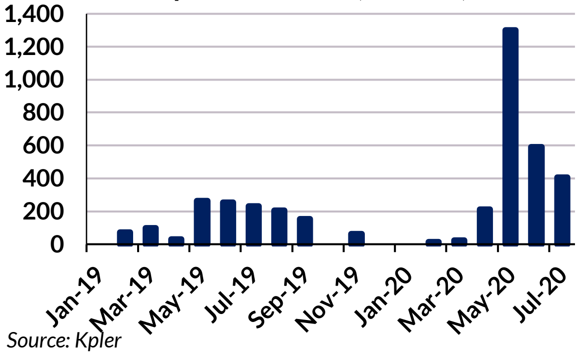
Political Posturing

Weekly Tanker Market Report

For the oil and tanker markets, the Trump Presidency marked a notable shift in global politics, energy markets and international trade. Early on, the Trump Administration withdrew from the Paris climate agreement and soon started to use sanctions to exert it's political will, taking a hard stance on Iran and Venezuela, leading to severe declines in crude production and exports from these countries. Back in 2018/19, the US/China trade war saw a dramatic fall in Chinese imports of US crude. Following the signing of the Phase One Trade Deal and once China's oil demand recovered from the effects of the coronavirus related lockdowns, bilateral crude trade has moved to record levels, averaging around 0.7 million b/d during the 2nd quarter of this year versus hardly any trade during Q4 2019 and Q1 2020. However, more recently the US/China political relationship has hit perhaps its lowest point in decades, with the two countries clashing repeatedly over trade, coronavirus, and Hong Kong. In the last few weeks, the world has witnessed the closure of the Chinese consulate in Houston, sanctions on both Chinese and US officials, and Trump's push to ban popular video sharing network TikTok in the US. It is unclear at this stage how the recent escalation in US/China tensions could impact the crude trade. For now, purchases remain strong and Chinese Charterers have booked tankers for August/September loadings, but clearly the latest political developments represent a viable threat.

US Crude Exports to China (000 b/d)



Source: Kpler

What is even more uncertain is whether the US policy will stay its course, following US presidential elections. Although Trump's senior advisers are insisting that the election will go ahead as planned in early November, the Covid-19 outbreak in the country could force changes to this timeline. Yet regardless whether it is in November or later, elections represent a real possibility of change.

Most important, perhaps, is the Joe Biden pledge to focus on clean energy to fight climate change. Democrat lawmakers unveiled energy plans that would require the US to bring its net greenhouse gas emissions to zero by 2050. The proposals include requiring power producers to achieve net zero emissions by 2040, force oil and gas producers to phase out routine flaring and US carmakers to produce only electric cars by 2035. In contrast, President Trump was quoted saying to "never let the great US oil and gas industry down".

The election could also significantly change Iran's future. In the past, Biden on many occasions favoured diplomacy and strong US support for international engagement. Back in January, Barrack Obama's former Vice President suggested that one of the options to de-escalate the tensions with Iran is for the US to resume the dialogue with its European partners, raising the possibility that US could re-join "the Iranian deal", known as the Joint Comprehensive Plan of Action (JCPA).

In terms of relationships with other countries, Joe Biden is also campaigning a popular "get-tough-with-China" message, although again he appears to be willing to change tactics in order to revive the dialogue. US policy towards Venezuela and the opposition to Maduro regime may not change dramatically, as the democrat presidential nominee was one of the first US politicians to voice his support for Guaido's interim presidency.

The result of the US presidential election is still too early to call, although Joe Biden has been leading the polls, with the gap between two presidential candidates widening since June. However, if there is indeed the change of power in the White House, it could bring with it some fundamental shifts once again.

Crude Oil

Middle East

No positive change for compressed VLCCs with charterers taking a very measured approach to the fresh September programmes, which will again be handicapped by ongoing production cuts and compliance reconciliation. Rates remained at down to ws 27 for more challenged units to the East and at no higher than ws 34 for modern units, with West runs again marked at no higher than ws 20 via Cape. Atlantic alternatives will continue to tempt a number of Owners to sidestep the area. Suezmaxes grimly did what they had to do, and that was mainly accepting lower levels. Over tonnaged and underfed, Owners competed over scraps to end the week at little better than 130,0000mt by ws 40 East and ws 19 to the West, with little expectation of relief over the near term, at least. Aframaxes worked through the previous overhang of tonnage to allow rates to crawl back towards 80,000mt by ws 70 to Singapore but much more than that anytime soon is wishful thinking for now.

West Africa

Another week of poor 'conference' Suezmax rates was expected, and duly delivered. Vessels were steadily picked off but the volume fell well short of critical mass and, again, 130,000mt by ws 45 was the mark to Europe, with a little under that for any needs to the USGulf. Will anything materially change next week? at the moment it looks unlikely. VLCCs enjoyed reasonable attention and one or two Charterers were marginally caught 'behind the curve' which provoked fractional premiums for those tighter early positions, however, dates now stretch forward and those will not be built upon. 260,000mt to the East remains in a ws 37/39 range accordingly.

Mediterranean

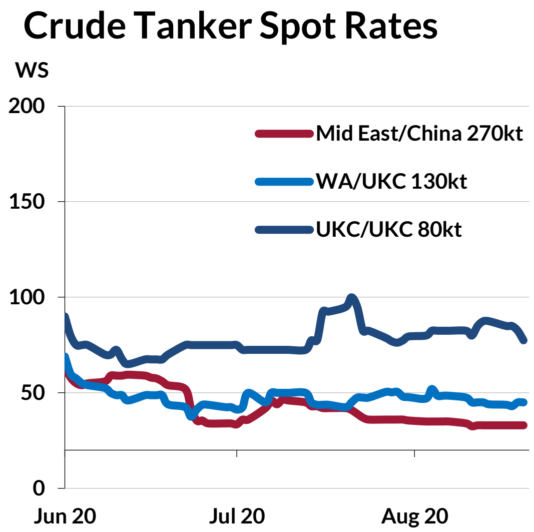
Aframax Owners did get one or two opportunities to push rates on, but never got a grip in time and once those had evaporated, it was back to grim defence at down to 80,000mt by ws 55 X-Med, and no better than ws 65 from the Black Sea. more of the same likely for the coming week. Suezmaxes drifted sideways but at least a second half of the week uptick in activity absorbed some of the previous excess of tonnage, although that merely keeps rates at a flatline 140,000mt by ws 52.5 from the Black Sea to European destinations, and to $2.5 million for any runs to China.

US Gulf/Latin America

Pretty hopeless for Aframaxes here...just too many ships, and not enough cargoes. Rates dipped to 70,000mt by ws 62.5 upcoast, and transatlantic, and then stayed there. Bad weather disruption may help...if it comes. VLCCs held on to the recent rate range - $5.3/5.5 million from the USGulf to China/South Korea as the AGulf alternatives for long ballasters remained unchanged. October dates are now the agenda but little change anticipated.

North Sea

Aframaxes continued to settle back slightly to 80,000mt by ws 75 X-UKCont, and to 100,000mt by ws 50 from the Baltic, but there has been an undercurrent of activity and Owners will be hoping for the upcoming Urals programme to show a bit more volume to help out. VLCCs got more questions, but there was little to show for them in the end - $4.9 million was booked for crude oil to South Korea/China but more generally, Owners were holding for something a bit higher than that, and traders struggled to make their sums work. Perhaps next week....



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

Clean Products

East

The MRs have been the real underperformers this week but are slowly being recognised for their value and getting busier. $850k AGulf - West is pushing and given that the LR2s continue to rise there is scope for further movement. TC12 is on subs at ws 95 but expect further naphtha in the coming week; tenders will be won and traded early next week.

LRs have had a good week of progression, led from the front by a very active LR2 segment. An active start to the week left the list bereft of ships bar Scorpio until end month and rates have duly pressed on. $1.825m on subs going West but room to move further. 75 x ws 90 is on subs for TC1 but with the same story.

The LR1s have been relatively busy also, a fair volume of gasoline moved ex India and Red Sea towards the Gulf, $375k a norm ex India this week. Westbound is now on subs at $1.55m ex India and you would expect a further push in the coming week. For TC5, 55 x ws 105 represents Owners ideas at this stage but this number is not yet a reality.

Mediterranean

More of the same this week, with rates consistently trading at the bottom of the market at 30 x ws 80 and 30 x ws 90 for X-Med and Black Sea respectively. There simply have not been enough cargoes in order to clip away the prompt units at the front end and although the list has looked better than previous weeks; until a substantial influx of enquiry is seen, rates will continue to trade at the bottom. Expect more of the same next week, although with early September dates likely to enter the market on Monday, Owners will be hoping for a new lease of life.

A similar story on the MR front in the Med, with rates holding throughout. Rates have consistently been driven by UKCont sentiment and have mirrored TC2, with Med/transatlantic trading at the 37 x ws 85 mark. The market has been fairly balanced, with the list looking ok and cargoes to cover, however, little to write home about in way of momentum and expect WAF runs to trade in line with UKCont at the 37 x ws 100 mark. A spike ex UKCont will be needed on Monday in order to push rates North of what is the bottom of the market.

UK Continent

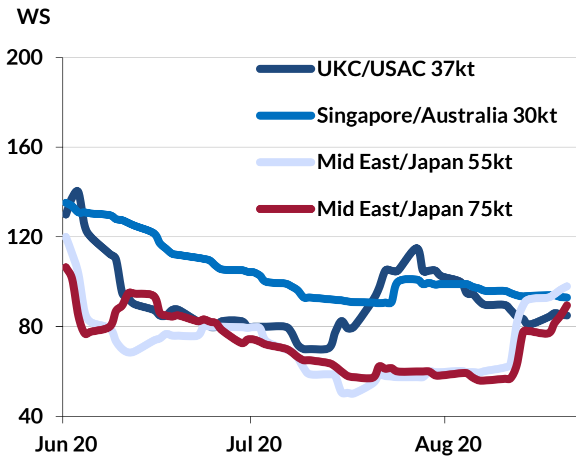
A steady week that started off with a small improvement in numbers with TC2 moving up to 37 x ws 85 and WAF also improving to 37 x ws 100. This was largely on the back of a tight front end to the list and a few prompter cargoes hitting the market early doors. However, despite a positive Monday, the balance of the week has failed to provide any further opportunities for improvement for Owners, with demand remaining stable but short of what Owners would have been hoping for. The list remains balanced but certain windows do appear to be light on tonnage at the present time.

If we see any sort of spike in demand next week, we could see further opportunities for rates to improve once again.

A rather uninspiring week for Handies plying their trade up in the North as the combination of subdued enquiry and a tonnage list littered with prompt units has meant Charterers have been firmly in the driving seat here. Charterers over the last week or so have fixed ahead ex Baltic meaning those Owners with COAs have kept most units employed but unfortunately those without this luxury have been left to pick up the scraps. That being said, rates have mostly traded sideways at last done (30 x ws 90 Baltic), until the latter part of the week when a prompt cargo managed to break the mould and achieve 30 x ws 87.5 (no waiting time for the Owner). Although Owners will argue this is an anomaly due to the minimal waiting time, and they look to bounce back to 30 x ws 90 on next done for natural fixing dates.

Week 34 has been a disappointing one for Owners in this UKCont Flexi market, which has seen cargo enquiry almost non-existent and any signs of activity being kept behind closed doors. Fixing ideas continue to be drawn from the UKCont Handy market, with the call for a X-UKCont run now around the 22 x ws 105-110 mark. However, this is in need of a fresh test and given the growing number of ships now available in the North, it is likely Charterers will be aiming for less come Monday.

Clean Product Tanker Spot Rates



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Dirty Products

Handy

Early trading this week in NWE saw a negative correction in fixing levels which fell ws 5 points from where trading finished the week prior. As the days ticked over, the pace of enquiry failed to pick up with the newly established baseline of ws 115 maintained as the region saw limited amount of natural, well approved tonnage. With this said, looking ahead, it is hard to see if this can continue, as prompt tonnage builds naturally in the region. Yes, not all of these units will be welcomed by some vetting departments but nevertheless if enquiry levels are not elevated in early trading next week, we are likely to see further pressure on Owners hoping to cling on to last done.

The Mediterranean has played out this week with much more activity than witnessed in the recent past, but when faced with multiple prompt units on Monday, sentiment has remained weak. As far as rates go in general, they have been maintained at the conference levels of ws 100 from the Black Sea and ws 90 X-Med, with limited fluctuations from these levels. Looking ahead, next week we expect much of the same, with prompt tonnage once again expected to outweigh cargo volumes. Owners will be left hoping that these levels will continue to be maintained.

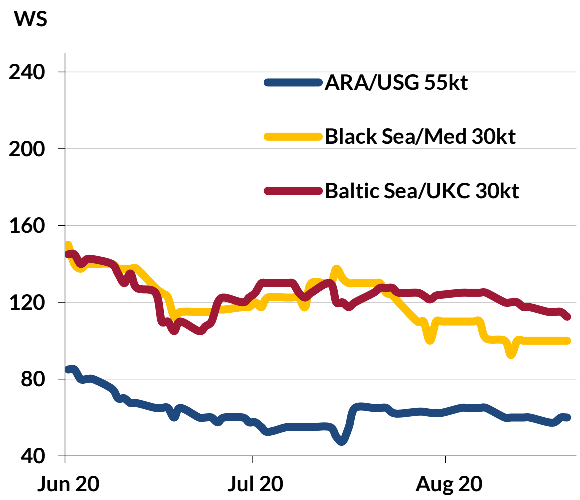
MR

MRs in Europe continued this week in a similar way how they ended last week, where a lack of full-size enquiry forced Owners to throw their hats into the Handy ring where very little was also on offer. Despite this story continuing in the North, where no full stems have been reported, in the Med and Black Sea, full size cargoes have surfaced. With a lid being kept on what levels are being fixed, the assumption is that Owners are there to talk to keep tonnage moving, with the expectation that ws 75 X-Med and ws 80 from the Black Sea is where we close the week. These trends and weak sentiment are expected to carry on into next week, with little sign of change on the horizon just yet.

Panamax

For this week it seems that where the conventional trade routes are concerned, this is the forgotten sector. As such, Owners are once again forced to look at alternate employment to address the problem of what to do with ships coming open in Europe. Competing on smaller cargoes and taking short haul voyages for some has offered immediate relief, although on the one occasion the market was tested, rates were proven to be some ws 5 points off from where the week began.

Dirty Product Tanker Spot Rates



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 20th	Aug 13th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**-0**	33	33	38	36
TD20	Suezmax	WAF-UKC	**-0**	45	45	48	48
TD7	Aframax	N.Sea-UKC	**-7**	79	86	85	78

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

			wk on wk change	Aug 20th	Aug 13th	Last Month*	FFA Q3
TD3C	VLCC	AG-China	**-750**	16,250	17,000	23,000	20,250
TD20	Suezmax	WAF-UKC	**-250**	12,000	12,250	13,750	14,000
TD7	Aframax	N.Sea-UKC	**-5,000**	3,750	8,750	8,500	2,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 20th	Aug 13th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+12**	89	78	62	
TC2	MR - west	UKC-USAC	**+2**	85	83	106	102
TC5	LR1	AG-Japan	**+8**	98	89	58	99
TC7	MR - east	Singapore-EC Aus	**-1**	93	94	91	108

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

			wk on wk change	Aug 20th	Aug 13th	Last Month*	FFA Q3
TC1	LR2	AG-Japan	**+4,250**	18,250	14,000	8,000	
TC2	MR - west	UKC-USAC	**+250**	6,500	6,250	10,500	9,750
TC5	LR1	AG-Japan	**+2,000**	14,500	12,500	3,500	14,750
TC7	MR - east	Singapore-EC Aus	**-250**	5,750	6,000	5,500	8,500

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

ClearView Bunker Price (Rotterdam VLSFO)	**+4**	312	308	316	
ClearView Bunker Price (Fujairah VLSFO)	**-6**	335	341	345	
ClearView Bunker Price (Singapore VLSFO)	**+5**	350	345	353	
ClearView Bunker Price (Rotterdam LSMGO)	**-3**	360	363	370	

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