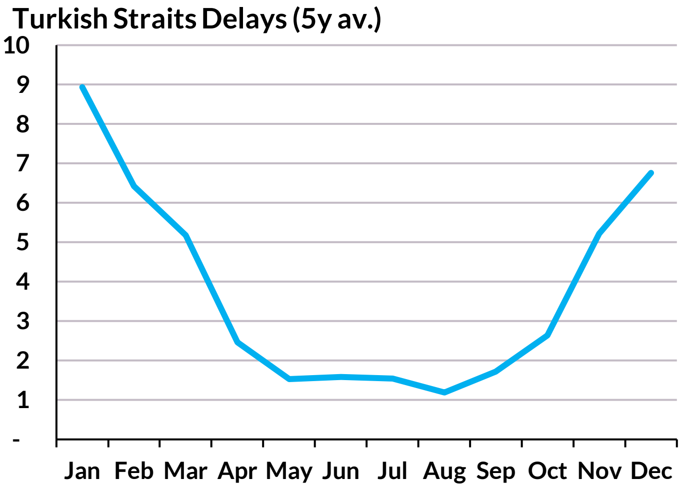
Strong Winds and Rough Seas

Weekly Tanker Market Report

As with most crude tanker markets, the Aframax and Suezmax sectors have remained under pressure since June. Part of this downside is not too dissimilar to the typical seasonal weakness seen during the summer months, although in most cases the downside has been caused by a lack of crude demand and falling seaborne trade, whilst these vessels have not benefitted to the same extent as the VLCCs from floating storage demand. However, as we move closer to the 4th quarter, these sectors may see increased volatility even if demand (and rates) are lower than previous years.

This volatility may be hard to predict given that often weather-related disruption is a primary driver during the winter period. In the Mediterranean, delays through the Turkish Straits could be a key factor. During the spring/summer period, delays seldom impact freight levels in the region, however, from October onwards transit delays through the Straits typically increase, before easing down again as April approaches. In the Baltic and North Sea markets, weather could also increasingly become a factor. Delays are likely to grow as inclement weather moves into the region. However, the major upside potential is ice in the Baltic. Typically, the impact of ice can be the greatest from January to March, however the season can extend or contract depending on the severity of the winter. Outside of Europe, weather related delays and disruptions could also impact tonnage supply. Whilst hurricane activity in the US Gulf/Caribbean is largely expected to subside by November, winter storms and fog could impact cargo operations over the coming quarters.



Aside from praying for weather related disruption to drive freight volatility, shipowners might have been hoping to see higher cargo volumes lift demand into the fourth quarter. Whilst to a certain extent this is true; the Russian Urals programme plans to load just 12 more cargoes in Q4 compared to Q3 and OPEC+ has given its members until the end of the year to complete compensation cuts. Loading programmes could be trimmed further or see limited upside on this basis. The Angolan export schedule for November shows a further reduction in flows, whilst ADNOC plans to trim term volumes by 25% in the same month. Other OPEC+ producers are expected to suppress export volumes in order to meet compliance goals before the end of the year. However, the main potential upside for the Mediterranean market is Libya. If Libya can increase volumes significantly in the short term, then tanker owners will see a welcome boost in terms of regional demand. Yet, this is far from certain. The picture in the US is more clouded. So far during the covid-19 pandemic, export volumes have held up well despite significant production declines. To a certain extent this has been supported by lower US refinery runs. Exports may stay supported until peak maintenance season in October passes. However, if following seasonal turnarounds, US refining throughout recovers strongly, then crude export volumes are likely to come under downwards pressure.

To say the picture is mixed is perhaps an understatement. Undoubtedly the fundamentals, although improved from a few months ago, are considerably bearish. But the tanker market does not always move on fundamentals. Owners may often wish for fair winds and following seas, but this is exactly the opposite of what they need right now.

Crude Oil

Middle East

A week of unrealised hope for ultimately disappointed, and re-pressured, VLCC Owners. Things started reasonably brightly with recent peaks maintained as time charter interest continued to reinforce, but availability on the next fixing window re-built as Charterers shied away from attacking fresh October programmes, and the market fell largely silent over the back end of the week to set up a more nervous situation into next week. Rates to the East are now marked lower, to the mid ws 30's for modern units, with ws 19 Cape/Cape paid for a rare run to the West. Suezmaxes went from bad to much worse...under ws 15 was seen for a run to the West, and as low as ws 35 to the East is available too. This will take a good while to sort out. Aframaxes, on the other hand, countered the slump elsewhere with solid activity helping rates to move to 80,000mt by ws 72.5 to Singapore with perhaps a little more to come early next week - small mercies, but at least one positive!

West Africa

Suezmax Owners end the week with a heavy heart and no leverage to wrest rates away from the new low's set. 130,000mt by ws 30 - at best - to the USGulf, and to ws 32.5 on the near horizon to Europe also. Some will just refuse to engage. A very sluggish week here for VLCCs as eyes turned towards the outcome of the introduction of October needs in the AGulf and the delay in a clear result kept Charterers fingers off the market trigger. Whatever does eventually happen there, premiums over those prevailing numbers will be maintained for the longer time frame 'insurance', but the range is likely to shift lower, nonetheless. currently, around ws 37 to the east looks about right.

Mediterranean

A slow and sleepy end to a very uninspiring week for Aframaxes. Rates bottom-hug at down to 80,000mt by ws 52.5 X-Med, and to ws 55 from the Black Sea, with no further realistically to drop, but equally challenged to find any reason for upside either. Suezmaxes had ballasting alternatives effectively cut from under them as rates fell away elsewhere, and had to exist on scraps of local enquiry that provided no rate benefit. 140,000mt at down to ws 44 from the Black Sea to European destinations now and runs to China remain stuck at little better than $2.35 million.

US Gulf/Latin America

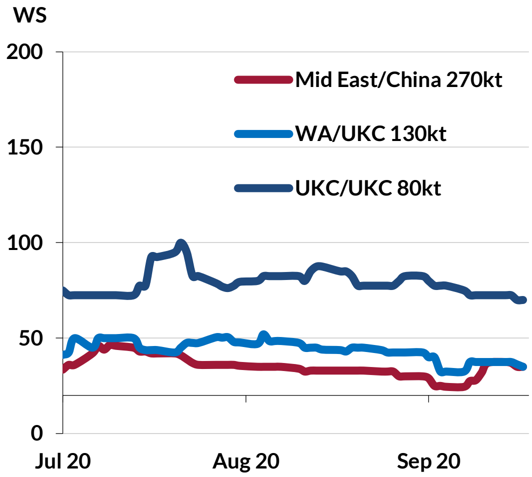
Aframaxes had hoped for the benefit of bad weather disruption, but although the weather struck, it brought with it little assistance to a very flat footed and bottom scraping market. 70,000mt by ws 50 is 'conference' transatlantic, and no better than ws 57.5 can be squeezed upcoast either. More bad weather please! Slow overall for VLCCs but the previous uptick elsewhere had a belatedly positive effect on rates that were done so that

USGulf/China moved towards $5 million but some discounting may now be back on the cards given the renewed uncertainty. dates creep towards November, however, and that takes out a good slug of the winter market for Owners so there will be resistance to any serious damage.

North Sea

Another week of light Aframax trading leaves this sector where it ended last week - 80,000mt by ws 72.5 X-UKCont and 100,000mt at ws 40-ish from the Baltic. Another similarly ineffective week awaits. VLCCs saw nothing of note - $4.6 million to South Korea remains 'last done' and next deals will not be far from that mark, although Charterers' appetite needs stimulating.

Crude Tanker Spot Rates



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

Clean Products

East

MRs are finally making headway in the East, with the balance of the month looking increasingly tight and packed full of uncertain itineraries. Aside from the cargo list and the position list which very much speak for themselves – we have an LR1 segment exploding into life, which will add significant reassurance to Owners when trying to determine where they should be positioned. With patience though, a few vessels could come a lot more certain before the 27th – so today will be an interesting game to see who has the better amount of patience.

A day that the LR1 market really needed. Everyone stood intently watching the 25-30 window in the hope that it would spring into life, and it did exactly that. Naturally, almost everything done basis the rates until now will look cheap. We are clearly at the bottom here and the LR1s are benefitting from a firm LR1 market in respect of shorthaul cargoes. TC5 at ws 65 would be a steal looking at the list and no doubt Cargill will be pleased with this off early October.

For LR2s a very quiet day with only the one new cargo in the market. All LR2s can do is hope the smaller sizes continue to get busier. Rates are still lower per ton on the LR1s so until that reverses, LR2 value is limited and only those that need the bigger unit will go that way. The list is still not as long on the front end as the smaller sizes but activity needs to pick up soon or they will hit the very bottom.

Mediterranean

All in all, a week to forget for the Owning fraternity in the Med, with rates softening throughout the week. Enquiry levels were almost non-existent Monday-Wednesday, which allowed tonnage to build and when a few cargoes entered the picture on Thursday, the number of offers in outlined the true colours of the list. At the time of writing, 30 x ws 120 is the going rate for a Vanilla X-Med (30 points cheaper than where things stood on Monday). The Black Sea is in need of a fresh negative test but come Monday, it would not be surprising to see further losses with a replenished tonnage list.

The MRs in the Mediterranean have predominantly been led as per usual by the sliding UKCont market which pulled the market down to 37 x ws 90 transatlantic and ws 105 to WAF. That being said, we have seen a good level of enquiry passing, and as LR1s improve we expect a few more WAF stems to appear before September is out. Come Friday, a handful of stems remain uncovered and we would expect rates to certainly stabilise, with opportunities to push for Owners if a Charterer gets a little stuck. WAF ballasters will certainly be keeping a close eye on what else emerges ex Med, with the potential of a few extra points slowly becomes a reality.

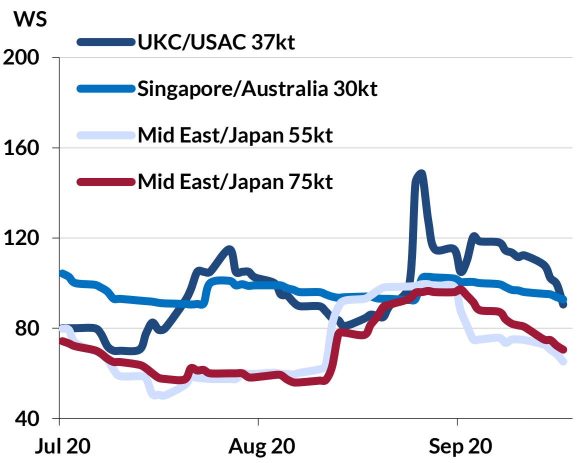
UK Continent

The majority of this week has been negative from the Owners perspective, with the early part seeing limited enquiry and then rates falling sharply as a result, even when activity improved. Apart from a slow start to the week, the abundance of tonnage remains the main culprit as demand continues to largely stagnate and ballasters from the US continue to head this way. The situation has been exacerbated by WAF demand being almost exclusively covered on LR1s leaving TC2 exposed. However, despite TC2 dropping down to 37 x ws 90 levels and WAF to 37 x ws 105, we have started to see some signs that a more positive outlook is on the horizon. With a shortage now of LR1 tonnage for the balance of the month MRs are likely to become the favoured size once again, helped by the fact that pricing has also reached near parity. At the same time, the arbs transatlantic have also opened up and a surge in activity has boosted the market in the last day or two. Although rates have still continued downwards, the tonnage list should have a better appearance at the beginning of next week and the possibility of a rebound may become a reality.

The UKCont Handy market has been a bit of a mixed bag with rates fluctuating throughout. We began the week with 30 x ws 110 on subs ex Baltic and X-UKCont tracking 10 points below at the 30 x ws 100 mark but as we progressed through to the midweek, slow levels of enquiry meant tonnage began to regenerate and rates took a tumble. Consequently, we now see rates trading at the 30 x ws 100 & 30 x ws 95 levels respectively as the differential between Baltic liftings and X-UKCont shrinks to 5 points.

Another dull week goes by here in the UKCont Flexi market as cargo enquiry remains at the bare minimum and any fixing activity has been kept well away from the market surface. With this continued period of inactivity, rates have been guided by the UKCont Handy market, which has experienced an up and down week with rates seemingly unsettled throughout. Therefore, the call for a X-UKCont run currently stands around the 22 x ws 125 mark but a fresh test is needed here.

Clean Product Tanker Spot Rates



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Dirty Products

Handy

Finally, some positivity to write about in the Continent Handy sector, where it is fair to say that the cargo base on offer this week has done its job in mopping up excess availability. On the back of this, rates bounced from lows of ws 95, nearing treble figures. The immediate week ahead now relies on what receives short haul orders to repopulate the lists. One shouldn't get too carried away with expectations of an upside as the Med for the most part stutters through another week, with west med tonnage fair game to approach for a UKCont stem.

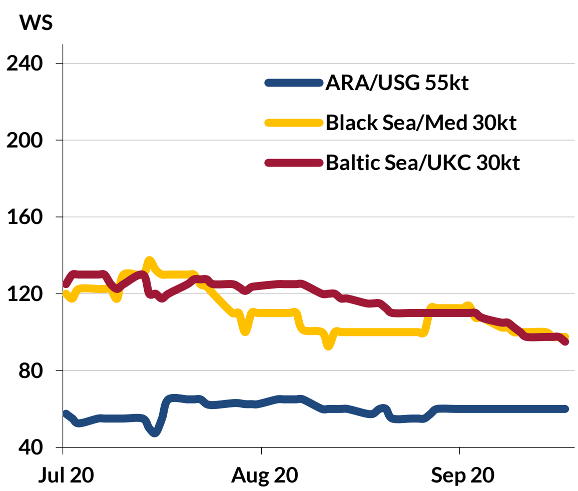
MR

It has been a rather more active week for MRs but that key headline does nothing for painting a true picture where trading conditions are concerned. Levels on the MRs in most cases barely make a worthwhile contribution to Opex. In fact, some voyages in the Med, where port costs make up the majority of the equivalent LS figure, delve into minus TCE earnings. With this in mind, we would like to say we have finally reached the floor, with levels into the ws 70's, but saying that is a dangerous proceeding this year and anything to go by.

Panamax

Its seems for the time being no matter what happens within this sector, there always seems to be something which prohibits earnings from moving into more profitable returns. In this case, despite adequate demand, any upside was well and truly removed this week, with surrounding Aframaxes falling to 100/27.5 Baltic / transatlantic. At these levels Panamaxes are being undercut, however, with heating included on a 55k move, on a like for like basis being so close, the flexibility offered by a Panamax prevails at current levels.

Dirty Product Tanker Spot Rates



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sep 17th	Sep 10th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+3**	35	32	33	35
TD20	Suezmax	WAF-UKC	**-3**	35	38	45	37
TD7	Aframax	N.Sea-UKC	**-1**	74	75	79	77

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

			wk on wk change	Sep 17th	Sep 10th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**+3,250**	21,000	17,750	16,250	20,500
TD20	Suezmax	WAF-UKC	**-2,250**	7,250	9,500	12,000	8,500
TD7	Aframax	N.Sea-UKC	**-1,250**	1,750	3,000	3,750	4,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sep 17th	Sep 10th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**-11**	70	81	89	
TC2	MR - west	UKC-USAC	**-21**	91	111	85	89
TC5	LR1	AG-Japan	**-10**	65	75	98	68
TC7	MR - east	Singapore-EC Aus	**-4**	93	97	93	105

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

			wk on wk change	Sep 17th	Sep 10th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**-4,500**	12,250	16,750	18,250	
TC2	MR - west	UKC-USAC	**-4,750**	7,750	12,500	6,500	7,500
TC5	LR1	AG-Japan	**-3,000**	6,500	9,500	14,500	7,000
TC7	MR - east	Singapore-EC Aus	**-1,250**	6,000	7,250	5,750	8,250

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

ClearView Bunker Price (Rotterdam VLSFO)	**+17**	293	276	312	
ClearView Bunker Price (Fujairah VLSFO)	**+26**	325	299	335	
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ClearView Bunker Price (Rotterdam LSMGO)	**+8**	319	311	360	

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