovering just below ws 150 but should stay flat at this level for now. A 90,000 mt Jet AG/UKC run has dropped away slightly with the lower activity and cheaper Russian traders bringing it down to $3.9-4.0 million. But again, with lists fairly balanced, rates should hold reasonably well into next week.

It was correcting week for the MRs as a lack of cargo volume has allowed the tight list to not run away from Charterers on rates. Levels have dropped across the board and with Singapore coming off, the list could see some ballasters for the next window. There is pressure on Owners here to now lock in these good earnings before they come off further, so Charterers are rightly sitting back and taking their time. Further downward movement next week looks unlikely unless we see a precedented amount of cargo.

Mediterranean

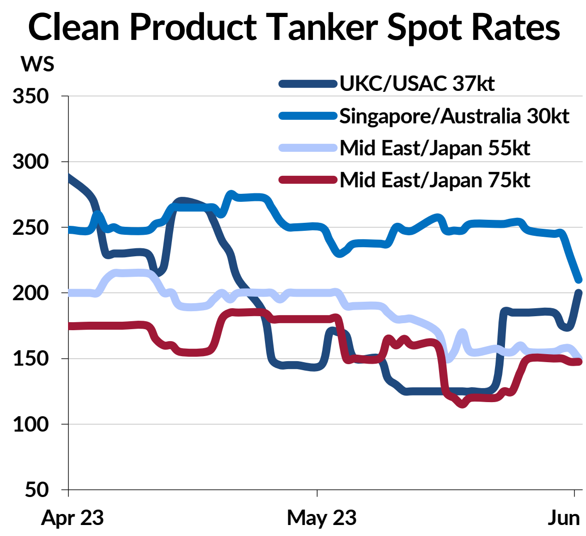
Overall, it's been a steady week for the Handies here in the Mediterranean with rates trading sideways throughout. We finish the week as we started it with X-Med sitting at the 30,000mt x ws 135 mark but despite the lack of movement in rates we have seen some good enquiry towards the back end of the week which has helped clear out some of the front-end. Heading into the weekend Owners will be hoping for similar activity come Monday in order to try and push rates up from the floor but for now the market is flat.

Finally, to the Med MR's where it has been a positive week with rates improving slightly off the back of some good enquiry levels and a jump on TC2 rates. We began the week with Med/TA rates trading around the 37,000mt x ws 175 mark but with TC2 jumping up to the ws 200 levels we have seen some improved ideas from Owners in the Med. Last done is currently at the 37,000mt x ws 180 mark for a Med/TA run with WAF tracking at a +10 ws point premium. At the time of writing little remains outstanding so expect these levels to hold into the weekend.

UK Continent

As this truncated week comes to a close, MR Owners in the UKC will certainly be pleased with the gains seen throughout as good enquiry off the 1-10 window has seen Charterers struggle to find cover. As the week started for many on Tuesday, we saw a glut of stems quoted on top of those dragged over the weekend and it wasn't long till 37,000mt x ws 175 was a distant memory and rates pulled up to the ws 200 mark once again. For now, that seems to be the peak, as the States market slowed and we anticipate a good number of ballasters to appear on our lists for the mid-month window come Monday. The market remains in a strong position but we feel we have topped out at these levels and enquiry early next week will be crucial.

Despite a positive sentiment at the start of the week for the Handies in the UKC, this market has never really got fired up and rates have continued to tread water around the 30,000mt x ws 132.5 mark for X-UKC. With the improved MRs we did see a good number of WAF and TA stems broken down to the 30kt size which has offered certain Owner's employment opportunities, but with the lack of general X-UKC stems Owners have never been able to get things moving here. We expect a similar fate for next week and this market continues to kick the can down the road.



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

Dirty Products

Handy

The UKC seems to have settled now at the lower end of benchmarked ranges (ws 245). Although some Owners have been trying to maintain firmer levels, the balance swung slightly in Charterer's favour, with WS 245 settling as a conference rate. Fixing dates moving forward and disruption from a bank holiday coming into the week added a bit of extra pressure, but on the whole progressive fixing through the week has brought about a bit of stability as we draw a close to week 22.

In the Med, levels are consistency at ws 215, give, or take 2.5 ws points, with conditions for this week proving at least somewhat balanced. This said, numbers will be in the spotlight come the Monday opening as the volumes traded this week would suggest a much-needed pick up of activity needed if Owners are to thwart the threats of a negative correction.

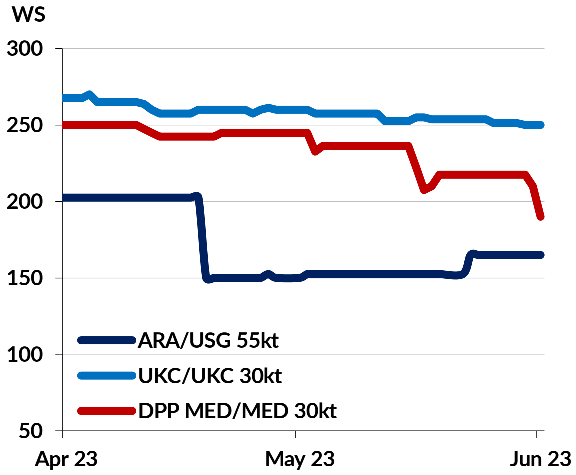
MR

In the Med, levels have settled in the ws 180's region where MRs have found themselves in greater demand, which is just as well considering handy activity has been less frequently forthcoming. Charterers will note that where the Med has come off and with the continent paying more due to the lack of availability, West Med units are willing to come up, but the need to plan ahead remains.

Panamax

With the surrounding Afras coming off for TA runs, Levels are prorated to around 55,000mt x ws 145, factor some heat in, and you're probably in the ws 145/150 range of what can be achieved right now. This said, these assessments are theoretical as this week the sector wasn't yet been tested, but the experience would tell us the market is unlikely to be any softer given the attractiveness of the states and the common practice these days of simply ballasting back to the states once an unfixed unit hits its open date.

Dirty Product Tanker Spot Rates



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 1st	May 25th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-5**	45	50	46	54
TD20	Suezmax	WAF-UKC	**-13**	102	115	92	106
TD7	Aframax	N.Sea-UKC	**-7**	149	156	130	147

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

			wk on wk change	June 1st	May 25th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-5500**	23,750	29,250	25,500	36,500
TD20	Suezmax	WAF-UKC	**-8250**	44,250	52,500	38,000	47,000
TD7	Aframax	N.Sea-UKC	**+1000**	62,250	61,250	39,250	61,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 1st	May 25th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+6**	145	139	148	
TC2	MR - west	UKC-USAC	**+12**	198	186	170	185
TC5	LR1	AG-Japan	**-13**	147	160	191	171
TC7	MR - east	Singapore-EC Aus	**-33**	219	252	241	244

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

			wk on wk change	June 1st	May 25th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+3750**	36,250	32,500	37,000	
TC2	MR - west	UKC-USAC	**+3000**	27,250	24,250	21,250	24,500
TC5	LR1	AG-Japan	**-3000**	25,250	28,250	38,250	32,500
TC7	MR - east	Singapore-EC Aus	**-6000**	27,000	33,000	31,250	32,250

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

Bunker Price - Rotterdam VLSFO	**-14**	520	534	520
Bunker Price - Fujairah VLSFO	**-29**	535	564	556
Bunker Price - Singapore VLSFO	**-28**	552	580	572
Bunker Price - Rotterdam LSMGO	**-31**	650	681	633

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