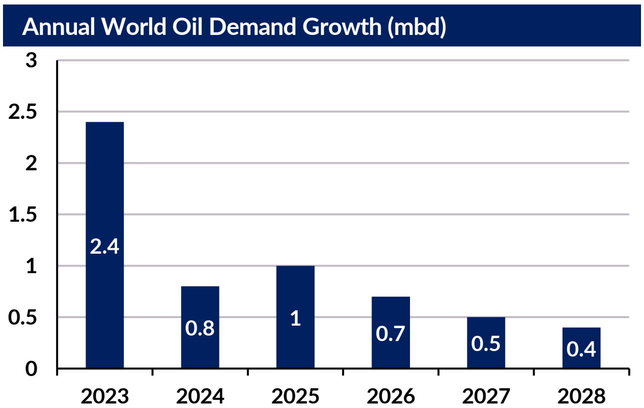
5 Years Forward

Weekly Tanker Market Report

Last week the IEA published its much-anticipated Oil 2023 report, after being forced to cancel/postpone two of the previous three releases due to the pandemic and war in Ukraine. This year's release is one of the few detailed five-year forecasts to be published since the oil markets moved into a new era. Whilst the report is filled with uncertainty, it provides a useful guide for developments in upstream, refining, demand, and trade even if some assumptions might be ambitious.



Under the IEA's scenario, oil demand growth slows from 2.4mbd in 2023, to average 800kbd in 2024 as the final remnants of pandemic induced demand destruction pass. By 2028, the agency predicts annual oil demand growth will slow to just 400kbd as decarbonisation policies limit the increase in hydrocarbon consumption. Petrochemical feedstocks (LPG, ethane and naphtha) are the main driving force of oil demand over the forecast period, whilst gasoline demand contracts on the assumption that the electric vehicle (EV) fleet grows to 155 million vehicles by 2028. Efficiency gains also eat into oil demand growth, with 4.8mbd of consumption growth eroded over the period due to improvements in fuel economy in the aviation, maritime and automotive sectors.

Unsurprisingly, Asia-Pacific dominates regional demand growth, even if Chinese demand is largely flat by 2028. In total, Asian demand rises to 41.3mbd by 2028, up 5.5mbd on 2022 levels, although much of that growth first occurs in 2023 and 2024. Despite the demand slowdown, there are positive factors for tankers. Oil supply growth continues to grow, with exploration and production (E&P) budgets rising again this year. Most of the production growth over the next 5 years originates from the Americas, where production from the US, Canada, Brazil and Guyana expands by 4.9mbd compared to 2022 levels.

On the refining side, it is notable that after this year, there are no major export orientated refineries due to come online in the Middle East, with the region's product surplus likely to ease towards the end of this decade as domestic demand competes with exports. However, with Chinese demand growth slowing, and significant new refinery projects planned, the country's middle distillate surplus rises by 1 mbd compared to last year, suggesting significant increases in refined product exports will be required.

However, as with all forecasts there are sensitivities. There is no provision for a much-feared recession, with the IEA's GDP growth projections largely based on IMF data, which average at 3.3% over 2024-2028. It also assumes that sanctions against Russia, Iran and Venezuela persist. Likewise unforeseen black swan events cannot be accounted for. For tankers, the report paints a broadly positive picture in the medium term.

Whilst the impact of decarbonisation on oil demand growth rates cannot be ignored – there is still demand growth. Furthermore, that growth will be amplified by the impact of West to East crude trade flows. On the products side, whilst trade growth is likely to be slower, a growing Chinese products surplus also bodes well for increases in East to West distillate flows. However, as with all forecasts in recent years the risk of unanticipated events is omnipresent.

Crude Oil

Middle East

A week that started off with rich promise for VLCCs looks to be ending on a really flat note with rates falling almost ws 10 per day on Eastern runs, with a fixture concluded this morning at ws 51 to Taiwan on a relet. The cause of this sudden collapse was a dearth of enquiry over 2/3 days although the degree of the fall is hard to comprehend as it was over such a short period of time. Today we would expect 270 AG/China to fetch in the region of ws 51 and 280 AG/USG to go for at least ws 37.5.

Despite heavy resistance from some Owners, Charterers will be looking to chip away at last-done and rates today stand around 140,000mt x ws 62.5 to the West. Despite the vast drop on the VLCCs, Owners willing to give East options will look to push towards 130,000mt x ws 130.

A quiet end to what has been a positive week for Owners in the AG. With limited options at the front end of the list, Owners have been able to show resistance and push on from last done levels. The Indo region remains on the softer side for now. Cargo inquiry holds the key for the direction of the East market as we end the week with AG/East at the ws 190 level.

West Africa

WAF VLCC has seen rates come off, but this is more to do with the AG rather than fundamentals. The Nigerian situation seems to have eased, but now they are looking to take advantage of Owners weaker sentiment and we can expect rates to move South. Today we are expecting a 260 WAF/China to go for ws 50 off the natural window.

Suezmax markets in West Africa are still a minefield in terms of Nigeria loadings, but for a claused TD20 run today, rates stand around 130,000mt x ws 120. Premiums to head East still stand at approximately 10 points.

Mediterranean

Suezmax enquiry in the Med remains minimal and there is still a competitive atmosphere for TD6 runs where rates stand at approximately 130,000mt x ws 122.5. With a few players willing to give East options, Charterers will be looking to push below $5m for Libya/Ningbo.
A steady week of activity for Aframaxes gave Owner’s reason to be optimistic this week. Indeed, the conference rate of ws 140 for Ceyhan loaders was eclipsed by a promptish replacement at ws 155; however this proved to be a flash in the pan. Owners have become comfortable with current summer rates and with dates moving forward and an unwillingness to miss cargos on dates, ws 140s came back. The list remains balanced but with Sidi Kerir/Baltic cargos fixing non Cross-Med players in the main, the prospects for a revival in rates next week seem slim.

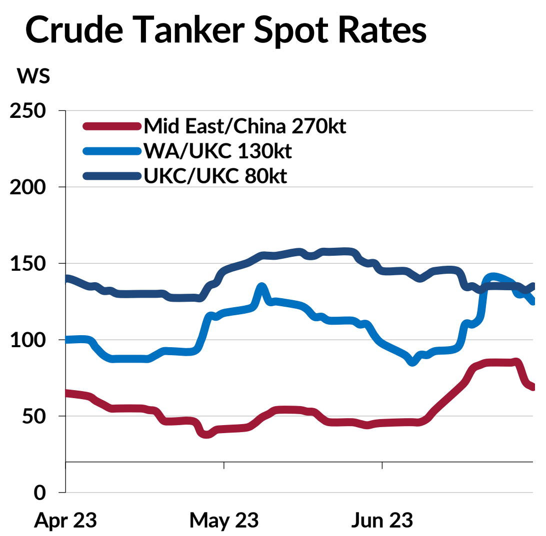
US Gulf/Latin America

VLCC rates came under pressure as a number of ships failed, especially for last decade of July and this usually results in a downward spiral. The July programme from the USG is almost finished and Brazil exports also appear to be near to completion and with that in mind today, a USG / China run will fix in the region of $9.45m.

Aframax rates had a decent start to the week as Owners were able to make gains, but this had changed by Friday as enquiry was limited and rates started to soften once again.

North Sea

The week in the North Sea has been a bit of a damp squib with rates trading flat at ws 135. Not much suggests that rates will change in the near term as the list sits relatively balanced and surrounding markets look to have peaked.



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

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Clean Products

East

The LR2s need a test here. TC1 enquiry has picked up given the lump sum equivalence on naphtha run between GivenR1s and LR2s. Given this increase, we expect that we will likely see some uptick in freight now towards 75,000mt x ws 120 levels. West runs are also very much in need of a test but should sit in the $3.35m-$3.4m range. If the LR2 naphtha trade continues to pick up it will be interesting to see whether charterers look back towards the LR1 segment as we have seen recently in the past.

A very busy start to the week, however the LR1s are taking a backseat as the week draws towards the close. When compared to the larger size, the LR1s are currently overpriced vs LR2s, but still with some westbound enquiry to cover we could see rates be tested closer if not past the $3.0m mark. TC5 saw a steady flow of cargoes and sits comfortably at 55,000mt x ws 155.

Flat and steady on the MRs this week. MEG/EAFR at ws 240 feels a little inflated in our opinion given the number of ballasters on the list today. There remains an underlying flow of off market cargoes that is whipping ships away – but fundamentally the market is flat, and Owners are not fighting hard for those additional 5 ws points or 50k. With the Middle East holidays next week, we could see some further downward pressure if it stays quiet, but there is also a chance we see a smattering of activity today and on Monday to cover those cargoes that would usually be worked mid-end of next week.

Mediterranean

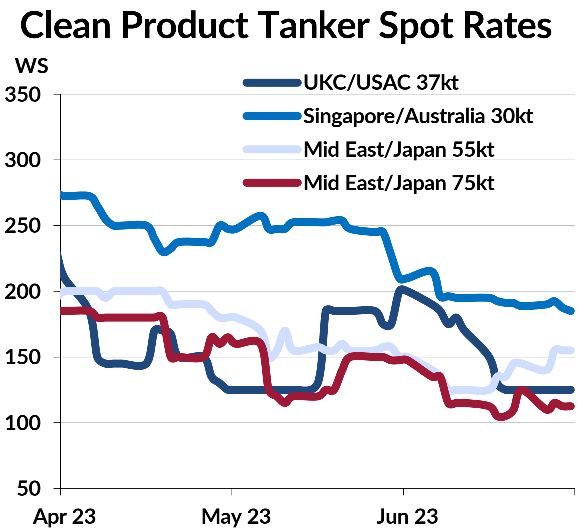
Owners will be pleased with this week's activities as we see rates improve from 30,000mt x ws 135 up towards the ws 150 mark now and with a thinner list of options for Charterers, Owners will hope that further gains are ahead. Good levels of activity cleared much of the quality tonnage out of our lists, and despite a couple of stems going larger to the MRs, Charterers have had to pay the price and come Friday we can feel some stability at this ws 150 point. Enquiry levels as always are key, but a busy start next week will no doubt result in rates continuing this positive trajectory.

This MR sector has been able to ride on the coattails of the busier handy sector with some stems upsizing to the better stocked MR shelves. This in turn resulted in some good tonnage turnover as we see rates increase above the UKC to around 37,000mt x ws 130 now. Partner this with some outstanding cargoes on Friday and Owners can be a little more pleased with this sector than the North.

UK Continent

Overall, it has been a steady week of fixing for Handies in NWE although with the tonnage list still well stocked with units; levels have just traded sideways at 30,00mt x ws 135 for X-UKC. There was some hope that the midweek positivity down in the Med could potentially shift North but unfortunately for Owners this never materialized. A lackluster week on the MRs is also not helping handy sentiment here either. More of the sideways pattern expected here.

A very dull week passes for the MRs in the UKC as enquiry is drip fed into a healthy tonnage list that was keeping rates at a floor of 37,000mt x ws 125 throughout. With the lack of WAF and South American enquiry, we see Owners looking for coverage only able to snack on TC2 voyages and Charterers are able to control momentum closely. Moving into next week, expect little change of fortunes unless cargo flow increases rapidly.



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

Dirty Products

Handy

The handy market on the Continent this week has felt the summer season kick in with nothing for Owner's marketing prompt units to get their teeth in to until Thursday. As idle days stacked up and questions failed to surface, estimates of where next done would be varied from sub ws 200 to just above. With ws 205 eventually achieved the taps were turned on and the day closed with 4 units on subs for a variety of runs and date ranges from ws 192.5 for Med only and to ws 200 for UKC. The region now sits on a knife edge as replenishment over the weekend and a quiet start to the week will dictate that we have not yet reached the bottom.

In the Med, a similar story played out where inactivity and cargoes surfacing on a range of forward and prompter dates saw ws 190 established as a benchmark that can be challenged by both parties depending on dates and/or cargo specific requirements. While earnings at these levels are still offering a good daily return for this time of year, keeping idle days to a minimum is proving tougher week on week.

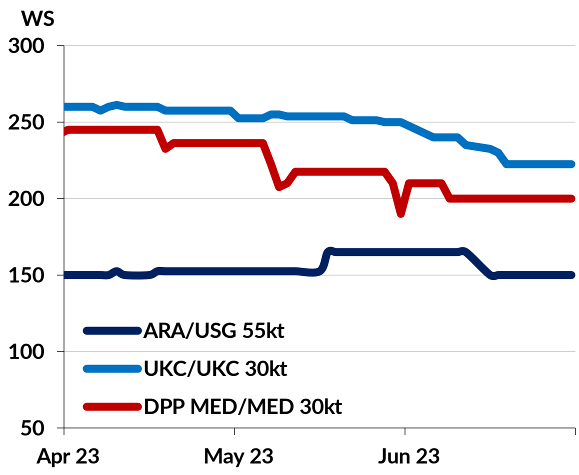
MR

MRs in both the north and Med markets are keeping a close eye on surrounding markets to see where opportunities lie there as full stems have been few and far between. In the North, 2 MRs have been kept moving off market whilst in the Med we have seen prompt units well spread from West to East but with very little for Owners to get their teeth into. With this trend continuing week on week and levels now trading in the ws 175-180 range the expectation is a floor is yet to be found.

Panamax

Yet another week rolls by on the Panamaxes where we have very little to report despite Owners marketing tonnage for both spot and forward dates. As has been the trend in recent weeks where these units fail to see firm questions both for long haul and short haul or part cargo opportunities, committing to ballast to a buoyant Caribs/US market is the only real viable option for now.

Dirty Product Tanker Spot Rates



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 22nd	June 15th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-16**	67	83	50	60
TD20	Suezmax	WAF-UKC	**+9**	123	114	115	110
TD7	Aframax	N.Sea-UKC	**+0**	135	135	156	146

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

			wk on wk change	June 22nd	June 15th	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**-24500**	51,000	75,500	29,250	41,000
TD20	Suezmax	WAF-UKC	**+5750**	57,000	51,250	52,500	48,500
TD7	Aframax	N.Sea-UKC	**-250**	47,500	47,750	61,250	56,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 22nd	June 15th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+6**	112	106	139	
TC2	MR - west	UKC-USAC	**-1**	125	126	186	173
TC5	LR1	AG-Japan	**+14**	154	140	160	171
TC7	MR - east	Singapore-EC Aus	**-5**	187	192	252	235

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

			wk on wk change	June 22nd	June 15th	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**+1500**	20,750	19,250	32,500	
TC2	MR - west	UKC-USAC	**-750**	9,500	10,250	24,250	20,500
TC5	LR1	AG-Japan	**+3500**	25,500	22,000	28,250	30,750
TC7	MR - east	Singapore-EC Aus	**-1500**	19,000	20,500	33,000	28,750

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

Bunker Price - Rotterdam VLSFO	**+14**	549	535	534
Bunker Price - Fujairah VLSFO	**+14**	583	569	564
Bunker Price - Singapore VLSFO	**+21**	607	586	580
Bunker Price - Rotterdam LSMGO	**+24**	715	691	681

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