

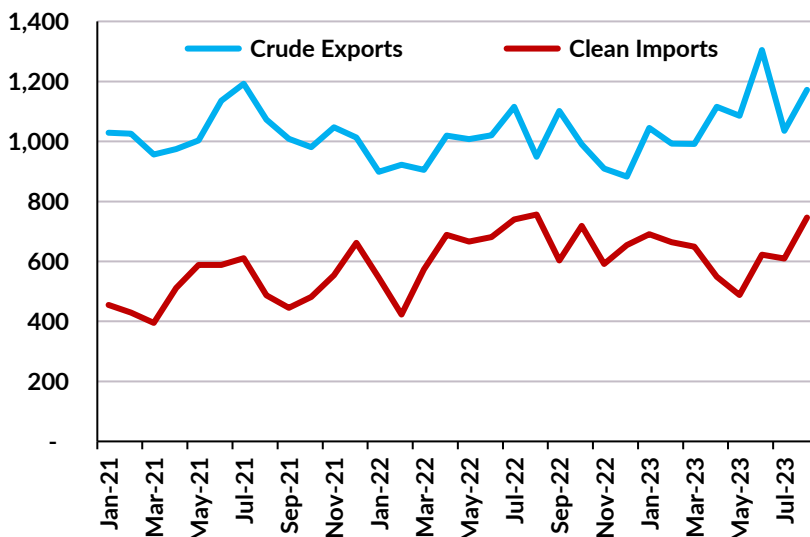
Mexican Independence

Weekly Tanker Market Report

Despite being a major crude exporter and home to significant refining capacity, Mexico has relied for many years on imports to meet its domestic fuel demand. Back in 2018, President Obrador came to power with the promise that he would end Mexico's import reliance and to do this commissioned the 340,000 b/d Dos Bocas (now called Olmeca) refinery project on the country's Caribbean coastline. After several cost overruns, which isn't unusual in refinery projects, the facility is now gearing up to produce refined products and is seeking to move close to capacity by the end of 2023.

The refinery will have two key impacts on the tanker market. For the crude sector, it should reduce exports by around 30% as the plant consumes domestic crude. Exports have been fairly steady around 1 to 1.1 million b/d over the past 5 years in line with flat production and refinery activity. However, with crude runs set to rise by over 300,000 b/d next year, exports will inevitably fall. So far this year, around 70% of Mexican exports have gone to the US, with a similar proportion sailing on Aframaxes. As a result, Maya crude exports from Dos Bocas to the United States could fall to a trickle and total Mexican exports

Mexican Oil Trade (000 b/d)



could fall to around 700,000 - 800,000 b/d, exacerbating the tightness of heavy sour grades for complex refineries in the Gulf. Exports on Suezmaxes and Panamaxs will also be impacted, although to a much lesser extent, whilst VLCCs will only marginally be impacted, with very little loading at Dos Bocas in recent years. With the US tighter on sour grades from Mexico, it may have to consume more Latin American or Canadian grades, which could boost tonne mile demand given limited spare pipeline capacity from Canada. However, refiners in the Gulf will also need to compete with their counterparts on the West Coast and Asia for the same barrels.

On the clean side, the United States is also likely to feel the brunt of the impact. Currently, the US exports 600,000 b/d of clean products to Mexico, Dos Bocas is slated to produce 290,000 b/d of gasoline and diesel, which could, in theory reduce US/Mexico products trade by around 50%. Whilst the distances involved are not great, the volume loss will be noticed. Furthermore, Mexican imports can often generate extended port delays, which acts as a further support factor for regional tanker trade. Ultimately, US refiners will be forced to either cut runs or find new export markets, depending on the export margins on offer. But, with any alternative export market being further away, longer distances will help offset any loss in volume from a tonne mile perspective.

On a global scale the refinery is not particularly significant, however, at a regional level it will have a significant impact on crude and product flows. Exactly how these flows will reshape is difficult to predict, with many moving parts in terms of refinery margins, yields, arbitrages, and competition from other suppliers. Whilst the refinery should bring a much needed increase in the efficiency of Mexican fuel supply, it will make US product exports and crude imports less efficient, which could end up being a support factor for the tanker market, if the US can find a home for its lost Mexican exports.

Crude Oil

Middle East

News of extended cuts for the remainder of the year was like the final nail in the coffin here, as the thought of just keeping things short and hoping for a stronger last quarter diminished keeping VLCC rates firmly anchored to the floor. Last done East holds at around 270,000mt x ws 38 for a short East run and in the very low ws 20's for a voyage West on 280,000mt.

The AG has been steady this week on the Suezmaxes with the list thinning for Basrah suitable ships, rates are not yet under pressure but this could change as the list begins to open up after the 20th of September and we would expect Charterers to break 140,000mt x ws 60 for a Basrah/West run. Enquiry for Long East has been limited this week, however this has not stopped some movement under the radar as well with Owners being able to push on last done levels, for this run you would look to pay 130,000mt x ws 115 today.

It has been a quieter week for Aframax in the AG region. However, Owners were able to nudge rates back up in some areas as the tonnage list had thinned. Willingness remains from a few Owners to head West for Q4, meaning Charterers might be able to apply a little pressure to last done on those runs. Overall, Owners need to see a busy start on Monday/Tuesday otherwise the tide will turn again as options replenish. AG/East closes the week at 80,000mt x ws 105 level.

West Africa

The differential between the longer WAF/East run versus a voyage from the AG has shortened here as we see a few more Owners now willing to commit to the longer and more profitable voyage. This has inevitably brought levels down with last done being 260,000mt x ws 43.5 into China.

Fixtures as well as enquiry has picked up in West Africa this week with pressure applied from Owners we have seen rates tick up slightly, this being said there are plenty of willing Owners and we have begun to see ballasters from the East for the first time in a while, which may put pressure on rates, for a standard TD20 run for the moment it looks steady at 130,000mt x ws 72.5. Premiums to head East stand at approximately 10 points.

Mediterranean

Suezmax markets in the Med have been quiet this week with strong competition in Aframax markets pushing rates down, Owner's sentiment has seemed to soften. Owners committed to the Med will be hoping for a revived Black Sea market with a standard TD6 run paying around 130,000mt x ws 72.5. The Market for Libya/Ningbo is quiet and will have Charterers looking to break \$4.0m.

A disappointing week for Med Aframax which have not kicked on off the back of a busier Russian Baltic market. The overhang of tonnage in all areas has not yet been absorbed and Owners have been keen to lock cargoes with little waiting, even taking discounts for replacement cargoes which could often ask premiums. Ceyhan lifters saw rates drop from high ws 90s to a low of ws 90 for local tonnage and CPC rates took a dive from 80,000mt x ws 120 level to a low of ws 110 seen twice by the close. With port delays still in effect some replacements have thinned the list a touch and Owners are more optimistic for the coming weeks.

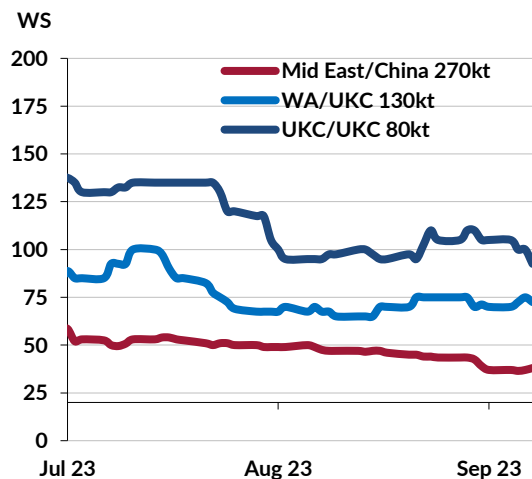
US Gulf/Latin America

A relatively sedate week for Aframax Owners here as the hope of a more condensed push on enquiry never really took off after the long weekend and with that rates have dropped to around 70,000mt x ws 110 for short or TA runs. Like the West African markets VLCC Charterers venturing further into their October program had enough willing candidates to gain the upper hand and push levels a little lower, with last being secured at \$7.15million for a voyage from the US Gulf to the Far East.

North Sea

In the north we have the same mantra for Aframax, which is that the little which is on offer is snapped up quickly as this market remains illiquid. Voyages TA saw healthy discounts on last done and even the short local barrels were moved at discounts with last week's ws 100 levels dropping to 80,000mt x ws 92.5. The pick up in Baltic activity may absorb some of the usual vanilla players and so there is potential going forward, but not for a while yet.

Crude Tanker Spot Rates



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

Clean Products

East

LR2s have been busy but rates have remained stable. It's felt that once new lists are done on Monday the picture may encourage Owners to ask for more now as there has been a fairly sizeable clear out in the area. Volumes are now back up to expected levels and this will keep interest high. A 75,000 mt Naphtha AG/Japan run has been stuck at ws 135 all week but getting below ws 140 now will take work. A 90,000 mt Jet AG/UKC run again has been steady at \$3.80 million but Owners will now start their attempt to breach \$4.0m in the new window.

LR1s have been pretty flat all week especially on the longer East runs with 55,000 mt Naphtha AG/Japan rock solid at ws 145. West rates have not been tested enough but it would be hard to beat \$3.4m for 60,000 mt Jet AG/UKC now. The shorter hauls are tougher as the MRs tighten and the Red Sea is particularly short of tonnage and will see a premium.

A firmer week on the MRs where a tighter list on Monday saw a standoff between Owners and those holding cargoes prior to mid-month. With earnings still in the \$30k per day levels, Owners took what was on offer and the resulting 10-point drop on TC17 cleared these next few cargoes. With firm itineraries now hard to find, the expectation of a bounce close to ws 300+ isn't unrealistic. West bound cargoes have seen levels push to \$2.45m levels and closing the week with replacements is needed, with tight lists and the last decade fixing windows in sight rates will only climb from here.

Mediterranean

It's been a tough week for handy Owners plying their trade in the Mediterranean, with rates tumbling throughout. 30 x ws 260 was the call for X-Med when we sat at our desks Monday morning, but fresh lists showed an abundance of prompt tonnage and with sluggish enquiry, rates soon slipped to the 30 x ws 220 mark later that day. Midweek saw these slow enquiry levels continue and as a result we now see X-Med trading at the 30 x ws 200 mark, with this being repeated across the board. However, Thursday/Friday has seen some improved activity, with a few ships being taken under the radar, which should improve the list. Yet, for now expect levels to remain flat into the weekend.

Finally, to the Med MRs where we have seen rates under pressure all week due to a build-up of ballast tonnage. We began the week with Med/TA at 37 x ws 255, but after a slow Monday with little quoted, it was inevitable that a correction was coming. 37 x ws 200 was achieved midweek and, with TC2 also suffering, this pressure continued to the point where we now see 37 x ws 180 on subs. WAF action this week has been slow but rates continue to track at +10 on Med/TA. Quiet into the weekend.

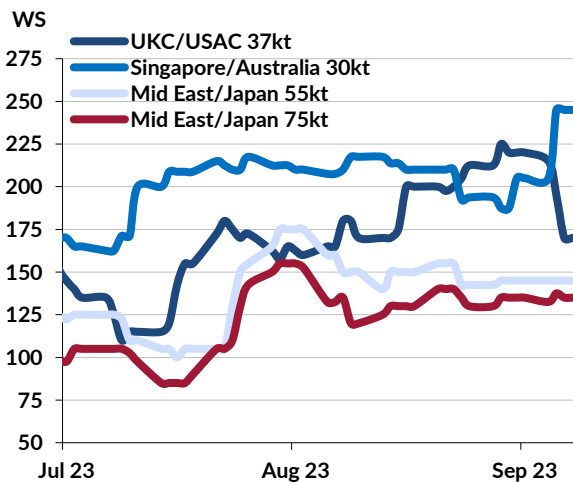
UK Continent

After a good couple of weeks in the North and the market getting to 37 x ws 220ish for TC2 off early Sept laycans, we have since seen a sharp U-turn, with 37 x ws 205 at the end of last week to TC2 now sitting at 37 x ws 170.

Most feel like it should stabilise at these levels, with the odd Owner believing that rates should start to rebound, with USAC ships going USG and the arb for TA potentially still working. In our opinion, we remain flat as we end this week and it seems cargo volume Monday/Tuesday will decide the market's fate. Levelled out/stable.

Handies have seen good volume this week and the latest is 30 x ws 190-192.5 mark for X-UKC. With good activity yesterday and a few outstanding, there is some potential for improvement heading into next week if cargo volume maintains. The rates are driven mainly by the X-UKC activity. Potential.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

Med was a sector in full swing this week due to an injection of pace, which saw ws 150 repeated multiple times. Enquiry continued to flow as cargo volume matched tonnage supply; furthermore, in the latter half of the week, a mixture of lack of firm orders and weather delays saw tonnage replenishment slow. A change of sentiment soon followed as cargo volume started to outweigh availability in Med, benefiting in Owners' favour. The inevitable bounce soon came as tight positioning saw an ex Dortyol cargo go on subs at 30 x ws 170 and a X-Med stem go on subs at 30 x ws 190. Despite failing, Owners' confidence remained high, some increments have held.

A similar feeling in the North as rates have edged up slightly this week, with more regular DPP moves (mainly kept under the radar) helping Owners keep supply vs demand balance tight. After an active week in Med, which saw WMed units taken away from the list, there is a lack of natural and ballast options. Looking into next week, if replenishment struggles to materialise over the weekend, Owners will be looking to achieve at least ws 185, should enquiry surface early next week.

MR

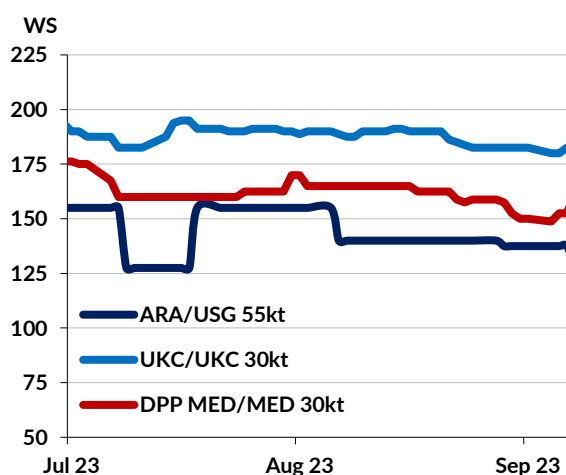
MRs in the Continent started the week with one Owner taking a part cargo off the back, which raised questions as to whether this was going to continue to be the norm in the region. Come Tuesday, however, the region had somewhat of a firmer feel to it, as a well needed test at ws 160 was done and the list continued to tighten. This, coupled with a lack of firm itineraries, has meant forward planning has become crucial for Charterers in the latter half of this week.

In the Med, a lack of replenishment over the weekend created a tighter feel going into the week and allowed one Owner to be bullish upon last done and secure ws 150. As the week has progressed, it's mainly been the plethora of activity on the Handies, that continued to take MRs off the list and create what now feels like a firm sector. Looking forward, don't be surprised if Owners look to push ahead of last done.

Panamax

The Panamax market continues to be outshone by Afras, which offers more competitive pricing. Despite availability showing this side of the pond, long and short haul enquiry remains flat, adding negative pressure to this sector. Whilst we await a fresh test to surface to see where levels truly lie, Owners will be keeping a close eye on the States, despite having little to get their teeth into this week, supported by the decision from one Owner here in Europe trying to fix the ship loading in the US.

Dirty Product Tanker Spot Rates



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

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sept 7th	Aug 31st	Last Month*	FFA Q3
TD3C	VLCC	AG-China	-8	36	44	49	46
TD20	Suezmax	WAF-UKC	-2	73	75	66	77
TD7	Aframax	N.Sea-UKC	-11	94	105	100	113

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

			wk on wk change	Sept 7th	Aug 31st	Last Month*	FFA Q3
TD3C	VLCC	AG-China	-12250	5,250	17,500	23,750	19,000
TD20	Suezmax	WAF-UKC	-2500	19,000	21,500	14,000	21,250
TD7	Aframax	N.Sea-UKC	-10250	4,500	14,750	9,750	21,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sept 7th	Aug 31st	Last Month*	FFA Q3
TC1	LR2	AG-Japan	+2	135	133	156	
TC2	MR - west	UKC-USAC	-34	171	205	162	173
TC5	LR1	AG-Japan	+1	145	144	177	142
TC7	MR - east	Singapore-EC Aus	+54	254	200	211	212

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

			wk on wk change	Sept 7th	Aug 31st	Last Month*	FFA Q3
TC1	LR2	AG-Japan	-250	28,250	28,500	38,000	
TC2	MR - west	UKC-USAC	-8750	17,000	25,750	15,250	17,500
TC5	LR1	AG-Japan	-500	21,250	21,750	31,500	20,500
TC7	MR - east	Singapore-EC Aus	+10250	31,500	21,250	23,500	23,000

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

Bunker Price - Rotterdam VLSFO	+10	600	590	612
Bunker Price - Fujairah VLSFO	+19	630	611	630
Bunker Price - Singapore VLSFO	+20	642	622	633
Bunker Price - Rotterdam LSMGO	+30	922	892	891

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