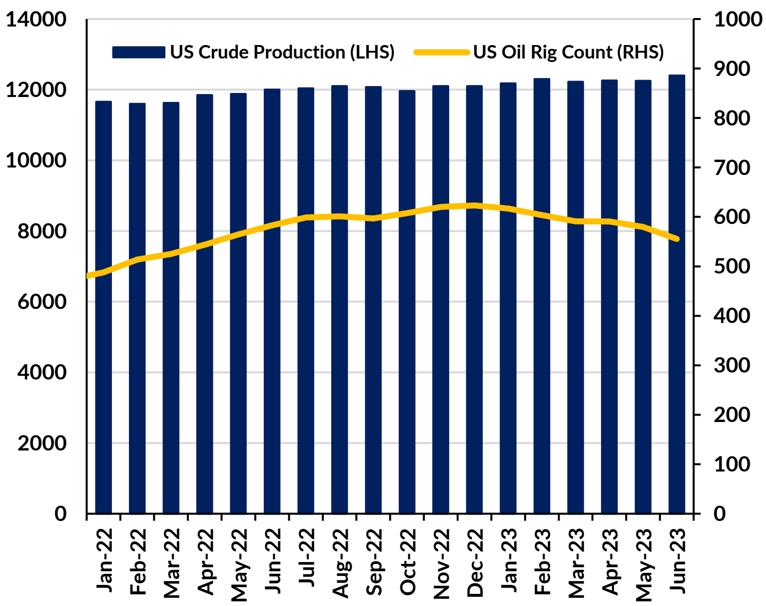
More With Less

Weekly Tanker Market Report

As the US oil sector recovers from several challenging years, attention has been turning to US oil rig counts as a barometer of the health and productive capacity of the US oil industry. Even before the pandemic, the US oil rig count had been in decline from its October 2014 high of 1609 units to 667 by March 2020 and a current count of 556.

US Crude Production (kbd) vs US Oil Rig Count (No.) - EIA, Baker Hughes



Shale producers are now focused on reducing CAPEX and creating value for investors through M&A and share dividends. Whilst 2021 and 2022 saw growth in rig numbers, 2023 has been challenging. Inflationary pressure, labour shortages and concerns about oil demand have all played a role in seeing rig counts fall once again. The use of operating revenue for share buy backs and dividend increases instead of additional E&P expenditure is likely adding to falling rig counts.

Nevertheless, a new trend has emerged in which despite falling rig numbers, US oil output has been steadily increasing in line with the aim of many operators to increase the efficiency of their projects. In order to make this happen, operators are seeking to maximise recoverable oil at these sites through a combination of new drilling technologies and enhanced oil recovery (EOR) techniques. Looking ahead, we may see further decline in rig counts given the underlying pressures faced by the industry. This is not surprising given that the US shale industry is now maturing and will naturally start to evolve into a new business model focused on financial returns and improving capital structures rather than just expansion. Although, there are still some promising areas for future development in parts of the Permian basin which are expected to represent the bulk of new well installations.

The IEA is forecasting total US oil production (excluding NGLs) will average 12.7 mbd and then increase to 13 mbd in 2024. How does this impact the tanker market? In theory, higher crude production going forward should mean more cargo for export. However, whilst US crude exports are currently averaging 3.8 mbd in 2023, up from 3.37 mbd last year; flows data shows declining monthly exports since March as US refinery utilisation has risen seasonally. There is also growing interest by the US administration in refilling the US SPR with some initial purchases announced but these are unlikely to have a meaningful impact on the tanker market given the relatively small scale of these purchases. Whether or not these acquisitions ramp up remains to be seen but for now this seems unlikely given current market dynamics.

Nonetheless, growing demand for US crude will continue to support export volumes. Short term headwinds from higher seasonal domestic crude demand will limit the potential over the summer months, yet in the long term, continued US production growth will translate into increased export volumes to the benefit of the crude tanker market.

Crude Oil

Middle East

It has been quite a week on the VLCC front in the AG where an extremely busy last decade sent ripples through the market as available tonnage was very limited, and we saw weather delays especially around India where some ports were forced to cease discharge operations. The July programme is now out but Charterers are threading carefully or in some cases trying to defer dates on early month cargoes rather than have to face way above last done levels. Today we would expect a 270,000mt AG/China run to fetch in the region of ws 85 and 280,000mt AG/USG to go for at least ws 46 level.

This week the Suezmaxs in this region generally have not overly been tested, as short voyages have managed to keep the early side of the tonnage list turning over. However, with surrounding markets firming, sentiment may well be tested in early trading next week watch this space.

There has been a good flow of activity for the Aframaxes this week, which was reflected in TD8 climbing to ws 181.79, a 12 point from Monday. With a few cargoes rumoured still outstanding ex Bashayer, Owners will try to push rates upwards once more and end on a high. The tonnage list in the AG remains healthy for now but with numerous Owners having a preference to head West, Charterers may find some resistance covering an AG/East run.

West Africa

The WAF VLCC market had a similar week to other areas with a good level of enquiry for both East and UKC destinations. The tonnage list was reduced by the very active AG zone and further complications were caused by the back tax issue in Nigeria where both Owners and Charterers are seeking clarity on the situation before proceeding further. Today we are expecting a 260,000mt WAF/China run to go for ws 80 off the natural window.

This region has been the talk of the town on the Suezmaxs this week, with the circulation of outstanding tax bills on some fleets causing a stir. With this volatility in mind rates have been tested and as we close this week there are rumours of some 35+ point gains from the start of this week.

Mediterranean

Another balanced week for Med Aframaxes as cargo volume matched supply in the main but rate erosion was still seen. Ceyhan rates slid from mid high ws 140s down to a low of ws 140. Sentiment was improving in the Owners camp during the week as the list was steadily thinned and ships ballasted to the states- but the reality is that with few Sidi and Ceyhan cargos remaining for the month, the catalyst for a serious rebound has not quite been there and even on a Friday, cargos are receiving four or more offers. This rebound can is kicked into another week for now.

This week started with what could be a said to be a slightly lighter tonnage list then we have seen of late, However, with a general lack of fresh enquiry this week rates have traded sideways, but with surrounding markets firming this region looks to swing into Owner's favour in early trading next week.

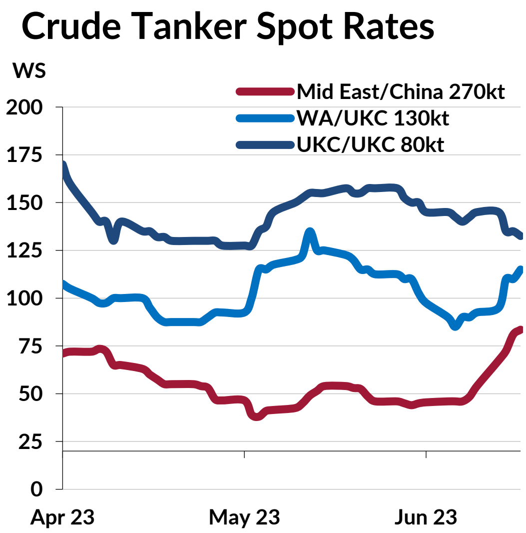
US Gulf/Latin America

VLCC Owners enjoyed a bumper week here as we saw a plethora of cargoes especially for the last decade of July and Owners were able to take full advantage as Charterers struggled to find tonnage to cover their requirements and with US exports expected to rise this could be a happy hunting ground for the foreseeable future. Today a USG / China run will make in excess of $10.25m and is rising.

The Aframax market recovered this week as activity returned on both Caribs/Up and TA routes and while the gains were not as spectacular as we have seen recently it was enough to give Owners reasons to be optimistic for the coming week.

North Sea

The market has crab walked its way through this week with little action keeping levels uninspiring, with the North Sea closing at the ws 135 levels. The lack of activity has prompted several Owners to ballast their ships to the more lucrative climes of the US leaving the list balanced for now.



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

Clean Products

East

Finally, the stems made an appearance for both the LR2s and LR1s this week, and as a result, expect all sizes to have rates improved on last done. We have already seen the LR1s take a step in the right direction with TC5 on subs at 55,000mt x ws 145 and for both Russian and non-Russian units sub 15yrs expect West runs to be at the $2.7-2.8m levels for 60kt Jet. The list has really thinned out over the course of the week and Owners understandably are sitting back this side of the weekend to take stock before hitting next week with gusto.

For the LR2s, there has been steady fixing during the week and a healthy number of open stems heading to the close of the week Owners are content to hold off from offering. TC1 needs a fresh test but expect next done to be circa 75,000mt x ws 110-115 levels. A West run also needs a test but with Owners ideas this side of the weekend at $3.7m expect next done to be in the $3.5m region.

A busy week for the MRs, with lots of activity being done off market as ships slip away quietly for less than last done or similar levels. The list is now tight for the next seven days (besides two prompt Hafnia ships) but opens up a little coming into the next window as EAFR/SAFR ballasters join. The Red Sea continues to be supplied by Med ships (which will continue), and Chittagong ships are aiming for the AG instead of Singapore right now.

Singapore earnings are poor, but a busy Indo program coming online for end month may mean we don’t see too many ballasters this weekend. All in all, rates are stable and should remain so for next week, but with potential to move higher if we see good cargo flow.

Mediterranean

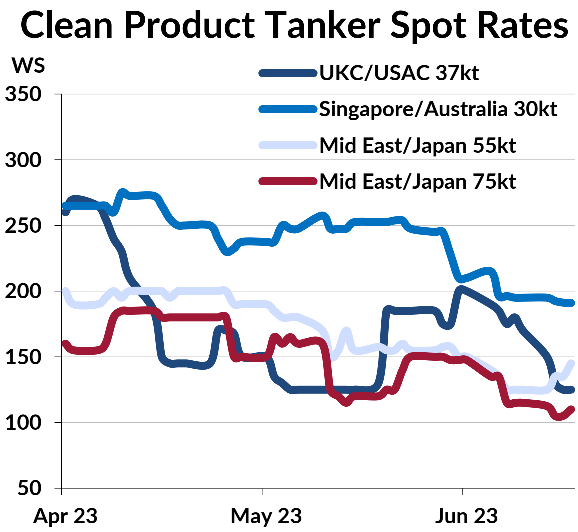
Overall, it's been an active week for the Handies here in the Med which has helped to clear out a good chunk of the front-end. For the majority of the week rates traded at the 30,000mt x ws 135 mark X-Med but with the list tightening for the end of second decade dates we saw 30,000mt x ws 140 achieved twice on Thursday. Black Sea action has been on the slow side with rates expected to track at around +20 points on X-Med when tested. Levels are date dependent as we enter the weekend.

Finally, to the Med MR market where we saw rates tumble this week due to a plethora of States ballasters filling our lists. We entered week 24 with Med/TA at the 37,000mt x ws 175 mark but this was soon pushed down after a drop in TC2 levels and little enquiry. We now see rates around the 37,000mt x ws 125 mark with WAF tracking at 10-15 points more. As we approach the weekend there is little left to cover but with USG rates improving Owners will remain positive. Holding.

UK Continent

With a wealth of tonnage on our lists come Monday morning, it was no surprise to see some rather aggressive Charterers out there looking to chop away at last done rates. 37,000mt x ws 160 quickly became a thing of the past and by midweek we reached the floor of ws 125. These fixing levels did spur a number of Charterers into quoting additional stems and subsequently we see a fairly busy end to the week but with tonnage still in good supply, rates have just held. An improved States sector on Thursday and Friday will also add to this market stability, hopefully keeping a few more ballasters away from our shores, but for now we expect rates to hold with Owners quietly hopeful of positivity around the corner.

A copy and paste of last week's comments could well have worked here as we see once again the Handy sector holding flat at 30,000mt x ws 135 for X-UKC. Enquiry levels remain low and with the Mediterranean market also seeing a similar fate as well as the MR sector tripping up, it seems hard to see where a catalyst will come for this market to improve. Expect more of the same ahead.



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

Dirty Products

Handy

Conditions in the North have once again resulted in rates falling as the prolonged inactivity saw levels drop to ws 217.5. With the expectation rates could come under further pressure due to prompt tonnage still showing in the region. Although a level drop was seen, Charterers failed to capitalize on current sentiment as enquiry took a slight pause towards the end of the week and as such Owners' confidence continues to fade as tonnage builds and idle days keep stacking up, there is potential for this region to be corrected next week.

This week, the Med began with a 5-point drop, but after activity levels maintained a steady flow which kept the top of the list ticking over, Owners' just about managed to keep levels at ws 200 after a handful of firm enquiry surfaced for the majority of the week. Well-approved tonnage started to thin as we approached the end of the week, but units that did not manage to get their subs kept a steady feel to the region however replenishment over the weekend will see levels come under pressure next week.

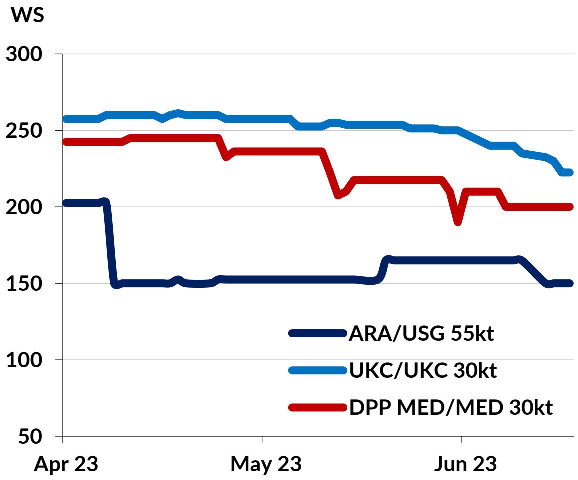
MR

A summary for both the Continent and Med is little opportunity for Owners to get their teeth into. This week, the North continued recent trends as a lack of firm tonnage left Charterers no choice but to push cargo dates further back or cover firm on alternative size tonnage. Whilst enquiry traded flat, a softening on Handies and the Med correcting will surely factor into next done levels for the MRs. A similar scenario in Med as for some time now, Owners have been willing to fill gaps on part cargoes which has served well as gaps between questions on full stems have lengthened. The expectation is for Owners with prompt MR units to throw their hats in for part cargo stems.

Panamax

Another frustrating week for Owners on this side of the pond as one unit goes on subs twice for TA voyage and a short haul voyage but fails both. Despite the unit failing for the TA voyage, it was reported to go on subs at ws 150, which suggests levels are still holding if firm enquiry finally surfaces. Owners on this side will now keep an eye on the States market as this week saw rates rebound as enquiry keeps firm units ticking over, there is the potential for Owners to ballast to the States so they do not miss out on the party.

Dirty Product Tanker Spot Rates



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

GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 15th	June 8th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+35**	83	48	50	63
TD20	Suezmax	WAF-UKC	**+23**	114	91	130	110
TD7	Aframax	N.Sea-UKC	**-6**	135	141	154	147

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

			wk on wk change	June 15th	June 8th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+48750**	75,500	26,750	28,250	47,000
TD20	Suezmax	WAF-UKC	**+16000**	51,250	35,250	62,750	48,250
TD7	Aframax	N.Sea-UKC	**-6000**	47,750	53,750	59,250	58,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 15th	June 8th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-8**	106	114	118	
TC2	MR - west	UKC-USAC	**-52**	126	178	126	174
TC5	LR1	AG-Japan	**+11**	140	129	161	170
TC7	MR - east	Singapore-EC Aus	**-8**	192	200	246	239

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

			wk on wk change	June 15th	June 8th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-3500**	19,250	22,750	23,750	
TC2	MR - west	UKC-USAC	**-11750**	10,250	22,000	10,250	21,250
TC5	LR1	AG-Japan	**+3250**	22,000	18,750	28,000	31,000
TC7	MR - east	Singapore-EC Aus	**-1750**	20,500	22,250	31,500	30,000

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

Bunker Price - Rotterdam VLSFO	**-12**	535	547	526
Bunker Price - Fujairah VLSFO	**+11**	569	558	550
Bunker Price - Singapore VLSFO	**+5**	586	581	564
Bunker Price - Rotterdam LSMGO	**+2**	691	689	669

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