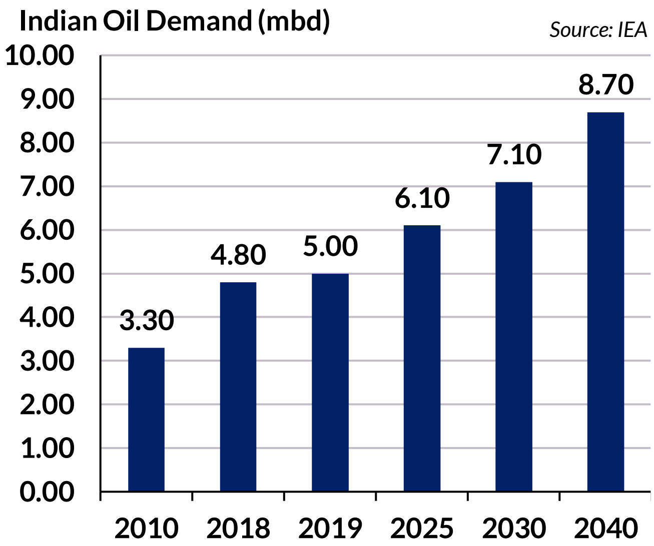
Indian Outlook

Weekly Tanker Market Report

Like most nations, Indian oil demand has come under considerable pressure in 2020 as covid-19 derailed the country's continual demand growth. Nevertheless, the longer-term prospects for Indian oil consumption are good with demand already rebounding even as covid-19 continues to impact the wider economy.

This rebound in demand is evident in both refinery and crude buying activity. Indian refinery runs gained 10% month on month reaching 86% in September, with further gains expected for November and December. Government sources have suggested that oil demand could be back to pre-covid levels in the first quarter. Furthermore, official data showed that September gasoline demand recovered to 2.45 million mt, the highest since February and 3% up YOY. Crude imports have also shown a strong recovery, reaching 4.2mbd this month, the highest since March and up 550kbd on September according to Kpler. The question now going forwards is can this trend be sustained?



Ultimately this will depend on the country's recovery from covid-19 and government policy towards containing the virus; however, it is more a question of when, not if, Indian oil demand recovers. The country is expected to contribute the largest share of demand growth over the next 10 years as car ownership continues to rise and aviation demand expands.

To match this continual demand growth, the nation will need to expand its refining capacity, which has seen slower growth rates in recent years, with most projects focused on expanding/debottlenecking existing plants, opposed to new greenfield developments. Nevertheless, crude processing capacity is expected to increase by 600kbd between 2019-2025, supported in part by the start-up of HPCL's 180kbd Barmer refinery in March 2023 in addition to upgrades and expansions. Beyond the HPCL project, CPCL plans to launch a new 180kbd facility in Nagapattinam, although it may take until the second half of the decade to come onstream. The most notable development, however, is the planned 1.2mbd project in Maharashtra in partnership between domestic players IOC, HPCL and BPCL, and foreign investment from Saudi Aramco and ADNOC. Yet, with a price tag of $70b and uncertain market conditions, FID is yet to take place.

For the tanker market these developments are of course positive. How positive depends on where the crude is sourced from. In the current sanctions environment, long haul crude flows from Venezuela are likely to remain minimal, whilst the planned 1.2mbd project will be designed to run Saudi and UAE grades, most likely under term contracts. Increased buying from the US is likely, but much of the installed complex capacity is more suited to heavy sour grades, limiting the substitution with lighter/sweeter Atlantic grades. Regardless, as the largest contributor to oil demand growth over the next two decades, India's importance for the tanker market is set to increase.

Crude Oil

Middle East

Not even Halloween, but for VLCC Owners it was a week long nightmare nonetheless. Never enough activity to dent very easy availability and rates compressed into an even lower range to leave even the most economic units struggling to better Opex returns. High ws 20's is about the very best that can be achieved to the East, with any rare runs to the West market to ws 15 via Cape. It may prove a little more active next week but the header tank of tonnage will also remain to suppress. There was Suezmax improvement week on week but just as the market started to get small new legs, volumes evaporated once again and rate gains were pared back to end at a modestly higher ws 40 level to the East and to ws 15 West, with perhaps even further retreat into next week. Aframaxes struggled to get out of reverse gear and slipped further to 80,000mt by ws 50 to Singapore where they will remain over the near term, at least.

West Africa

A very brief move higher for Suezmaxes at the beginning of the week quickly turned into a fighting retreat as Charterers slowed the pace, and adequate availability remained. Rates now stand in the same low territory they ended last week at 130,000mt by ws 25 to the USGulf, and around ws 30 to Europe, with little scope for much better next week with VLCC alternatives weighing additionally. Slow, and then a midweek pulse of VLCC action to blow away the dust. That was the good news but, with the AGulf struggling, Owners competed hard for those trades and rates dipped to as low as ws 28.5 to the Far East and look set to remain there, or at little better than that, unless/until the Middle East takes a positive turn.

Mediterranean

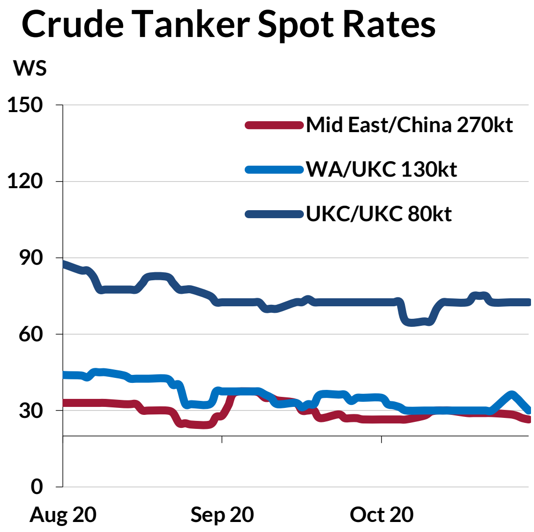
Aframaxes harboured some hopes of building upon last week's modest improvement but failed to do so and ended on a defensive footing once again, with rates at no higher than 80,000mt by ws 65 X-Med and ws 70 from the Black Sea. Owners will probably be digging in for protection over the next fixing phase too. Suezmax availability gradually built over the week and rates became steadily chipped lower accordingly. 140,000mt at ws 42.5 for European destinations now with down to $2.4 million payable for anything to China.

US Gulf/Latin America

Aframaxes remained stuck fast at recent lows of down to 70,000mt by ws 40 transatlantic, and to ws 42.5 for upcoast needs. Bad weather hit yet again and yet again sprouted hopes of a positive rub off from any consequent disruption but as things stand, that hasn't taken effect and it looks to be back to square one for next week now. VLCCs had a lightweight week of it - rates still theoretically hold at around $4.6 million from the USGulf to China/South Korea but, with other areas floundering, some discounting threatens.

North Sea

Generally flatline for Aframaxes, with Owners keeping a wary eye upon the next wave of laden tonnage incoming from the U.S. too. Rates stay at close to 80,000mt by ws 70 X-UKCont and 100,000mt by ws 40 from the Baltic....the Ice season still seems a very long way off! VLCCs are never in over supply here but enquiry never runs away either. There has been ongoing interest though and rates therefore maintain around $4.3/4.4 million for anything to China/South Korea.



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

Clean Products

East

A very quiet week on the LR2s. Simply put; the cargo base barely supplied a small corner of the list. 90 x ws 55 is on subs now ex Yasref and the Gulf, and an armada of vessels are sat off Sri Lanka waiting for the next window to appear next week.

The LR1s have been busy. The front end cleared out nicely and TC5 bounced up slightly after a momentary dip. Ws 62.5 is the last done, and $1.15 million was repeated numerous times going West. There will be nothing outstanding as we enter the new week, so momentum will halt until further enquiry is seen.

The MRs have also thinned, giving us the healthiest list we have seen in weeks. Only old vessels remain off the front end and Owners watch to see how ST handle their outstanding Vadinar stem. The Oz requirement could halt their use of older tonnage, ws 130 East Africa is the best they have otherwise. Theoretically ws 100 East Africa is still last done and West is unlikely to move given the state of the LR2s. West runs are unlikely on the MRs bar Latin America deliveries. Speaking of, the arb has started to open ex Gulf so we could see this as a driver in the new week.

Mediterranean

There was a sense of optimism at the start of week 44, with momentum from last week trickling into Monday with a healthy list of cargoes and rates trading at the 30 x ws 80 mark. Since then however, rates have been unsettled due to sluggish enquiry coupled with a buildup of tonnage. 30 x ws 75 has certainly been achievable with a minimal ballast, meaning Owners can just about justify a ws rate starting with a 7. Ex Black Sea rates have traded at a minimal differential on top of X-Med, with 30 x ws 80 the going rate on Friday for a standard run. Come Monday expect the pressure to build once more, with a replenished list and stretched fixing window providing ample candidates for Charterers.

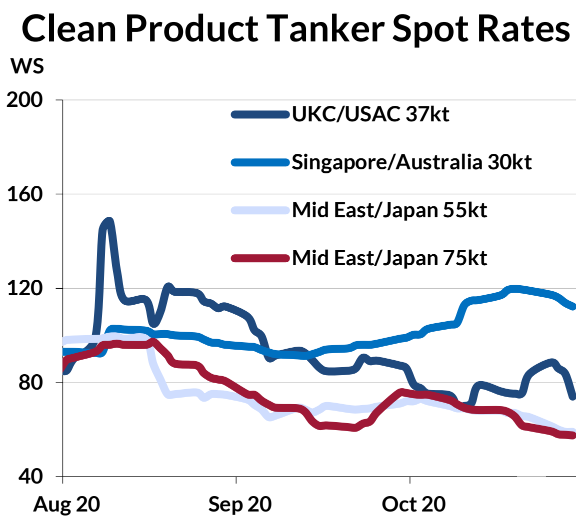
For the MRs in the Mediterranean, the lack of activity has made it very hard for Owners who have had to mainly rely on the UKCont market. Unfortunately, this did not last long in the UKCont and even shorter in the Med, where Owners have had to take what they can and Charterers in knowledge of this have pushed rates down quickly. With a 37 x ws 75 seen early in the week for transatlantic, sentiment has remained pressured as we saw 37 x ws 80 for WAF, Owners have had little excuse but to go with this negative flow into next week.

UK Continent

How a week can change for both parties. We started the MR sector off with a bang in the UKCont and a flurry of activity on Monday pushed TC2 up to the dizzying heights of 37 x ws 90. Alas though, that is pretty much where the week ended in terms of fresh enquiry and since then we have only seen the occasional stem emerge for the slightly bewildered Owners. We have seen a number of chunks knocked off and as we come to Friday the market lies at 37 x ws 75 at best, with a couple of outstanding cargoes looking to drive the market further down. With LR1s struggling at 60 x ws 55 for WAF, Owners have seen little opportunities for that route and therefore have had to rely on the scraps of transatlantic runs. Looking into next week, unless those LRs pick up, Owners will continue to feel the weight of the LR1s on their shoulders.

All in all, it's been a pretty steady week in the UKCont Handy market, which has seen just enough cargo enquiry to help keep rates trading sideways throughout. 30 x ws 90 ex Baltic & 30 x ws 85 X-UKCont have been repeated multiple times over the course of the week as Owners continue to hold on despite a growing tonnage list. However, with the fixing window now extending into the early second decade, it would not be surprising to see this market come under pressure come Monday.

Week 44 has been an uninspiring one in the UKCont Flexi market, with the glimmers of activity we have seen being kept under wraps and minimal cargo enquiry all week. Flexis therefore continue to look to their 30kt counterparts for rate guidance and after a rather flat week for the Handies, the call for a X-UKCont Flexi run remains at the 22 x ws 110 mark as it has throughout the week. Market slow.



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Dirty Products

Handy

Following on from a positive previous week for Owners in the North, the wind has been taken out of their sails once again in week 44. While activity has not stalled, enquiry has been drip fed, and just 1 or 2 cargoes a day emerged for Owners to ponder. Rates have therefore softened, and we close the week ws 2.5 points down from where we started. Come Monday, the region will need to see an injection of pace and prompt tonnage taken out if we are to see freight rise. In the Med, a familiar story continues to play out as tonnage outweighs enquiry for a second week giving charterers the upper hand. Ws 95 was seen early on in the week for X-Med and by mid-week, low cargo flow saw ws 2.5 points taken off with ws 90 on subs and ws 100 being fixed from the Black Sea. With tonnage well stocked across the Med, prompt vessels in the region are likely to see further downside.

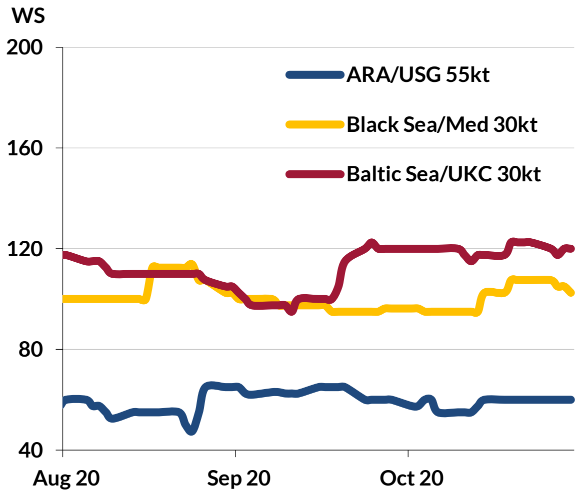
MR

The Continent proved its resilience once again this week as we have seen ws 90 repeated. Going into next week, this should now set the tone for what is to follow, with limited availability presenting in the immediate fixing windows. In the Med, though availability beyond what's being marketed is a concern. Not just because the surrounding Handies have softened, but general enquiry for MR's has cooled right off.

Panamax

The way recent conditions have been, to say we have reached the bottom and that things will remain around here would be a bold call, as so often something gets done that raises eyebrows. That said, for this week it has been business as usual with the conference ws 55 validated as a reliable benchmark. The significance here though is that where conditions in the US are so stagnant, with Owners ballasting towards Europe ex USGulf, it would be easy for Charterers looking on to think there is hope for reduction. The truth is, TCE's are so low now, that Owners are rebuffing any attempts made where it has become uneconomical to even perform a voyage.

Dirty Product Tanker Spot Rates



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Oct 30th	Oct 23rd	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**-3**	26	29	27	31
TD20	Suezmax	WAF-UKC	**+2**	32	30	35	41
TD7	Aframax	N.Sea-UKC	**-1**	73	74	73	90

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

			wk on wk change	Oct 30th	Oct 23rd	Last Month*	FFA Q4
TD3C	VLCC	AG-China	**-2,750**	9,750	12,500	9,500	16,500
TD20	Suezmax	WAF-UKC	**+2,500**	5,500	3,000	7,000	11,000
TD7	Aframax	N.Sea-UKC	**+750**	1,750	1,000	1,750	14,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Oct 30th	Oct 23rd	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**-5**	57	62	64	
TC2	MR - west	UKC-USAC	**-2**	74	76	89	82
TC5	LR1	AG-Japan	**-7**	59	66	69	68
TC7	MR - east	Singapore-EC Aus	**-8**	112	120	96	113

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

			wk on wk change	Oct 30th	Oct 23rd	Last Month*	FFA Q4
TC1	LR2	AG-Japan	**-1,000**	8,000	9,000	9,500	
TC2	MR - west	UKC-USAC	**+250**	4,750	4,500	7,500	6,500
TC5	LR1	AG-Japan	**-1,000**	5,250	6,250	7,000	7,500
TC7	MR - east	Singapore-EC Aus	**-1,000**	10,000	11,000	6,500	10,250

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

ClearView Bunker Price (Rotterdam VLSFO)	**-20**	286	306	296
ClearView Bunker Price (Fujairah VLSFO)	**-20**	321	341	327
ClearView Bunker Price (Singapore VLSFO)	**-19**	312	331	336
ClearView Bunker Price (Rotterdam LSMGO)	**-30**	301	331	311

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