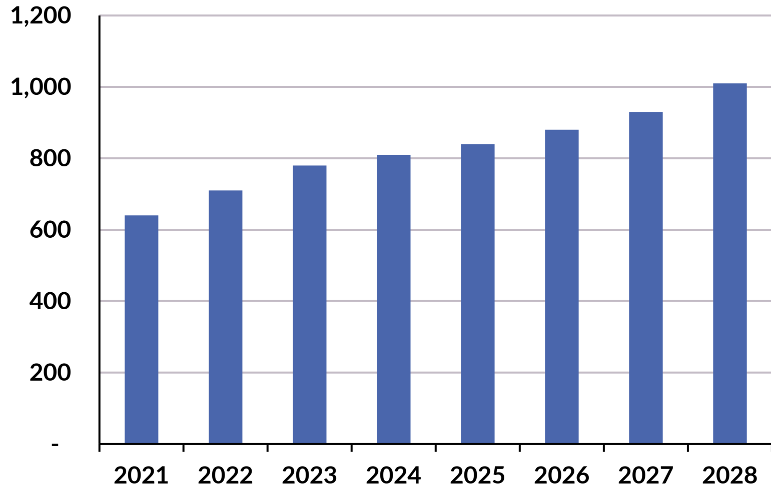
Vaca Muerta Vive

Weekly Tanker Market Report

The explosive growth in Americas crude production has repeatedly focused on prospects in the United States, Guyana, Brazil and Canada. In the US, developments in the shale sector have been closely monitored, with regular data and the involvement of public companies allowing for closer scrutiny of developments. In Guyana, Brazil and Canada, longer term E&P projects and the use of FPSOs or major pipeline developments allow for easier analysis of future production volumes. However, with much less international focus and much of the production growth dependent on unconventional sources (i.e. shale), Argentina has failed to attract as much international attention. However, that may now be changing.

Argentina's primary shale region, the Vaca Muerta in Patagonia saw drilling activity resume in 2021 after a brief pause in 2020 and has seen steady increases in exploration activity since then. As such, domestic production is forecast to reach 780kbd this year, up from around 500kbd prior to the pandemic. Further gains are expected, with 1mbd in sight by 2028. However, given the price sensitivity of shale production, total output may depend on oil market dynamics over the next 5 years.

Argentina Crude Production (kbd)



In terms of crude trade, Argentina rarely imports seaborne crude, meaning that expanded production will have little impact here. However, as capacity expands, it is likely that most of the incremental barrels will be exported. Currently, most of the country's crude exports head out of Puerto Rosales on Panamaxes or Caletta Cordova on Suezmaxes. However, state owned oil company YPF is currently in the early stages of a $1.2 billion project to export up to 380kbd on VLCCs and Suezmaxes from the Atlantic Coast. The project is still in its infancy and could be altered or delayed; yet, it is certainly one to watch. More recently, an export route via Chile to the Pacific has opened. The 110kbd Trans-Andean pipeline, which ceased operations in the early 2000's has recently been renovated, offering an export route for Argentinian production to the Bio Bio refinery (ENAP) at San Vicente in Chile. The pipeline also opens up the possibility to export crude from San Vicente on Aframaxes and Suezmaxes; however, volumes will be constrained by demand from ENAP and could compete with seaborne imports into San Vicente.

Ultimately, whilst Argentina is unlikely to become a leading crude exporter any time soon, production is growing, whilst refining capacity and domestic demand is not, increasing the availability of crude available for export. If YFP is able to successfully develop its new export project on the Atlantic Coast, then VLCCs and Suezmaxes will find a new source of demand, otherwise much of the exports will be constrained to an ageing Panamax fleet.

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Crude Oil

Middle East

VLCC rates seem to have steadied after a relatively active week as Charterers completed their July liftings and freight levels which had dipped a little in mid-week, recovered after Owners showed resistance. Owners are cautiously optimistic about what August stems will bring which should be known early next week. Today we would expect 270,000mt AG/China to fetch in the region of ws 51 and 280,000mt AG/USG to go for at least ws 33.

Rates for a standard TD23 run are steadily ticking up towards 140,000mt x ws 57.5 however this week has shown limited full-size Suezmax enquiry in the region. Select Owners continue to look East and as such their sentiment is steady a typical run will pay around 130,000mt x ws 110 today.

Aframaxes started the week smelling of soft notes. A lengthy tonnage list, limited levels of enquiry paired with a weak Med left little positivity hanging in the air. Rates have slipped a little from the start of the week, however, the air smells a little cleaner heading into the weekend following a decent clear out, leaving the list slimmer on quality units up to end month. TD8 sits at 80,000mt x ws 164, but in truth rates are in the ws 150s for AG /East now especially on older/handicapped units. That said, Owners should be looking to graft a little harder on the next batch of cargoes, or at least stem the bleed on rates further.

West Africa

The WAF VLCC market remains subdued as August liftings have been minimal on both East and UKC voyages and with an expanding position list combined with a weak USG sector, it's hard to look at positives. One could say that Owners have done well to keep levels as they are, and we saw signs of small uptick in rates towards the end of the week. Today we are expecting a 260,000mt WAF/China to go for ws 51 with a 2/3 points premium for loading Nigeria.

West Africa has been active this week, the list has thinned significantly for late July dates as well as early August and Owners are buoyed by strong returns in the US Gulf. Rates are around 130,000mt x ws 100 for TD20. The usual premium to head East stands in the region of 10 points.

Mediterranean

Suezmax markets in the Med have softened over the course of the week amid pressure from surrounding sizes and a healthy tonnage list on Monday. Owners will hope for more full-size enquiry next week. For TD6, Charterers will be looking to push towards 130,000mt x ws 97.5. Rates to head East will have Charterers looking to push towards $4.2M for Libya/Ningbo.

Aframaxes began the week in earnest with some recording as many as 20 ships fixing or moving out of the Med trading zone. In theory this would have allowed for a firming in sentiment and consequently a reaction in rates. Perversely rates actually saw a drop as Owners who had been holding their breath from last week finally exhaled and took what was on offer after a drought.

Ceyhan runs dropped to ws 125 and then to a low of ws 120 before recovering by a couple of points. CPC remained quiet, with ws 160 being the market +/- a few points depending on the finer details. Libya voyages also were concluded in the ws 120s depending on the flat rate on offer and as we approach the weekend, the list is much more positive for Owners. Also, with the States market seeming appealing, some ships will ballast, and the warm Suez sector offers a reason to be hopeful for those with ships still in play.

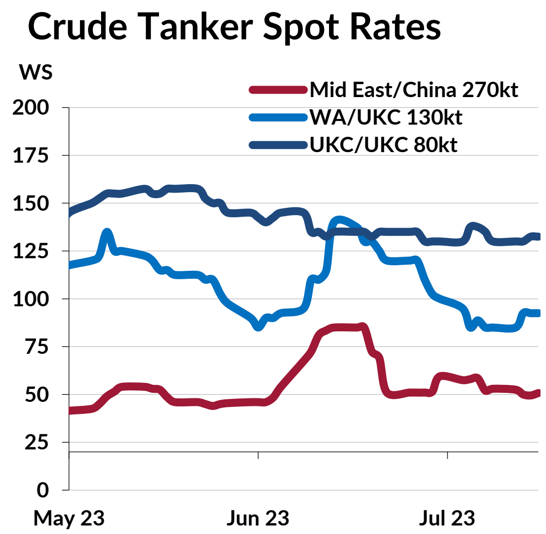
US Gulf/Latin America

It has been a challenging week for Owners in the USG as there has been a dip in the amount of long eastbound cargoes and rates have continued to soften as ships which had been on subs re-enter the market after been failed. Brazil exports proved to be the busier part of this sector, but an oversupply of tonnage is keeping the lid on rates and today a USG / China run will fix in the region of $7.3m while a Brazil/China pay ws 51.

The Aframax market is showing signs of recovery as activity levels picked up during the week on both upcoast and T/A runs and Owners' sentiment is starting to pick up with expectations of a busier week ahead of us.

North Sea

After a slow start, the market chugged into action giving a feeling of movement which we haven't seen for a while. Although rates haven't got carried away, Owners will be left with a sense of positivity after multiple ships have been snapped from the list and the market is feeling generally busier. Levels are now trading in the mid ws 130s which is not something to shout too loudly about, but a nod towards activity at the least.



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

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Clean Products

East

There has been downward pressure seen on the LR2s over the course of the week. However, this pressure has steadied, and the sentiment is holding flat. TC1 has been repeated multiple times at 75,000mt x ws 100 and UKC discharge at the $2.8-2.9m levels. Owners will be hopeful that stems will make an appearance but with stems being quoted for the end months Owners are faced with the potential of some waiting days to be absorbed.

It was a very lacklustre week for the LR1s, a lack of stems entering the market has seen the inevitable softening of rates. TC5 needs to be tested but it will sit in the 55,000mt x ws 105-110 levels. West stems have been very undesired from all Owners and relets have been the only ships willing to head West. A few contract liftings off market helped to clear some of the early tonnage, but in short, the list is long, with several prompt ships and a lack of cargoes. Owners are going to have to hold their nerve heading into next week.

Rates have fluctuated a lot over the week, the front end is incredibly tight (especially for safe itineraries and naphtha suitability) whilst the 23-28th July window looks better supplied with Africa ballasters.

Despite the Far East market picking up slightly, a few Singapore vessels have committed to ballast this side of the weekend.

Levels should settle here to finish the week, with a few discounts available from the usual suspects, but we asses TC12 at 35,000mt x ws 145-150 levels and a UKC run at $1.8-1.85m.

Mediterranean

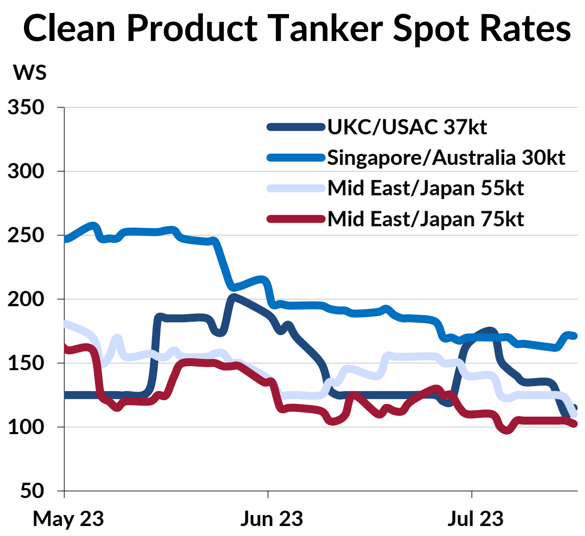
After what was an active start to the week in this Med handy market, we have seen activity begin to slow and as a result rates have come under pressure. We began the week with X-Med trading at the 30,000mt x ws 185 mark and with a busy Monday/Tuesday there was a feeling of positivity out there. However, since then enquiry has slowed, and we now see rates trading around the 30,000mt x ws 175 mark X-Med. Quiet into the weekend.

Finally, to the Med MR's where it has been an active week in comparison to the UKC. As a result of this, Med/TA levels have been able to hold at a higher level than TC2 with rates currently trading around the 37,000mt x ws 130-135 mark. However, as we head into the weekend there is little left to cover so expect Charterers to try and close the gap to TC2.

UK Continent

It was another active week for the MRs in the Continent but unfortunately for Owners, Charterers have managed to keep a hold of any momentum. With a plethora of laden tonnage arriving at our shores we see rates negatively correct. Some excess tonnage with Russian history knocked Owners off balance as we saw rates of 37,000mt x ws 105 achieved for TA, and therefore on vanilla tonnage rates are back down towards 37,000mt x ws 115. With little outstanding it seems likely we will have to wait till Monday morning for a fresh look at the tonnage list and see where opportunities are to arise for both Owning and Chartering fraternities.

X-UKC firmed this week as levels traded up to 30,000mt x ws 137.5. The front end of the tonnage list has been tight throughout, but enquiry did fizzle out in the latter stage of the week which meant Owners were not able to capitalise and push freight again. The weekend break will enable a few ships to firm up and relieve some pressure here. A fresh test is now required.



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

Dirty Products

Handy

In the Mediterranean we started the week with an injection of cargoes clipping away a large chunk from the top of the tonnage list. A couple of units managed to find coverage at ws 170, but sentiment soon swung in Charterers favour, managing to drop the market by some ws 10 points. With a healthy supply of availability in the region and a flurry of activity closing, Monday ws 160 was soon repeated and has held here since. Going forward expect to see much of the same come Monday, with levels at a point where a collective approach to hold at last done is expected from Owners to stem the negative summer market feeling.

In the Continent this week levels were tested at the start, which saw one Owner fix at 30 x ws 180 for UKC, with the usual Med -5 diff holding. Although availability thinned from here, the same Owner quickly managed to capitalise on the injection of pace and found coverage for their three other units at similar levels including ballast units. Next week will be interesting in the North, as tonnage has thinned for both natural and ballast tonnage.

MR

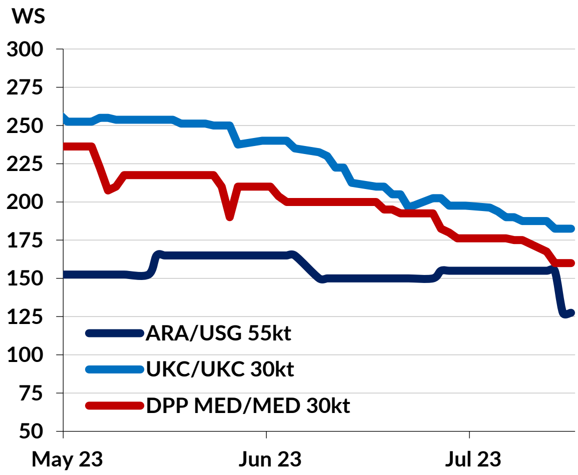
The Mediterranean and the Continent faced another difficult week, where full stem enquiry continues to trade flat. Although there has been a softening in the Northern Handy market, the availability of MR vessels is tight due to a combination of uncertain itineraries and Owners taking coverage on a part cargo stem.

In the Mediterranean, a similar trend to the North, as Owners continue to ride on the Handies' coattails as idle days stack up. Should replenishment surface come Monday, both markets in reality need a fresh test to see where levels and sentiment truly lie.

Panamax

A familiar trend has played out this week for the Panamaxes, where we have seen limited firm tonnage pushed and Owners inevitably taking short haul cargoes off the back of a quiet long-haul market. Correction for Aframaxes and a softening Caribs market has only served to dampen what spirits are left for Owners, finding themselves open side of the pond with a pro rate for an AFRA TA voyage coming out closer to ws 125-130 on 55. With the ballast looking less attractive now, expect to see more of the same, where part cargoes and shorter intra-regional runs are looked at.

Dirty Product Tanker Spot Rates



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

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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	July 13th	July 6th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**-3**	51	54	83	51
TD20	Suezmax	WAF-UKC	**+9**	93	84	114	92
TD7	Aframax	N.Sea-UKC	**+2**	133	131	135	126

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

			wk on wk change	July 13th	July 6th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**-4250**	30,750	35,000	75,500	31,250
TD20	Suezmax	WAF-UKC	**+5000**	36,000	31,000	51,250	36,000
TD7	Aframax	N.Sea-UKC	**-1250**	42,750	44,000	47,750	37,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	July 13th	July 6th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+2**	101	99	106	
TC2	MR - west	UKC-USAC	**-30**	112	142	126	135
TC5	LR1	AG-Japan	**-9**	113	122	140	130
TC7	MR - east	Singapore-EC Aus	**+35**	200	165	192	194

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

			wk on wk change	July 13th	July 6th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+750**	17,500	16,750	19,250	
TC2	MR - west	UKC-USAC	**-7250**	6,250	13,500	10,250	11,500
TC5	LR1	AG-Japan	**-2750**	14,250	17,000	22,000	19,500
TC7	MR - east	Singapore-EC Aus	**+7000**	22,500	15,500	20,500	21,500

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

Bunker Price - Rotterdam VLSFO	**+9**	543	534	535
Bunker Price - Fujairah VLSFO	**-1**	559	560	569
Bunker Price - Singapore VLSFO	**-5**	570	575	586
Bunker Price - Rotterdam LSMGO	**+37**	750	713	691

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