Negative Naphtha

Weekly Tanker Market Report

Asian naphtha has been going through a challening period recently. The combination of plentiful Russian supply in the East as well as soft petrochemical demand during Q2 has been weighing on Asian naphtha cracks, with refining margins turning negative since June. However, might there be cause for optimisim that cracks could improve in the near future?

Asian Naphtha Crack ($/tonne)

As of writing, the Asian naphtha cracks are still negative, priced at $-25.1/tonne, which is down 11% since the start of the year. Nevertheless, refining margins have improved this week, with the market likely beginning to price in lower flows of Russian naphtha into Asia. June saw 12.57 million tonnes of Russian naphtha shipped to Asia, down from a high of 15.97 million tonnes in March due to the overall decrease in Russian CPP exports, following seasonal refinery maintenance which reduced export levels.

In terms of demand, Chinese naphtha imports are trending below 2022 levels. Volumes peaked in April at 418 kbd but have since softened to 221 kbd by June. However, they could pick up in Q3/Q4, which traditionally marks the period of higher petrochemical demand in Asia. With a narrowing spread between naphtha and propane, this also could be supportive for naphtha purchases, given that for many petrochemical crackers it is a preferable feedstock over propane as it typical leads of higher volume yields, especially for ethylene, which has key uses in the plastic and agricultural industries.

There have also been moves by other importers such as South Korea, which has removed import tarifs on naphtha as part of a policy to control inflationary pressure for consumers. The policy also aims to support the South Korean petrochemical sectors which is typically a major importer of naphtha and other feedstocks. Still, the continued bearish economic indicators will likely weigh on the strength of a recovery in Asian naphtha demand until such concerns subside and sentiment becomes more optimistic.

For the product tanker market, specifically the LR1s and LR2s, this situation is peculiar. The Russian naphtha trade from its Western ports to the East of Suez is drawing tonnage out of the mainstream market, which is helping the overall fleet supply situation in terms of vessel availability. However, we have also seen Middle Eastern supply to the Far East declining due in part to this excess Russian product in Asian storage tanks in hubs such as Singapore.

Another consequence of increased Russian flows to the East has been an increase in North bound intra-Asian product flows, with more naphtha being shipped from Singapore to South Korea and Japan, lending some support for Asian product tanker demand and keeping these units in the region rather than ballasting back to the AG or to the West. However, given the current fundamentals, it remains to be seen if this is a short term trend or if we will start to see these flows continue into Q3 and Q4 or beyond into 2024. One way or another, expect the Asian naphtha market to remain in the spotlight as a potential clue about the macroeconomic health of the region.

Crude Oil

Middle East

Owners resistance on VLCC's, after last weeks upturn, has started to tumble downwards as we approach the end of the week with low levels of enquiry leading to a buildup of tonnage for last decade. Expectations of further falls with a weaker Atlantic and seasonal low demand puts owners under more pressure and today we would expect 270 AG/China to fetch in the region of ws53 and 280 AG/USG to go for at least w35 level.

Rates for a standard TD23 run are pushing towards 140,000mt x ws 60, the list has tightened, and we have seen a flurry of activity to head West. Enquiry to the East remains steady and we assess at 130,000mt x ws 107.5 today.

Overall, it has been a week dominated by replacements and cheap rates with Charterers able to take advantage of the healthy list in the AG-Red Sea region. The week started with TD8 at low w180's, but with little visible cargo inquiry, sentiment has softened and Owners with modern tonnage have been forced to readjust their ideas to compete against the older/unapproved units. Another lucky escape for a Charterer needing to replace yesterday confirmed the mood and may have set the tone for what is to come next week. However, it is worth noting numerous ships willing discounted rates to reposition have found employment or ballasted away from the region and thus, rates may begin to stabilize at the latest step down if we don't see some cargo flow in on Monday. The week ends with AG/East at 80,000mt x w167.5level.

West Africa

A disappointing week for VLCC's as very limited enquiry so far for August has led to a decline in freight levels leading Owners to look elsewhere for employment. There has been an easing of concerns about loading Nigeria, so Charterers are finding it easier to cover stems from there and today we are expecting a 260 WAF/China to go for w53 off natural window with a 2/3 point premium for loading Nigeria.

West Africa has seen lower levels of enquiry as we close out the week but a number of the more prompt ships have cleared out, rates are around 130,000mt x ws 85 for TD20. Premiums to head East stand at approximately 10 points.

Mediterranean

Suezmax markets in the Med have softened over the course of the week, and for TD6 Charterers will be looking to push towards 130,000mt x ws112.5 for TD6. Rates to head East will have Charterers looking to push towards $4.1M for Libya/Ningbo.

A rather disappointing week for Med Afras as rates have continued to inch downward as the week has progressed. Cross Med closes around the ws 125 levels and CPC rates have Corrected down in kind from WS 175 to WS160. As the market is not providing Owners with many signs that things will improve in the near term, Charts remain in the driving seat for now.

US Gulf/Latin America

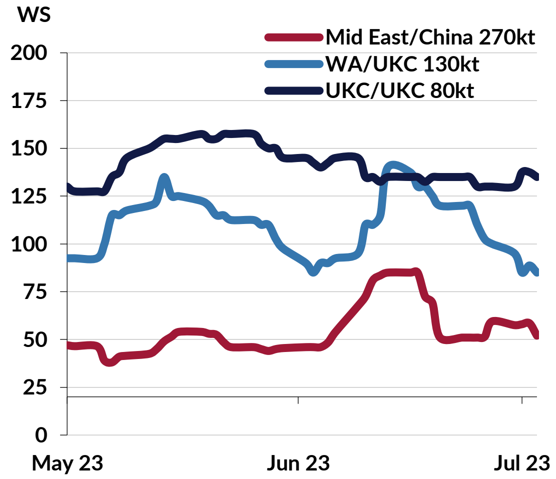
A lackluster week on VLCC with a large amount of reported ships failing has hit Owner sentiment and with a ever growing ship availability for August it will take some effort if we are avoid further softening. Today a USG / China run will fix in the region of $7.9m.

The Aframax market has been muted and was not helped by the US holiday on Tuesday and it is no surprise to see rates falling again, especially on Caribs/UP runs as we approach the weekend with low levels of enquiry. One bit of positive news is an increase over the last few days in T/A runs which could halt the downwards slide.

North Sea

Whilst surface activity has been on the most part muted some charterers found covering for value tricky. Early on there was a subtle hint that a little more could be to come but owners will be disappointed after this ember was snuffed out. A flat market for the time being trading circa w130.

Crude Tanker Spot Rates



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

Clean Products

East

The LR2s have had a busier week and the tide has started to turn on the bigger size. Rates dropped quickly with West runs paying well in the mid $2.0 million mark - but the resurgence sees AG/UKC on a 90,000mt jet run back over the $3.0 million level for a big cubic, modern non-Russian vessel. TC1 has seen less done and needs a real test but should be back easily over the ws 100 level. There has also been a fair amount of fixing behind the scenes so when things become clearer on Monday, we will see the real market.

The LR1s have struggled though, and Westbound runs have seen drops in line with where LR2s had gone, but without the bounce back yet. A 60,000 Jet AG/UKC voyage is holding at $2.5 million though and TC5 has dropped quickly to ws 125 and probably needs to rate at the ws 130 level.

The MR's are beginning to reach the bottom here with repeat deals done on TC17 and TC12. There will still perhaps be a few that slip away off the radar and under ws 150 on TC17 and ws 127.5 on TC12 levels, but fundamentally the list looks much tighter than it did on Monday. However, with a poor performing Singapore and LR market we are not close to being out of the woods just yet.

Mediterranean

All in all a positive week for the Handies here in the Mediterranean, which after an active start has seen rates increase. We began the week with X-Med trading at the 30 x ws 145 mark but after an influx of cargoes into the market we saw rates jump over ws 40 points.

This surge in rates has seen many Handies ballast down from the UKC to get involved in the action and therefore has given Charterers some more options. Fast forward to Friday and we see rates settling around the 30 x ws 180-185 level, with Black Sea in need of a fresh test.

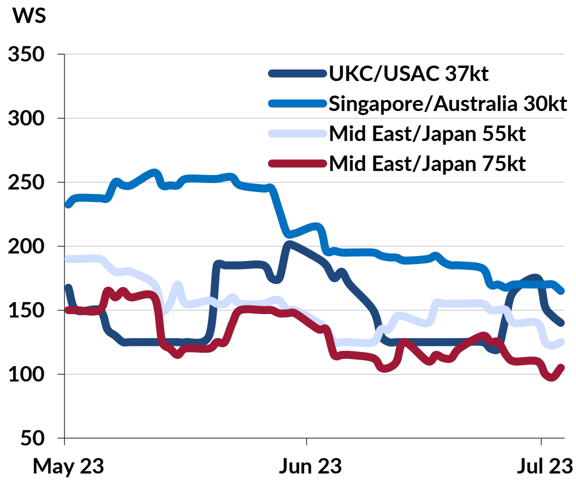
A fairly slow week passes for the MRs in the Med, with most action being seen out of the UKC and with the decline there, it was only a matter of waiting for the next cargo to see a similar trend here. Come end of the week, we see 37 x ws 145 for TA, with the usual diffs for other options and seems unlikely for now anyway that much of a resurgence is ahead. Flat.

UK Continent

A topsy turvy week for the MR sector here in the Continent with a mixture of successes for both parties. After a promising start, Independence Day really knocked Owners' momentum and despite good activity afterwards, the realisation of ample laden vessels heading this way partnering with a slowing USG market saw our rates tumble. 37 x ws 145 became the new norm and, despite 10+ going on subs on Wednesday, it feels like we have settled. Come Friday we find ourselves with another ws 5 points off down to ws 140, but with good levels of fixing in this second half of the week, Owners will be feeling less panicky with ample ships heading this way. Next week should see a similar trend, with flow of enquiry key off late teen dates to keep rates here.

With the Med market busy and trading up, a few Handies opening in UKC decided to join the party and ballast down to fix WMED cargoes. This resulted in the tonnage list in the North beginning to tighten and, with a healthy amount of ULSD cargoes quoted throughout the week, levels have now traded up to 30 x ws 130. Potential heading into next week, if cargo enquiry persists.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

Circumstances in the North saw the week start with negative pressure and soft sentiment off the back of the end of last week's inactivity, leaving questions where levels lie. Luckily one unit was tested early on for a UKC/Med run which saw levels fall to ws 185, but enquiry failed to kick on from here. During the middle of the week, a similar run was tested again, which saw levels repeated as enquiry just about managed to keep the top of the list ticking over despite a softer feel to the region. Owners' confidence however soon crumbled after idle days started to stack up, and with the weekend fast approaching one unit went on subs at ws 185 for a X-UKC run.

Moving on to the Med, a rather lengthy tonnage list to start the week off left Owners hoping for enquiry to save the day by taking a chunk out of the list and not damaging their returns too much. Owners' prayers were answered when several units were snipped off the prompt side of the list and under the radar activity, reducing selection. A mixture of the two saw levels fall to ws 175-177.5 and held within this range throughout most of this week. It was a similar ending to what happened in North as availability is still showing across the region, eventually resulting in a further decline in levels to ws 170, resetting the Med benchmark as Charterers grew in confidence.

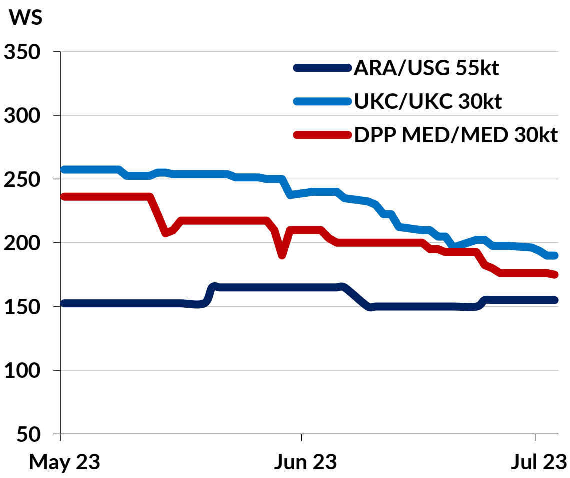
MR

Suffering from the cargo base regression seen in the Handies, MR Owners have been forced to reevaluate ideas this week, especially where the spreads between 45kt and 30kt on a $/MT were offering little incentive based upon economies of scale. That said, despite the idle time some Owners have had to endure ships haven't had to sit spot for too long, however sentiment has been dented.

Panamax

Forward availability which needs to come in line with the workable fixing windows has caused an absence of enquiry this week, rates however are expected to remain steady at last done with this sector being firmer in sentiment than many sectors which surround the Panamaxes. Elsewhere the US sectors have suffered some rate erosion this week however it remains to be seen if this is just a lull coming out of the 4th of July US holidays.

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	July 6th	June 29th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+2**	54	52	48	50
TD20	Suezmax	WAF-UKC	**-19**	84	103	91	87
TD7	Aframax	N.Sea-UKC	**+1**	131	130	141	126

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

			wk on wk change	July 6th	June 29th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+3750**	35,000	31,250	26,750	30,000
TD20	Suezmax	WAF-UKC	**-12750**	31,000	43,750	35,250	33,500
TD7	Aframax	N.Sea-UKC	**+0**	44,000	44,000	53,750	39,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	July 6th	June 29th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**-19**	99	118	114	
TC2	MR - west	UKC-USAC	**+2**	142	140	178	152
TC5	LR1	AG-Japan	**-27**	122	149	129	142
TC7	MR - east	Singapore-EC Aus	**-8**	165	173	200	187

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

			wk on wk change	July 6th	June 29th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**-7000**	16,750	23,750	22,750	
TC2	MR - west	UKC-USAC	**+0**	13,500	13,500	22,000	16,250
TC5	LR1	AG-Japan	**-7750**	17,000	24,750	18,750	23,500
TC7	MR - east	Singapore-EC Aus	**-1500**	15,500	17,000	22,250	20,000

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

Bunker Price - Rotterdam VLSFO	**+10**	534	524	547
Bunker Price - Fujairah VLSFO	**-6**	560	566	558
Bunker Price - Singapore VLSFO	**+0**	575	575	581
Bunker Price - Rotterdam LSMGO	**+22**	713	691	689

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