

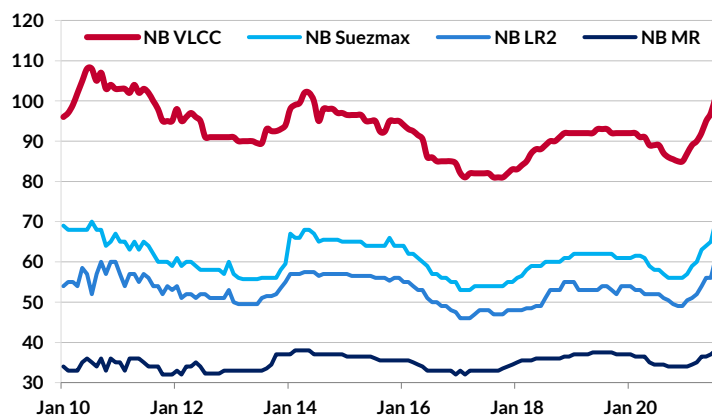
Tanker Shopping

Weekly Tanker Market Report

This year has seen an impressive surge in commodity prices. Steel prices reached multiyear highs in May and, although they have since eased back, values remain above levels seen between 2016-2020. Shipping has not been immune, with newbuild prices moving up in tandem, although intense ordering activity in some segments, most notably the container industry, and the resulting shrinking yard availability for the nearer term have also played an important role. Since December last year, tanker newbuild prices have appreciated by around 15%-25% depending on the sector.

Despite this upward trend, the current sorry state of the tanker market and concerns over the long-term future of oil demand, the number of new orders placed during the first eight months of this year is already just marginally behind last year's total. Just over 150 confirmed tanker orders (over 25,000 dwt) have been placed so far in 2021, compared to nearly 165 confirmed orders for 2020. Nearly half of the orders are in the MR segment (40-55,000 dwt), with ordering activity in this size already exceeding last year's level. The number of VLCC and Aframax/LR2s orders so far in 2021 is just below last year's level, with

Newbuilding Prices (\$m)



investment in new VLCCs being particularly high during Q1. Suezmaxes are the exception to the overall trend, with 15 orders placed since January, less than half of the 2020 number.

How the newbuilding market will evolve going forwards remains to be seen. The latest increases in newbuilding prices may discourage some investment but what are the chances that we are going to see much lower values anytime soon? Intense ordering activity in other shipping segments means that yards are under no pressure to reduce their prices in the short term. Steel prices may continue to

be supported by robust demand from the construction and manufacturing sectors powered by various fiscal stimulus programs designed to aid the recovery from the pandemic, while governments are also under little pressure to ease inflationary concerns.

In terms of the tanker sector itself, the orderbook remains restricted, despite fresh orders and limited scrapping activity. The Aframax/LR2 and VLCC orderbook stands at just over 10% of its existing fleet, the Suezmax orderbook is at 9.2%, while MRs has 8.8% of its current fleet on order. The orderbook for Handy tankers and Panamax/LR1s is marginal, but this is mainly due to Owners' preferences for MRs and LR2s.

While the orderbook is healthy, the existing fleet continues to age. Depending on the segment, between 20% to 30% of the fleet is over 15 years old and will be approaching their natural "retirement" age over the next few years. Indeed, we have seen many ageing tankers with limited trading opportunities moving into sanctioned Iranian and/or Venezuelan trade over the past twelve months or so, but demand for that trade is finite and unable to accommodate all ageing candidates.

And last but certainly not least, the regulatory and environmental pressure has never been higher and will undoubtedly continue to increase going forward. As ageing tankers on average consume around 20-25% more bunker fuel than the latest designs, the approaching IMO's EEXI and CII rules will only speed up the removal of the least complete and least efficient tankers. If anything, the newbuilding activity for the year to date serves as evidence that there is confidence in the tanker market. As the world eventually recovers from the pandemic and with so many candidates to scrap, the newbuilding market which offers a benefit of delayed delivery is perhaps not a bad option after all, despite higher yard prices.

Crude Oil

Middle East

We have seen an increase in VLCC rates and market sentiment as we move into the beginning of the 'winter' market with the position list thinning significantly. Cargoes which continue to come into the market have faced some resistance from Owners who are seeking higher returns. Last done to the East is 270,000mt x ws 34.75 and Western levels remain largely untested at around 280,000mt x ws 19. Some Suezmax Owners have decided to remain spot rather than commit to negative returns. However, there remains sufficient tonnage willing to trade at suppressed levels of 140,000mt x ws 25 to Europe and low ws 50's East. AG Aframaxes have endured a slow week and with positions being recycled quickly, options for Charterers next week are evident. Alongside sentiment, AG-East rates continue to inch down with Charterers now aiming 80,000mt x ws 90 levels.

West Africa

An active week in West Africa along with improved volumes and Owner's reluctance to lock in long voyages should make this an interesting route to watch over the coming weeks. TD15 has reportedly been done at 260,000mt x ws36 and there seems to be room for improvement here.

Another torrid week for Suezmax Owners where availability has outstripped demand as Owners chased rates down to negative returns. The week closes at 130,000mt x ws 52.5 to Europe and close to ws 55 East.

Mediterranean

Med aframax rates for weeks have been on the cusp of moving up. Activity has been constant and port delays have certainly reduced tonnage availability. However, there has always been a cargo or two less than required to be the catalyst and so we approach the weekend with a stable outlook again. TCEs for XMed voyages tend to be between \$2k-\$5k/day with Black Sea loaders towards the top of that range. In terms of rates, Ceyhan and CPC both trade 80,000mt x ws 87.5 levels.

Looking forward, there is some optimism that improved macroeconomics and deteriorating weather can bear fruit for Owners, but any gain will be hard fought for. Suezmax tonnage availability has been in good supply this week and with no Atlantic market offering any support to Owners, rates have tumbled. 130,000mt x ws 60 has been achieved for a Libya/Med voyage. There are less candidates willing long haul East voyages and levels remain more stable at \$1.75m from the Black Sea to Singapore.

US Gulf/Latin America

VLCC rates ex USG remain sensitive to increased activity as Charterers are heavily reliant on ballasters. With the disruptions in the USG and the increased activity in the Atlantic basin overall, rates are expected to improve here aswell.

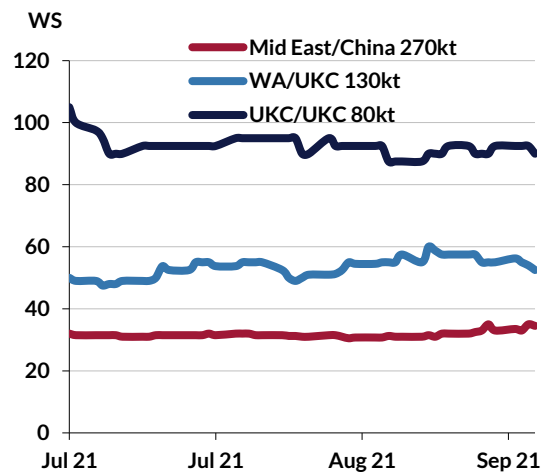
US Gulf/Latin America fresh enquiry and general disruption due to Hurricane Ida has provided Owners with the opportunity to push rates on from last done with a short haul run moving healthily up to 70,000mt x ws 125

upcoast and ws 107.5 for TA voyages. Enquiry on Suezmaxes and VLCC's have also increased with levels pushing on, drawing tonnage into the area like moths to a flame. Refineries have been slow to restart so tonnage availability is still limited for a while.

North Sea

UKC Aframaxes have been in abundance this week forcing Owners to Kamikaze cargoes and drag TCEs down to -\$2k/day levels. Although the list of prompt tonnage is fairly unchanged, supposedly 100,000mt x ws 55 is not there anymore. The change of season as we approach autumnal weather may knock this market into second gear, but we might be in for another tough week ahead before we're out of the woods...

Crude Tanker Spot Rates



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

Clean Products

East

An incredibly disappointing week for MR Owners as the quietness has wiped ws 45 points off East Africa in the space of 4 days, which combined with bunkers climbing back up towards \$550/mt levels, has dropped TCE earnings from low-mid teens, to \$7-9k/day if you're lucky. Whilst the 10-20 Sept decade remains 10-12 cargoes short of a normal cargo count, the list has 15 ballasters for the next 10 days with a weakening Singapore market; expect to see more positions make the ballast from Singapore this weekend. TC12 needs a true test, ws 130 is arguably toppy if you compare the TCE earnings to an East Africa round trip. There also remains a real lack of desire to go West, and Owners' ideas of \$1.25-1.3m means that top up barrels are being found and LR2s being used.

Although value has appeared quite obvious in the LR1 segment, the list suggests they are in need of a fresh test, hence the LR2s have seen more volume this week. As we look at the LR2 list ending this week, the front end is incredibly tight. This doesn't pose too many worries for Charterers sitting on cargoes off the natural, end month window, but it's a little tighter on availability before the 20th. BP paid \$2.25m ex Sikka off this earlier window but end month likely prices closer to \$2.2m ex AG. Naphtha has dipped down to ws 105 for "compromised" tonnage (Owners are using tight naphtha availability off end month window to reset ws 115 as their ideas going forward). Seeing good enquiry on a Friday suggests we will see some good further enquiry on

Monday.

The LR1 segment has been quiet, and we see some negative pressure coming on rates. A fair bit of chopping and changing on sizes/dates has meant a few ships sit prompt looking for early dated employment. Shorthaul moves therefore will fall sub \$300k in our opinion (cross Gulf). Westbound likely settles to \$1.7-\$1.75m levels and TC5 likely sits flat at ws 115 but will need some volume to encourage a stable outlook next week.

Mediterranean

We began Week 36 with over 20 ppt vessels on our lists in Mediterranean Handy market, but after a much more active week with better enquiry, this plethora of tonnage has started to clear. However, despite the improvement in enquiry, rates have traded sideways around the 30 x ws 110-112.5 levels Xmed for the majority with this rate very much dependent on voyage variables. The Black Sea has also seen some more action this week with rates tracking ws 5 points in line at the 30 x ws 115 mark. Owners will hope this level of enquiry can continue into next week to further improve the list but with the MR market so poor we have seen the larger vessels begin to gobble up the 30kt stems which could dent any potential push on rates.

All in all, a lacklustre week for the MR's down in the Med as rates remain at the bottom. We saw glimmers of enquiry at the start of the week but since then there has been little to get excited about. Rates are currently at the 37 x ws 100 mark for both TA & WAF with a WAF run more preferred at the moment. The market is expected to remain weak into next week with US ballasters continuing to hit our

shores.

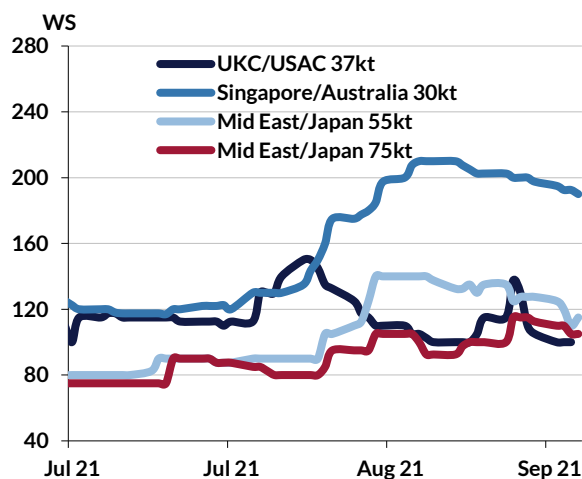
UK Continent

Once fresh Monday morning tonnage lists were pulled, it proved to be an ugly read for Owners with 20+ MRs opening in the next 5 days. The hype from Hurricane Ida meant that a healthy amount of ballasters decided to set sail towards Europe, flooding the list with even more tonnage. Freight for TC2 quickly softened to 37x100 and with many preferring WAF for the hope of a demurrage play, the standard WAF premium was eroded as levels now track in line with TC2. The short-term outlook remains bleak for TC2 and with the States market continuing to suffer its likely ballast units will head towards Europe.

The oversupply of MR tonnage has acted like a thorn in the side for Handies in the North this week as there has been a strong desire to keep units short. Levels are now trading back at the bottom with TC9 at 30 x ws 120, 30 x ws 115 for XUKC

and UKC/Med at 30 x ws 100-105. COAs are now keeping certain units on the move but expect this market to trade sideways into early next week.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

Probably the most notable area this week for the Handies was the Med and Black Sea zones where continuing on from a healthy pick up in volumes coming into the week, Charterers were forced to think momentarily about increasing delays through the Turkish Straits. This saw a number of Charterers looking to cover ahead of time to avoid getting caught out. It's worth mentioning here that with TCE's as low as they are, any improvements for Owners are appreciated, where even the narrowest of movement by the ws 2.5-5 points seen this week has helped put voyage estimates back in the black.

Up on the Continent, having endured a prolonged quiet spell, numbers were tested with levels momentarily dropping below 30 x ws 140. We must point out though that this level is far from generically accepted and as ever the case where an outlier fixture gets reported, there are usually mitigating circumstances and approved modern tonnage is unlikely to repeat such levels just yet and it really wouldn't take much to completely reverse current sentiment.

MR

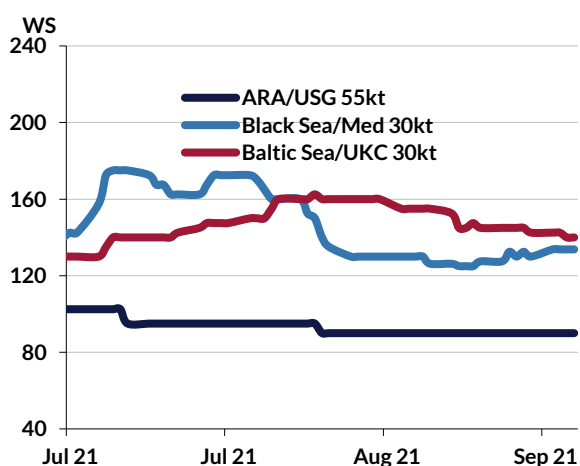
Broadly speaking in the MR sector, Owners are starting to find their voices and slowly pushing back against the recent lows. We have found this week that when being presented with a full 45kt stem, triple digits are a minimum request unless presented with a Handy stem off natural/prompt dates, in which case a different rationale features in the

equation where Owners look to avoid facing idle days. Furthermore, such resistance is being seen in both the Med and Continent, where up here in the North, Charterers are having to tread increasingly carefully where vetting criteria further places a burden on actual availability.

Panamax

The constant pressure of the surrounding Aframaxes as ever blights this market, however some glimmers of hope spring into focus with the US markets volatile following Hurricane Ida. Much of the disruption is yet to be fully worked out locally, however European markets are keeping a close eye. If further increment is seen, (and we have seen this in the recent past), tonnage in both the Aframaxes and Panamaxes will ballast back to the US, which in turn would alter sentiment over here. For now, all we can do is wait and see...

Dirty Product Tanker Spot Rates



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

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sept 9th	Sep 2nd	Last Month*	FFA Q3
TD3C	VLCC	AG-China	+0	34	34	31	33
TD20	Suezmax	WAF-UKC	-3	52	55	54	54
TD7	Aframax	N.Sea-UKC	-1	92	93	94	94

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

			wk on wk change	Sept 9th	Sep 2nd	Last Month*	FFA Q3
TD3C	VLCC	AG-China	250	-1,000	-1,250	-3,750	-2,750
TD20	Suezmax	WAF-UKC	-1,750	1,500	3,250	3,000	2,500
TD7	Aframax	N.Sea-UKC	-750	-5,000	-4,250	-3,000	-3,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sept 9th	Sep 2nd	Last Month*	FFA Q3
TC1	LR2	AG-Japan	-9	106	115	103	
TC2	MR - west	UKC-USAC	-11	98	109	110	113
TC5	LR1	AG-Japan	-12	114	126	140	107
TC7	MR - east	Singapore-EC Aus	-9	186	195	186	158

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

			wk on wk change	Sept 9th	Sep 2nd	Last Month*	FFA Q3
TC1	LR2	AG-Japan	-2750	10,750	13,500	10,500	
TC2	MR - west	UKC-USAC	-1,750	-750	1,000	1,500	1,500
TC5	LR1	AG-Japan	-3,000	8,000	11,000	14,500	6,750
TC7	MR - east	Singapore-EC Aus	-1,500	12,000	13,500	12,500	7,750

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

ClearView Bunker Price (Rotterdam VLSFO)	+0	509	509	496
ClearView Bunker Price (Fujairah VLSFO)	+8	535	527	520
ClearView Bunker Price (Singapore VLSFO)	+4	540	536	526
ClearView Bunker Price (Rotterdam LSMGO)	-4	576	580	563

* WS spot rates converted into 2021 WS100

GIBSON Paratus

SHIPBROKERS

OFFERING THE WORLD'S FIRST PARAMETRIC FUEL AND FREIGHT PRICE INSURANCE

Please contact enquiries@gibsonshipbrokers.co.uk to find out more on how the Paratus range of products could meet your risk management needs.

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 1401, 14/F, OfficePlus @Wan Chai, 303 Hennessy Road. Wanchai. Hong Kong. T (852) 2511 8919 F (852) 2511 8901	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
Mumbai Office 128, Level 1, Block A, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai, Maharashtra, 400018, India T +9122-6110-0750			

This report has been produced for general information and is not a replacement for specific advice. While the market information is believed to be reasonably accurate, it is by its nature subject to limited audits and validations. No responsibility can be accepted for any errors or any consequences arising therefrom. No part of the report may be reproduced or circulated without our prior written approval. © E.A. Gibson Shipbrokers Ltd 2021.