

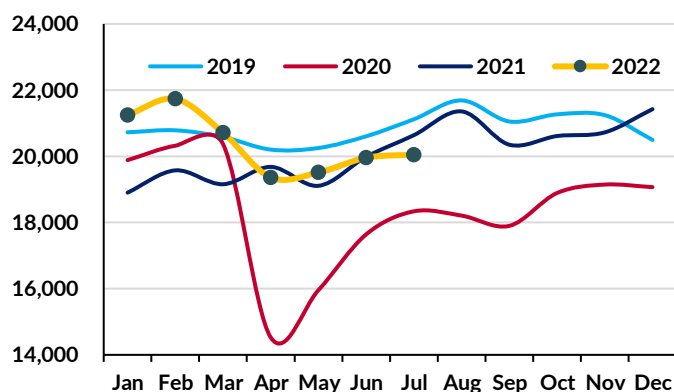
Headwinds & Tailwinds

Weekly Tanker Market Report

Bearish economic news has recently dominated headlines, increasing fears of a global recession. According to S&P Global, Eurozone manufacturing activity contracted in July, with the Purchasing Managers' Index (PMI), the leading indicator of manufacturing activity, slipping below 50, a point that marks the divide between expansion and contraction. Data from many other countries is also alarming, with growth rates rapidly decelerating. In the US and in the UK, the PMI declined last month to its lowest reading in two years, whilst in Japan it hit a 10-month low. In China, the official PMI unexpectedly fell to 49.0 in July from 50.2 during the previous month amid sporadic lockdowns. In the oil markets, evidence is mounting that high petrol prices are hurting road fuel demand. The official data for OECD Europe and Asia showed that demand in April fell below its typical seasonal trend, whilst preliminary weekly indications of US oil consumption for July also show a decline year-on-year.

The risk of global economic contraction is perhaps the biggest threat to the recent recovery in crude tanker demand; however, it is not the only one. The continuation of China's Zero Covid policy could affect domestic crude imports if the country faces further Covid related lockdowns. The start-up and ramping up of operations at several major refineries in the Middle East through to end 2023 is expected to have negative implications for crude tanker demand, with more regional crude diverted into the regional refining complex. A degree of uncertainty also remains over the potential start-up date of the Dangote refinery in Nigeria, which once operational, is expected to translate into lower domestic crude exports. On the supply side, over 110 crude tankers are scheduled for delivery for the remainder of this year and a similar number in 2023, whilst the slowdown in global construction activity could apply further downward pressure on scrap prices, limiting demolition potential. What's more, once the EU

Total US Oil Demand (Product Supplied) 000 b/d



embargo on Russian crude comes into force, this will support the growth in illicit trade and the "ghost" tanker fleet, limiting trading opportunities for internationally traded tankers, particularly if Iranian/Venezuelan sanctions remain in place.

However, there is also plenty of upside potential. Russian sanctions are clearly increasing crude tanker tonne miles, with more crude going into Europe being sourced from the US Gulf, Middle East and West Africa. Similarly, gains in Russian crude exports East of Suez are also boosting tonne miles. The implementation period itself could see a period of extreme volatility

in freight rates around December, whilst seasonal weather factors will also feed that volatility during the winter months. Furthermore, once the Russian oil product trade to Europe stops, refining margins are likely to receive a boost (at least temporary), supporting higher refining runs and ultimately greater crude intake by refineries, with rising Middle East, US and Brazil/Guyana crude production feeding into that demand. Although the economic threat to global oil demand is very real, some of it potentially could be mitigated by gas-to-oil substitution in power generation sector, if gas prices face further upward pressure. On supply side, approaching implementation of the IMO's EEXI and CII rules will aid demolition activity, whilst increased drydocking periods to make necessary modifications to achieve compliance are also a possibility. Beyond 2022, engine power limitations for ageing/inefficient tonnage could see even slower operating speeds, whilst high bunker prices also support slowsteaming. In addition, robust high/low sulphur bunker spreads could stimulate further interest in scrubber retrofits resulting in increased scheduled drydocking time.

Clearly, there are many upside and downside factors that could affect the market in the short term. Yet, on balance it appears there is currently more upward potential, although this could all change very quickly if extreme economic pain prompts Europe to soften its stance on Russia.

Crude Oil

Middle East

VLCC Charterers have moved to a more covert way of working, which has potentially stalled any further moves in levels. The list has certainly thinned for early dates and we have already seen premiums up to 270,000mt x ws 62.5 being paid. Forward dates will no doubt be a little less than this but expect levels to gently shift up from last done being 270,000mt x ws 58 to the East. A voyage West was secured at a rather competitive number for one Charterer, which may prove hard to repeat with that level being 280,000mt x ws 28 to the US Gulf (S/S). Suezmax rates have softened due to minimal enquiry in the Middle-East this week, with rates sitting somewhere around 140,000mt x ws 65 for Basrah/Med. The tonnage list remains reasonably well stocked; should we not see an improvement in cargo enquiry, rates will stay under pressure. Levels for AGulf/East remain rather stagnant at approximately 130,000mt x ws 130. The AGulf Aframax have enjoyed a steady week with rates remaining firm. AGulf/East closes on around 80,000mt x ws 200 level.

West Africa

It was a little inevitable that we saw the latest VLCC fixture going East fixed below last done. Softening markets elsewhere combined with an extreme lack of VLCC enquiry in general all added to a softer sentiment as the week progressed. Last done is 260,000mt x ws 57, which should hold as we go into the

weekend. The markets in West Africa have remained under pressure from a falling VLCC market in the region and Suezmax rates currently sit at around 130,000mt x ws 125 levels to the East and 130,000mt x ws 127.5 for UKCont.

Mediterranean

After a busy end to July due to Libya crude production returning to \$1.2 million b/d, the expectation was for the Med Afra's to slowly run out of steam. Owners began the week with hopes that rates would remain steady at around 80,000mt x ws 270 but faced disappointment with TD19 dropping day by day towards ws 220. With the Med on the ropes, news of the CPC loading plan for August being revised down could land the knockout blow as a Suezmax on subs at 80,000mt x ws 300 (CPC-Med) failed due to dates having to be pushed back. Owners will now be looking into next week for a swift rebound together with fresh enquiry to stem the bleed in rates. The Med Suezmax market has softened this week, likely due to the news that there will be a significant drop in supply from CPC. Short runs from the Med have taken a dive and current levels are around the 130,000mt x ws 150 mark. The market for Med/East has softened marginally as we head into the weekend with current levels into China hovering around the \$4.8 million region.

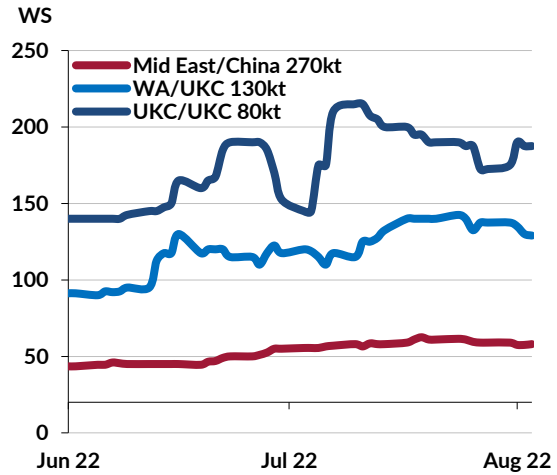
US Gulf/Latin America

Aframax levels have slowly built as the week went on, as availability gently diminished, Owners gained more control. Last done levels for transatlantic are 70,000mt x ws 245, with short haul runs paying only a 5-10 ws points premium over that. VLCC interest has picked up as more Charterers press on with their September programme but, with the build up of tonnage due to a general apathy in all Western markets; a heavy position list enabled Charterers to secure below last done, which stands at around \$7.2 million for a voyage from the US Gulf to South Korea.

North Sea

In response to a quiet week with little activity reported, Aframax Owners will be relieved that rates have finally stabilised, and some fresh enquiries have now begun to hit this sector. Owners continue to weigh up the argument between ballasting transatlantic to join an already active market or fix from this side of the pond, where levels being achieved are back at 80,000mt x ws 185 levels. As the week comes to close, the overall sentiment is that there is potential in this market to grow, albeit at a slow pace.

Crude Tanker Spot Rates



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

Clean Products

East

Very quiet week on the MRs, where we have seen huge chunks taken out of last done levels on each re-test. Charterers who are feeling kind, and not there to gut the market will pick out friendly faces, but publicly quoted enquiry is fiercely competed. TC17 is the main litmus here, 35,000mt x ws 350 last done; ws 100 points off in a working week a clear indicator of where sentiment sits. AGulf/UKCont runs would be covered at \$3 million in our opinion, although most product moves on larger units. TC12 we assess 35,000mt x ws 260 but needs a fresh test given dampened sentiment. Volume is still lacking and a heavy front end will do nothing to save sentiment which has been falling quickly this week.

A slower start this week but LR1s saw a push up mid-week, with a few earlier stems quoting and older vessels not clearing. The ageing fleet is leading to a two tier market, especially if KPI Jet clearance is needed in the West. 60,000mt jet AGulf/UKCont now rates for an approved/modern vessel at \$3.90 million and 55,000mt naphtha AGulf/Japan is up 10 points to ws 270. But, with MRs weakening, the short hauls that LR1s have used as a backup to longer runs, will drop away and we may see demand therefore fall. LR1s will likely ease again next week accordingly.

LR2s have had a slow start but are ending the week with a few more stems quoting. The presence of clean up vessels as well as Suezmaxes taking volume away has made it harder for the LR2 clean fleet to

hold rates and so the slight rise on LR1s has increased value on the bigger units and so more business is expected for the short term. But rates will be hit and 90,000mt jet AGulf/UKCont is no more than \$4.6 million and 75,000mt naphtha AGulf/Japan is at ws 235, with better rates available if older sires or clean up vessels are workable.

Mediterranean

Strong week for the Handies in the Med as we see rates firming up throughout. We began the week with X-Med trading at the 30 x ws 220 mark ex WMed, with EMed a touch higher but after increased levels of enquiry rates began to move. 30 x ws 275 was achieved on Thursday for a promptish cargo with limited options, which as a result has seen X-Med firm to 30 x ws 260 off natural dates, with this being repeated today. Black Sea action has been kept under wraps this week but expect rates to tick up here off the back of improved X-Med levels, with Russian loads still at a big premium. Market positive as we enter the weekend.

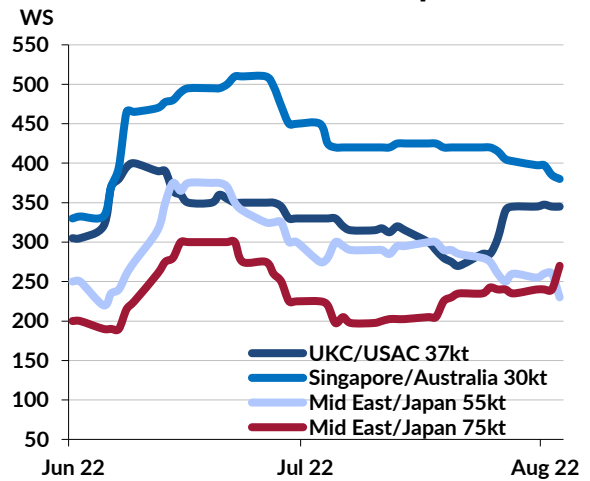
Despite it not being the most active of weeks in the Med MR market, rates have managed to tick up on the back of improving levels in the UKCont. 37 x ws 335 was achieved on a Med/transatlantic run at the start of the week but since then rates have reached the 37 x ws 350 mark, with WAF in need of a fresh test. At the time of writing, a late market quote should shed a little more light as to where rates will fall but we await to see which side of the weekend that occurs.

UK Continent

Another positive week passes for the MR Owners across Europe as due to a strong States market last week our tonnage lists have had limited ballasters to “beef” it out. This partnered with some reasonable enquiry levels left by midweek a gaping hole at the top of our lists and any Charterers looking for coverage before 12th suddenly had very few options. Rates have pulled up to 37 x ws 365 transatlantic and around 10 points more for WAF for now, and this has led to some Charterers dipping their toes into the Handy sector to alleviate some pressure. Expect further bullish behaviour from Owners next week as tonnage remains in hot demand despite the minimal outstanding today.

A fairly lacklustre week for Handies plying their trade up in the North as most of the Russian Baltic business was once again covered under the radar via COAs with rates settling at 30 x ws 500. The Continent has been inactive and at the start of the week had 10 ships opening up in the next 5 days, resulting in owners being on the backfoot from the get go. X-UKCont has softened to 30 x ws 240-245 and UKCont/MED is in need of a fresh test. Pressure ahead.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

The Continent this week continued to trade in familiar fashion, with rates firm and availability tight. Charterers however did find some relief from West Med units willing to ballast up to capture higher returns. And, yet, whilst the immediate outlook for the Continent appears strong, the Med inactivity is making an impact on sentiment. Levels are still trading in the low ws300's and confidence is steady, but there are ships now looking at waiting time and facing unfamiliar circumstances all things considered over the past few months.

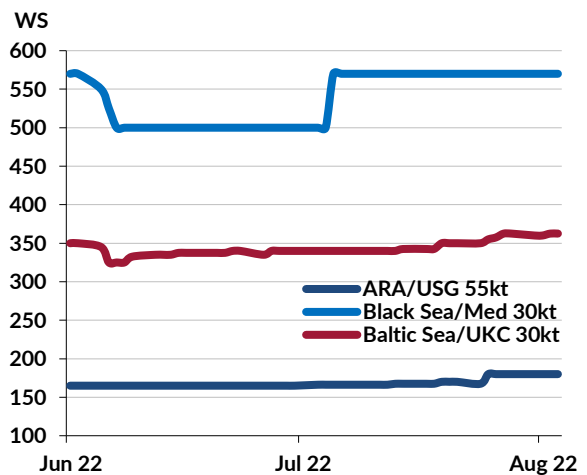
MR

In recent months, the MRs have been in short supply and this week served as a reminder upon what can happen if the itineraries don't quite hold up as anticipated. Beyond rate increment, back up options for replacements are not always guaranteed which presents concerns for Charterers that there are slightly more risks involved on this size. That said, the \$/tonne MR's offer is attractive for Charterers capitalising on strong savings with economies of scale being factored in. In both the Med and Cont, these sectors are showing a robustness to withstand inactive periods.

Panamax

In the absence of firm units on the lists, when a ship does finally start to show some reliability on itinerary it's not too long before a Charterer realises. Another five point increment is on benchmarks seen this week and, with replenishment a long way off given the States has just picked again, we are likely to see levels firm over here for a while yet.

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	Aug 4th	July 28th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	-1	58	59	57	59
TD20	Suezmax	WAF-UKC	-7	130	137	114	124
TD7	Aframax	N.Sea-UKC	+10	188	177	181	147

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

			wk on wk change	Aug 4th	July 28th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	+6250	14,250	8,000	500	15,750
TD20	Suezmax	WAF-UKC	-1250	36,750	38,000	23,000	33,750
TD7	Aframax	N.Sea-UKC	+10750	58,500	47,750	53,500	29,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 4th	July 28th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	-7	233	240	206	
TC2	MR - west	UKC-USAC	+14	351	337	315	312
TC5	LR1	AG-Japan	+8	265	257	288	275
TC7	MR - east	Singapore-EC Aus	-25	379	404	418	360

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

			wk on wk change	Aug 4th	July 28th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	+3000	47,500	44,500	29,750	
TC2	MR - west	UKC-USAC	+4250	39,000	34,750	30,250	32,250
TC5	LR1	AG-Japan	+6500	40,250	33,750	38,750	42,750
TC7	MR - east	Singapore-EC Aus	-500	41,250	41,750	41,750	38,250

(a) based on round voyage economics at 'market' speed, non eco, non scrubber basis

ClearView Bunker Price (Rotterdam VLSFO)	-61	715	776	846
ClearView Bunker Price (Fujairah VLSFO)	+15	931	916	1026
ClearView Bunker Price (Singapore VLSFO)	-136	756	892	983
ClearView Bunker Price (Rotterdam LSMGO)	-78	1049	1127	1068

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