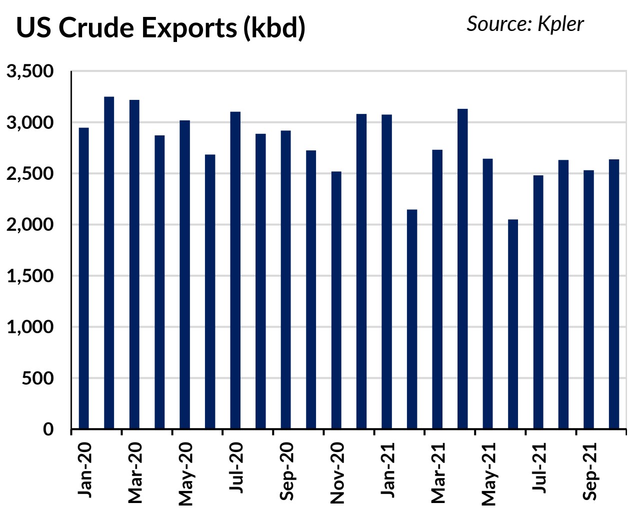
You want us to do what, Joe?

Weekly Tanker Market Report

It's not very often that a leader of a large oil producing nation calls on other oil producing countries to actually pump more oil. But this is what Joe Biden asked for at the G20 a couple of weeks ago. This isn't the first time his administration has asked OPEC+ to pump more oil. They asked back in July for additional volumes. However, for now at least, OPEC+ appear committed to their stated pathway of boosting crude by 400kbd per month. The new targets began in August, and it is hoped that 2 million b/d will be added to the group's total output by the end of the year. However, some members of the group have not been capable of raising their output. There are production difficulties in Angola, Nigeria, Libya, and Malaysia, which could mean that other countries with spare capacity, such as Saudi Arabia and the UAE, may have to increase output.



The group's reluctance to raise output might seem political but their policy is also guided by data. OPECs internal research body is forecasting an oil surplus due to softening seasonal demand in Q1 22. However, as demand continues to recover, OPEC may have to adjust their strategy. It may just not be as fast as the US, India and Japan might like.

So, it seems that the US is not a lone voice in highlighting that restricted supply could have a negative economic impact. If there is a supply problem, why, as one of the world's largest oil producers, isn't the US doing anything about it? Many would have thought the higher prices which have persisted for much of the year would have stimulated drilling activity. However, with many producers taking a more conservative approach, and many locked into hedges, there has yet to be a notable increase in US output, although this is forecast to change next year. Biden could of course introduce incentives to encourage domestic oil output, but this would be very much at odds with his climate credentials.

There is also the question of the outcome of COP26, where the US discussed plans to reduce carbon emissions. How will the US balance being a major oil producer as well as reducing emissions? Pressure to transition away from an oil economy has added extra complications. The Biden administration adopted a hostile position to the fossil fuel industry in the hope that high oil prices would speed up the transition to renewable energy. However, this position has been seen as detrimental to the popularity of the President. Biden now has the added complication of high pump prices, a real 'no' in the US. Without a corresponding increase in supply, oil and gas prices may continue to find further support. The passing of the much anticipated $1 trillion infrastructure bill might in the long-term steer demand away from the oil with investment in electric vehicle charging, and greener public transportation. However, in the short term, the economic boost is likely to provide tailwinds to overall oil demand.

So, Biden has a difficult task on his hands. Keep energy affordable for the electorate in the short term, whilst at the same time pivoting the country to a greener future. For the tanker market, in the medium term this means more oil, but in the longer term the picture is much less certain.

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Crude Oil

Middle East

Another week where Charterer's interest has wilted as the week went on. Similarly, VLCC levels have followed the same trend, with rates slowly coming off, which currently stand at 270,000mt x ws 43 to the Far East. A voyage West remains illiquid but we estimate levels to be around 280,000mt x ws 22 to the US Gulf. A quiet week with merely a trickle of enquiry to keep Suezmax Owners occupied, availability of tonnage is still heavily in Charterers favour as rates continue to drift sideways with rates ending the week for AG/West 140,000mt x ws 38-39 and East 130,000mt x ws 70-72.5. A steadier week for the Aframaxes in the AGulf. Rates are trading sideways at 80,000mt x ws 110 level to close proceedings.

West Africa

Suezmax Owners have been facing an uphill battle this week, with spot ships in West Africa combined with more Eastern ballasters than in previous weeks. Enquiry hasn't been sufficient enough and with little support from other load regions Charterers have been able to cut into last done with rates breaking 130,000mt x ws 70 for UKCont-Med discharge and 130,000mt x ws 75 for East, the week closes on a softer footing. VLCC Charterers have been able to chip away from last done levels, although Owners have certainly tried to dig their heels in, but with the sparsity of enquiry in the West it remains a relatively forlorn task for Owners.

Mediterranean

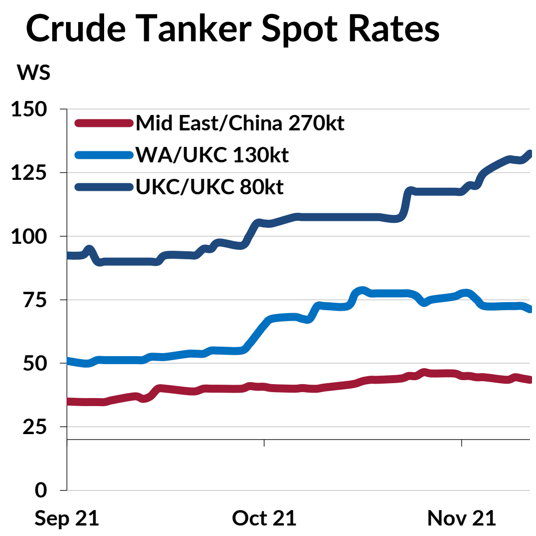
Its been a week that began with much optimism from Aframax Owners, however it ends on somewhat of a bum note. Rates rallied, but it was short lived and rates rose less than many expected when you factor in weather delays in the Black Sea and Med. The outlook for next week is brighter however, with a stagnant Suezmax market there is limited room for growth currently. Despite a handful of Med cargoes working, Suezmax Owners have not been allowed to gather any momentum with Charterers carefully managing early month Black Sea stems in tandem with a bit more Med enquiry. Softening in other regions has enabled Charterers to pick and choose their own targets in their own time with rates slowly coming off a touch with the latest from the Black Sea to the Med being 135,000mt x ws 82.5-85.

US Gulf/Latin America

Aframax availability was consistently being replenished as a steady flow of short haul enquiry which never really gave Owners the tools to structure a recovery. Rates have stuttered all week with levels currently standing at around 70,000mt x ws 125 for an EC Mex run. Another desperately slow week for VLCC Owners as again interest remains at a minimum. Rates are likely to be sub last done, although bunker prices should limit the potential damage. We estimate levels to be around $5.4 million from the US Gulf to the Far East once Charterers do come calling.

North Sea

After what has seemed like a solid week the Baltic Aframax market is now being tested. Charterers are trying to see if a correction is due with new cargoes getting a fair amount of interest. By COB today it seems like TD17 will be around 100,000mt x ws 105 levels. X-North Sea seems to be showing a bit more resilience with levels still trading around 80,000mt x ws 130. Whether this will stand the test of time with Baltic being pressured is unlikely but the reaction will probably come next week.



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

Clean Products

East

A pretty flat week on the MRs as the LR2s take all the limelight. EAF and West stayed steady at ws 185-167.5 and $1.35 million for Argie done twice. The short hauls took a tumble as Owners look to stay busy in the region and hope the current LR2 activity spills down into the smaller sizes for end month. TC12 at ws 127.5 is still a better earning run than ws 185 EAF (TCE equiv. $7.5k v $6.5k/day), but economies of scale still favour using LRs over MRs heading East (and West). Colombo deliveries, especially from Petrochina, have really picked up in the past week or two, which will give good tonnage availability for Indian loading end month naphtha tenders. Singapore remains flat to weak, so expect to see Chitt/Oz/Sing vessels contemplating the ballast to the AG this weekend / when they open up.

The LR2s have seen an extremely busy week, after lacking activity for the last few weeks, all attention was put on the LR2 and as such, they have seen some big rises on last done levels. Westbound stems rise $200k and are currently trading around the $2.45 million levels. TC1 is little harder to call as ws 115 has been put on subs for very forward fixing and also on an exposed ship. With one known TC1 stem uncovered in the market, Owners have been pushing for ws 130 levels but realistically it should be more like 75 x ws 120 going into next week. To add further fuel to the fire, it's not just the East LRs that have been pumping, the West market has also pushed ahead. As a result, the availability of tonnage in the West willing to ballast into the Red Sea for a cargo could be slim pickings, expect that we will see an adjustment on Red Sea loading rates, particularly if a West position is needed.

The LR1s have quietly ticked along in the background allowing the LR2s steal the limelight, however, Owners are poised, ready to jump on the coat tails and absorb some cargo volume that will likely see a trickle downwards. Rates hold around last done, TC5 at 55 x ws 120 levels and UKCont at $1.8 million but expect to see these levels positively tested as the list tightens and the larger pool Owners are able to apply pressure.

Mediterranean

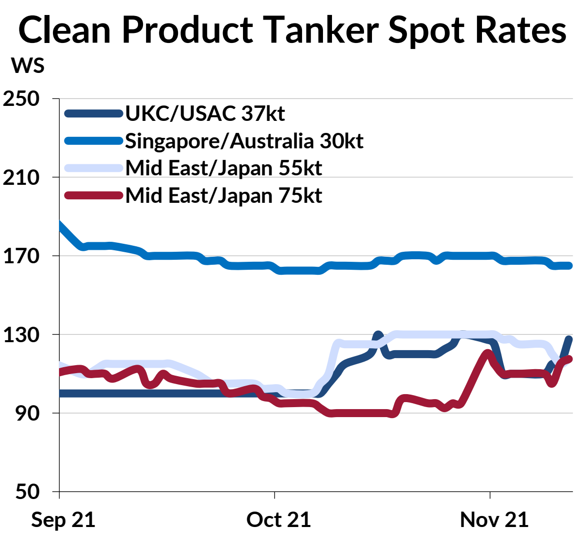
An active Tuesday this week saw much of the list picked off at the 30 x ws 140 mark and, with EMed tightening up, we ended the day at the 30 x ws 165 mark. Bad weather caused uncertain itineraries and consistent enquiry throughout has allowed Owners to capitalise. At the time of writing, 30 x ws 180 has been paid twice ex EMed off mid second decade laycans and expect this to be the going rate for similar dates. WMed has been quiet and so Owners may have to settle for rates around the 30 x ws 150-155 from this region. With the fixing window now stretched to the third decade, Charterers have held off working these stems in order to let the list replenish on Monday (with weather easing) although expect Owners ideas to remain bullish.

Overall, it's been a good week for Med MR Owners, which has seen a healthy influx of enquiry into the market including some welcomed Far East questions. Throughout the week the list has been tight which has allowed Owners to maintain rates at the 37 x ws 125 and 37x ws135 levels for TA & WAF respectively. However, with the USG beginning to slip it is likely we will see some ballasters on the horizon which could dampen ideas in the long run but for now the market looks positive heading into next week.

UK Continent

Owners' patience this week has paid dividends with a number of factors slowly dragging this market out of the summer/autumn doldrums. As we saw the majority of USAC vessels head south to the Gulf and a Mediterranean market commanding a 15 point premium over the UKCont, Owners with available tonnage dragged their heels in the first half of this week, and the outstanding stems in the market continued to remain uncovered. By the midpoint we saw Charterers having to delve deeper into their pockets with 37 x ws 115 the new call with belief further was still on the cards and come Friday we have seen 37 x ws 125 for both transatlantic and WAF now on subs. Moving forward Owners should still hold some optimism as we expect further enquiry to need coverage early next week and with lack of ballasters still on our lists, tonnage remains on the thinner side compared to recent times. Charterers will be doing all they can to dodge this positivity but sentiment certainly seems to suggest that the light at the end of the tunnel is coming soon.

All in all, it's been a positive week for Handy Owners up in the North as the combination of continued enquiry and a tightening tonnage list has seen rates firm to 30 x ws 145 for TC9. X-UKCont, even though the quieter out of the two markets, also followed suit with 30 x ws 140 going on subs on Friday. Prompt ships are lacking meaning if any late runners need replacing or any prompt exposure needs covering, they will be met by bullish owners. The weekend break should see a few more vessels firm up come Monday.



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Dirty Products

Handy

Coming into the week we knew already that the Continent was a sector in full swing, reaping the benefits of a supply imbalance which led to an upswing peaking at ws 230. Although there are some who will argue that the peaks were attributed to port restrictions, it didn't deter Owners from trying to extract additional gains for regular business. Elsewhere we also see positive volatility of exceptional note, where this week it has been the Med's turn to move up. A bottle neck effect of ships adding longer voyage lengths coming out of the Black Sea together with an uptick in X-Med activity, Owners have closed out the differential between the two zones with ws rates now almost at parity.

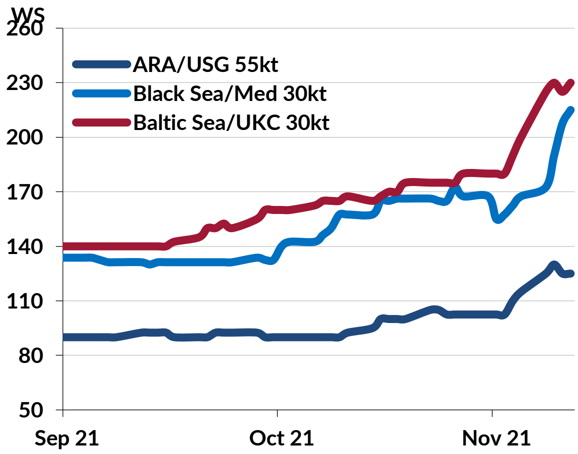
MR

MRs have been given a huge boost in confidence from the surrounding Handies coming into this week, so it's hardly a surprise to see levels elevated when a full sized requirement was offered up. The end results have gone the same way as surrounding sectors where all around not only can positive volatility be reported, but also forward availability looking less than desirable from a Charterer's point of view.

Panamax

Finally, we see a test to revalidate benchmarks rather than assuming theoretical numbers to be the market, although actually from this week's activity what was being assumed turned out to be totally correct. Fundamentals of this sector add favourable argument to Owners' cause in forcing increments between deals, where natural supply over on this side of the Atlantic remains painfully thin for Charterers. Ballast tonnage now talking way in excess of perceived market values, while current conditions are set to remain for the immediate future.

Dirty Product Tanker Spot Rates



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 11th	Nov 4th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**-2**	43	45	40	45
TD20	Suezmax	WAF-UKC	**-5**	71	76	71	74
TD7	Aframax	N.Sea-UKC	**+9**	130	121	108	116

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

			wk on wk change	Nov 11th	Nov 4th	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**-2,250**	3,000	5,250	250	4,750
TD20	Suezmax	WAF-UKC	**-2,750**	8,250	11,000	7,500	10,000
TD7	Aframax	N.Sea-UKC	**6,000**	18,500	12,500	2,250	9,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 11th	Nov 4th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**+5**	115	110	90	
TC2	MR - west	UKC-USAC	**+14**	126	112	109	133
TC5	LR1	AG-Japan	**-6**	119	125	124	126
TC7	MR - east	Singapore-EC Aus	**-3**	164	167	164	174

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

			wk on wk change	Nov 11th	Nov 4th	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**1,250**	10,000	8,750	2,750	
TC2	MR - west	UKC-USAC	**2,250**	1,750	-500	-1,250	3,000
TC5	LR1	AG-Japan	**-1,750**	6,500	8,250	7,750	8,000
TC7	MR - east	Singapore-EC Aus	**-750**	6,250	7,000	6,500	8,000

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

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