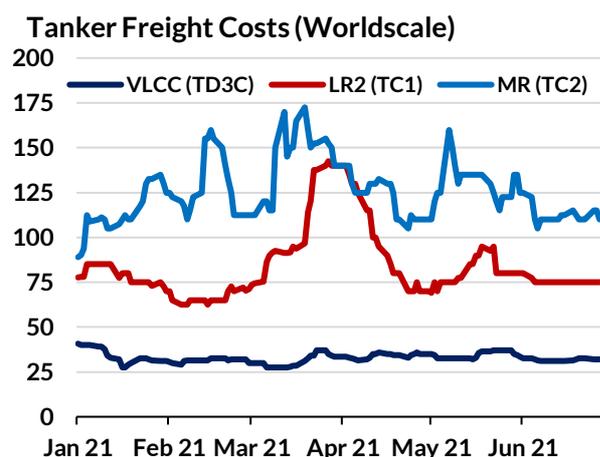


Halfway There

Weekly Tanker Market Report

The 1st half of last year may have seen extreme fluctuations as a result of Covid-19 and the oil price war, with the past six months being rather unassuming in comparison. Nonetheless, 1H2021 witnessed rates and earnings on some trades at lows not seen over the past twenty years. This extreme weakness has certainly given the tanker market some hope to be optimistic that the worst is now behind us. The industry is now much better positioned than at the start of the year, given the successful rollout of vaccines across the developed world and the demand recovery that accompanied it, although rates still remain abysmal.



In terms of consumption, in June the IEA estimated that 2021 oil demand will increase by 5.4mbpd and data suggests that seaborne volumes of crude have increased in recent months. Product demand is also expected to improve as Covid restrictions are eased globally, although this could be uneven amid shifting patterns of consumption both due to the pandemic and the energy transition. Likewise, this improved demand could yet be held back by slower vaccination rates in Asia and the developing world, prolonging movement controls.

The crude tanker market has suffered over the past six months, with typical freight volatility in winter months being a rare event. TD3C struggled to gain ground and hovered in the low-mid 30s, which reflected in dismal VLCC earnings. Suezmaxes performed in a similar fashion, although they had a brief rally off the back of the short lived Suez Canal blockage in late March. Aframaxes too have experienced some volatility due to extreme weather conditions in North West Europe, Mediterranean and the US Gulf but generally earnings have remained in line with the broader tanker market. Owners will be hoping for a change in fortunes moving into the second half of 2021.

Product tankers have fared better in comparison. Atlantic routes benefited from extreme weather patterns earlier in the year and from the Colonial Pipeline outage in early May. East of Suez rates remained somewhat firm until late March/early April, helped by refinery closures/outages and the temporary closure of Suez canal; nonetheless, they too have come under downward pressure in recent months, following renewed infections in Asia. Overall, as the market faced each major and unexpected event, sufficient slack existed to absorb the disruption and limit any expected rate rises.

Regulatory and environmental developments saw the IMO MEPC 76 meeting agree a set of measures to lower the GHG emissions of shipping, although this drew criticism for lacking ambition. Likewise, details will soon emerge on the the EU's plan to include shipping in the Emission Trading Scheme (ETS). How this plays out in practice and the implications for vessel's trading will have to wait to be seen but shows the shift from consultation to policy implementation for shipping in terms of dealing with emissions and it's environmental impact. More is likely to follow.

For oil markets, perhaps one of the most noticeable trends so far in 2021 has been the rally in global oil prices, with Brent and WTI now firmly above \$70/bbl. However, ultimately this does not necessarily suggest strength in oil demand and simply reflects the ability of OPEC+ to limit production. Whilst the recent disagreement among OPEC+ members to agree new output limits could yet drive the oil price further, particularly if demand continues to recover strongly. Higher oil prices are likely to support non-OPEC production, particularly in the US and there is emerging evidence this is already happening despite financial constraints and growing environmental pressure. The IEA estimates show the US oil supply could grow by 1.2mbpd over the next 18 months.

Looking ahead, many will hope improving oil market fundamentals translate into an upturn in tanker rates. Tanker values are on the rise, with VLCC newbuilding prices the highest since May 2014. With scrap prices also at their highest since September 2008, this should aid demolition, although activity here has been unexpectedly low so far this year. Hopefully, the damaging effect of Covid-19 on oil demand will fade with time; nevertheless, the industry will continue to face the challenges ahead in terms of the environment and emissions.

Summary Table - Market & Fleet Data

		Jun-20		Jun-21		2021 YTD	
		WS	TCE/day	WS	TCE/day	WS Low	WS High
Rates	(TCEs at 'market speed')						
VLCC	Middle East - Ningpo	51	\$ 45,500	32	\$ -2,750	27.5	41
Suezmax	West Africa - UKCont	49	\$ 17,500	49	\$ -250	37.5	80
Aframax	North Sea - UKCont	73	\$ 2,250	97	\$ 1,250	75	120
LR2	Middle East - Japan	85	\$ 18,000	76	\$ 1,500	62.5	142.5
LR1	Middle East - Japan	82	\$ 11,250	89	\$ 3,000	70	140
MR	UKCont - USAC	98	\$ 9,750	115	\$ 2,500	89	172.5
		Mid 2021					
		Fleet Size					
VLCC		837					
Suezmax / LR3		628					
Aframax/LR2		1070					
Panamax/LR1		462					
Handysize / MR		2167					
Tanker Firm Orderbook (25kdwt+)		439		58.45m dwt			
		Jun-20	Jun-21				
Brent Oil Price		\$ 41.15	\$ 75.13				
		Singapore	Rotterdam				
Bunkers 0.5% VLSFO (end Jun)		\$ 547.00	\$ 533.00				
		2020 (May)	2021 (May)				
World Oil Production (000 b/d)		88,810	94,280	6.16%			
OPEC crude production (000 b/d)		24,090	25,430	5.56%			
Non OPEC (000 b/d)		59,700	63,510	6.38%			
World Oil Demand (Full Year) (000 b/d)		91,720	96,390	5.09%			
		India	Pakistan				
Tankers Demolished (25,000 dwt+)		52	4.59 dwt				
Scrap Prices		\$545	\$573				
VLCCs sold for scrap number /dwt		4	1.2 dwt				

Crude Oil

Middle East

VLCC Owners have never had any real concrete opportunity to formulate any kind of a recovery, even with a steady flow of fixing albeit the majority being under the radar. The weighty position list has kept any kind of optimism in check, with last done on a modern VLCC to the East being 270,000mt x ws 31.5 and we estimate a voyage West around 280,000mt x ws 18.5. A slight uptick in Suezmax activity but, due to increased availability of tonnage, levels have further softened to 130,000mt x ws 52.5 East and ws 30 to the US Gulf via the Cape of Good Hope. Last paid from Basrah to Europe is 140,000mt x ws 29 and next week we expect lower to be paid. A quieter week for Aframax in the East. Subsequently, rates have started to inch down, with AGulf-East sitting at just a touch below 80,000mt x ws 90. With prompt tonnage around, it's hard to see much change to this trend in the short term.

West Africa

Higher bunker prices have strengthened VLCC Owners resolve and rates have taken a small compensatory shift up. Last done East was a lowly 260,000mt x ws 33.5, with rates unlikely to shift too much from this going into next week. Suezmax tonnage has seen more opportunities this week but fixtures in the first part of the week were concluded at lower levels than last week. Owners' sentiment is now slightly stronger and they are looking to push rates back up to 130,000mt x ws 50 to Europe.

Mediterranean

A busy week on Aframax again, which goes to show by how much the market is over tonned when rates struggle to move too far. The prospect of a busy CPC window gave Owners something to plan for and, although half of the window passed with very little to write home about and rates moving from 80,000mt x ws 87.5 to ws 90. One slightly less Vanilla cargo found few takers and settled on at ws 100, now fully fixed. There will be arguments about how much that will be benchmarked for next stems but in the least the Owners feel in a much healthier position and only have to keep an eye on a weaker UKCont market for added competition for certain stems. Suezmax Charterers have been quietly picking off tonnage this week as they are aware that the availability of tonnage has been better balanced. Malta to Singapore has been concluded at \$1.685 million and 135,000mt x ws 40 for a Ceyhan to EC Canada voyage.

US Gulf/Latin America

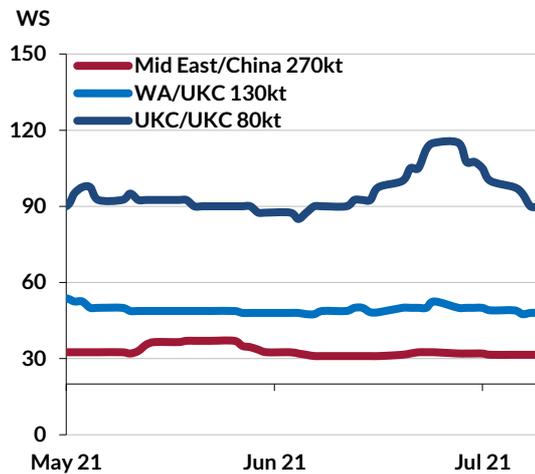
What minimal gains achieved last week by Aframax Owners were quickly snatched back by Charterers as a lull in enquiry gave the chance for tonnage availability to again build. Last done transatlantic rates 70,000mt x ws 67.5 and sub ws 80 for the short haul run. VLCC Owners would have been slightly concerned over the lack of interest throughout the week but some tender enquiry has at least added some spice to the market. Definitely needs more if we really are to

see things hot up but for now Owners can only deal with the dish that is served up to them. Last done for a voyage to the Far East is just under \$4 million.

North Sea

A week to forget for northern Aframaxes. 13 offers on the one market Baltic cargo was the pressure that caused the avalanche. We're back down to ground zero and it is well and truly a summer lull for this region. The light at the end of the tunnel for next week might be the lack of relets, which have been utilised for own programme (one of the reasons we are where we are). However, this may be clutching at straws, currently rates stand at around 80,000mt x ws 90 for a generic X/UKCont and 100,000mt x ws 60 ex Baltic.

Crude Tanker Spot Rates



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

Clean Products

East

A poor week overall for the LRs but LR2s did see a little sliver of light for the westbound route at least. 75,000mt naphtha AGulf/Japan has remained rooted at ws 75 and is still stuck. Whereas 90,000mt jet AGulf/UKCont is now up at \$1.70 million and Owners for West runs are harder to find. Having said that, overall tonnage still remains and Reliance had 8 offers for their ULSD stem!

LR1s have struggled all week for any volume and have resorted to taking MR shorthauls to fill the gap. 55,000mt naphtha is still below ws 80 but mainly done on compromised ships due to age or recent drydock. A fully approved and modern unit is likely to be nearer ws 82.5. 60,000mt jet AGulf/UKCont is still at \$1.30 million and, until we see more product going that way, it will go nowhere.

For now, the LRs are just lacking pure volume and rates are being held back accordingly. It may take only a slight upshift of activity to see gains, especially on LR2s, but July may be too soon.

Another very dull week in the smaller segment in the Middle East. Long haul has been tested, but at these bottom levels there is only more fat to be strip away. AGulf/Continent on subs at \$950k, and TC12 at ws 82.5, although last Veg demanding a discount. EAF remains at 35 x ws 135, another very flat rate. Overall, there is very little pressure on Charterers to move quickly. When we return on Monday the list will be longer and sentiment will still be rock bottom.

Mediterranean

More of the same this week on the Handies, with rates cemented to the floor at the 30 x ws 120 mark for X-Med. The bunker price is still extortionate in Owners' eyes and so expect them to continue digging their heels in, even when the tonnage list is well supplied. Ex Black Sea, depending on vessel position, there are opportunities for discounts but the majority still see Black Sea/Med at the 30 x ws 130 mark. A bit more activity has been seen on Friday, although nothing to write home about and so expect next week to remain at the bottom.

The MRs in the Med have been a bit of an up and down in terms of rates this week. For the best part of the week, Med/Transatlantic levels have held a premium on TC2 rates, with the tonnage list looking a little tighter than in the UKCont. 37 x ws 122.5 and 37 x ws 125 both went on subs midweek but unfortunately for Owners both these stems failed. Since then, the true extent of the list was shown as a market quote achieved 37 x ws 117.5 Transatlantic and TC2 slipped back to the 37 x ws 115 mark. However, the good news for Owners today is that we have seen an influx of fresh enquiry enter the market, which should give Owners confidence in being able to keep rates holding steady or potentially even push for more.

UK Continent

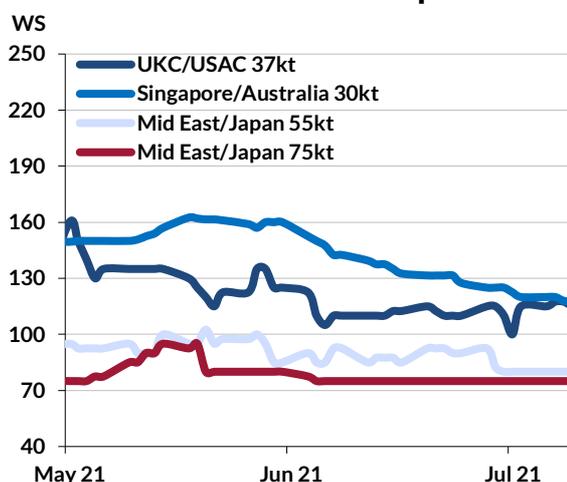
A rather placid week has passed for the MRs in the Continent, where despite Owners best efforts, the majority of fixing this week has been last done as rates continue to kick the can down the road. Enquiry levels started strongly, which gave Owners a glimpse of promise by the halfway mark with TC2 sat at 37 x ws 117.5. But a couple of damp days passed and come Thursday we were back, despite a couple of higher numbers, at 37 x ws 115 for transatlantic and the less tested WAF sitting around 5 points higher. Friday gives us a good number of outstanding cargoes but, with prompt tonnage still available, so far Charterers haven't struggled in holding firm at present levels and heading into next week expect more of the same.

Summer markets prevail for Handies plying their trade up in the North, as supply continues to outweigh demand. Freight remains stuck in the mud (since late April) and it remains difficult to justify how Owners can change their fortunes looking at current market fundamentals. Prompt tonnage is scattered all over the region and the weekend break will only see more units recycled onto our tonnage lists. TC9 closes the week at 30 x ws 120, 30 x ws 115 for X-UKCont and 30 x ws 85 for UKCont/Med. Flat.

All in all, another quiet week in this UKCont Flexi market, with cargo enquiry on the slow side throughout. With little action to report over the course of the week, rates here on the 22kt size have

continued to fall in line with their 30kt counterparts, with the call for a X-UKCont run remaining stagnant at the 22 x ws 150 mark throughout. With the summer markets in full flow on both the Flexis and Handies, much of the same can be expected here going forward.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

Considering how week 26 ended with many units taken out of the tonnage list, it comes as no surprise that when enquiry came on Monday morning, Owners with firm units made gains. The push and the resulting climb in rates, however, has not been as meteoric as many had hoped, considering the developments in the Med, which cooled enthusiasm, with itineraries steadily firming allowing tonnage to be drip fed to the market. On occasion though, where tonnage with tight dates were worked, spikes were seen. Again, however, dates have naturally shifted into last decade, dampening attempts to raise the bar. Still, on the Continent with ws 137.5 on subs, the expectation is that come Monday and cargo flows continue, ws 140's will be a well justified level.

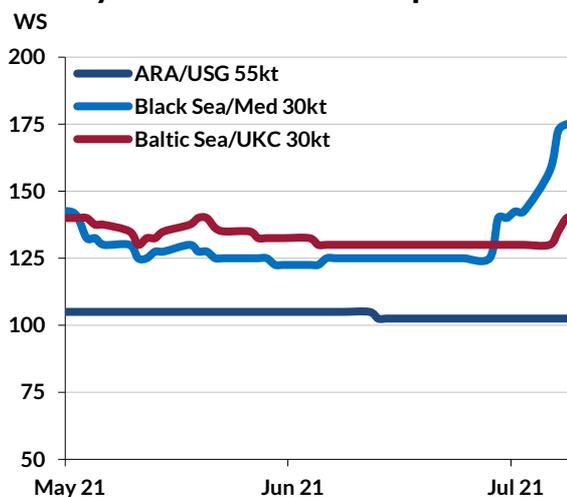
MR

With the Handy market receiving an injection of activity, MRs were immediately given a boost. In fact, rates moved positively in the Med without a fixture being done to support theoretical benchmarks. Soon, however, the activity did come to market, with tonnage in the Continent being quickly absorbed and rates moving positively against a draw on availability. The immediate outlook ahead should remain positive as it will take some time for recent units to reappear, however, we will fall short of saying that there is real confidence in the market.

Panamax

Valliant may be trying to hold a line in the market but there comes a time at which you have to do what is right for the ship. This week Panamax levels have aligned to the reality where it is harder to make any difference between Aframax and Panamaxes on a prorated basis. Unfortunate as this is, such pressure is hardly a new issue but at least with this correction we may be afforded more opportunity to get 55kt bottoms fixing once again.

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	Jul 8th	Jul 1st	Last Month*	FFA Q3
TD3C	VLCC	AG-China	+0	32	32	31	35
TD20	Suezmax	WAF-UKC	-2	49	51	48	52
TD7	Aframax	N.Sea-UKC	-9	93	102	91	95

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

			wk on wk change	Jul 8th	Jul 1st	Last Month*	FFA Q3
TD3C	VLCC	AG-China	+1000	-3,250	-4,250	-3,250	1,000
TD20	Suezmax	WAF-UKC	-500	-500	0	-750	1,000
TD7	Aframax	N.Sea-UKC	-8500	-3,750	4,750	-2,500	-3,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Jul 8th	Jul 1st	Last Month*	FFA Q3
TC1	LR2	AG-Japan	+0	75	75	75	
TC2	MR - west	UKC-USAC	+5	117	112	106	123
TC5	LR1	AG-Japan	-2	79	81	86	92
TC7	MR - east	Singapore-EC Aus	-5	117	122	145	147

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

			wk on wk change	Jul 8th	Jul 1st	Last Month*	FFA Q3
TC1	LR2	AG-Japan	+750	1,500	750	1,500	
TC2	MR - west	UKC-USAC	+1000	2,000	1,000	1,000	3,000
TC5	LR1	AG-Japan	+0	500	500	2,500	3,500
TC7	MR - east	Singapore-EC Aus	-250	1,500	1,750	6,250	6,250

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

ClearView Bunker Price (Rotterdam VLSFO)	-12	521	533	507
ClearView Bunker Price (Fujairah VLSFO)	-9	537	546	523
ClearView Bunker Price (Singapore VLSFO)	-16	531	547	528
ClearView Bunker Price (Rotterdam LSMGO)	-20	575	595	574

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