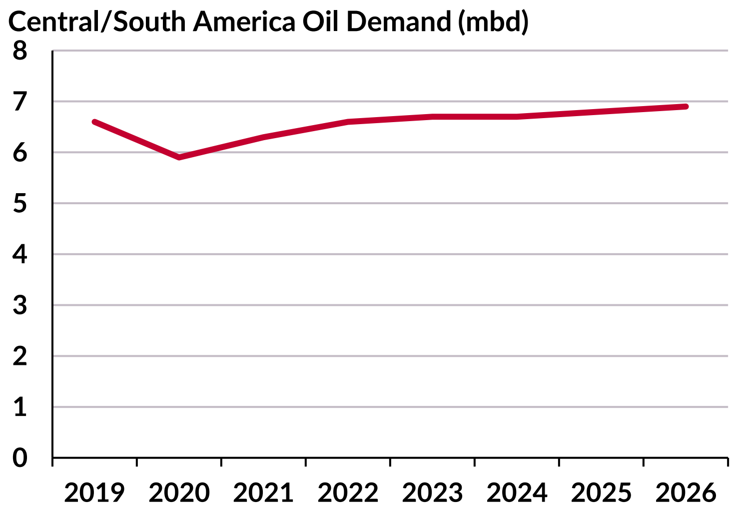
# South of the Border

## Weekly Tanker Market Report

Latin America has historically been home to both a large population and large refining base. However, decades of underinvestment and economic turmoil, coupled with overseas competition has seen regional players struggle to service domestic demand. Recent efforts to boost the continent's refining capacity have failed, with Limetree Bay refining in St Croix the latest casualty, whilst Petrobras has sought to divest some refining assets. Just one credible refining project exists, with Pemex developing a greenfield project in Dos Bocas. So, what does this mean for regional tanker trade over the medium term?

The lack of refining capacity expansion in the region is a double positive for tankers. Crude production in Brazil and Guyana is expanding, but with no increases in domestic crude processing capacity, any increase in production will have to be exported. Perhaps the only negative for tankers in the region comes from Mexico. With Pemex planning to launch the 340kbd Dos Bocas refinery in 2023, products imports from the US Gulf will see a significant drop from the 470kbd traded into Mexico's Caribbean coast in 2019.This will cut off much of the trade going into Mexico's East coast, however given the short haul nature, this is the least worst outcome for regional tanker trade, with longer haul exports down to South America and the West Coast remaining relatively unscathed.




In the region's largest economy, little progress is likely to be made on the refining side. Although Petrobras has allocated $1bn to finish the second train at RNEST, the planned 145kbd expansion project will not come online until at least 2027, if it is completed at all. Other facilities which have recently been divested, such as the 333kbd RLAM refinery sold to Mubadala could be upgraded but are unlikely to see any major increases in total product output.

Venezuela remains a key uncertainty in the long term. The country is home to 1.3 mbd of nameplate refining capacity and also has significant crude export potential. If sanctions are lifted, then crude and product exports across the region will see upside. However, even once eased, the lasting impact of crippling sanctions on export and refining facilities may prevent Venezuela from ever fully reaching its potential, with any increase in clean product production likely to remain within the country, ensuring the US remains Latin America's main source of refined product supply for the foreseeable future.

However, the benefit for product tankers overall will be modest. Whilst refining capacity in Latin America is unlikely to expand in the medium term (aside from Mexico), sluggish demand growth projections limit the upside. Despite the region consisting mostly of developing nations, demand is forecast to expand by a tiny 300 kbd between 2019 and 2026, which is essentially offset by the new Dos Bocas refinery. That being said, from a tonne mile perspective demand will grow at a faster pace as exports to Mexico are redirected further south. Crude tankers on the other hand benefit to a greater extent, with Brazilian and Guyanese crude output expanding by 1.8mbd over the next 5 years, almost of all of which will be exported.

# Crude Oil

## Middle East

Another flat and depressing week for VLCC Owners as a very slow drip feed of enquiry against a good supply of available tonnage has ensured Owners have had to shave a little more off their rates to get fixed. Currently levels stand at 270,000mt x ws 39 to the East for modern tonnage and a voyage West would demand a level around 280,000mt x ws 21 to the US Gulf. Another uneventful week for Suezmax tonnage where rates continue at 130,000mt x ws 62.5 East and 140,000mt x no more than ws 35 West. With signs of the market firming in the West we are likely to see more tonnage ballasting West. AGulf-East Aframaxes are trundling along, with soft undertones due to the dire trickle of enquiry. AGulf-East is below three digits now with 80,000mt x ws 95 fixed for AGulf to South Korea. Owners will hope some slight improvements in the Med, will enable them to hold ground if nothing more next week.

## West Africa

As the week progressed the availability of Suezmax tonnage has started to tighten for cargoes loading prior to mid-December and in turn rates have pushed up to 130,000mt x ws60 to Europe. Those Charterers with forward cargoes are still being swamped with offers but potentially we might see Owners clawing back some ws points next week. No escape for VLCC Owners from the softening sentiment that is developing in all regions and rates here saw a new lower level being posted earlier in the week. The line in the sand has been drawn and Owners so far, are unwilling to break ranks. Let's see what happens next week. For now, rates hold at 260,000mt x ws 41 to the Far East.

## Mediterranean

Another week goes by and in the main, rates are unchanged in the Mediterranean for Aframaxes. The natural result of these low rates is that Charterers have been tempted to fix forward and this, coupled with significant weather disruption has led to a thinning of tonnage and a small rebound in rates towards the close. X-Med voyages from Ceyhan hit a low of 80,000mt x ws 90 basis Augusta discharge and from CPC 80,000mt x ws 95 but now Charterers will be facing 3 digits from the Black Sea and likely mid 90s from Ceyhan. The weather continues to look ominous and Turkish Strait delays remain firm and so Owners will look to next week with slightly renewed optimism. Suezmax market has been more active this week and in turn rates have bottomed at 135,000mt x ws 52.5 for Black Sea to the Continent and last done for Libya to China is $2.55 million. The market is poised to firm next week.

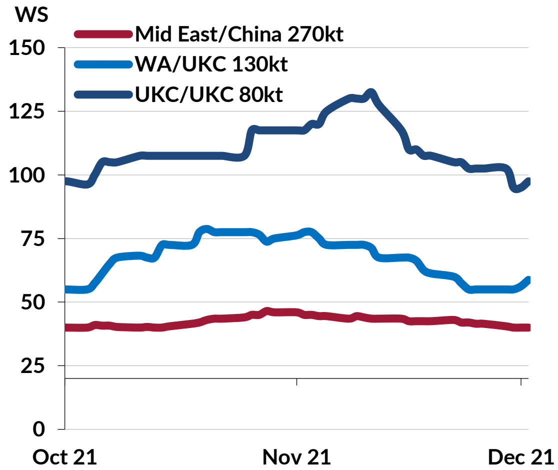
## US Gulf/Latin America

A late end of week rush of Aframax activity has given Owners the opportunity to push levels on as availability starts to tighten. Last done for a short voyage is now around 70,000mt x ws 130 and a shade lower for transatlantic. Owners will go into the weekend on a far more positive note. VLCC rates look set to correct down yet again as Charterers move to their January programme without too much concern. A fall in bunker prices and an overall placid feel to the market should ensure the next fixing level will be around $5.1million for a US Gulf/South Korea run.

## North Sea

A quiet week in terms of Aframax fixtures but this was not unexpected with Primorsk maintenance underway. There has been some hype around the new ice beginning to form, which has got some Charterers reaching slightly further ahead of the usual fixing window. Baltic/UKCont currently trades around 100,000mt x ws 85 but we expect to see market recovery next week as things get busier.

### Crude Tanker Spot Rates




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

# Clean Products

## East

LRs have had a steady week, but both sizes look to be making more progress as we close in on the weekend. LR1s have been busy under the radar all week and TC5 is showing improvements finally. 55,000mt naphtha AGulf/Japan has now moved from ws 120 yesterday to ws 125 today. 65,000mt jet AGulf/UKCont has hovered all week at $1.75 million but that is probably not available today and $1.80 million is now the best Owners are likely to show. Into next week, if the shorter runs maintain and pressure builds, another 5-10 points East and $50-100k can easily be added.

LR2s have seen much slower progress this week but are seeing signs of life; things will unlikely move quickly but it is all about the direction of travel. 75,000mt naphtha AGulf/Japan will struggle to be seen below ws 110 now after a few older vessels have traded around ws 105. 90,000mt jet AGulf/UKCont is hard to find below $2.20 million up some $100k on the last 2 days. But tonnage remains too long, and activity needs to remain for more substantial progress to be seen.

Moving towards the end of the week, 33 fixtures and 8-10 outstandings, (if you remove same barrels quoted) equals a very busy week for the MRs. Most fixtures have been shorthauls, so the ships will turn around in 10 days, but the volume of cargoes quoted, and off market business has been very pleasing for Owners. $210k is the market level for this week. Singapore ballasters have started to come, and more will follow this weekend as the market there remains weak and AGulf is improving. TC12 rates at 35 x ws 125 but will push, although the LRs will take preference for naphtha trade in the new week. Westbound will see a skewed market; $1.25 million is the level to the UKCont, but $1.545 million is on subs ex Kuwait to Argentina, reflecting a real lack of interest to go to Latin America, where Owners will have to contend with an underperforming veg market. TC17 trades at ws 185 but we are missing the next round of TC17 cargoes - so we expect the new week to be busy in the segment, a good undercurrent for a bubbling LR market.

## Mediterranean

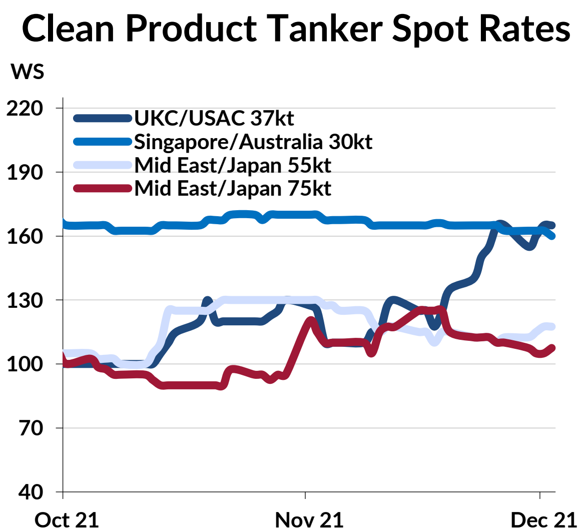
A lacklustre week on the Handy front with rates trading sideways at the bottom throughout at the 30 x ws 140 and 30 x ws 150 mark for X-Med & Black Sea respectively. Thursday saw a handful more points achievable for replacements / prompt liftings but off natural dates (which now stretch into second decade December), ws 140 has still been achievable. At the time of writing, we see the list beginning to tighten up and with paper still trading at heights of 30 x ws 170, this tied in with poor weather next week, the UKCont Handy market strong and the DPP market extremely high still, the only direction for these Mediterranean Handies is up with most Owners likely to be more bullish next week.

It was a positive first half of the week in the Mediterranean MR market, which saw a good influx of enquiry and levels increase. 37 x ws 157.5 transatlantic was repeated again on Monday after Friday's firming, with 37 x ws 160 then going on subs midweek. However, most of the improvement in this market has been due to the positivity seen ex UKCont with TC2 peaking at the 37 x ws 167.5 mark transatlantic earlier this week. Unfortunately for Owners, at the time of writing, rates have slipped back to 37 x ws 155 Mediterranean/transatlantic with cargo enquiry slowing down. WAF has also fallen +10 points in line with transatlantic at the 37 x ws 165 level. A replenished list could bring some pressure next week if we don't see the enquiry to match it come Monday.

## UK Continent

A somewhat active week in the North with 33 marketed MR fixtures, and of those, 11 still subs and 2 on hold come Friday morning. The rates started off at 37 x ws 155 for TC2, ARA/WAF at +5 and it improved to 37 x ws 165, up until Thursday evening. As we advanced through the week, the TC2 list tightened with Monday's list seeing 6 MRs in the prompt + 5day window, and yet today there's only 3 in the same spread. Cargo wise we see 5 outstanding in the 07-15 window, with one being a 07-09 replacement which could be tricky to re-cover on a Friday, so there's potential to see a new improved number as a one-off deal. Otherwise, it's only tight pre 08th of Dec and, with Monday being the 06th it's looking more favourable to the Charterers. The likely next window of 10-15 dates and the list opening with roughly 25 MRs hitting that window, leads us to expect levels to hit sub ws 160 off natural dates for TC2, we aren't expecting a drop but it should be under pressure.

It has been a real positive week for Handy Owners up in the North as the combination of continued enquiry and lack of ships on the front end of the tonnage list has seen rates to firm to 30 x ws 187.5 for TC9 (at the time of the writing). X-UKCont demand has been steady and freight has also firmed to 30 x ws 175-180 range. Owners have been bullish throughout but with MRs now starting to wobble on Friday there is a good possibility that they will now cap any further gains via 30kt clips. Poised heading into next week.



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# Dirty Products

## Handy

The Continent this week has seen the slowdown in Handy cargoes continue and, with that an inevitable softening of sentiment. The week started with a relatively short list, but by mid-week ballast tonnage had put rates under pressure. With very little to report in terms of firm cargoes and fixtures, BITR reflected a drop in Owners confidence throughout the week and we close with the expectation that rates will continue to come under pressure unless an uptick in enquiry is seen.

In the Med, levels have been propped up in large part by weather delays and the resultant uncertainty around itineraries. Levels for cargoes in the natural window have hovered around ws 275 for X-Med and the usual 10 point diff for Black Sea has held. Weather delays across the region and intermittent closing of the Turkish Straits have seen anomalies reported where ws 290 for replacement business have been achieved off the early window.

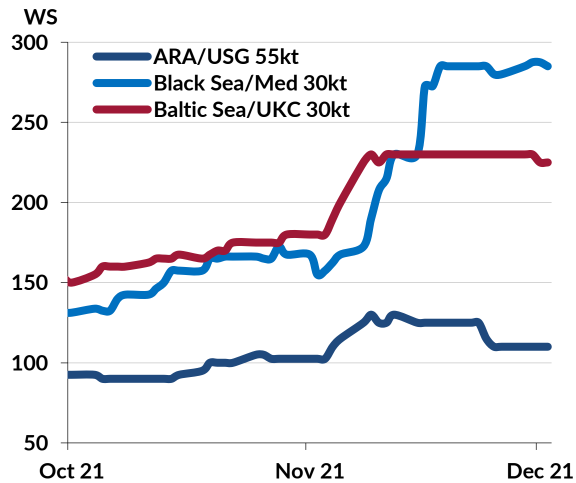
## MR

MRs on the Continent this week have fared well in terms of firm, fresh enquiry but considering that on face value the list of naturally placed tonnage has been tight, rates have remained steady with ws 155 repeated for local runs. For some Owners, delays in the region have caused itineraries to slip and miss out on certain cargoes. However, prompt West Med units have been there to step in and cover. Going forward expect much of the same should cargo continue to flow. In the Med, MRs have suffered a similar fate to the Handies where weather delays have caused some uncertainty around itineraries with those Owners spot or close to opening being able to capitalise on replacement business on full and part cargo basis.

## Panamax

This week has once again given little for Owners to get their teeth stuck into this side of the Atlantic; however short haul opportunities have at least managed to move a couple of units down the line. With this said there has been one test on a longhaul voyage where a date sensitive Black Sea lifting has reported to be fixed away just over ws 120. It will not be easy to repeat this as tonnage is creeping towards opening dates and in addition the Aframaxes continue to offer a competitive deal where workable.

### Dirty Product Tanker Spot Rates

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## Dirty Tanker Spot Market Developments - Spot Worldscale

| | | | *wk on wk change* | Dec 2nd | Nov 25th | Last Month* | FFA Q4 |
|---|---|---|---|---|---|---|---|
| **TD3C** | VLCC | AG-China | **-2** | 40 | 42 | 45 | 42 |
| **TD20** | Suezmax | WAF-UKC | **+0** | 58 | 58 | 76 | 68 |
| **TD7** | Aframax | N.Sea-UKC | **-7** | 97 | 104 | 121 | 114 |

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

| | | | wk on wk change | Dec 2nd | Nov 25th | Last Month* | FFA Q4 |
|---|---|---|---|---|---|---|---|
| **TD3C** | VLCC | AG-China | **+500** | 1,750 | 1,250 | 5,250 | 3,500 |
| **TD20** | Suezmax | WAF-UKC | **+2250** | 4,250 | 2,000 | 11,000 | 9,250 |
| **TD7** | Aframax | N.Sea-UKC | **-1750** | 250 | 2,000 | 12,500 | 11,750 |

## Clean Tanker Spot Market Developments - Spot Worldscale

| | | | wk on wk change | Dec 2nd | Nov 25th | Last Month* | FFA Q4 |
|---|---|---|---|---|---|---|---|
| **TC1** | LR2 | AG-Japan | **-3** | 108 | 111 | 110 | |
| **TC2** | MR - west | UKC-USAC | **+7** | 166 | 159 | 112 | 135 |
| **TC5** | LR1 | AG-Japan | **+6** | 116 | 110 | 125 | 118 |
| **TC7** | MR - east | Singapore-EC Aus | **-6** | 158 | 164 | 167 | 169 |

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

| | | | wk on wk change | Dec 2nd | Nov 25th | Last Month* | FFA Q4 |
|---|---|---|---|---|---|---|---|
| **TC1** | LR2 | AG-Japan | **+250** | 9,000 | 8,750 | 8,750 | |
| **TC2** | MR - west | UKC-USAC | **+2750** | 10,250 | 7,500 | -500 | 5,000 |
| **TC5** | LR1 | AG-Japan | **+2250** | 6,750 | 4,500 | 8,250 | 7,250 |
| **TC7** | MR - east | Singapore-EC Aus | **+0** | 6,250 | 6,250 | 7,000 | 8,000 |

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

| | | | | |
|---|---|---|---|---|
| ClearView Bunker Price (Rotterdam VLSFO) | **-48** | 523 | 571 | 574 |
| ClearView Bunker Price (Fujairah VLSFO) | **-48** | 581 | 629 | 625 |
| ClearView Bunker Price (Singapore VLSFO) | **-36** | 598 | 634 | 618 |
| ClearView Bunker Price (Rotterdam LSMGO) | **-78** | 579 | 657 | 675 |

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