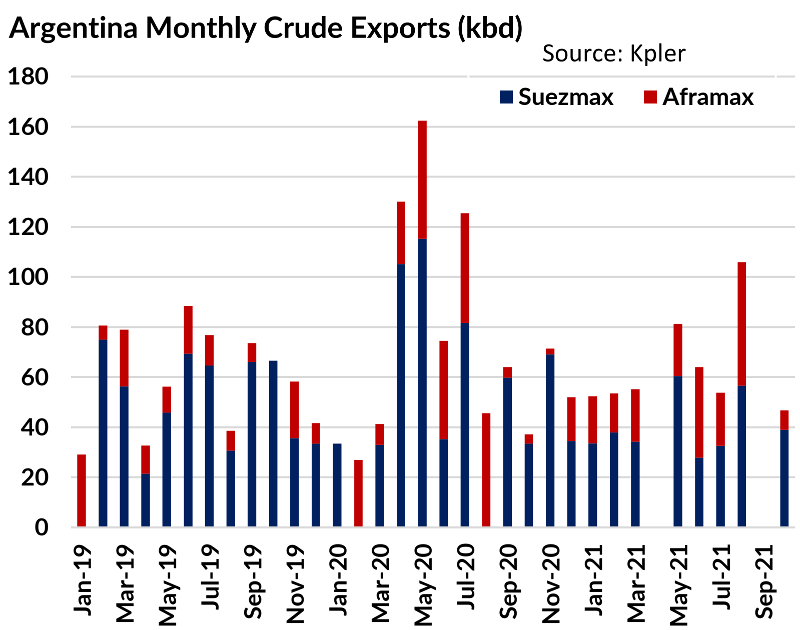
Patagonian Opportunity

Weekly Tanker Market Report

An often-overlooked part of the global shale picture is Argentina's Vaca Muerta (Dead Cow) field; currently the world's second largest commercial shale formation with an estimated recoverable 1.6 billion bbls of crude oil and 308 trillion cubic feet (Tcf) of associated natural gas. Recent years have seen Argentina's crude export volumes limited following the collapse in oil demand linked to Covid-19, poor export infrastructure and an unfavorable business environment compounded by ongoing macroeconomic instability. Argentina is not by any means a major energy exporter compared to other local producers such as Brazil or Venezuela. However, improving energy market fundamentals and increased investment could boost Argentine crude and natural gas production moving forward.



As the global demand picture improves, there is growing capacity in the Vaca Muerta field. Currently just 45 rigs are active, but this number is set to expand in the coming months as the global demand picture improves. A key benefit for operators is access to the latest shale technology pioneered in the US market at a time of rising efficiency and well productivity. Both of which are positive for the development of the field and the region more broadly.

Whilst the exact production breakeven levels are unknown, estimates by Rystad Energy place them in line with US Shale. It would not be unreasonable to assume Vaca Muerta break-evens in the range of $30-$40/bbl when considering the less developed nature of production in the country. Based on this assumption, oil firmly above $80/bbl should produce positive net cashflows after accounting for the required CAPEX to raise production as sufficient profit margin per barrel will create value for investors in these well projects.

Another positive factor is rising natural gas prices. Vaca Muerta has significant LNG potential. Compared to the US shale sector, which benefits from abundant existing infrastructure to support regional demand; Argentina producers are at an earlier stage of infrastructure development in the region. As in the case of the shale oil, rising gas prices should help unlock additional investment in the required facilities such as gas pipelines to transform Argentina into a larger LNG exporter. However, this would require a much higher level of investment to finance expensive LNG export infrastructure. In both cases, Argentina would need to embark on a program of major reform to create a business environment receptive of international investment based on transparency, clear rules, and stability. Whilst some steps have been taken to address these issues, much more is required and will continue to hold back the export potential of both Argentine crude and LNG at a time when the global market is experiencing a supply squeeze.

Any increase in crude exports loading out of Argentina would be positive for Suezmax and Aframax tankers and provide additional support for the Atlantic tanker market. However, these rising production volumes are still from a relatively low base compared to alternative load areas such as Brazil and West Africa. Likewise, Argentina would need to build up and maintain a decent and stable quantity of crude exports for Atlantic tankers to benefit over the long term. Despite these positive improvements, Argentina still has a long way to go in realising its export potential.

GIBSON SHIPBROKERS

Crude Oil

Middle East

The week started on a promising note for VLCC Owners with availability more balanced and the signs were that rates would continue a trajectory that had some longevity. Unfortunately for Owners with a slowdown in enquiry, rates have started to level off and now Owners are on a more defensive footing. Last done AGulf/East holds at around 270,000mt x ws 46.5 with a voyage West estimated at around 280,000mt by ws22.5 to the US Gulf. Suezmax activity has been light this week with the exception of short haul cargoes to India. Owners have been able to maintain levels at 140,000mt x high ws 40's to Europe and 130,000mt x ws 75 East. Aframax rates have climbed this week due to Owner sentiment, a firm Mediterranean market and a busy flurry of activity. Rates close the week in a firm position at 80,000mt x ws 112.5 for AGulf-East.

West Africa

VLCC rates have remained range bound throughout the week with Owners never having enough to really put any increased pressure on Charterers, if anything, rates are now looking a little 'toppy' as other areas provide no viable alternative. Levels currently remain at 260,000mt x ws 48 to China, with Owners hoping that Charterers wake from their slumber next week. Suezmax Charterers, this week, have benefited from ample supply of tonnage coming open in the area which has put pressure on levels. Rates have bottomed at 130,000mt x ws 67.5 to the US Gulf. Rates currently stand close to ws 75 to Europe and ws 85 East.

Mediterranean

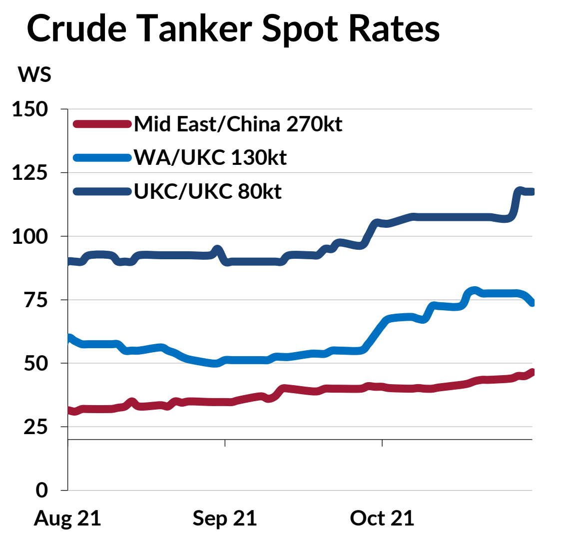
Another solid week for Aframax Owners. The market was well poised and no-one would have suggested rate erosion by Charterers would have been possible but most considered that last done would represent a good effort this week. However, a couple of tight replacement cargoes allowed rates to push on into the mid to high ws 130s for Med and Black Sea voyages. Owners wisely used those fixtures as footholds and, with Turkish Strait delays getting longer in the short term, were able to repeat levels very close to those replacement highs. Weather delays and increased Black Sea transit times are propping up a quiet Suezmax market. A Mediterranean/US Gulf cargo received multiple offers and pushed rates down to 130,000mt x ws47.5. Suezmax tonnage may now benefit from seeing Aframax stems now that they are the more competitive option for transatlantic cargoes. Cargoes to the East have been in short supply this week, with a STS Malta to Singapore cargo paying $2.4 million, however that vessel required a cargo to the East for dry docking.

US Gulf/Latin America

Aframax Owners were initially able to hold on to the modest highs achieved last week as Charterers continued their pursuit of tonnage. The draw of ballasters coming from across the pond has put increased pressure on Owners with some inevitable reductions as the week progressed. Short haul runs have shifted down to around 70,000mt x ws 125, with a voyage transatlantic at 70,000mt x ws 110. VLCC interest has remained relatively quiet all week, with few questions being asked. Naturally placed tonnage is limited so the reliance on Eastern ballasters will keep levels from dropping off too much which currently stands at $5.5 million for a voyage from US Gulf to China or South Korea.

North Sea

A decent week for Aframax tonnage as returns finally revert to positive earnings. X-North Sea is trading at 80,000mt x ws 117.5 and Baltic to UKCont at 100,000mt x ws 87.5. Sentiment has shifted and Owners are being more bullish with higher rates likely on the horizon. Chirpier Owners in region for the first time in a while.



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

Clean Products

East

A disheartening week for Owners as the hope and expectation of a bullish market didn't come to play. Ground has not been lost though, and next week will likely see rates hold here as long as the cargo flow continues. $/mt still makes much more sense on LR2s both East and West, but the short hauls and EAF should keep MR Owners occupied. Singapore earnings are on par with TC12, as such we shouldn't see a huge amount of ballasters making the move from Singapore, and only true FE players will be keen for East cargoes next week. Sentiment remains steady and Owners hope the Q4 push is just around the corner.

An active week in the LR segment; the LR2s have really thinned out and although there's been no real movement in rates just yet, there was a hefty build-up of tonnage to clear first. AGulf/UKCont has pushed up to $2.1 million and will see further increases in the new week, likely to $2.25 million. TC1 is trading at ws 92.5 but will push further towards ws 100. It is interesting to note that the West is active, ARA/WAF has pushed 10 points and is looking active. The DPP segment also looks decent and you will see some tonnage dirtied up to take advantage of the earnings on offer. This will conversely push Red Sea loading LR2 cargoes, so next week will be interesting.

The LR1 segment has also had a busy week, with very few candidates left willing to go West. BP really struggled on their New Mangalore lifting, and only by good fortune that CSSA dropped Hafnia were they able to put them on subs direct at $1.8 million basis UKCont (100k on last done levels). TC5 trades at ws 130 but likely pushes in line with a stronger Westbound level. Triangulation tactics will keep these East runs more popular amongst the masses so we would expect a dampened push, albeit a push nonetheless.

Mediterranean

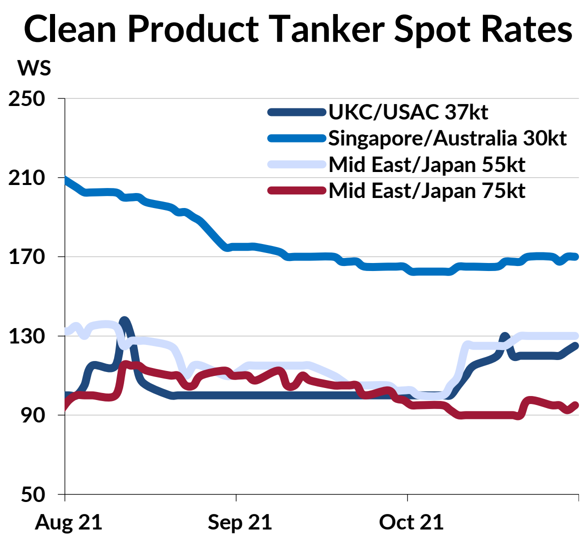
Unfortunately for Owners the lists pulled on Monday morning set the tone. With 12 prompt ships littered across the Med, it was only one direction rates were going to go. 30 x ws 155 for a Med/UKCont run was the beginning of the slip in rates and at the time of writing, X-Med is now trading at the 30 x ws 145 mark. Owners will argue this is the bottom due to the current bunker price but expect Charterers to keep the pressure on especially following the weekend after the list has replenished. Black Sea rates have managed to trade at a premium of higher than +10 this week due to the increased Turkish Straits delays. However, by and large rates have been driven by Med sentiment and although a 3-4 day delay northbound through the straits would normally see rates rise, we've seen the opposite and 30 x ws 155-160 is the current going rate ex Black Sea dependent on vessel position (with Black Sea openers warranting slightly less). With paper trading at the 30 x ws 154 mark for November, Owners will be hoping that next week brings them off this floor and back into the ws 150s.

After a slow start to the week for the Med MRs which saw little enquiry and rates trading just above TC2 (37 x ws 122.5 Med/transatlantic) we now see some life in this sector. The back end of week 43 has seen a good influx of cargoes into the market as well as improvements ex UKCont, which has heightened Med Owners ideas. With the list in the Med slightly tighter than the UKC, expect Owners to try and push for the 37x ws 135 mark next but with the weekend approaching we could see any gained momentum halted by Monday's fresh tonnage list.

UK Continent

Owners find themselves ending week 43 on a high, as we saw a couple of trickier stems get caught out yesterday and the positivity generated from an improved States market came to play. We started things off in the first half of the week ticking along gently at 37 x ws 120 for TC2, with the increased bunker prices causing this market to have a higher bottom line. With some improvement on the larger LR sector and ample under the radar deals done limiting tonnage, once we saw the US market improve any potential ballaster set sail for the US Gulf, which clipped Charterers bargaining power. A tricky DWT restricted stem saw 37 x ws 150 being achieved, and off the back of this a more vanilla run was pegged at 37 x ws 130. Owners will be a touch frustrated by the lack of enquiry seen on Friday, but that won't dampen their spirits quite yet as we wait to see what Monday has in store.

With a tight tonnage list to kick off the week owners were fairly optimistic of improving rates for Handies up in NWE as TC9 quickly firmed to 30 x ws 160 and X-UKCont to 30 x ws 155. However, as the week rolled on and the combination of LRs being fixed ex Baltic and MRs looking to compete for 30kt clips to stay short, pressure started to build on Owners. At the time of writing, TC9 trades at 30 x ws 150 and 30 x ws 145 for X-UKCont as the tonnage has now been replenished for the natural fixing window. Steady ahead.



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Dirty Products

Handy

Rates remain steady this week with firm sentiment and tight availability bolstering Owners' power at the negotiating table. If this week had been slightly more active, then perhaps we would have seen the next increment achieved. That said, Charterers remain on their toes and with fixing dates ex Baltic creeping to the back end of first decade, securing units early remains best practise for now in the Continent.

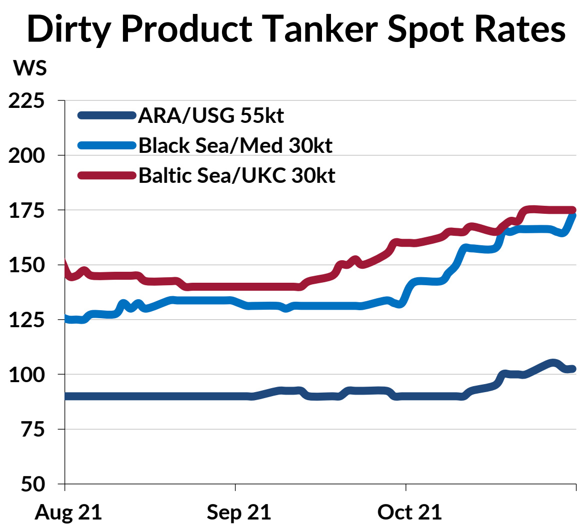
In the Med, levels are looking a tad more precariously balanced. With the impending Tuapse shut down almost upon us, fixing and failing this week saw levels go from ws 175 back down to ws 165 ex Black Sea within the blink of an eye. This illustrates that confidence at least in the short term has been dented. Yet, we suspect that this will be temporary as seasonal factors such as weather/Turkish Straits delays now nearly upon us. The critical mass of units in the Med is also an ever-present factor, with hidden tonnage clipping upside this week at a critical stage when momentum was slightly building.

MR

Owners' confidence in the MR market both on the Cont and further south in the Med continues to be buoyed in large part by the support from the surrounding Handies, where a combination of tight tonnage and steady flows have kept rates steadily climbing at reasonably good levels for some time now. Tests on full stems have been limited, with Charterers finding forward planning on both sizes tough due to itineraries slipping. So the welcome back stop of part cargo coverage has seen MRs take advantage of the flexibility they offer. Going forward, the picture isn't set to alter too much where tight supply in both markets and weather delays serve to support firming sentiment.

Panamax

Charterers face growing pressure when covering Europe/transatlantic where forward supply of availability for now looks rather slim. A combination of very few deals being booked bringing cargoes back to Europe and a disparity in earnings between the US vs European markets also seems to be preventing units from ballasting back. In turn, a combination of these factors is leaving Charterers with very few options and is also allowing Owners over here to achieve increments between deals.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Oct 28st	Oct 21st	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**+3**	46	43	41	49
TD20	Suezmax	WAF-UKC	**-3**	75	78	55	78
TD7	Aframax	N.Sea-UKC	**+9**	117	108	96	110

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

			wk on wk change	Oct 28st	Oct 21st	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**3,750**	7,000	3,250	4,250	10,250
TD20	Suezmax	WAF-UKC	**-1,000**	9,500	10,500	1,250	11,000
TD7	Aframax	N.Sea-UKC	**5,750**	7,750	2,000	-3,500	3,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Oct 28st	Oct 21st	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**+3**	95	92	105	
TC2	MR - west	UKC-USAC	**+5**	125	120	100	134
TC5	LR1	AG-Japan	**+3**	128	125	104	128
TC7	MR - east	Singapore-EC Aus	**+2**	170	168	166	174

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

			wk on wk change	Oct 28st	Oct 21st	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**1,250**	4,500	3,250	9,250	
TC2	MR - west	UKC-USAC	**1,250**	1,250	0	-1,500	2,750
TC5	LR1	AG-Japan	**1,000**	9,000	8,000	5,000	9,250
TC7	MR - east	Singapore-EC Aus	**500**	7,500	7,000	8,250	8,250

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

ClearView Bunker Price (Rotterdam VLSFO)	**-14**	591	605	545
ClearView Bunker Price (Fujairah VLSFO)	**-7**	624	631	561
ClearView Bunker Price (Singapore VLSFO)	**-10**	613	623	568
ClearView Bunker Price (Rotterdam LSMGO)	**+2**	698	696	640

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