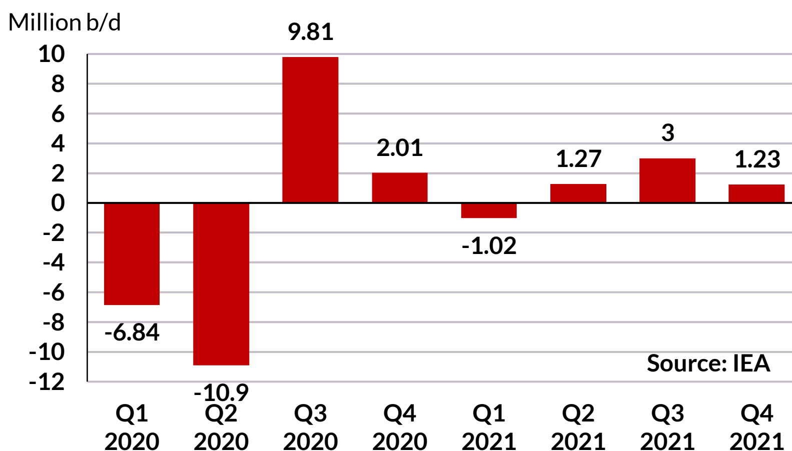
Growing Optimism

Weekly Tanker Market Report

Oil prices are back above $60/bbl, their highest level since January 2020, before the Wuhan lockdown. In normal times rising prices typically suggest robust oil demand and growing trade requirements, but of course these are not ordinary times. The upward trend in oil prices is a mere reflection that OPEC+ production cuts are being successful in balancing the market and bringing crude inventories down, rather than a surge in demand.

In the US, commercial crude inventories were assessed at 469 million bbls last week, their lowest level since late March 2020. The stock position in Europe is also improving, with EU16 crude inventories gradually moving towards the 5-year seasonal average after hitting multiyear highs between May and October 2020. Although demand remains severely depressed, with refining runs still well below pre-pandemic levels, declining crude stocks show progress. In the past, when a sharp decline in oil demand and consequently tanker trading demand were seen, the rebound in tanker trade took longer than the recovery in oil consumption due to a build-up of commercial inventories at refinery level. This means that if the current market dynamics continue and inventories continue to shrink, the rebound in tanker trade this time around is likely to be more in tune with the growth in world oil demand than in the past.

Although a surge in oil prices this week has been driven by a big freeze in Texas, fundamentally firmer oil prices highlight bullish investor optimism following successful vaccine trials and deployment. While the tanker market remains severely depressed, most analysts expect to see a strong global economic recovery this year if coronavirus cases continue to decline and the vaccines roll out accelerates. The International Monetary Fund (IMF) has revised up its expectations for the growth in the world economy this year by 0.3% to 5.5%, from an estimated 3.5% contraction in 2020. Yet, the strength of the rebound is anticipated to vary significantly across regions. The strongest recovery is expected in non-OECD Asia. China's GDP is expected to grow by 8.1% this year, following a 2.3% expansion in 2020. India's economy is expected to grow by 11.5% in 2021 versus an 8% decline last year. Advanced economies are likely to see a slower growth in comparison. US GDP is anticipated to increase by 5.1% this year compared to a 3.4% contraction in 2020, while the Eurozone economy is anticipated to expand by 4.2% in 2021, following a 7.2% contraction last year.



The same theme is reflected in forecasts for oil demand. Currently oil demand remains weak due to ongoing lockdowns and increasing travel restrictions, but a much stronger rebound is projected later in the year. The International Energy Agency (IEA) sees global oil consumption increasing by around 1.3 million b/d in Q2 2021 quarter-on-quarter, then by another 3 million b/d in Q3 and by a further 1.2 million b/d in Q4. Although even in late-2021 demand will remain below its level in 2019; the anticipated growth over the course of the year is substantial. And whilst an increase in demand will not directly translate into an increase in tanker trade, lower stocks will likely mean that the translation will be more direct than the period following the last oversupplied markets of 2009 and 2015.

Crude Oil

Middle East

The over-hang of VLCC tonnage for next month's loading programme ensured Charterers faced little difficulty taking cover with rates only moving up to compensate for higher bunker costs. Although with a strengthening sentiment predominantly in the West, this should eventually make some impact here too. For now rates are around 270,000mt by ws 33.5 to the Far East and we still estimate a voyage West would be around 280,000mt by ws 18 (via Cape). A flat Suezmax market that remains heavily over tonnaged and rates remain at 140,000mt by ws 20 for European discharge and 130,000mt by ws 47.5 to the East.
Finally, we see some grounds for Aframax rates to improve in the East. This is partially due to a firmer Mediterranean market strengthening Owners sentiment. AGulf to the East closes the week at 80,000mt by ws 67.5 level with further potential on the cards as tonnage ballasts to the Mediterranean to obtain higher earnings.

West Africa

Small steps could eventually lead to large strides as the Western VLCC markets start to show signs of life. Current returns still remain abysmal for Owners, even with these small gains achieved, so there is a lot more work to be done but Owners have to start somewhere. Last done is 260,000mt by ws 36 to China. An uneventful week for Suezmax tonnage where rates have slightly improved for European discharge. In reality, this only partially compensates Owners for a higher bunker bill. The week ends flat at 130,000mt by ws 56.25 for Europe and sub ws 60 for East discharge.

Mediterranean

The availability of Aframax tonnage quickly became tight due to bad weather and Owners wasted no time on seizing this opportunity to push rates up. As the week progressed Charterers realised that resistance was futile. Rates have peaked at 80,000mt by ws 130 for Libya to Europe. Further gains are now capped by Charterers switching to Suezmax tonnage and once the availability of Aframax tonnage opens up, we will quickly see rates soften. The only success story for Suezmax Owners this week. Due to tight availability of tonnage, plus being supported by a firm Aframax market, Owners have been able to build on last week's rates. Levels peaked at $2.9 million for Libya to China before closing the week at $2.7million for the same run. Black Sea to Europe is currently paying close to 130,000mt by ws 75.

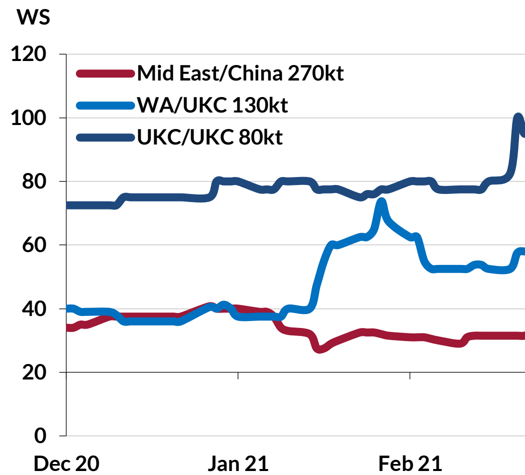
US Gulf/Latin America

Sub-zero temperatures in the US Gulf but things are certainly hotting up for Aframax Owners as weather delays cause further uncertainty on vessels itineraries, ensuring available tonnage is securing some healthy premiums. Levels are constantly moving up on each subsequent cargo. Last done at the time of writing was 70,000mt by ws 122.5 for a generic short

haul run. VLCC levels are similarly starting to pick up as Charterers look to close off their end March positions. Higher bunker costs have ensured that Owners have adjusted their fixing ideas accordingly. Last done for a US Gulf to China voyage paid $4.5 million, albeit off tight dates.

North Sea

A solid week of action for Aframax tonnage in the North, with Baltic/Continent levels fixing 100,000mt by ws 85-87.5 level. Ice class tonnage is still in short supply so those needing to cover in the earlier part of next week will expect little respite from Owners. The further forward we move the more likely is that the market will plateau. The North Sea has played second fiddle this week but has also made some steady increases in rates now trading around 80,000mt by ws 95. Next month loading is expected to have a busier middle section so we might expect further increases in rates but this isn't likely to come into effect for a couple of weeks.



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

Clean Products

East

The LR1 segment has been the slowest to move in line with continually increasing bunkers and ever squeezed returns for Owners. Westbound enquiry has come but covered off market (both Torm vessels are now on subs until the new week). $1.125 million ex AGulf will be tested – the big pools are now aiming for $1.2-1.25 million. TC5 is currently assessed at ws 85 but in reality, unpopular this week. It has been the short haul which have been busier, but we will see this segment used more heavily in the new week - and expect Owners to claw back some damage from disastrous returns in Q1 thus far.

The LR2 segment has had a very confused week. Westbound freight dipped as low as $1.2 million, initially a small cuber snapping up a straight WAF run (their preferred direction) but fairly inexplicably repeated by BW Neso, one of very few big cubers willing at these levels. You might argue that these Owners are always very motivated to move tonnage West but they missed the market here. Scorpio have traded their big cubers at $1.4 million levels ex AGulf and this is where the market should be. TC1 traded over and over at ws 65 and as we look into the new week, we have seen a fair few Charterers look to cover stems off the forward window; a good indicator of an imminent rise in market levels.

Some good movement starting to emerge on the MR segment. Positions opening in Africa have been ballasting round the cape to escape these horrid returns the past couple of weeks. Furthermore, we have seen a very busy South market - the result being a much thinner tonnage list. With the States freezing over and a busy Cont/Med market, added to bunker prices continuing to push North, this movement in rates was inevitable. UKCont last done is $925k but will remain popular ("get me over there"). TC12 at ws 85 will be pushed towards ws 90-95 in the new week quickly. EAF is on subs ex Red Sea at 35 x ws 150 and this will indicate where Owners will aim ex India and Gulf in the new week. Realistically, ws 135-140 will be next done, given the greater number of ships, but the intent is there.

Mediterranean

Owners will be chuffed with how this week has panned out with rates firming throughout and for the first time in a while, we see ws enter the 200s. Weather in EMed / Black Sea has been the driving force this week, with uncertain itineraries allowing those with safe itineraries to take advantage and keep rates trading North of last done levels. Monday, we saw momentum translate from last week, with 30 x ws 170 seen on subs but Tuesday evening was where the fireworks began with 30 x ws 212.5 seen on subs ex Black Sea and 30 x ws 192.5 for a X-Med market cargo. Soon after 30 x ws 215 was the going rate for X-Med across the board (although W-Med for much of the week was untested) whilst Black Sea (due to TS delays) stems were consistently replaced with 30 x ws 230 the height of rates seen. Thursday/Friday, however, has seen rates rather unsettled with 30 x ws 195 on subs

W-Med for discharge/reload, 30 x ws 200 on subs CMed for l/c Chems vessel, whilst most other Owners refuse to call the market under the 30 x ws 210 mark. With the weather now easing off, expect Monday to bring pressure with the fixing window likely stretched into March and plenty more units to choose from.

Another weather driven market this week but this time rather than Eastern Mediterranean it was the States weather that ignited the MRs. With refineries shutting down across America and mainly in the USG, it was no surprise to see demand pick up for ULSD / UMS cargoes ex UKCont and Med, which in turn caused transatlantic rates to firm up 35 points or so from 37 x ws 125 on Monday to heights of 37 x ws 160 midweek. Rates currently settle around the 37 x ws 155 mark for Med/transatlantic with the rule of thumb +10 points achievable for WAF. The big question now is when are these US refineries coming back online? With chat that it could be a week or so, even with the glut of ballast tonnage heading our way from USAC/USG/CARIBS, enough enquiry should be there to hold rates and possibly allow Owners to push for more. If the demand isn't there however, the pressure is on.

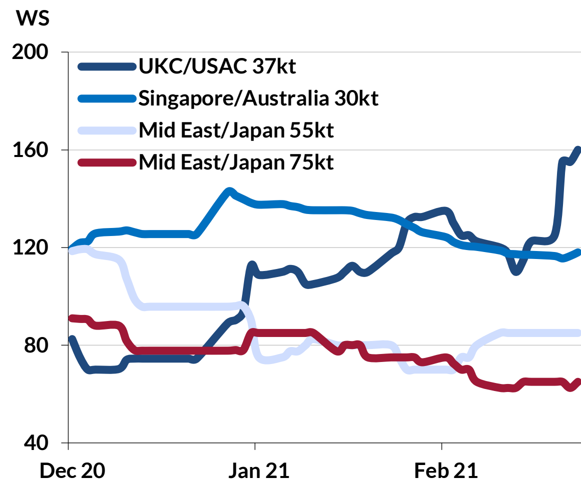
UK Continent

A positive week passes for MR Owners on the Continent with a glut of enquiry throughout the week partnered with slim pickings for Charterers pulled rates up a good 30-40 points. The big freeze across the States has really played it part, as late Monday we saw 4-5 ships clipped away quietly and a bounty of fresh stems appear which were now facing some bullish Owners. The results of this were TC2 rapidly pulling up from 37 x ws 125 to ws 160 and with a very depleted list for the next 5 days left some cargoes exposed. A mixture of laycans and rates filled the second half of the week, but it seems we settle around 37 x ws 155 for transatlantic now with WAF 10 points higher despite more and less being achieved. Friday unsurprisingly slowed and has offered little for Owners to sink their teeth into with the limited outstanding end/early dates now and Owners becoming increasingly aware of the armada of ballast vessels heading this way from all parts of the East Coast of America. Demand next week will be crucial as we expect the full extent of damage to US refineries to slowly come out over the next few days and decisions made on how much additional product is required from Europe. This market certainly has potential if this demand materialises but will be wary of having its legs taken out from underneath itself by ballast tonnage if not.

For the most part of week 7 the Handies plying their trade in the North have been slow with COA's keeping this market quiet. Rates for the majority have therefore traded at the 30 x ws 137.5 and 30 x ws 120 levels for Baltic/UKCont and X-UKCont runs respectively. That was until today, however, when we saw a prompt ice lifting go on subs at the 30 x ws 150 mark followed by 30 x ws 140 on subs

off of more natural dates. X-UKCont has also benefited from this uptick in rates with 30 x ws 125 also on subs ex NSpain. Owners will be hoping this positive end to the week can be translated into further improvements at the start of week 8.

All round it's been a lacklustre week in this UKCont Flexi market, which has produced little in the way of fresh fixing activity. Cargo enquiry has been pretty slow all week and as a result rates have been guided using levels seen in the UKCont Handy market. On this basis, the call for a X-UKCont voyage currently stands at the 22 x ws 165 mark, which is the same as where we began week 7. Come Monday a fresh influx of enquiry is needed here otherwise much of the same can be expected over the final week of February.



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Dirty Products

Handy

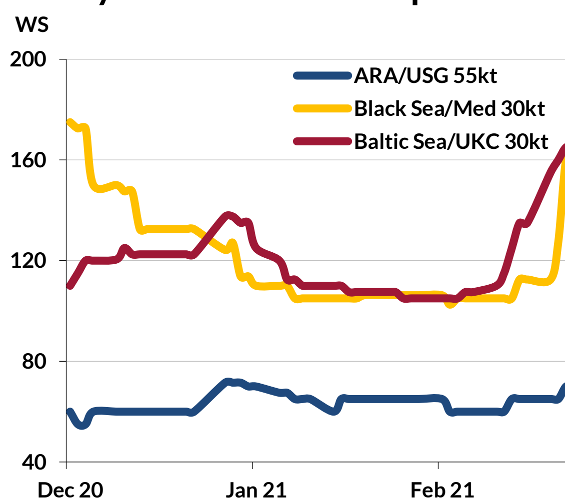
For a second successive week on the Continent, Owners have had the upper hand where demands for improved returns were met without much push back from Charterers who knew how tight supply had become. Although, towards the end of the week Charterers did see a few more units re-appear. However, with March programs coming into play, any down cycles have not been long enough for tonnage to rebuild, keeping sentiment firm. In the Med we have also witnessed noticeable levels of volatility where rates hit ws 180 from the Black Sea. That said, repetition at this mark is yet to be seen despite Owners best efforts to try and make it hold. For now, it would appear that a little more impetus is needed for the highs to be re-established, but this aside, owner confidence is high especially where every region of the Med has been active in tandem.

MR

This week the MRs have been left behind a little compared to the surrounding handy sector but nevertheless, firm sentiment has stimulated Owners confidence. Analysing in more depth, with limited units being marketed in both NWE and Med, the level of increment has been slower than that of other sectors, and yet MRs have not only been in demand but also being watched for when they next open ready to be booked again. Admittedly this has put Owners on the front foot and the claims we are hearing that this sector is looking a little undervalued could be well founded.

Panamax

Slowly in the background sentiment has been firming without an abundance of natural transatlantic activity to set reliable benchmarks, although what's expected to follow is probably not unjustified and here is why. Smaller local markets have firmed to the point where Charterers have been trying to entice Panamaxes into play with part cargoes and indeed some of these stems have been fixed! In addition to this, the surrounding Aframax sector has picked up - raising the ceiling on where Panamaxes can fix. This combined with a rising bunker price and a US market, which is firming due to all the weather delays, Owners are now pushing back on booking voyages that are barely making any money.



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Feb 18th	Feb 11th	Last Month*	FFA Feb/Mar
TD3C	VLCC	AG-China	**+1**	33	32	30	35
TD20	Suezmax	WAF-UKC	**+5**	57	52	58	54
TD7	Aframax	N.Sea-UKC	**+18**	97	79	78	88

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

			wk on wk change	Feb 18th	Feb 11th	Last Month*	FFA Feb/Mar
TD3C	VLCC	AG-China	**+250**	-750	-1,000	0	1,750
TD20	Suezmax	WAF-UKC	**+1,250**	5,250	4,000	8,750	4,000
TD7	Aframax	N.Sea-UKC	**+10,750**	3,500	-7,250	-6,500	-2,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Feb 18th	Feb 11th	Last Month*	FFA Feb/Mar
TC1	LR2	AG-Japan	**+0**	65	65	78	
TC2	MR - west	UKC-USAC	**+44**	159	115	110	128
TC5	LR1	AG-Japan	**+0**	82	82	75	86
TC7	MR - east	Singapore-EC Aus	**+1**	118	117	134	131

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

			wk on wk change	Feb 18th	Feb 11th	Last Month*	FFA Feb/Mar
TC1	LR2	AG-Japan	**-500**	-750	-250	5,250	
TC2	MR - west	UKC-USAC	**+6,500**	11,000	4,500	4,500	5,750
TC5	LR1	AG-Japan	**-500**	2,000	2,500	2,000	3,000
TC7	MR - east	Singapore-EC Aus	**-250**	2,500	2,750	6,500	4,500

(a) based on round voyage economics at 'market' speed

	wk on wk change	Feb 18th	Feb 11th	Last Month*	
ClearView Bunker Price (Rotterdam VLSFO)	**+28**	481	453	412	
ClearView Bunker Price (Fujairah VLSFO)	**+14**	505	491	446	
ClearView Bunker Price (Singapore VLSFO)	**+14**	510	496	451	
ClearView Bunker Price (Rotterdam LSMGO)	**+26**	521	495	451	

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