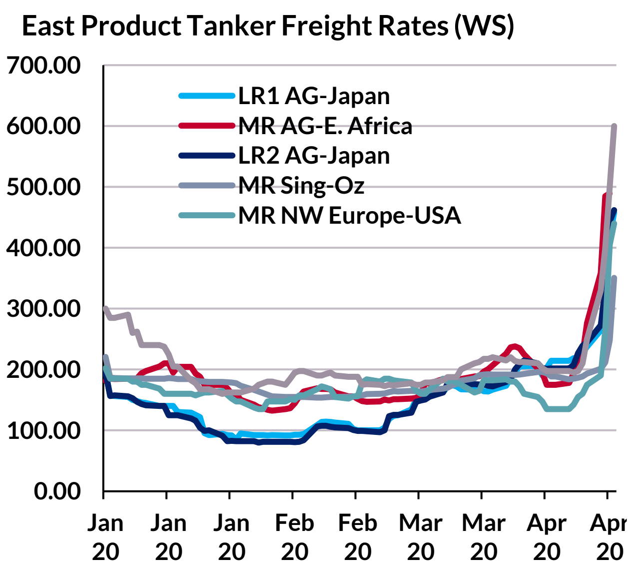
Delaying the Inevitable

Weekly Tanker Market Report

Globally the products tanker market is seeing record freight levels in most trading regions. The main support factor appears to be driven by a lack of shore storage and port delays. The storage problem is unlikely to go away any time soon, with high inventories and weak demand expected to persist until at least June, if not beyond. Refiners are cutting runs as quickly as they can, but seemingly not quickly enough. Some refineries have been shut completely or extended their maintenance programs. Globally, floating products storage looks set to rise in the coming weeks as traders and refiners grapple with a seemingly endless surplus. Whilst this trend continues, product tankers look set to ride a bull market.

East of Suez has seen a big products export push from the Middle East and India. Despite little demand for jet fuel globally, regional refiners have been pushing cargoes to the international markets. Jet fuel and diesel appears to be mostly heading West, whilst naphtha is finding a home in the East. In the Far East, naphtha demand has been relatively stronger compared to other products, with a number of petrochemical producers increasing their intake as the economics of cracking naphtha outweigh those of LPG, which has seen prices hold up better due to domestic consumption. However, the region too is grappling with its own storage issues. In Singapore shore-based storage capacity is extremely tight. If this is taken as a barometer for the entire region, then further floating storage and discharging delays are likely.



In Europe, refineries are also being forced to push surplus products to the export market. In the north, Amsterdam-Rotterdam-Antwerp stocks data shows that land-based capacity remains, despite increases in inventories in recent weeks. However, this paints a misleading picture. Although it appears that physical space is available, the capacity that remains is reportedly fully booked. In the Mediterranean, little data is available for storage levels, although traders and storage operators have predicted that all physical space in the region will be full by mid-May. Similar to Northern Europe, the capacity that remains is likely to be already committed. Widespread port delays due to Covid-19 are also causing delays in the region.

In the Americas, widespread ullage issues are being reported. Long delays have emerged across the Caribbean, including Mexico. Further south, waiting times in Brazil are said to be 2-3 weeks. On the West Coast, delays of up to a month are being reported in Chile. These delays are creating major issues in terms of tonnage supply and are likely to persist for weeks, if not months. With demand collapsing across the region, products here could also be pushed increasingly to the water in the coming weeks. More cargoes could be exported out of the US Gulf as domestic demand remains weak, potentially strengthening rates further.

Extreme rate volatility is likely to remain going forward. At such high levels it is impossible to say whether rates can hold their current ground. However, from a pure vessel supply perspective, the situation doesn't look to be improving in the short-term. The end game will come when the oil markets move closer to a supply/demand balance. When that might be is far from certain.

Crude Oil

Middle East

A circuitous week for VLCCs, last week's softening waiting game was initially relieved by a couple of short, sharp, bursts of activity that quickly converted into a spike into the ws 190's to the Far East but equally as quickly, Charterers shifted focus onto splitting stems onto Suezmaxes and a quieter second half drew rates back down to close on their starting points. Currently ws 150 to China, with runs to the West marked at a little over ws 100 via cape. Delays will persist, and supportive contango, whilst narrowing slightly, is unlikely to go away so any recon-centration of interest next week could well re-firm the market. Suezmaxes rode up smartly upon the VLCC stem splitting and firmer moves elsewhere too, so that rates pushed towards ws 200 to the East and ws 160 to the West before also finding things slower into the close and discounting then became the agenda. Gently slippery into next week. Aframaxes enjoyed a busy week that hit up against ever thinning lists to allow rates to jump to 80,000mt by ws 200 to Singapore and look set to remain at close to that over the start of next week too.

West Africa

Suezmaxes picked up early week and maintained noticeably high marks throughout - heavy T/C attention, an initially robust VLCC sector, and other load areas supporting, combined to drive rates to 130,000mt by ws 190 to Europe and similarly to the Far East, before a very slight pullback into the weekend. A more tentative phase now likely but no real collapse until the fundamentals meaningfully shift. VLCC rates never reached the heights seen in the AGulf as Owners favoured locking in still very attractive TCE's for the longer voyage duration. Rates moved up to ws 165 to the Far East nonetheless, before retreating in line with the Middle East to end at around ws 140...more or less where they were at the end of last week. Owners will be hoping for a repeat performance to come.

Mediterranean

At last the 'good news' enjoyed by the larger sizes percolated down to Aframaxes here, and elsewhere too. Worldscale rates more than doubled upon heavy demand and port delayed thinner availability. 80,000mt by ws 220+ X-Med, and to ws 260 ex the Black Sea. Owners could maintain similarly for a while yet but expensive waiting time will tend to limit ambition to take on the necessary expense needed to take on the risk. Suezmaxes kept strong throughout, in their own right and, with pushing support from the Aframaxes too. 140,000mt by ws 185 now from the Black Sea to European destinations and up to $7.5 million asked for Far Eastern options. Peaked now perhaps, but still strong for a while yet.

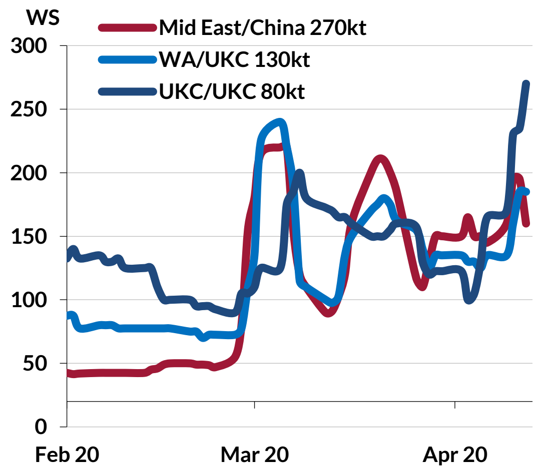
US Gulf/Latin America

Aframaxes here eventually joined the party, albeit at somewhat lower levels. 70,000mt by ws 200+ upcoast and at only just under that transatlantic will still do very nicely and even more so if those levels can be maintained through next week but it will need consistent volume and Charterers may well take their foot off the gas - or try to at least. VLCCs were largely observers here - plenty of questions but, with freight ideas at close to 75 percent of the cargo value at one point, There was little incentive for traders to 'lock-in'. roughly $15 million from the USGulf to Singapore asked for, at least but firm business will probably have to go at lower than that.

North Sea

A bouncy week for rampant Aframaxes that spiked hand in hand, with Mediterranean values to peak at 80,000mt by ws 270 X-UKCont, and to 100,000mt by ws 230 from the Baltic too. Charterers stepped away late week though and Owners will start next week in a more conciliatory mood, which could lead to sharp correction if they don't then tread carefully. VLCCS - as in the Caribs/USGulf, had questions, but scant result. Owners ask for up to $15 million for crude oil to the Far East but have so far failed to find reliable dance partners...some have decided to take the $100k + per day T/C levels for up to 12 months charter as a longer-play alternative.

Crude Tanker Spot Rates



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

Clean Products

East

Crazy does not come close to describing this CPP market, especially on the MRs. Whilst the world reads about diminishing global oil demand, the AGulf MRs continue their explosive push higher to freight levels never seen before. This week has already seen X-AGulf fix at $1.2 million, ws 450 on subs for TC12 and AGulf/West extending to $4 million. These levels equate to double the rates fixed just seven days ago and the top is likely to have yet been hit. We continue to see LR2s stemmed down and multiple Indian naphtha tenders quoted for first decade May, which all points to this market pushing higher. Owners remain wary, these unprecedented levels won't last forever, but remain eager to keep pushing for every cent they can – often refusing to extend on subs past the initial agreed period. And why not? With few ships open and a huge number of vessels sporting uncertain itineraries, this really is the most extreme Owners market we have ever seen.

Another week where last done levels haven't just been beaten they have been smashed! It's not often we see $1.0 million jumps on the LR1s for UKCont bound cargoes, however, that's the market that we are currently in. Owners presently hold all the cards and the 2 jokers (just for good measures). AGulf/UKCont is fixed at $5.2 million, up $1.2 million from Wednesday. TC5 needs a fresh test but with TC1 on subs at ws 500, Owners will want parity. The levels currently seen are reaching new highs and Owners continue to take all they can before that pack of cards has to be put back on to the table.

What an incredible week on the LR2s. General expectation was to see the market top out, paper and historic data suggests that an extended push this long cannot last, and it WONT, but it also won't be ending any time soon. Last done levels have not been done on TC1 for almost 3 weeks now, 75 x ws 500 last done now basis Japan. Westbound runs push to $8.6 million. The interesting points to note are as follows; big pools have locked away year TCs, Navig8 three ships this week. They might be ruing now at lost earnings off the front end, with earnings heading towards $170k pd levels (and their TC at $40k pd for 12 months and $50k for 6), but who could argue at those returns a month ago though? Watch out for diffs being stretched on naphtha, and ranges reduced to lock in a guaranteed longhaul. Taiwan-Japan will become a norm on naphtha in this market. "Do you want my ship or not?"

Mediterranean

No one will have ever in their shipping careers seen a market as firm as the Med this week on the Handies, with rates jumping over ws 400 points. With shore storage full to the brim, this left uncertain ships across the board with no ability to discharge and this coupled with refineries online needing to export as much as possible (due to little to no storage), left Owners licking their lips. Next done were jumping ws 50 points at a time and at the time of writing, 30 x ws 645 is where Owners ideas lie. Owners have been firmly in the driving seat from the off this week and have been able to dictate the state of play in return for safe itineraries. Min flat 8 is now where most Owners ideas will be aiming with $72,500 reported on demurrage. Black Sea rates have firmed too off the back of X-Med, with a fresh positive test needed following the 645 with next done likely to be closer to the 30 x ws 660 mark. Until refineries shut down, expect these rates to hold throughout May with a chunk of the list uncertain and more likely to be taken out by storage options.

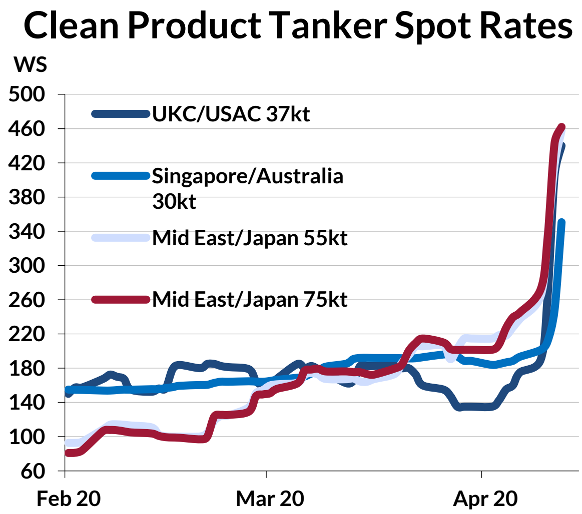
Finally, we arrive to the MRs here in the Mediterranean and like all other sectors, rates have skyrocketed throughout the week as Owners sit firmly in the driving seat. With so many uncertain itineraries on tonnage, vessels which have been lucky enough to either ballast in, or make the DPP/CPP switch have been able to take advantage as rates have moved adding near ws 250 points for transatlantic and over $2 million for Far East runs. With the Handy market here in the Med also rapidly improving, looking forward it's hard to see where Owners lose this momentum. Itineraries here are worth their weight in gold and looks like you have to pay the ship's weight in gold to get it.

UK Continent

The West MRs have enjoyed an exceptional week that would have been beyond the imagination of even the most optimistic of Owners. Close to ws 300 points have been added to where the week due to continued ullage issues. Fixture volume has been steady but certainly not enough to have propelled the market to where we have finished the week. With demand still suffering, refineries runs are being scaled back but the shortage of storage looks likely to keep this market in its current inflated state for the foreseeable future. TC2 ends the week at 37 x ws 440, with WAF around 37 x ws 480-490 although both routes have been a little quieter in the last day or so as Charterers look to try and cool Owners ideas.

It's been an unprecedented week in the UKCont Handy market, which has seen rates fly up to levels many would never have believed they'd see. Strong levels of demand coupled with the extremely tight tonnage list we have seen over the course of this week, has meant we have jumped over ws 200 points to the point where 30 x ws 425 is now on subs for a Baltic/UKCont voyage. X-UKCont rates have also followed suit, with last done currently at the 30 x ws 400 mark with a further positive correction on the cards. As we near the weekend, given the state of play in the Mediterranean, Owners ideas will be extremely bullish and so expect this gap between UKCont and Med to close next week.

All round it's been a pretty active week in this UKCont Flexi market, with a slight uptick in cargo enquiry and multiple vessels being fixed away behind closed doors. The main driver of this has been the firming of the UKCont Handy market this week, with rates jumping up by astronomical levels from start to finish. As a result, rates for a X-UKCont voyage are likely to fall around the 22 x ws 560 mark when next tested.



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Dirty Products

Handy

What can be said about this week? We have witnessed historical events unfold in the oil trading sector, which has had an unprecedented impact on global shipping markets. Concentrating on the DPP Handy sector in North-West Europe, it has really been somewhat of the 'tortoise chasing the hare' scenario this week. Activity has managed to steadily fix away units and to a degree avoid the turmoil of the rest of the tanker sector as rates have continued to trade around the ws 160 level. However, at the time of writing, tonnage has thinned and Owners have the bit between their teeth so expect resistance in early trading next week as surrounding markets continue to rally northwards.

In the Med, it has taken until the last 2 days trading for Owners to ride the crest of the CPP wave as tonnage tightened to a point where rumours of a push came to fruition. Several Owners made firm decisions mid-week on what to clean up, a handful of units from a shortening list disappeared, paving the way for the inevitable push. With last done from the Black Sea hovering close to ws 170 predictions were made that the next cargo would see a number starting with a 2...make that a 3. With ws 300 a thing of the past at time of writing and ws 310 on subs for X-Med, the writing is on the wall for what will happen in Week 18. The list of uncertain itineraries mirrors that of what is likely to be hidden and this is pushing uncertainty and date sensitivity into the mix. Whatever cargo is in the pipeline - lay some foundations for coverage early next week.

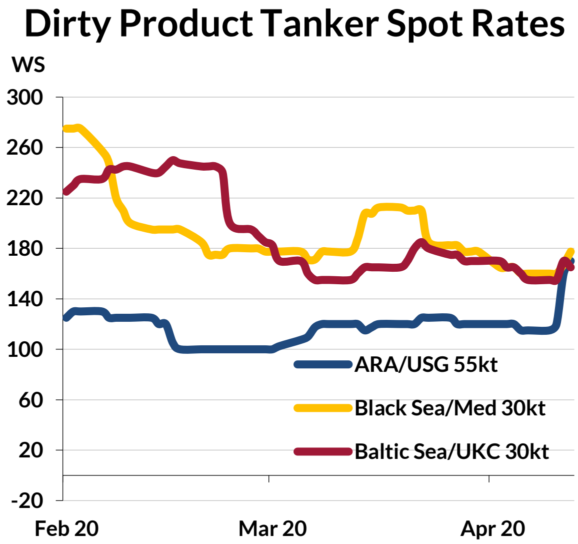
MR

This week has been marked most noticeably by its growing sense of anticipation, where only in the latter stages did Owners find the confidence to push for increment. And when it finally came, it really has been a “we have lift off!” moment. Two units have been open in the North, with little behind them, both of which at the time of writing this afternoon remain free to work as Owners wait for the market to come to them spurred on by the rallies seen on Aframaxes and on clean. Unsurprising really when you consider that all larger options typically available to Charterers are no longer in play and momentum trickles through.

In the Med, the same bells have rung out only with the added dimension of losing ships to the CPP trade to contend with. For anyone on the periphery merely glancing at this market one would assume seeing a +70 point jump was a typo however this is not the case! The market continues to pull upward to realign itself with other sizes, however as we write this, some apprehension should be considered as Aframaxes consider the market toppy given relets have been offered out into the end of the week.

Panamax

Lack of availability finally makes its mark on rates, which comes as no surprise, given the volatility we have been seeing across all sectors. And indeed, what a difference a week makes where levels have moved by the measurement of ws +50 points and climbing. Not often you would see this said on a shipping report, if only we had more ships! Had this been the case then we would undoubtedly have seen more fixtures concluded. All said, even though some deals had failed subjects, with Charterers at time of writing still looking to pursue units when they come open, we can expect a positive trajectory on levels in the week ahead.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 23rd	Apr 16th	Last Month*	FFA Current Q
TD3C	VLCC	AG-China	**+12**	166	154	113	139
TD20	Suezmax	WAF-UKC	**+53**	182	130	122	164
TD7	Aframax	N.Sea-UKC	**+111**	239	129	164	145

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

			wk on wk change	Apr 23rd	Apr 16th	Last Month*	FFA Current Q
TD3C	VLCC	AG-China	**+17,250**	193,750	176,500	123,500	158,750
TD20	Suezmax	WAF-UKC	**+34,000**	104,000	70,000	63,750	92,500
TD7	Aframax	N.Sea-UKC	**+80,750**	126,250	45,500	69,250	57,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 23rd	Apr 16th	Last Month*	FFA Current Q
TC1	LR2	AG-Japan	**+223**	462	239	173	
TC2	MR - west	UKC-USAC	**+274**	433	159	185	355
TC5	LR1	AG-Japan	**+230**	458	228	164	338
TC7	MR - east	Singapore-EC Aus	**+162**	351	189	192	230

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

			wk on wk change	Apr 23rd	Apr 16th	Last Month*	FFA Current Q
TC1	LR2	AG-Japan	**+83,000**	160,500	77,500	52,250	
TC2	MR - west	UKC-USAC	**+55,750**	79,750	24,000	28,500	64,000
TC5	LR1	AG-Japan	**+62,750**	115,500	52,750	34,750	83,250
TC7	MR - east	Singapore-EC Aus	**+30,500**	56,750	26,250	26,500	34,500

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

ClearView Bunker Price (Rotterdam VLSFO)	**-30**	176	206	229
ClearView Bunker Price (Fujairah VLSFO)	**-40**	181	221	283
ClearView Bunker Price (Singapore VLSFO)	**-25**	226	251	271
ClearView Bunker Price (Rotterdam LSMGO)	**-41**	210	251	294

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