

2020 at a glance

Weekly Tanker Market Report

The best science fiction script writers from Hollywood could not have come up with the twists and turns that we have experienced during 2020. In a year that was supposed to be dominated by IMO2020, the transition to VLSFO went relatively smoothly (nothing much else did). Price spreads widened and those who had installed scrubbers looked pleased with their investments. Little did they know that the spread was about to collapse for reasons no one could have predicted.

Early in the year, positive news came in the form of a US-China trade deal that would see millions of tonnes of oil traded eastwards, yet this was in part neutralised by sanctions being lifted on various VLCCs, whilst renewed unrest in Libya saw oil exports collapse. Freight rates that had ended 2019 on a high soon came under downwards pressure. However, the world soon started to change. By late January China had locked down Wuhan and other cities in Hubei province. For the crude market, spot VLCC earnings on TD3C fell from \$100,000/day in January to just \$15,000/day by early-February as demand from China fell away. By March the viral outbreak was spreading rapidly across the world and governments in almost every single country were forced to close much of their economies. Oil demand collapsed rapidly overnight, declining by 21.8m b/d YOY in April, the single largest contraction ever witnessed.

The tanker market was initially saved from the pandemic by a short and sharp oil price war, which led to the emergence of a super contango and helped to propel tanker rates to record highs with TD3C reaching WS 220. In contrast, oil prices sunk, from \$51/bbl in January to \$19/bbl in April, while WTI temporarily collapsed into negative territory, reaching -\$37/bbl just before the contract's expiry. By May OPEC+ instigated a historic 9.7m b/d cut. However, despite the group's best efforts, floating storage was inevitable. Non-Iranian crude storage peaked on large crude carriers in July when 56 VLCCs and 36 Suezmaxes were employed in longer-term floating storage duties (four weeks or more). This number was even higher when shorter-term storage and discharging delays were factored in.

Many countries started to come out of lock down over the summer period, which saw oil prices rise, albeit modestly. OPEC+ cuts were eased to 7.7m b/d. However, as production recalibrated to lower levels and floating storage passed its peak, the earnings capacity of the tanker sector diminished. Throughout the year Venezuelan exports came under continued pressure as the US gradually withdrew support for export licenses. A small ray of hope was the re-opening of Libyan crude exports which was beneficial for tanker employment, but rates were unaffected as millions of barrels still remained missing from the market. By the end of October, non-Iranian crude floating storage was down to 45 VLCCs and 12 Suezmaxes, while preliminary figures show just 29 VLCCs and 6 Suezmaxes at beginning of December.

Surprisingly, the orderbook for new tankers has not been significantly impacted by the massive disruption that has occurred due to covid-19. The orderbook has risen by 13% YOY since last December (see table below). The unexpectedly high number of tanker orders may in part be attributed to the falling yard prices during the year, from \$92m in January down to \$85m in November.

2021 will bring further change. A change of leadership in the White House will see a shift in US Foreign Policy. Environmental factors will grow increasingly impactful. The damage inflicted by the pandemic will be felt for many years to come, with largescale changes in global refining capacity and crude production impacting on trade flows. Bunker price spreads should find their natural level, which may yet vindicate those who invested in scrubbers. At the same time, an increasing number of dual fuel tankers will enter the fleet. Covid-19 will undoubtedly remain a factor, but it is hoped that with the rollout of vaccines, 2021 will be a better year for the world, even if the tanker market takes time to recover its strength.

Summary Table - Market & Fleet Data

		Dec-19		Dec-20		2020	
		WS	TCE/day*	WS	TCE/day*	WS Low	WS High
Rates (TCEs at 'market speed')							
VLCC	Middle East - Ningpo	106	\$72,250	32	\$13,140	25.5	220
Suezmax	West Africa - UKCont	140	\$49,500	38	\$4,552	30	240
Aframax	North Sea - UKCont	212	\$97,000	73	\$-3,090	65	270
LR2	Middle East - Japan	153	\$22,750	73	\$10,867	56	507
LR1	Middle East - Japan	153	\$15,250	94	\$12,743	50	463
MR	UKCont - USAC	169	\$20,250	80	\$3,671	66	433
		Dec-19		Dec-20			
		Fleet Size		Fleet Size			
VLCC		792		822			
Suez /LR3		584		610			
Aframax /LR2		1,052		1,061			
Panamax /LR1		455		462			
Handy /MR		2,110		2,164			
Tanker Firm Orderbook (25kdwt+)		398	53.9m dwt	427	60.9m dwt		
New Deliveries (25kdwt+)		250	36.5m dwt	166	21.96m dwt		
		End 2019		End 2020			
Bent Oil Price		\$66.50		\$51.79			
		Fujairah		Rotterdam			
Bunkers VLSFO (end Dec)		\$393		\$377			
		2019		2020			
World Oil Supply		100.55	1.04%	92.71	-7.8%		
OPEC crude production		29.46	-6.96%	25.02	-15.1%		
Non OPEC -inc OPEC NGL & Biofuels		65.6	5.10%	63	-4.0%		
World Oil Demand (Full Year)		100	0.97%	91.2	-8.8%		
		2020					
Tankers Demolished (25kdwt dwt)**		26	2.26m dwt				
		Subcont 2019		Subcont 2020			
Scrap Prices		372		369			
VLCC's sold for scrap number /dwt**		1		300k			

*Reported VLSFO prices used in earnings calculation non-ECA areas

** Includes storage units

Crude Oil

Middle East

December VLCC needs fizzled out to make way for the fresh January programme, but there was no big rush to fix and although there was for a while a slightly busier feel, hand in hand with Atlantic interest, there wasn't enough volume to engender any degree of momentum. The top end of the rate range rose fractionally to ws 36 to the East, with runs to the West still marked in the high teens via Cape. Holidays are now upon us, however, and the concentration of fixing within fewer days may help Owners a little, but heavy availability will remain an ongoing problem nonetheless. Suezmaxes lost all hope in the second half of the week, with backhaul cargoes into the Med running as low as ws 10 and many many ships remaining on the fixing position. Rates to the East also suffered with down to 130,000mt by ws 37.5 available. A week to forget for overweight, and underfed Aframax. Rates squeeze down to close on ws 50 to Singapore and relief seems a long way off.

West Africa

Suezmaxes had already started to look toppy by the end of last week, and this week Owners remained in defensive mode. Charterers failed to introduce the hoped for wave of cargo relief and rates dipped towards 130,000mt by ws 37 to Europe, and to ws 32.5 to the USGulf accordingly. It will be hard for Owners to rediscover an attacking mindset this side of the Holidays too. VLCCs remained

steady through the week but some will feel that given the wider Atlantic interest, rates 'should' have rediscovered premiums over prevailing AGulf/East levels. As it is, the market slides sideways for now at little better than ws 35 to the Far East.

Mediterranean

Aframaxes enjoyed a busier week but so far have only managed marginal gain. Rates inched up to a still very modest 80,000mt by ws 65+ for both X-Med and ex Black Sea movements and could yet add a little more, but unlikely anything over that. Suezmaxes preferred to hang around for local business rather than crowd in on an already over-crowded West African market. That, together with ballasters from the East keen for round trip involvement, meant that Charterers were never tested, and the week ended flat at 140,000mt by ws 52.5 from the Black Sea to European destinations, and to \$2.6 million to China.

US Gulf/Latin America

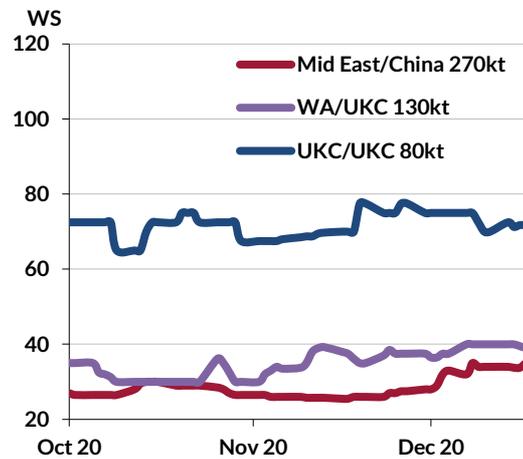
A welcome uptick in Aframax interest in the second half of the week pulled rates from bottom markers to 70,000 by ws 70 upcoast and to above ws 60 transatlantic - nothing remotely spectacular, but Owners will feel that things are going in the right direction before the break. VLCCs saw a lot more than of late and rates pushed from the previous 'conference' \$4.6 million to South Korea/China, towards \$4.8 million but

there is unlikely to be much more gain to come as dates roll ever forward and Owners continue to side-step the Middle East.

North Sea

Aframaxes found occasional straws to cling onto - the latest being the improvement across the pond that could draw ballasters away. for any marked gains here, however, there will need to be a lot more local enquiry or rates will again remain pegged at little better than 80,000mt by ws 75 X-UKCont, and 100,000mt by ws 47.5 from the Baltic, with ice support still a long way off, as it seems. As in the USGulf/Caribs, more to do for VLCCs but the majority of which is still being arm-wrestled over. Rates are likely to move, and then consolidates, at up to around \$4.8 million to South Korea/China.

Crude Tanker Spot Rates



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

Clean Products

East

LRs have had a positive week with both sizes making strides upwards. But the end of the week has cooled their ambitions somewhat, with limited outstanding stems remaining open. LR1s started the week how they ended last, with a fair few stems both short and long haul quoting. LR1 activity has continued but rates have stabilised for now. 55,000mt naphtha AGulf/Japan is now ws 120 but the differential to LR2s will make this hard to sustain unless LR2s can move nearer. 65,000mt jet AGulf/UKCont is now \$1.70 million but there are deals available to discount this a touch. Going forward more business is needed to maintain the momentum.

LR2s started the week well with cargoes quoting and also some LR1s being upsized but have ended with very little outstanding leaving Owners questioning what really comes next. With big talk from some Owners mid-week, sentiment was high but weaker fixing by the same companies has dashed the ambitions slightly. 75,000mt naphtha AGulf/Japan is now rated at ws 90 and should be strong enough to stay there but no higher. 90,000mt jet AGulf/UKCont is up to \$1.90 million but again less can probably be found with patience and flexibility. Overall, the LRs need a strong start next week to avoid drifting away during the holiday period.

The inevitable pre-Christmas softening in full flow on the MRs. Early dates look altogether very well supplied. It looked like BP had overpaid for shorthaul at \$290k, however, in reality, Scorpio leant

very firmly on "jet suitable" to achieve this number. TC12 will drop again to ws 107.5, the ONLY thing which could save such an inevitable fall is the Singapore market pushing up \$100k on a replacement overnight to China, which may encourage ECI openers at least to ballast in that direction. Westbound has been and will remain untested. \$1.275 million is on subs to Argentina but is likely beatable if retested. The pressure is now on Owners as we edge ever closer to the holiday season, no one wants to be the last kid picked for sports...

Mediterranean

A balanced week all in all which Owners will likely be fairly positive about, with rates consistently trading at the 30 x ws 100 mark. Monday saw an influx of cargoes which enabled Owners to achieve 30 x ws 100 across the board, which in turn saw Black Sea positively correct in line with this to 30 x ws 110. The fixing window has been stretched this week, with most keeping the festivities next week in mind, in order to cover before the shorter week and this has allowed Owners to consistently achieve the three figure rate. A touch under, however, has been seen a couple of times around W-Med but expect some, if not all, to attempt to hold at the ton mark. Expect all parties to be happy to fix around these levels for the balance of the year with little room for momentum.

On the MRs in the Mediterranean, unlike previous weeks activities, enquiry levels have not been in Owners favour to continue to push and the weight of a fallen UKCont sector has taken its toll. Owners

have been able to weather the Charterers storm a little easier here, with the lack of naturally positioned ships but inevitably by Friday we see ws 70 for transatlantic and ws 80 for WAF on subs. A couple of outstanding stems will give a little hope for Owners moving into the final week but as always in these situations, “Where is the most value found?”...in a cargo to forget about the ship till the new year... or in a ship with a firm itinerary to prevent any last minute replacements...

UK Continent

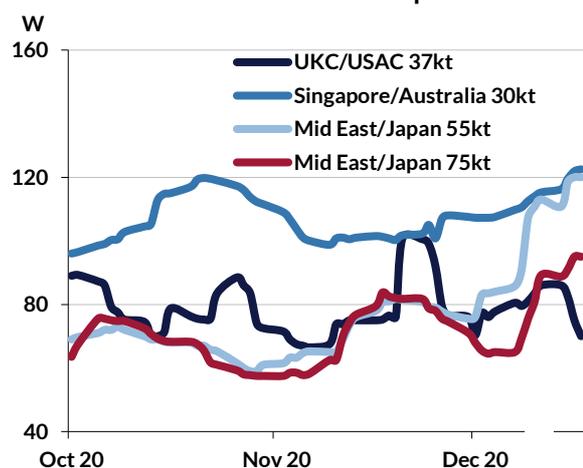
A week of empty promise and hope passes for the MRs on the Continent as the expected Christmas rush has been quietly managed by Charterers and the weight of ballast tonnage has shown. Stems were drip fed to the expectant Owners and by midweek we had seen 10 points wiped away down to 37 x ws 75 for transatlantic. A cluster of enquiry was seen once these levels slipped, with mixed fortunes in fixing but as we reach Friday 37 x ws 70 is repeated transatlantic and the slender 5 point premium of ws 75 for WAF is there to be argued. There is still time next week for Owners to fix away and excess tonnage before the break, but for now sentiment seems to be sliding in Charterers favour and would expect repeating last done the maximum for their next target.

A week to forget for Handy Owners up in the North as they were unable to capitalize on the momentum they had built from last week's fixing. The tonnage list was clearly in Owners favour and it would have only taken another surge of cargoes at the start of the week and it

could have potentially been a different outcome but unfortunately this never materialized. Charterers trod carefully, leaned on COA partners and covered cargoes under the radar and as the week rolled on, tonnage started to be replenished resulting in TC9 taking a sharp drop to 30 x ws 95 and 30 x ws 90 for X-UKCont. Owners will be hopeful that the shortened week brings with it some pre-festive fixing but expect rates to trade flat as ample candidates are available to Charterers.

Another slow week for the Flexis meaning sentiment must yet again be drawn from the Handies and as a result it is unlikely that any Flexi will be able to achieve north of 22 x ws 120 now for X-UKCont after the softening seen on the 30kt clips. For now, we continue to trade in the shadows of the Handies limiting any rate movements.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

We started this week knowing that Owners had high hopes of making gains. This expectation was delivered as Monday's fresh position list marketed very little in terms of workable units. This in turn gave Owners the upper hand when fresh enquiry came, although we have seen some Charterers barrel up and use larger units where possible. By the end of the week, we saw ws 120 on subjects and repeated. Going forwards, with little tonnage in play up until end December we may well see a further push on rates and some charterers stretch out a little more forward than usual to cover firm early 2021 stems.

The Med, however, has not fared as well as the previous week did. Come Monday this week, weather delays had eased and tonnage replenishment started to tick up. This in turn gave Charterers enough opportunity to claw back some of the gains that Owners made last week. With rates now being traded around the ws 150 level from the Black Sea, and more tonnage starting to firm up, we are likely to see this region remain flat next week.

MR

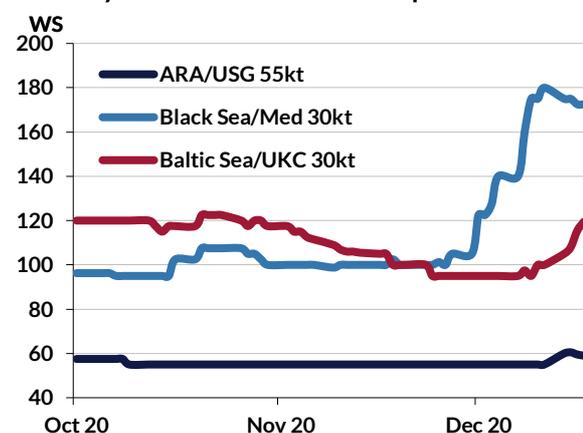
MR availability on the Continent continues to yoyo week on week, with availability being generally thin throughout. This week has been no different, with limited tonnage being available Owners have taken the opportunity to push on levels - their confidence also boosted by the tight handy market offering a reasonable back stop. As we close the week, dates

continue to move on and, with a combination of limited units to cover end month dates and a tight handy market, Owners will be looking for more of the same next week. In the Med this week, MRs have tracked alongside the Handies in terms of enquiry levels for the most part with very few questions being asked. Going into week 52, uncertain itineraries now look to be firming and as such the list is set to look better populated in the natural window.

Panamax

Another week on the Panamaxes where activity is sluggish at best. Despite one Owner finding subs and failing at the previous benchmark of WS55, throughout the week there has been very little to discuss other than where the next transatlantic ballaster will depart from. However, the certainty and availability of well approved units further south may give certain Owners some confidence of maintaining what is on subs today as we hear reports of ws 60 to go transatlantic from the North.

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	Dec 17th	Dec 10th	Last Month*	FFA Dec
TD3C VLCC	AG-China	+1	35	34	26	34
TD20 Suezmax	WAF-UKC	-3	39	42	37	42
TD7 Aframax	N.Sea-UKC	+0	72	72	74	100

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

		wk on wk change	Dec 17th	Dec 10th	Last Month*	FFA Dec
TD3C VLCC	AG-China	+250	15,750	15,500	7,000	14,250
TD20 Suezmax	WAF-UKC	-3,000	4,500	7,500	5,750	6,250
TD7 Aframax	N.Sea-UKC	-1,000	-4,750	-3,750	0	15,500

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Dec 17th	Dec 10th	Last Month*	FFA Dec
TC1 LR2	AG-Japan	+10	90	81	82	
TC2 MR - west	UKC-USAC	-13	71	84	76	80
TC5 LR1	AG-Japan	+9	119	111	82	111
TC7 MR - east	Singapore-EC Aus	+8	123	114	102	118

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

		wk on wk change	Dec 17th	Dec 10th	Last Month*	FFA Dec
TC1 LR2	AG-Japan	+2,750	16,750	14,000	15,250	
TC2 MR - west	UKC-USAC	-3,000	1,250	4,250	3,750	3,000
TC5 LR1	AG-Japan	+1,750	18,750	17,000	10,000	16,500
TC7 MR - east	Singapore-EC Aus	+1,000	9,500	8,500	7,000	8,750

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

ClearView Bunker Price (Rotterdam VLSFO)	+22	383	361	328
ClearView Bunker Price (Fujairah VLSFO)	+17	402	385	356
ClearView Bunker Price (Singapore VLSFO)	+18	401	383	360
ClearView Bunker Price (Rotterdam LSMGO)	+10	423	413	359

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