All Eyes on India

Weekly Tanker Market Report

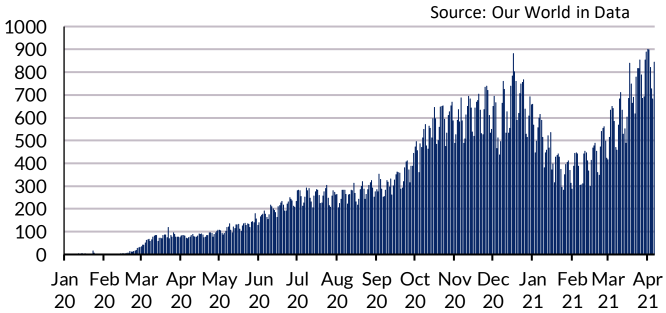
In its April 2021 World Economic Outlook, the International Monetary Fund (IMF) lifted global economic growth projections for 2021 and 2022 by 0.8% and 0.2% to 6% and 4.4% respectively due to the anticipated vaccine-driven recovery in the 2nd half of this year and additional fiscal support in some major economies, most notably the $1.9 new fiscal package in the US. In line with the IMF projections, the International Energy Agency (IEA) also revised upwards its expectations for world oil demand growth by 230,000 b/d this year to 5.7 million b/d.

According to Our World in Data, just over a billion people or over 12% of the global population have received at least one vaccine dose. There are currently 13 different vaccines being used, with 6 front runners being used in between 24 to 138 countries each. The roll out of vaccinations is expected to accelerate exponentially in coming months as manufacturing of approved vaccines is ramped up while new vaccines are expected to enter the market. According to Airfinity research, nearly 9.5 billion could be manufactured by year end, facilitated by vaccine partnerships between different pharmaceutical companies.

Despite this positive picture, both the IMF and IEA warn that prospects are highly uncertain, and the recovery remains fragile amid a threat of new virus mutations and escalating outbreaks in a number of countries. Global daily new cases hit a record high of over 899,000 on 23 April, with India's 360,000 cases accounting for over 38% of the total. The virus is also out of control once again in a number of countries in Latin America, the Middle East, Asia, Europe and Canada, with infection rates in many hitting new records.

Daily New Covid Cases Globally

'000 cases



Against this backdrop, it is challenging to feel optimistic about the near-term market prospects. However, there is promising evidence that vaccines are working. The recent Financial Times analysis of data from several countries, including the UK, France, the US and Chile (with all countries facing different conditions in terms of infection rates and vaccines roll outs) shows that rates of infection, hospitalisation and fatalities have moved to lower levels in age groups where vaccine penetration has been the highest.

If vaccine production accelerates as anticipated, then indeed human mobility and so demand for oil products could increase rapidly. Advanced economies are likely to be the first to benefit from vaccination programs, with the IEA seeing sizable growth in demand in the US and in Europe during the 2nd and 3rd quarters of the year, while both OECD and non-OECD Asia are likely to witness robust growth rates during the 4th quarter. For Europe, the rebound in demand is likely to translate into higher crude and distillate flows into the region, although some of the rising demand will initially be sourced from land based inventories accumulated during the pandemic. In the US, the picture is more complex as increases in refining runs are likely to put some pressure on crude exports but at the same time will support crude imports and product exports.

For the tanker markets overall, this paints a positive picture. The IEA estimates that nearly 2 million b/d of additional production could be needed to meet anticipated demand growth, even with the recently announced increases in OPEC+ output. Most of these gains are likely to come from OPEC+ countries, offering a much needed boost to crude tanker demand. However, for this to happen we need to see how the situation in India develops and how severely the outbreak in the country could impact infection rates elsewhere in the world.

Crude Oil

Middle East

VLCC levels have been on a slight upward curve all week, with increased activity and a prospering West African market being key factors in this recovery. The lure for modern vessels to ballast West has trimmed availability a little hence why such increases remain marginal, with last done for a run to China being 270,000mt x ws 36. Voyages West remain very infrequent with estimated levels being 280,000mt x ws 19.5 to the US Gulf (via Cape). An uninspiring week for Suezmax Owners has seen tonnage availability grow and rates soften. As expected, Charterers have been able to slightly shave rates to 140,000mt by ws 19 to Europe. Rates to the East currently stand close to 130,000mt by ws 60. So far the announcement of a 14 day quarantine for vessels last calling in India wanting to bunker in Fujairah has not had any effect on the market. Its been a steady week for Aframax tonnage in the East. A tick over of activity has helped to keep vessels moving and with that, AGulf-East rates have hovered at around 80,000mt by 82.5 level. With a long weekend ahead, rates could come back under downward pressure next week as the list will replenish.

West Africa

The long weekend can't come soon enough for VLCC Charterers as the last few days has seen a steady flow of enquiry giving Owners the upper hand and levels have naturally risen. Last done to China is 260,000mt by ws 42, with the potential for further gains to be had. A particularly quiet week for Suezmax tonnage and inevitably rates further eroded down to 130,000mt by ws 55 to Europe. By the end of the week a replacement cargo achieved ws 58.75 for East Coast Canada discharge, which will make Charterers task difficult to repeat last done to Europe.

Mediterranean

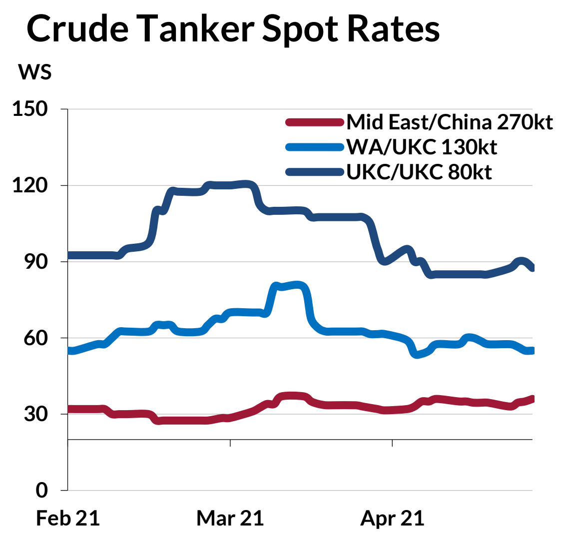
The Aframax market finally came alive this week, which added to a consistent Black Sea programme. This served to thin the availability of tonnage further and as Charterers looked to fix forward so did Owners raise their ideas. CPC cargoes have now settled in the mid ws 90s and are only stopped from reaching further by the looming weak Suezmax sector. X-Mediterranean voyages have been left behind somewhat but the consensus is that Suezmaxes are less likely to be involved there on forward dates, so 80,000mt by ws 90 should be there for Ceyhan voyages. Looking forward, the ingredients are not really there for a big push, with port delays minimal, weather looking good and weak surrounding markets; Owners will in the least look to reinforce recent gains. As in other Atlantic Suezmax markets we have witnessed an uneventful week that has seen rates further eroded. A Novorossiysk cargo achieved 140,000mt by ws 55 to the Mediterranean and ws 50 to the Continent. Suezmax tonnage is once again capping Aframax earnings and fixing part cargoes to absorb waiting time.

US Gulf/Latin America

Aframax Owners have been on the back foot all week and continue to remain on a more defensive footing as the slow drip feed of enquiry allowed tonnage to build and Charterers have been able to chip away from last done on each fixture concluded. Last done transatlantic was 70,000mt x ws 77.5 with a short haul run going at 70,000mt x ws 95. VLCC interest has quickly shifted into June dates as Charterers are seeing greater resistance to consider last done with West African fixtures being the key driver in this strengthening sentiment from Owners. Last done from the US Gulf to China is $4.35million but expect the next round of fixing to be much higher.

North Sea

This week the Aframax market shot out the blocks with a busy first decade Urals programme being the catalyst. As the week progressed, sadly enquiry did not reciprocate and levels currently stand at 100,000mt by ws 70 for Baltic/UKCont discharge and 80,000mt by ws 87.5 for X-UKCont. The position list looks like it will remain healthy going into next week and the foot has come off the gas.



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

Clean Products

East

LRs have continued their downward slide this week, especially the LR2s. We have seen rates fall dramatically to unsustainable levels, with 90,000mt jet AGulf/UKCont fixed at $1.425 million - a loss making rate! 75,000mt naphtha AGulf/Japan has found its base level at ws 70 and even then, lower was done on a newbuilding. Things can only improve from here but, with Japanese Golden week just started, the likelihood is at least a couple more weeks at these levels.

LR1s have fared better with tonnage lists still fairly tight. Added to that Owners just won't do longhauls at rates commensurate to LR2s as they have the option of shorter hauls instead. 55,000mt naphtha AGulf/Japan is steady just above ws 100, and 65,000mt jet AGulf/UKCont is hovering around $1.50 million but is no value against LR2s so may struggle to actually get fixed. Again, it will be another long week before we see much improvement from here.

An incredibly busy couple of weeks on the MRs, which has seen a pathetic movement in rates really. If you take a proper look at the list, the front end is heavy but, with compromised tonnage mainly. Otherwise, little is available until the 8-10 window, which is not bad at all for a market which has been trading at such low levels for so long. EAF pushed to ws 150 but there should be further scope on this movement. UKCont and Argie numbers will push up to $1.1 million levels pretty quick, longhaul returns simply do not make sense at any less, and a thinner list means Owners can insist on the same.

TC12 is one of the better paying runs at ws 117.5 levels (equivalent levels into Singapore) on subs. The dampener for Owners' ideas here is that the LR2 segment is still working through a huge back-catalogue of tonnage, and scale economies are hard to achieve in comparison on longhaul runs.

Mediterranean

Owners were on the back foot from the off this week with tonnage lists pulled first thing highlighting an abundance of fixing window units. Charterers were able to starve the market of cargoes by picking off tonnage behind the scenes and rates slowly but surely were whittled down to the 30 x ws 130 mark for X-Med. For certain voyages, 30 x ws 135 has been achievable, with naphtha liftings warranting a few more points but it's really been a week to forget for the Owning fraternity with no momentum seen whatsoever. With the long weekend looming, further losses could be seen next week with a replenished list following a 3 day weekend.

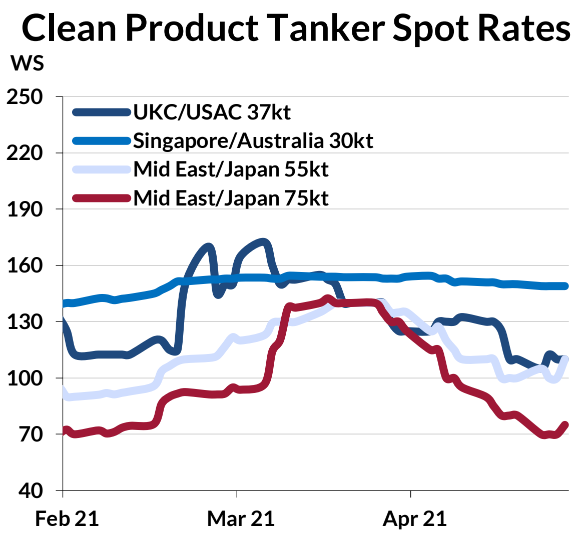
A tight EMed MR market this week allowed Owners to capitalise on a few occasions, with heights of 37 x ws 125 seen for transatlantic and caused Charterers to stretch the fixing window up to the 12th in order to give some more optionality on tonnage. Further West, however, rates by and large have been driven by UKCont sentiment with 37 x ws 112.5-115 the going rate for much of the week. Friday sees a rather depleted list of cargoes and so although rates continue to trade a touch north of those seen in the UKCont, come Tuesday expect Charterers to be aiming for the 37 x ws 110 and 37 x ws 120 mark for transatlantic and WAF respectively.

UK Continent

A real mixed bag of results has been seen across the board on the MRs in the Continent, with last minute replacements being nullified by undesirable last cargoes. Owners were looking to pick themselves back up off the floor from the ws 105 being seen at the end of last week and a weekend ws 122.5 fixture certainly gave them some hope. Following this, a blend of ws 115 and ws 110 continued to be clipped out but as the week came to a close, Charterers managed to turn the ws 110 back to the new norm and is repeated a number of times with the less busy WAF market still holding a 7.5-10 point premium. Owners can be pleased with the number of stems seen this week but, with WAF offering so little it's hard to see much positivity on the horizon, with the bank holiday weekend dulling the mood also.

Another lacklustre week for Handies up in the North, which has resulted in rates trading flat throughout, with TC9 at 30 x ws 120, 30 x ws 115 for X-UKCont and 30 x ws 85 for UKCont/MED. The tonnage list has ended the week in better shape compared to last but, with several public holidays across Europe either underway or on the horizon combined with the weekend break these factors will only force tonnage to rebuild once again with inactivity expected. It's currently hard to justify how Owners will shift rates from last done as freight is likely to remain at the bottom for the short term.

A quiet week all round in this UKCont Flexi market, with slow enquiry throughout and the little fixing action we have seen being on COA lifts. The lack of activity in this Flexi market has led to rates being guided by their 30kt counterparts over the course of the week with levels trading at the 22 x ws 150 mark X-UKCont for the majority. Market remains Handy driven as we enter the long weekend.



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Dirty Products

Handy

The UKCont Handy sector has been an interesting one to follow this week, where despite negativity creeping in, navigating your way around proceedings has been anything but generic. Depending on what approvals were needed, there has definitely been some variations in what was considered to be "market" with the spread being as wide as 5 points from one deal to the next. What gets its subs and what additional tonnage hits the lists post bank holiday in the UK will now prove the determining factor upon our return. Nevertheless, events illustrated this week show the lack of depth for modern tonnage in the continent despite what looks like a packed tonnage list. This is something to be mindful of looking ahead.

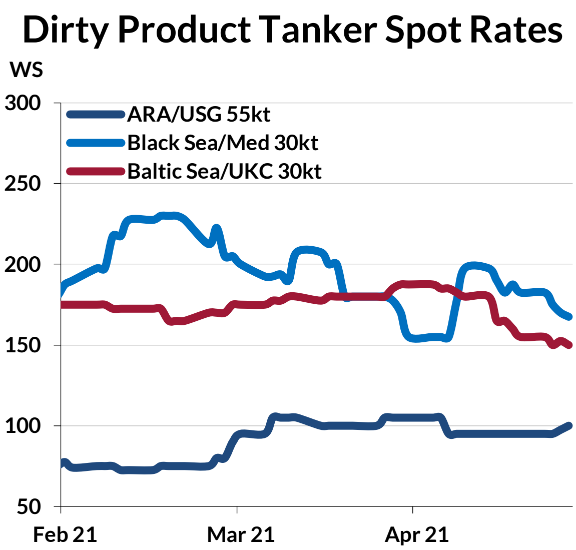
Not to be outdone, the Med has also had people perplexed as to why deals have been concluding in the fashion they were. Most notably was a ws 150 fixed from Israel, which historically attracts a +10 premium. In this case, where said premiums aren't achieved, the Med/Black Sea may now be due drastic correction. To make matters worse, the lists are looking extremely Charterer friendly for our Tuesday return, where the fear for Owners now is no matter how invalid that ws 150 may or may not be, competition may see this rate establish with the testing that's to follow.

MR

Both the Continent and Med MR markets appear rather more resilient having shed slight value from recent peaks. Availability is looking patchy at best, which has Charterers plotting their moves for MRs, with lengthened lead times. In some cases, itineraries have been anything but reliable, which has created additional problems being solved by a "next best fit" style of chartering. With such scenarios being evident, this sector really does hold potential to fluctuate between deals. For the short term, the saving grace for Charterers is that they are being aided by a weakened surrounding Handy sector.

Panamax

Rates on paper this week show no change, however, simmering in the background is the lack of forward supply, caused in part by vessels passing their opening dates and ballasting back to the US, and a couple of cargoes to further trim back availability. Ws 95 -100 reflects accurately what's been achieved so far, with the variance coming off the back of good old fashioned TCE's being run, where unless you are loading back out of ARA where most ships predominantly come open this side, then a ballast will get factored in. It is worth noting, however, that with surrounding Aframaxes moving up slightly, this sector has been afforded further reprieve from negative effects, which could see further deals maintaining triple digits.



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 29th	Apr 22nd	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+1**	35	34	33	36
TD20	Suezmax	WAF-UKC	**-4**	55	59	63	57
TD7	Aframax	N.Sea-UKC	**+2**	88	86	108	91

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

			wk on wk change	Apr 29th	Apr 22nd	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+250**	2,500	2,250	1,750	3,500
TD20	Suezmax	WAF-UKC	**-2500**	4,500	7,000	9,750	5,500
TD7	Aframax	N.Sea-UKC	**+500**	-2,250	-2,750	12,750	-500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 29th	Apr 22nd	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-9**	71	80	134	
TC2	MR - west	UKC-USAC	**+2**	111	109	143	124
TC5	LR1	AG-Japan	**-2**	104	106	138	111
TC7	MR - east	Singapore-EC Aus	**-1**	149	150	153	149

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

			wk on wk change	Apr 29th	Apr 22nd	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-3500**	1,250	4,750	21,500	
TC2	MR - west	UKC-USAC	**-250**	2,500	2,750	8,750	4,750
TC5	LR1	AG-Japan	**-1000**	7,250	8,250	15,500	8,500
TC7	MR - east	Singapore-EC Aus	**-500**	7,500	8,000	8,750	7,500

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

ClearView Bunker Price (Rotterdam VLSFO)	**+10**	484	474	460
ClearView Bunker Price (Fujairah VLSFO)	**+13**	501	488	481
ClearView Bunker Price (Singapore VLSFO)	**+17**	504	487	483
ClearView Bunker Price (Rotterdam LSMGO)	**+22**	528	506	494

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