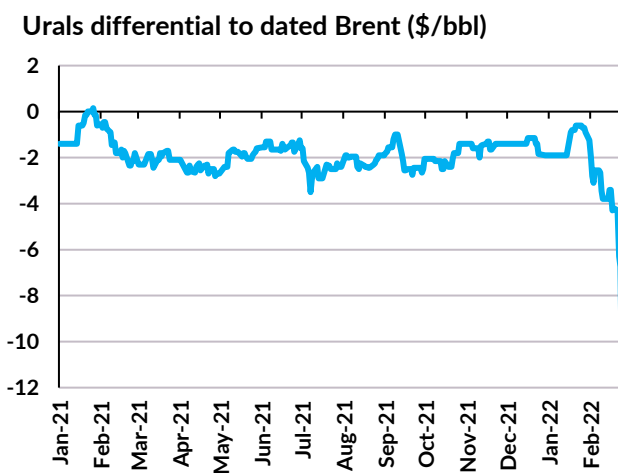


# Banks not Tanks

## Weekly Tanker Market Report

Yesterday's sudden invasion of Ukraine will have major ramifications, not just for the energy markets, but also for the security of Europe. Broad sanctions have been enacted by the major economies of the world. The European Union, US, UK, Japan, South Korea, Canada and Australia among other countries have targeted key members of Russia's elite, banks and financial institutions, access to western technology and currency. However, sanctions have stopped short of direct restrictions on Russia's energy trade. So, what does this mean for the world, and not just tankers?

The failure to sanction energy exports does not mean that tanker trade will not be impacted. The number of companies willing to trade and transport Russian commodities has already declined regardless of the legal ramifications. Many large companies, particularly those who are public will not want to be seen supporting the Russian economy. However, with steep discounts being offered on Russian crude, and freight premiums for those willing to load at Russian ports, the trade will continue, although flows are likely to shift as both the EU and Russia are likely to be willing to reduce mutual interdependence. Urals crude fell to a -\$11/bbl discount to dated Brent, whilst Aframax freight rates loading out of the Baltic hit WS350 (up WS247.5 points vs. Wednesday) and Handy tankers loading in the Black Sea saw WS140



point premiums over Mediterranean load ports. Premiums are likely to remain volatile into next week as the crisis progresses and depending on whether further sanctions are enacted.

Increased flows are expected to head to Asia, in particular China which was already the largest buyer of Russian seaborne and pipeline exports. Pipeline exports directly into China averaged 800 kbd last year according to Argus, while just over 700 kbd was exported from Kozmino, with the vast majority of ESPO crude heading to China as well. Collectively Europe was the largest buyer of Russian crude exports, and it is now expected that European refineries will seek to increase intake of grades from the Americas,

Mediterranean, North Sea, West Africa and Middle East. However, ongoing OPEC+ production restraint and low commercial inventories complicate matters. OPEC will almost certainly be under pressure from the West to boost production, with the group due to meet next Wednesday. However, Russia's seat at the table within OPEC+ underscores the challenge. IEA member states will also consider releasing government-controlled stocks to ease prices, although it is unlikely to have a major impact.

Of course, it cannot be ruled out that the crisis will escalate further. NATO has made it clear that it will not fight Russian troops in Ukraine; however, any attack on a NATO member would trigger Article 5, which states an attack on one NATO member is an attack on all. Further sanctions have also been held in reserve. Excluding Russia from the global payment system SWIFT is a hotly debated topic, which so far has not been enacted, whilst more broader sanctions on Russian energy trade would likely be the final resort.

The overall impact on the global economy and oil demand will become more apparent over the coming weeks, if not months. Higher prices will threaten to slow the recovery in oil demand, whilst it is uncertain what impact reduced mobility/trade might have on demand levels. For tankers, those willing to trade Russian cargoes are likely to continue to 'enjoy' freight premiums; however, it is unclear how long trading Russia will remain sanctions free. Russian trade remains under threat and much here depends on how the conflict evolves over the coming days. If sanctions bite, then Aframax and Handy tankers will be the biggest losers, although increased longer haul imports into Europe will support tonne mile demand, if the volumes are comparable to any losses from Russia. Uncertain times ahead.

## Crude Oil

### Middle East

A rather tumultuous week with huge uncertainty as to how this VLCC market will develop over the coming days/weeks. Some Owners have decided to withdraw from the market entirely, which has left availability a lot thinner than we have seen for some time. Last done rates have naturally reflected this, with levels now in excess of 270,000mt x ws 40 to the East. To predict where the levels will be next week is probably going to be a very tough call to make. Tonnage lists remain long in the AGulf. However, with focus on the ever-growing situation in Ukraine, the Suezmax market continues to push on and rates for fixing are being spurred on as some Owners stop offering on all business. AGulf/East firms to 130,000mt x ws 80-90 and West cargoes likely to fix in the 140,000mt x ws 40's. On balance, it has been another slow, quiet week for Aframaxes in the AGulf. Rates for much of it have trundled along at 80,000mt x ws 110 levels, but times are quickly changing. With such large numbers now on subs in the Med, Owners will look to push on AGulf/Red Sea rates.

### West Africa

With all Western markets surging, it will be difficult for VLCC Charterers to try and pin down any Owner at anything near last done levels, with the majority holding back waiting to see how the sanctions that have been put in place will start to affect the markets in general. Last done to the East is 260,000mt x ws 40, but this was concluded at the start of the

troubles and something significantly higher will be achieved in short. The global impact of the invasion of Ukraine is seen as far away as West Africa, with TD20 seeing 130,000mt x ws 100-120 levels, with one ship managing to go on subs at ws 145 albeit briefly, this is up over 50% from Tuesday. Tonnage lists remain long but, with uncertainty being the biggest player, it may be that it will be into next week when we see trends starting to settle.

### Mediterranean

An uncertain week became very much more certain by the close for Med Aframaxes. It just goes to show how much disbelief there was at current events as rates refused to budge and indeed for vanilla Ceyhan runs a discount was seen as late as Wednesday - 80,000mt x ws 103.75 was achieved twice for min flat Augusta. It was not conceivable that the current affairs would take the turn they have. The fallout for Russian loading cargoes was eventually felt though as Owners asked huge premiums to take the risk both physically and reputationally. Baltic cargoes jumped from 100,000mt x ws 100 to ws 120 then ws 200 and finally a high of ws 325 has been achieved. For Russian Black Sea loaders in the range of missile fire, 80,000mt x ws 420 and now ws 480 has been achieved a number of times. The music will no doubt stop at some point but for now these rates are even inflating X-Med rates, with ws 215 done from Libya and the going remains firm. Generic X-Med routes have quickly

shifted to around 130,000mt x ws 100, but this is a conservative estimate with much higher gains already seen on the long haul business, with \$3.75 million for CPC to WC India and \$4.75 million for CPC to Ningbo. Black Sea loading is the premium business here and any run out of the region is seeing high numbers. Black Sea-transatlantic is reporting as much as 135,000mt x ws 140...

## US Gulf/Latin America

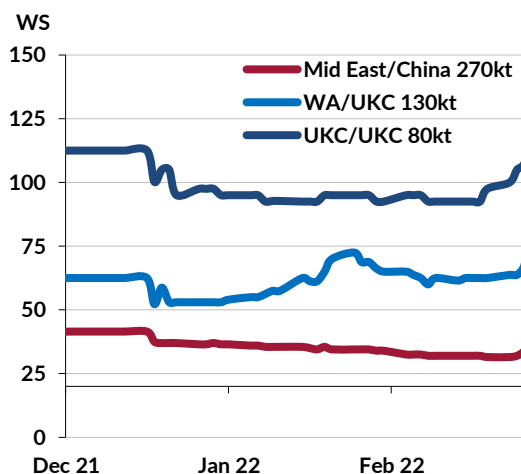
Aframax Owners have not had too much to work with over the week, but it will be expected that we see rates start to move quickly once Charterers do come calling. Transatlantic voyages are likely to be more in demand next week as Charterers seek viable alternatives to Russian grades, but as of now last done is around 70,000mt x ws 155, with short haul runs around 70,000mt x ws 165-170 levels. VLCC rates, similar to those we are seeing in other regions, are already starting to move up in healthy chunks as each deal looks cheap after the next one. A nice problem to have for VLCC Owners, but they have to time it right as to when they fix, otherwise leaving money on the table always leaves a bitter taste.

## North Sea

The million(s) dollar question; what is next for Baltic? With Aframax Owners now steering clear of Baltic loadings, Charterers are being forced to get their cheque books out to entice them to cover. We've seen 100,000mt x ws 300

already, is ws 500 off the cards...? X-North Sea is being dragged up off the back of this and we are likely to see more North Sea action to make up for an expected vacuum in the Baltic. Offers for North Sea business now are going in circa 80,000mt x ws 200 level. Whether or not this is a flash in the pan will be seen next week, but for now Owners are piling up their hay.

## Crude Tanker Spot Rates



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

## Clean Products

### East

LRs had already seen a slight increase on both sizes prior to the Russian actions. Rates on the LR1s had solidified and, with short hauls busier, Owners have been reluctant to offer long haul, waiting for rates to see the predicted rises and reset. 55,000mt naphtha has fixed latest at ws 100 but Owners are looking for more now. 60,000mt jet AGulf/UKCont is last rated at \$1.60 million but no Owners are offering at the moment and last done looks a tough ask for Charterers and will be nearer \$1.70/\$1.75 million today.

LR2s had already seen \$1.70 million paid for Sikka/UKCont, so 90,000mt jet AGulf/UKCont is at least \$1.75 million but in reality, tonnage won't show less than \$1.90-\$2.0 million now. 75,000mt naphtha AGulf/Japan has fixed this week at ws 75 on TC1 only players - but once they are gone the remaining Owner will look to stretch this at least 10-15 points higher.

But all this depends now how things progress in Ukraine and, with such uncertainty, higher bunker prices and just a general unease across the world, where rates could be on Monday is hard to know. The Middle East will take up some slack from any reduction in Russian exports but of course this takes time to filter through so won't be immediate. For now, we watch and wait.

An interesting week on the MRs without even considering world events. An incredibly tight list should have encouraged Owners to put 15 more

points on the market, however, we still find ourselves at the ws 200 levels basis AGulf/EAF. TC12 has had a push to 35 x ws 137.5 however, a very quiet Singapore market will encourage ballasters in the new week, keen for something similar - and in particular ex India (to save extra ballast days at these astronomic bunker levels). Westbound is the real interest here where it is very scarce to find Owners/vessels keen to go in that direction; hence the market has climbed to \$1.465 million basis AGulf/UKCont. However, volatility in the West and the promise of potential TC14 activity will encourage some Owners to relocate in order to capitalise down the line. Expect further westbound enquiry to drive the market, and high bunker pricing will do nothing but encourage bullishness amongst those with tonnage coming into the next window.

### Mediterranean

The invasion of Ukraine has been the talking point this week and rightly so, with the shipping market keeping a keen eye on the sanctions that the US/EU/UK have imposed/will impose on Russia. X-Med rates have traded sideways throughout this week with a tightened front end and enough cargoes to keep rates trading sideways around the 30 x ws 255 mark. The news on Thursday of Russia's aggression against Ukraine has seen Black Sea rates spike, with 30 x ws 330 soon turning to 30 x ws 395 levels ex Russian Black Sea ports. In reality, any Black Sea cargo, whether its Russian Black Sea or not will see a premium given

the risk entering this zone with further gains on the cards. Expect next week to be more of the same with Owners likely having a better idea of their stance on the situation come Monday.

After a fairly busy start to the week activity wise, the Mediterranean MR market has begun to slow and as a result rates have come under pressure towards the back end of the week. With the list tight on the front end and good levels of enquiry, rates held at the 37 x ws 165 mark for the majority of the week with WAF tracking at 5-10 points more. However, at the time of writing, 37 x ws 165 is on subs for a Med/WAF run and with TC2 under pressure, it is likely we will see Charterers aiming for around the 37 x ws 155 mark next if not less. The market is pressured as we enter the weekend.

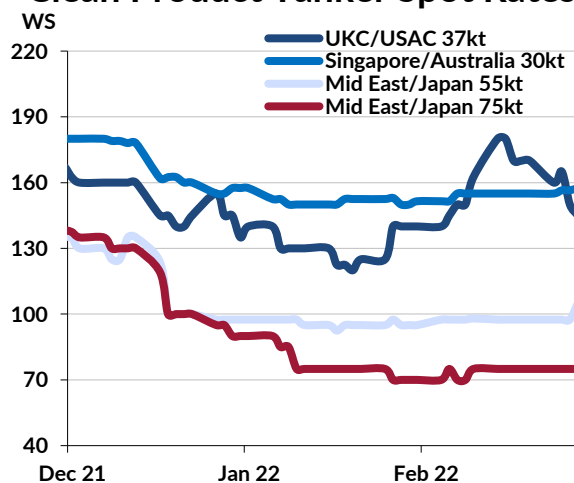
## UK Continent

As IP week kicked off, so did the lull in market quoted cargoes with MR Owners struggling to find employment and tonnage building. We did see a number of vessels suddenly find themselves on subs in the morning after direct negotiations occurring the night before and, with that Charterers have been able to keep Owners on the back foot. Negative correction has been seen consistently throughout the week and as we arrive on Friday, we see TC2 slip to around 37 x ws 140 with WAF sitting 5 points prettier. Despite all that has been going on this 2nd half of the week in the media, this

sector continues to slump with a handful of prompt ships still looking for some love, and we will need an uptick in enquiry early next week to stop the rot... but in times like these we find ourselves in, don't be surprised if we do and, with the lack of ballasters due to a stronger US market, things could change rapidly.

With other sectors in shipping reacting to the Russian invasion of Ukraine, Handies in the North have been lacklustre and treaded water for most of the week as many sit and wait to see what further sanctions will be imposed on Russia by the West. The front end of the tonnage list has been fairly tight for ice class as TC9 closes at 30 x ws 225-230 level but, with higher numbers being seen ex Med, a few non-ice units have ballasted down from the North in order to find employment. It's a waiting game here with most hopeful of having a clearer picture on their stance come next week.

## Clean Product Tanker Spot Rates



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

## Dirty Products

### Handy

Week 8 in the North has gone by with very little to report in terms of firm enquiry and alteration in rates. Ws 150 has just about held despite the lack of questions being asked. Going forward the market is waiting to see just how drastic rates will pick up as surrounding larger sizes close the week with big numbers on subs.

The Mediterranean markets are finishing this week off with a fair amount of uncertainty from where the week started, as Owners are still evaluating the consequences of loading from the Black Sea and the possible sanctions that may be applied. For now, the general feeling for Owners is to hold off when looking at stems from the region but if we look to the CPP market some have found Owners willing to entertain Black Sea voyages but, with hefty premiums seeing Handies now trading close to ws 400 levels. As yet we have not seen anyone take the plunge in the dirty market but come Monday, we expect to see some inflated ideas.

### MR

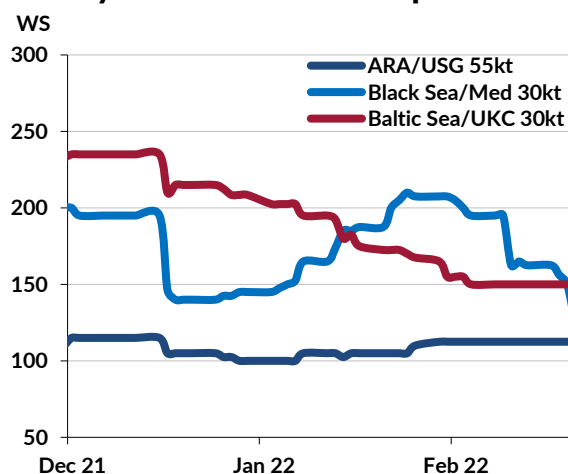
Tonnage being pushed in the North this week has seen enquiry drip fed with just one firm 45kt stem covered. This fixture saw last done tested and ws 130 was achieved, which reflected a short term tightening in the availability of naturally positioned units. Ballast tonnage is there to compete so watch this space to see if levels can be maintained going into week 9. In the Med, Owners have seen very little in terms of full stems to keep units moving, however, part cargo opportunities have kept units at the top of the list ticking over. It has taken to the last day of the week for a test here which has seen last done levels for a non-Black Sea cargo go at closer to last done levels than the market may have expected. Going forward

the expectation is that the Ukraine situation and the push on levels seen on larger sizes will start to trickle down to the smaller sizes where Owners will be poised to push.

### Panamax

Very little to report all week on the Panamax where enquiry has slowed and Owners have been left wondering when the next question will come and where we have seen one Owner fix a natural Med position for cargoes on the other side of the pond. With the situation in the Ukraine causing rates on surrounding markets to go far beyond levels seen in some time, it may only be a matter of time before Panamaxes are targeted to take coverage. The expectation will be that premiums seen on surrounding markets will also be pushed for here.

### 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<br>change | Feb<br>24th | Feb<br>17th | Last<br>Month* | FFA<br>Q1 |
|------|---------|-----------|--------------------|-------------|-------------|----------------|-----------|
| TD3C | VLCC    | AG-China  | +7                 | 39          | 32          | 36             | 39        |
| TD20 | Suezmax | WAF-UKC   | +13                | 75          | 62          | 64             | 71        |
| TD7  | Aframax | N.Sea-UKC | +37                | 133         | 96          | 96             | 98        |

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

|      |         |           | wk on wk<br>change | Feb<br>24th | Feb<br>17th | Last<br>Month* | FFA<br>Q1 |
|------|---------|-----------|--------------------|-------------|-------------|----------------|-----------|
| TD3C | VLCC    | AG-China  | +4750              | -7,750      | -12,500     | -4,750         | -7,250    |
| TD20 | Suezmax | WAF-UKC   | +4750              | 6,250       | 1,500       | 5,000          | 4,500     |
| TD7  | Aframax | N.Sea-UKC | +25500             | 23,250      | -2,250      | -1,500         | -2,000    |

## Clean Tanker Spot Market Developments - Spot Worldscale

|     |           |                  | wk on wk<br>change | Feb<br>24th | Feb<br>17th | Last<br>Month* | FFA<br>Q1 |
|-----|-----------|------------------|--------------------|-------------|-------------|----------------|-----------|
| TC1 | LR2       | AG-Japan         | +1                 | 76          | 75          | 75             |           |
| TC2 | MR - west | UKC-USAC         | -22                | 145         | 167         | 120            | 150       |
| TC5 | LR1       | AG-Japan         | +6                 | 102         | 96          | 96             | 107       |
| TC7 | MR - east | Singapore-EC Aus | +5                 | 159         | 154         | 153            | 155       |

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

|     |           |                  | wk on wk<br>change | Feb<br>24th | Feb<br>17th | Last<br>Month* | FFA<br>Q1 |
|-----|-----------|------------------|--------------------|-------------|-------------|----------------|-----------|
| TC1 | LR2       | AG-Japan         | -1250              | -6,000      | -4,750      | -2,250         |           |
| TC2 | MR - west | UKC-USAC         | -5500              | 3,250       | 8,750       | 750            | 4,250     |
| TC5 | LR1       | AG-Japan         | +0                 | -500        | -500        | 1,500          | 750       |
| TC7 | MR - east | Singapore-EC Aus | -250               | 3,750       | 4,000       | 5,500          | 3,000     |

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

|  |     |     |     |     |
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