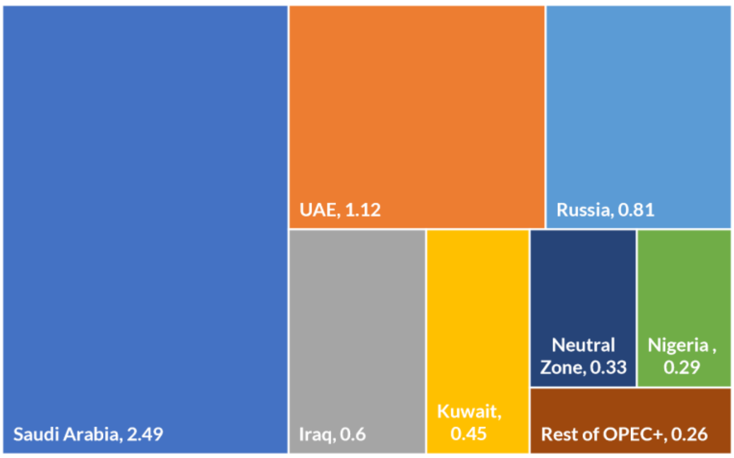
OPEC Agreement?

Weekly Tanker Market Report

So, after several weeks of behind the scenes talks and political wrangling, the OPEC+ alliance has once again found a way forward in its quest to manage oil supply. The disagreement centered on production baselines from which OPEC+ cuts were assessed, with the United Arab Emirates (UAE) feeling its baseline had been set too low and demanding an increase, with a compromise eventually being found. The final agreement gave the UAE much of what it sought and paved the way for the group to supply an additional 400,000 b/d crude every month from August until December, which has already helped cool oil markets and give hope that the tanker markets might finally start to show a gradual improvement.

The new monthly production levels will cumulatively add 2 million b/d through to the end of the year, with the plan for 2022 still to be determined. In fact, there is around 3.8 million b/d of cuts still to be unwound after December. The new agreement also extends the groups supply management pact by eight months compared to the previous deal. However, nothing is set in stone. With OPEC+ extending its working agreement until the end of 2022, the group has signalled its intent to manage production levels in response to changing demand dynamics, which could lead to both upwards and downwards revisions. The primary driving force will be the path of the pandemic and with many Western economies putting their successful vaccination programmes to the test, the next few months will be key in determining whether high vacciation rates can fend against renewed movement controls. Supply driven factors also need to be considered, including additional supplies from Iran or Venezuela, should sanctions relief be attained, or rising output from non-OPEC+ sources. Then, there is the issue of discontent within the group itself, namely that of quota allocations whose members collectively hold 6.35 million b/d of spare capacity.

OPEC+ SPARE CAPACITY AS OF JUNE 2021 Source: Platts



Under the terms of the deal, the UAE which has invested heavily in recent years to increase its production capacity gets to increase output by 332,000 b/d starting in May 2022. It also allows Saudi Arabia and Russia to increase volumes by 500,000 b/d each from their baseline, while Iraq and Kuwait will be allowed a 150,000 b/d rise each. However, the saga may not be over yet with both Nigeria and Algeria now also seeking to adjust their own baselines higher making the next OPEC+ meeting on the 1st of September one to monitor closely.

Despite the increased production, OPEC+ output is still likely to fall short of demand for their crude. Indeed, the IEA reported that OPEC+ production during June was 40.9 million b/d, which was 1.4 million b/d below the call on its crude for the month. The IEA also highlights that despite increased production ambitions, some members may be unable to increase output significantly. They highlight that Russia has never pumped anywhere close to its baseline of 11 million b/d, its highest level of crude oil output was 10.6 million b/d in December 2018, whilst production in countries like Angola and Nigeria has also been under pressure in recent years.

Nevertheless, OPEC+ production increases are always music to tanker owners ears. Assuming production levels increase across the member states, then demand for the larger sized tankers is anticipated to increase, albeit gradually. As always, it's all eyes on OPEC.

Crude Oil

Middle East

VLCC rates have started to nudge up from the previous lows as Charterers concentrate on their 1st decade August requirements. Modern availability is starting to thin a little which should be a key ingredient to strengthen sentiment and as we head to the weekend levels currently hold at 270,000mt x ws 31.5 for Eastern destinations and we estimate levels of 280,000mt x ws 18.5 to the US Gulf. After last week's rebound another eerily quiet week and Suezmax Owners have had to again defend last done levels with AGulf/UKContMed paying 140,000mt x ws 26-27 and 130,000mt x ws 52.5 levels to the East. After a long difficult period Aframax Owners finally have something to sing and dance about in the AGulf, although sadly the party looks short lived as Suezmaxes will keep rates in check. A sudden spurt of activity has cropped the list, which has helped strengthen Owners resolve with rates for AGulf-East currently sitting at 80,000mt x ws 95 level.

West Africa

A conference rate of 260,000mt x ws 34.5 was repeated a few times this week for a generic WAF/China run on a forward date and it is difficult to see how things are going to change too far from this as availability should keep levels rangebound into next week, although any Eastern ballasters will be keeping a close eye on how the US Gulf market fares after the latest shift in rates there. Suezmax supply is as tight as it has been in recent weeks, however, Charterers have put on the handbrake to allow tonnage to build up for next week. Although, with few Owners committing to ballasting into the region 130,000mt x ws 52.5 should still be achievable to Europe and ws 57.5 for East.

Mediterranean

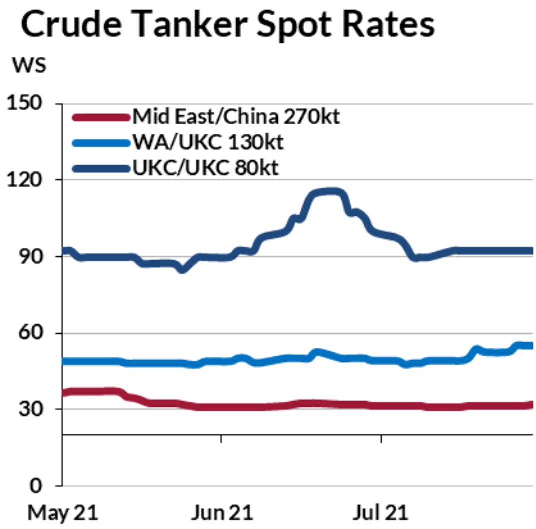
A quiet Friday to what has been a fairly active week in the Mediterranean and Black Sea for Aframaxes. We all thought the market had legs to push on but the duo of weaker units and Suezmax tonnage dipping into some Aframax stems has kept a leash on further movement, with levels holding at around 80,000mt x ws 90 for a generic X-Med run. Looking ahead, the trend is sideways which seems an injustice given positions remain tight. A drab week with little done to thin out a front-heavy Suezmax list. Short haul destinations remain very popular with 130,000mt x ws 55-57.5 achievable for X-Med and no more than 135,000mt x ws 60 for a Black Sea/Med run. Supply of Med/East ships is in slightly shorter supply, however, last done rates remain the target for Charterers at $2.35 million for Black Sea/South Korea.

US Gulf/Latin America

Some Aframax transatlantic entertainment took away some prompter units but there was never enough to really alter the dire situation Owners continually find themselves in and with that rates remain anchored to the floor, which stands at 70,000mt x ws 70 for transatlantic and around 70,000mt x ws 80 for a short haul run. On the flip side, VLCC rates are starting to look a lot more attractive to the Eastern Ballaster after the latest bout of fixing has seen last done levels move to US$4.1 million for a Far Eastern voyage, with the likelihood of further increases to come, provided we see Charterers remaining hungry for more.

North Sea

After a bit of mid-week excitement, the Northern Aframax market returned to what has become the status quo so far this summer. X-North Sea stays trading at around 80,000mt x ws 95 and Baltic around 100,000mt x ws 60-62.5 region. Next week looks set to continue the trend with little likely to stimulate the market in the short-term.



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

Clean Products

East

LRs have had a disappointing week after making positive progress in the previous period. Rates are not quite back at the bottom but are only just a touch better. Volume has been down and although the LR2s are reasonably short of tonnage, there just isn't enough enquiry to take advantage. 75,000mt naphtha AGulf/Japan had risen to ws 90, but will be down at ws 85 in short order. 90,000mt jet AGulf/UKCont threatened \$1.90 million but has since dropped back to \$1.75 million. If next week starts with any volume at all, rates could bounce but there seems little expectation of that.

LR1s have similarly struggled. Although they have been fairly busy, the long list was always going to take a toll and whilst Owners have tried, rates have dropped away. 55,000mt Naphtha AGulf/Japan is now ws 85 after briefly breaching ws 90. 60,000mt jet AGulf/UKCont is down to \$1.30 million again down from Owners ambitions nearer \$1.40 million. This was a strange week with a big public holiday but volumes are nowhere near where they are needed to see any real movement.

Plenty of MR business is being done off market; Owners keen to keep ships busy and rates private with the view of reducing the length of the list for August and it is slowly working. The pickup in the Far East should mean fewer Singapore ballasters and the list will look thinner on Monday thanks to the vast majority of this week's fixtures discharging EAF/West/East (if fixed). TC12 as such still provides a more attractive prospect than SAF, the busier North potentially giving you a cargo; discharging in Durban not so likely. (n.b. LR1s will cap any significant push Owners think they can make on TC12). In summary, a busy week for the MRs given the Eid holidays. Owners will hope next week brings the return of normal activity from Aramco and some steadying of rates.

Mediterranean

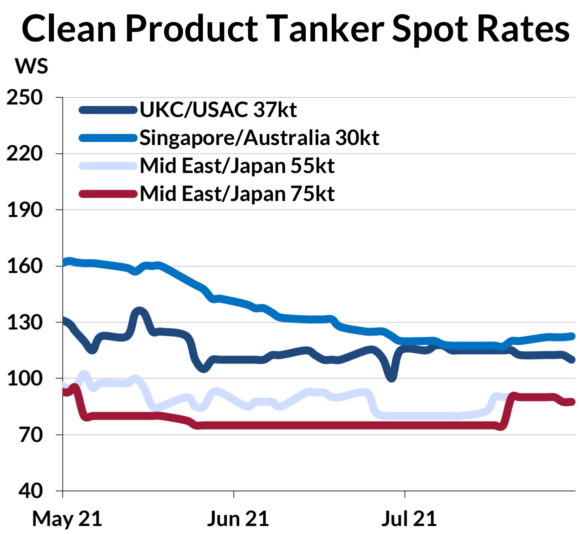
More of the same during week 29, with rates cemented firmly at the bottom at the 30 x ws 120 mark for X-Med. The Owning contingent have held strong this rate with no rates sub this number although standard plus 10 premiums for Israel/Black Sea loads have seen this number shaved. The list was in better shape than previous weeks come Friday but, with fixing window tonnage still healthy and cargoes on the thin side there is little Owners can do to justify moving north of this. More of the same is likely next week.

Compared to the Continent we see little action here in the Mediterranean for the MR sector and any premiums we had seen in previous weeks have been chiselled away. East runs are non-existent leaving limited options for the Owning fraternity and, with Handies similarly scraping the bottom of the barrel it seems unlikely things will jump any time soon. Expect much ballast tonnage to set sail for the UKCont with a good clear-out seen this week as we await the inquiry to flow here in the Med.

UK Continent

A relatively active week passes for the MRs on the Continent as Charterers were able to feast on the ample tonnage list without seeing any real change to fixing levels. Transatlantic has consistently been fixed between 37 x ws 110-112.5 with the quieter WAF runs still managing to pull a 5 point premium, but Owners will certainly feel more comfortable now a good amount of weight has been removed from the top of the list and another glut of enquiry could pull things in a positive direction, or at least stop the rot. That being said, tonnage is still available, and a quiet Friday will certainly dampen some hope leading into the weekend with the ratio of fixing/failing crucial to how Monday morning sentiment lands.

It has been a busier week for Handies up in the North, which has seen the vast amount of prompt units cleared from our tonnage lists. The Baltic has been active under the radar with Charterers leaning on their COA partners as they covered early August dated cargoes and partnered with improved demand for UKCont/MED a healthy number of units have been cleared from the region, which will only be good for next week's fixing window. TC9 for the most part of the week has traded at 30 x ws 120 but, with the list tightening and still a few cargoes to cover, there does seem to be potential bubbling to the surface here.



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

Dirty Products

Handy

In the North this week the market has fared well once again, where off the back of last week's sustained firming, tonnage replenishment has yet to take place. Enquiry has been drip fed for the most part, however, some cargoes have been forced to look at alternative sizes as the early window simply didn't have the stock of tonnage needed. As a result, we have seen Charterers stretch further forward than the usual natural window to allow for itineraries to firm and also to bring in to play ballast tonnage from the West Med. We close the week with Owners holding all of the cards still with the added caveat that the West Med has also seen a clear down in units. Should enquiry flow come Monday, there is no doubt those with firm units to fix will be looking to achieve at least an extra few points on current levels.

In the Med levels have also continued to firm, however, to what extent an Owner can push has been determined by voyage specific requirements and dates. Prompt tonnage has been kept busy with enquiry and despite a mix of fixing and failing throughout the week, the market has been devoid of 'easy targets', which in some weeks offer a reprieve where others are beyond bullish. The market has seen a steady flow of cargoes from the Black Sea where we now see early August dates come in to play, which brings in tonnage from the central Med to compete. Come Monday, expect to start the week with Owners still in the driving seat should enquiry from all corners of the region continue.

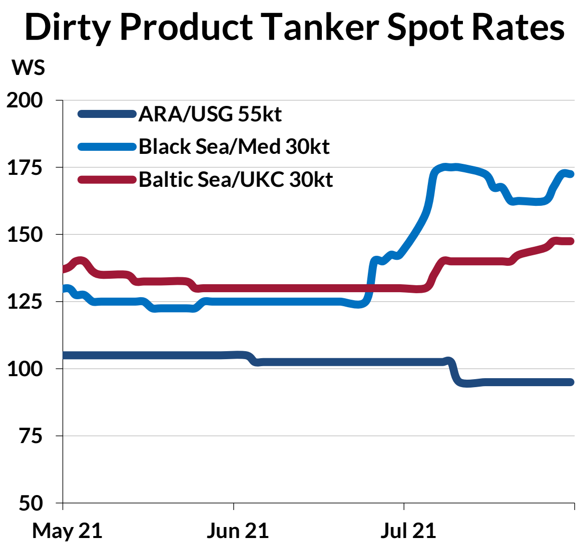
MR

With the North largely devoid of tonnage for the best part of the week there is very little to report in terms of firm activity. With a couple of Charterers asking questions across a range of sizes for the same cargo it is hard to say exactly where the levels should be, however, one thing is certain – the first units up will be looking to push on from last done and ride the coat tails of the firm Handy sector.

Likewise, a similar story is playing out in the Med, where levels on the Handies are offering MR Owners a viable back stop while full stem enquiry has been limited. On the face of it, levels on the MRs should come in line with the firming on the Handies, however, once again this is largely dependent on the variables at play. Come Monday prompt tonnage is expected to top the list for the MRs so expect to see Owners once again looking at back stops to keep moving.

Panamax

Rumblings of activity earlier in the week has seen some green shoots of life in the Panamax market over the last few days trading. Despite these questions offering mostly localised activity it has to be said that Owners being asked specifically for a Panamax and not to fill a gap with part cargo has bought a refreshing feel to a market that for too long has been suppressed and over looked. One longer-haul transatlantic fixture is in the books and while levels are still battling against the firm Aframaxes, having one less unit on the list this side of the pond can only help going forward.



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Jul 22nd	Jul 15th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+0**	32	32	33	35
TD20	Suezmax	WAF-UKC	**+3**	55	52	52	54
TD7	Aframax	N.Sea-UKC	**+1**	94	93	113	94

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

			wk on wk change	Jul 22nd	Jul 15th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+1000**	-3,500	-4,500	-2,750	0
TD20	Suezmax	WAF-UKC	**+2000**	2,750	750	1,250	2,500
TD7	Aframax	N.Sea-UKC	**+2000**	-2,750	-4,750	11,750	-3,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Jul 22nd	Jul 15th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**-1**	87	88	75	
TC2	MR - west	UKC-USAC	**-2**	112	114	110	121
TC5	LR1	AG-Japan	**-4**	86	90	88	93
TC7	MR - east	Singapore-EC Aus	**+5**	125	120	129	137

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

			wk on wk change	Jul 22nd	Jul 15th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+250**	5,000	4,750	1,000	
TC2	MR - west	UKC-USAC	**+0**	1,500	1,500	1,250	3,000
TC5	LR1	AG-Japan	**-500**	2,000	2,500	2,250	3,500
TC7	MR - east	Singapore-EC Aus	**+1000**	2,500	1,500	3,250	4,500

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

ClearView Bunker Price (Rotterdam VLSFO)	**-18**	510	528	521
ClearView Bunker Price (Fujairah VLSFO)	**-21**	520	541	540
ClearView Bunker Price (Singapore VLSFO)	**-10**	539	549	541
ClearView Bunker Price (Rotterdam LSMGO)	**-18**	573	591	591

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