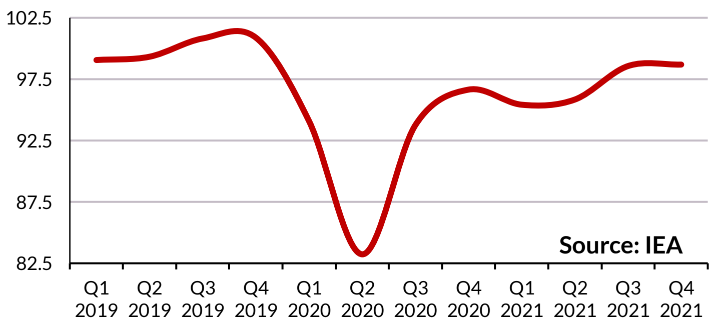
A Glimmer of Hope

Weekly Tanker Market Report

The list of industries that have been hit hard by Covid-19 is long, with shipping being just one of the many casualties. Although in spring tanker rates surged to unprecedented highs amid discharging delays and floating storage demand, today's market is very different, with TCE earnings on many trades stuck at or below OPEX for a few months now. There also appears to be little optimism about the near-term prospects, although a renewed interest for storage plays has added some degree of extra support. The IEA does not see oil demand fully recovering next year. Even by December 2021, consumption is expected to remain notably below December 2019 levels, primarily due to a weak outlook for aviation as air travel is likely to remain severely curtailed until a vaccine is found.

Against these gloomy predictions, the only real prospect for a structural rebound in the global economy and oil demand is linked to the race for a successful vaccine development. There are currently over 170 vaccine candidates in development, with nine in final large-scale trials (phase 3). Four vaccine candidates are being developed by Chinese companies, with final trials commencing during July/August. Two of them have been granted emergency approval for limited use by the Chinese government, while the third was approved as a "specially needed drug" by the Chinese military and is already being provided to the Army. Chinese government officials have recently stated that experimental vaccines have been given to employees of state-owned companies who need to go abroad, while some other key workers could be offered the vaccine in the autumn or winter. In Russia, a "conditional registration certificate" of a vaccine by the Gamaleya research institute was approved by the Russian health care regulator, with large-scale clinical trials scheduled to begin in late August. Germany's BioNTech together with America's Pfizer and the China's Fosun Pharma is another frontrunner, expecting to see preliminary results of stage 3 trials by October. The British-Swedish company AstraZeneca and the University of Oxford have indicated their stage 3 vaccine candidate could be ready by Christmas despite the current pause in clinical trials. Moderna in the US in partnership with National Institutes of Health and the Murdoch Children's Research Institute in Australia are also in the final testing stage, with Moderna expecting to complete enrolment of all volunteers for a trial in September.

World Oil Demand (mbd)



With China pressing ahead with limited use of experimental vaccines before stage 3 trials are completed and Russia announcing their vaccine to the world, it is perhaps not surprising that the Trump administration is considering bypassing normal US regulatory standards to fast-track a vaccine for use in America ahead of the November 3 elections. Experts think this is unlikely, however, the US FDA has indicated that it was open to grant emergency use authorisations to suitable candidates if it was able to assess that the benefits outweighed the risks. Pfizer said it would seek emergency use authorisation immediately after preliminary effectiveness data were available, while AstraZeneca could do the same.

Overall, with so many vaccines being in final stages, experts appear to be confident that at least one will be successful. There could be some more temporary pauses along the way as with the case of AstraZeneca. The world may not see the vaccine in November or December 2020 as there are also logistical challenges in terms of manufacturing and global distribution. However, there is indeed a growing likelihood that vaccines will become widely available from spring next year, hopefully offering a colossal boost to the global economy and helping the recovery in oil demand. Business travel could still remain at restricted levels but surely there is so much pent up demand in many of us for leisure travel and things we haven't done for a long time!

Crude Oil

Middle East

As oil demand continues to slump, oil prices have lowered further and that has now opened up opportunity for traders to do what traders do and a solid pulse of short time charter enquiry, and fixing, swept through the VLCC market at rates that were smartly in excess of prevailing spot earnings. Owners have therefore taken heart, despite ongoing low monthly volumes, and have marked up prices accordingly towards ws 40 for modern tonnage on short runs to the East and at close to ws 20 for any stray cargoes to the West. Further gains are possible but a true spike unlikely. Suezmaxes had an active week but the tonnage just kept coming and rates struggled to move higher than 130,000mt by ws 40 to the East and ws 17 to the West and will need the larger size to grow extra legs in order to reap any cargo-split advantage. Aframaxes remained under fed and under pressure - rates slipped to 80,000mt by ws 65 to Singapore and will need enquiry to pick up sharply next week in order to stage any recovery.

West Africa

Similarly, to the AGulf, Suezmaxes here would like to see VLCCs run higher to then participate in extra cargo splitting opportunity as current volumes merely keep easy availability a constant, and rates pegged to little better than 130,000mt by ws 37.5 to Europe and ws 35 to the USGulf. VLCCs, themselves, had moved higher - into the high ws 30's to the Far East - as 'insurance' for the longer time commitment and will look to stretch the differential over prevailing AGulf/East numbers further as raised short term time charter needs effectively mirror the round trip voyage duration.

Mediterranean

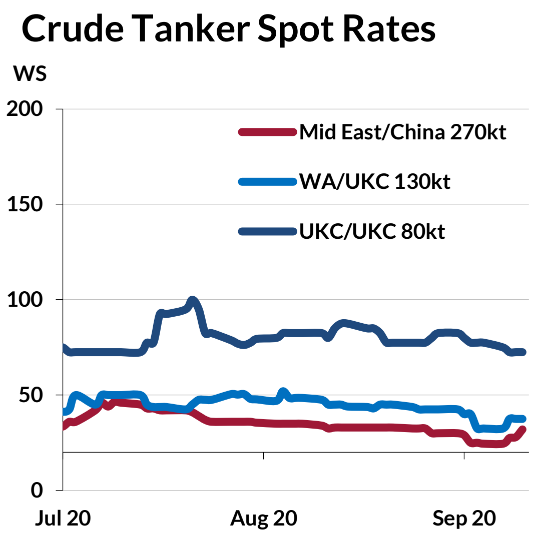
Aframaxes had to grind through another disappointing week with hopes of regular Libyan barrels coming back to market effectively punctured once again. 80,000mt by ws 60 X-Med, and to ws 62.5 from the Black Sea remain typical and are likely to stay largely unchanged over the next fixing phase too. Suezmaxes had short bursts of interest that failed badly to dent the heavy overhang of tonnage and rates stayed stuck at around 140,000mt by ws 45 from the Black Sea to European destinations, and at $2.4 million for runs to China. More of the same to come.

US Gulf/Latin America

Holidays in the U.S. delayed the re-start here and Owners found themselves on the back foot throughout the week 70,000mt at down to ws 50 transatlantic, and to ws 55 upcoast were 'conference' although it did get somewhat busier towards the weekend, with loose hopes of something a shade better to come for next week...perhaps. VLCCs started with reasonable interest but as rate demands nudged higher to $4.6 million to South Korea/China, charterers started to hold back from engaging although with other areas improving slightly, the next deals will likely show a degree of improvement.

North Sea

As in the Med, Aframaxes suffered a tough week of light trading. Rates slipped to 80,000mt by ws 72.5 X-UKCont, and to 100,000mt by ws 42.5 from the Baltic as availability weighed. earnings are close to negative, so the only way should be 'up'...but it could well be 'sideways' also. VLCCs found occasional partners and rates inched higher upon inflation elsewhere. $4.6 million was paid for crude oil to South Korea and the next deal will show at least that number.



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

Clean Products

East

As we draw the week to a close, you can't help but feel the Owners have let the ball drop here, if not in the respect of rates, then certainly in the respect of gathering any real momentum. Whilst it is true that we aren't short of cargoes, the bulk of them are over a week out and will no doubt result in continued congestion on the earlier part of the list. Too often of late, Owners have had the tools to drag themselves off the floor, yet faltered on the actual execution of same.

Not much to report on the LR1s this week. Torm being dropped by Mercuria seemed inevitable, and this leaves Owners with two ships off the same window to cover. Shell's rumoured TC5 end month was probably the most exciting bit of news all day with a considerable level of fresh enquiry now needed in order to drag this segment from the doldrums.

An interesting day on the LR2s with some more enquiry yes, but it seems some of these cargoes were just rate checks against a perpetually underperforming MR alternative. Trafigura are on subs at 90 x ws 80 ex India, which seems sharp especially with LOA restrictions, but we have since seen Total withdraw their stem, and are yet to see BP counter on their naphtha. After a very quiet week or so on the LR2s, it will be interesting to see how itchy Owners' feet are to get tonnage tucked away.

Mediterranean

A positive week all in all on the Handy front in the Mediterranean, with a tight front end coupled with consistent cargo enquiry ex EMed, meaning Owners were able to carry on the momentum seen in the last couple of weeks. A handful of Greece cargoes on Monday provided the catalyst for further gains and at close of play on Friday, rates ex EMed are trading at the 30 x ws 160 mark with ws +10 achievable ex Black Sea. Further West, however, enquiry has been slower and, with more units to choose from, a split in rates dependent on load area is apparent with 30 x ws 155 the going rate ex West. Next week will likely provide a replenished list and Owners will be hoping for continued enquiry in order to keep this momentum going.

The Med MRs this week have tracked activity in the North due to slow levels of cargo enquiry. Further pressure is likely to build on rates due to the ample amount of tonnage currently available to the few cargoes that remain within the current fixing window. Therefore, next done ex Med is likely to land around the 37 x ws 112.5-115 level transatlantic and 37 x ws 127.5-130 to WAF. Much of the same expected here next week unless we see a large influx of cargoes.

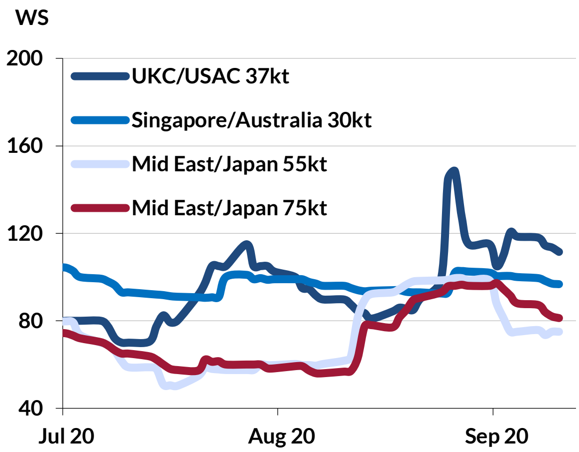
UK Continent

A steady week overall for this market as rates remained static for the duration baring the odd discount here and there. Given that demand was relatively flat on the whole and the position list was well covered for most dates, Owners may feel a sense of relief to escape the week unscathed. It certainly looked for a time that rates would come under much more pressure than they have but as we approach the weekend the market has a slightly more stable feel to it. Last done levels remain unchanged with TC2 at 37 x ws 115 and WAF at 37 x ws 130. Demand will once again be the key factor next week as supply continues to look adequate so the threat to rates is likely to stay with the owners at least in the short term.

"It doesn't matter how you start, it's about how you finish" and this was clearly the case for the Handy market in Northern Europe throughout week 37. The market offered little fixing opportunities at the start of the week, which even saw Baltic liftings soften to 30 x ws 90 but as the days rolled on a lot of fixing was happening under the radar mainly on COAs forcing the front end of the tonnage list to tighten. Then by Friday, a wealth of cargoes were quoted both from the Baltic and the Continent, which added even more pressure to an already tight market. Owners are bullish with big gains likely here.

All in all, it's been a lacklustre week in the UKCont Flexi market, with cargo enquiry continuing to move on the slow side and any signs of fixing action being kept behind closed doors. Rate ideas have therefore been drawn from the handy market, which after a quiet few days has seen an influx of fresh enquiry which is likely to see rates firm. For now, however, the call remains at the 22 x ws 110 mark for a X-UKCont run.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

Over the past few months, sentiment in the Northern Europe and Med markets have struggled to gain any momentum, leaving us with little positive to talk about in this report. This week, the North has seen limited market enquiry once again and as a result, we report a drop in levels of some ws 7.5 points, with ws 97.5 on subjects to close the week. We have to think that this is the bottom as it is hard to remember when last we reported of such levels, however, it is optimistic to think that next week is going to fare much better as natural tonnage continues to build in the region.

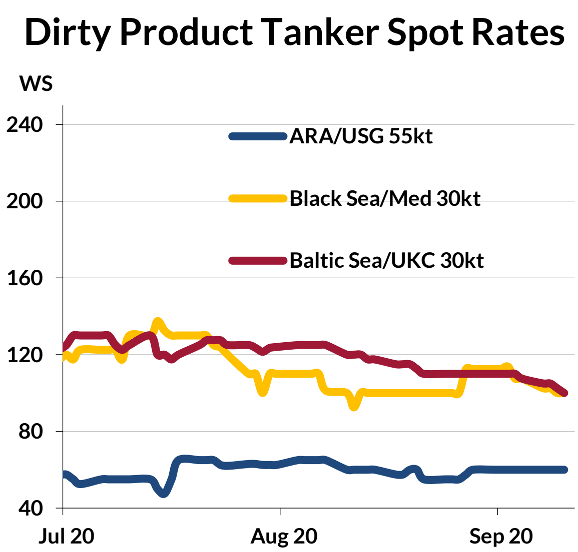
In the Med, the balance of enquiry to prompt tonnage continues to sway in Charterers favour. With that in mind, we report a ws 10 point drop in X-Med levels with ws 85 on subjects as the week draws to a close. Few questions have been asked and as such, the Black Sea on face value remains untested as the market reports of last done continuing to hold at ws 100. It is worth noting that the majority of stems have been clipped away on an off market basis so the reality is likely to be we are in a sub 100 market from the Black Sea today. Come Monday this region will need a heavy injection of enquiry to change the current sentiment.

MR

In both the Cont and Med/Black Sea markets this week MR tonnage has continued to suffer from a lack of cargoes. While prompt tonnage in the North has seen very little in terms of full stems, the back stop of part cargo has also been missing. A similar story in the Med in terms of tonnage outweighing enquiry, however, a few Owners with prompt tonnage have been able to keep those units moving, with Black Sea and X-Med stems. Going forward there needs to be an injection of pace for the markets to improve to get a true picture of where the levels lie as cargoes continue to be worked very quietly off market.

Panamax

Over the past fortnight the tonnage lists in Europe have seen a dramatic transformation and with it came the increment that allows us to call today's market ws 60. Where we go from here though really becomes a challenge for Panamax Owners though as the surrounding Aframax market trading in the doldrums prevents any further upside. That said, for the immediate short term, the gratification for most will be not having to swallow wasted idle days, which considering the market not so long ago, will be a warm welcome in itself.



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

GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sep 10th	Sep 3rd	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+7**	32	25	33	33
TD20	Suezmax	WAF-UKC	**+1**	38	37	45	46
TD7	Aframax	N.Sea-UKC	**-3**	75	78	86	77

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

			wk on wk change	Sep 10th	Sep 3rd	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+9,750**	17,750	8,000	17,000	19,000
TD20	Suezmax	WAF-UKC	**+2,000**	9,500	7,500	12,250	14,500
TD7	Aframax	N.Sea-UKC	**-500**	3,000	3,500	8,750	5,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sep 10th	Sep 3rd	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**-10**	81	91	78	
TC2	MR - west	UKC-USAC	**-9**	111	121	83	99
TC5	LR1	AG-Japan	**+0**	75	75	89	76
TC7	MR - east	Singapore-EC Aus	**-4**	97	100	94	106

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

			wk on wk change	Sep 10th	Sep 3rd	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**-3,250**	16,750	20,000	14,000	
TC2	MR - west	UKC-USAC	**-1,500**	12,500	14,000	6,250	9,750
TC5	LR1	AG-Japan	**+500**	9,500	9,000	12,500	9,750
TC7	MR - east	Singapore-EC Aus	**-500**	7,250	7,750	6,000	8,750

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

	wk on wk change	Sep 10th	Sep 3rd	Last Month*	FFA Q3
ClearView Bunker Price (Rotterdam VLSFO)	**-24**	276	300	308	
ClearView Bunker Price (Fujairah VLSFO)	**-27**	299	326	341	
ClearView Bunker Price (Singapore VLSFO)	**-15**	311	326	345	
ClearView Bunker Price (Rotterdam LSMGO)	**-22**	311	333	363	

www.gibsons.co.uk

London
Audrey House
16-20 Ely Place
London EC1N 6SN

T +44 (0) 20 7667 1247
F +44 (0) 20 7430 1253
E research@eagibson.co.uk

Hong Kong
Room 1404, 14/f,
Allied Kajima Building
No. 138 Gloucester Road
Wan Chai, Hong Kong

T (852) 2511 8919
F (852) 2511 8910

Singapore
8 Eu Tong Sen Street
12-89 The Central
Singapore 059818

T (65) 6590 0220
F (65) 6222 2705

Houston
770 South Post Oak Lane
Suite 610, Houston
TX77056 United States