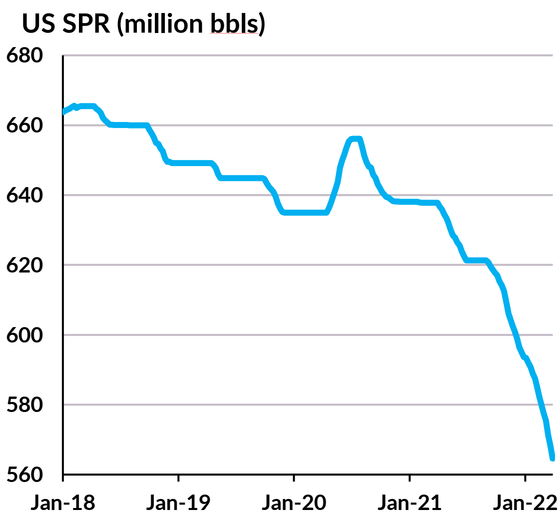
Strategic Release

Weekly Tanker Market Report

As the sanctions effort ramps up against Russia, governments around the world are seeking ways to wean themselves off Russian oil, whilst also managing the political damage caused by higher fuel prices. Last week, in an effort to appease his electorate and support his European allies, President Biden announced that the US would release 180 million barrels of crude from the strategic petroleum reserve (SPR), alongside further releases from other IEA member states (an additional 60 million barrels) over a 6-month period. For the US specifically, the release of 1 million b/d over 6 months effectively creates the equivalent of a short-term boost to domestic production, with the barrels likely to be sold both domestically and overseas.

Additional barrels will start hitting the market from May, with the US Department of Energy asking for bids by 12th April with contracts awarded on the 21st April. Previous releases have often been positioned as 'loans', which mean the SPR must be restocked by the offtaker, but the latest sale provides no such stipulation. The release appears to be having the desired effect, with front month crude futures falling close to $100/bbl this week and cash crude differentials falling to the narrowest premiums seen since the invasion, as buyers' eye potential SPR barrels.



So, the key question is, is this positive or negative for crude tankers? The first dependency is, what impact the SPR release will have on exports? Flows are almost certainly set to increase, particularly as Europe tries to substitute Russian oil, although the extent to which is uncertain. Just over half the crude stored in the caverns is primarily a medium sour blend, well suited to replacing Urals, and will be popular both domestically and for exports alike. Even if limited SPR barrels are made available for export, the release could push more light sweet shale grades crudes for export. There is also a question of whether the SPR can sustain a drawdown of 1 million b/d. In theory, the combined withdrawal capacity is 4.4 million b/d; however, this will exceed previous records and test infrastructure bottlenecks, including pipeline and terminal capacity.

Imports could also face some downwards pressure as domestic refiners maximise intake of domestic stocks, although this impact is likely to be minimal, perhaps limited to around 200 kbd (the volume imported from Russia in 2021). This is likely to be more than offset by a rise in exports, making the net gain beneficial for the crude tanker markets.

In the longer term, however, it is assumed that some restocking of the SPR will be needed, even if not to the extent that it was filled before. Any future rebuilding of the SPR would divert barrels away from export and could limit growth in US exports in the future. There is also the question of the 60 million barrels coming from other IEA members. Japan and Korea account for 37% of the release making it highly likely that these barrels will compete with imports and offer little support to the tanker market.

Ultimately, at a macro level, the US volumes are small, representing approximately 1% of global supply during the release period. The biggest winners over the 6-month period will be tankers loading in the US Gulf, although the longer term or global benefit is likely to be marginal. Yet, at this time, particularly coupled with the anticipated increase in OPEC Middle East barrels, the US SPR release does set a more positive tone across the tanker market, at least in the short term.

Crude Oil

Middle East

By comparison to other markets, it is easy to say that the AGulf VLCC market has underperformed, but against a very healthy position list this market was never going to accelerate at the same pace as West Africa or US Gulf. Levels have shifted up, with last done reported to have fixed at around 270,000mt x ws 55 to the Far East and levels of 280,000mt x ws 33.5 to the UKCont via the Suez Canal. Compared to other load regions it has been unusually quiet in the AGulf. We have seen zero Basrah/West Suezmax cargoes, with tonnage choosing to ballast away in search of higher numbers being paid in other load regions. TD23 is due a retest upwards towards 140,000mt x ws 70-75 to stop Owners ballasting away. AGulf/East should nudge up towards 130,000mt x ws 115-120 level. A fun week for Aframax Owners in the AGulf. Rates have shot up along with the rest of the market. AGulf/East has been done at 80,000mt x ws 175, a 40 point jump on where we were rating it this time last week. Further gains are possible, come next week.

West Africa

Short haul VLCC enquiry to the Cont has been the main item on the menu to be chosen this week, with rates shifting up to some very healthy levels of 260,000mt x ws 85. This has inevitably pushed up rates to the East, with last done being 260,000mt x ws 64.5. Provided the demand for the Cont, continues next week we could easily see stronger levels being posted. Another storming week in which Suezmax Owners have been in full control. With momentum carried over from last week and fresh inquiry quick to hit the market, sentiment has been further bolstered. WAF/UKContMed quickly jumped from 130,000mt x ws 155 to ws 170 and has settled at around the ws 185-190 level, WAF/East is going for 130,000mt x ws 165-175. Tonnage lists remain tight and, with all markets in the West producing at the moment, we will see rates maintained into the weekend. It has been a quiet 48 hours in terms of fresh enquiry, with a couple ships failing as Charterers try to claw back some control and see who and what gets their subs across VLCCs and Suezmaxes.

Mediterranean

A very busy week for Aframaxes as X-Med cargoes came out of the woodwork in earnest. This coupled with the option of a roofing Baltic market allowed Owners to ask for much higher rates. The stage was set at the end of last week with a premium paid for a short prompt X-Med and this was built on with 80,000mt x ws 155 and then ws 190 done by mid-week for a Sidi Kerir/Spain run. By the close ws 242.5 was achieved for a straight Libya run and ws 295 for a very short X-Med. The Black Sea has not offered much with most stems seemingly going on Suezmax size and the last Aframax being concluded a touch under 80,000mt x ws 300. The spike in the Med no doubt means next done for this route will be firmly in the ws 300's once more and a shorter Easter week is unlikely to temper Owners' resolve. A very dense third decade Suezmax program ex CPC coupled with WAF and the Americas being very firm has meant rates have surged to 135,000mt x ws 300 for TD6. Up some 120 points from this time last week with CPC/South Korea currently around $6.75-7.25 million. Med enquiry has been steady with an already tight list tightening further with Libya/Ningbo currently pegged at $4.7-4.9 million level. The Novo program looks covered into early May dates but more end month CPC enquiry is expected, rates will remain firm heading into the weekend.

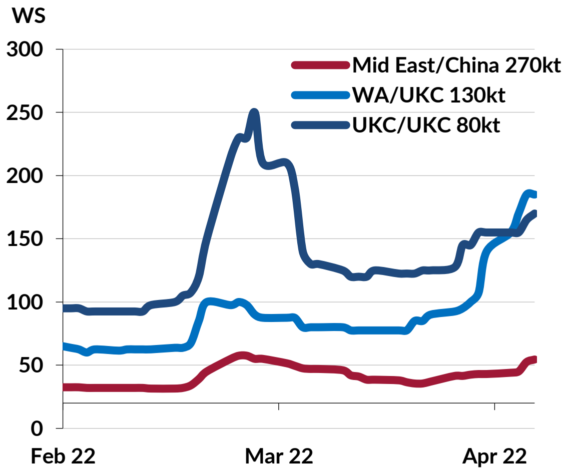
US Gulf/Latin America

A rather steady week for Aframax Owners who have been able to maintain some very strong levels. Voyages transatlantic have kept availability balanced even against tonnage ballasting in from across the pond. Last done for a short haul voyage hold around 70,000mt x ws 265 and transatlantic currently stands at around ws 235. VLCC levels strengthened as the week progressed as Owners buoyed by developments in West Africa needed to see far stronger levels here to provide a similar return. Last done reported fixed was $7.3 million from US Gulf to South Korea.

North Sea

Aframaxes in the North have been pushing and rates have seen some strong growth this week. Baltic trading is now pushing towards 100,000mt x ws 700 and X-North Sea into the 80,000mt x ws 170's. This bubble doesn't look likely to burst any time soon with Russian uncertainty and warm surrounding markets. Owners have plenty of options including a ballast transatlantic for decent numbers. Q2 looks likely to be the first decent quarter that Owners have seen for a while.

Crude Tanker Spot Rates



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

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Clean Products

East

Although product has moved through the MR segment for the past few weeks; indicative of a size offering good flex on direction for traders; the ever dropping $/ton available on the LRs has finally come into play, and we have seen some increasing cargoes volumes now. The LR2s softened almost on par to LR1 freight going West, $2.4 million on subs briefly ex India to go to the UKCont and 75 x ws 130 subs going East. West will jump back up to $3m soon - in reality bunkers haven't moved and any jet requirements will narrow Charterers' options.

LR1s have held more ground vs. the larger size, missing UMS deliveries into the States suits this segment due to the transatlantic differentials. Although the market has softened to $2.5 million AGulf/UKCont, we will see some recovery (similar to the LR2s) once viable East/West options thin out on the list. TC5 hasn't really moved, a much more popular run and will stick close to these levels until the list thins much more; 55 x ws 160 is the market level, give or take. With the MR list still incredibly tight until the 17th, traders will look to stem up where necessary, but we will definitely see further flip-flopping between sizes in the new week.

A busy week for the MRs again, with EAF moving to ws 307.5, up 30 points from Monday and taking TCE earnings above $21k/day (basis round trip, eco vessel $850 bunkers). The busy sentiment has been driven by traders preferring MRs for their flexibility and optionality, but as rates have risen throughout the week, Charterers are now beginning to turn their attention to the LRs, which provide much better value on a $/mt basis. The AGulf position list remains very tight out to the 18th, with very few ballasters from Singapore or Africa, the positive sentiment should remain and the short hauls will continue to be stemmed up where possible. TC7 earnings match those of TC17, so the likes of Maersk/Torm/Norient could be tempted to ballast over this weekend, but the natural Far East players will stay put.

Mediterranean

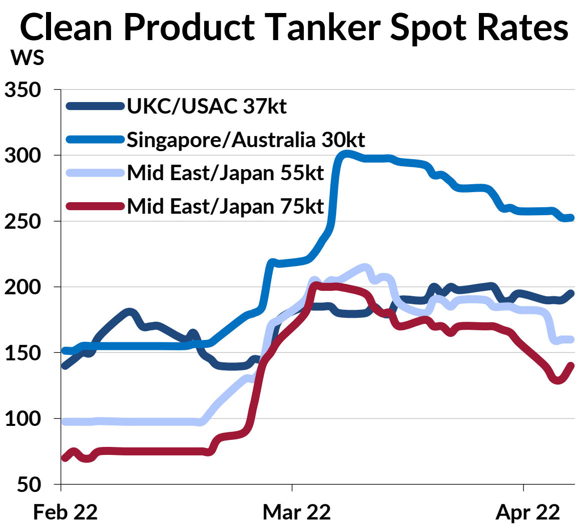
A positive end to the week for Handies with a tightening list and influx of naphtha cargoes causing rates to firm. We've seen rates improve ws 20 points throughout the week with Monday-Wednesday rather steady and in some cases we've even seen sub ws 200. Russian Black Sea business continues to be done behind the scenes with rates in the high ws 300s here, whilst non-Russian exports only warrant the rule of thumb +10 point premium on X-Med. Expect ideas to be high on Monday with this positive sentiment translated from the back end of week 14.

On the MRs, after a slow start to week 14 with little to report, enquiry has begun to improve over the last couple of days as we approach the weekend. 37 x ws 195 has been the call for a Med/transatlantic voyage for the majority of the week but, with the list now tightening Owners are beginning to feel they can push rates here especially with more and more starting to ballast to the USG to take advantage of the booming market. WAF is in need of a fresh test but, with fewer Owners now willing to go there expect the premium to increase from the standard +10 we have been seeing. It is worth noting that despite this positivity the equivalent of 37 x ws 190 Med/transatlantic is currently on subs but, with a few cargoes still needing cover before the weekend it is likely we won't see this repeated.

UK Continent

Market sentiment for the MRs plying their trade on the Continent has been completely dominated by the bonkers US Gulf market that has occurred. With many Owners dreaming of such returns they have seen in the States, the debate for tonnage opening up was whether you took out a vanilla TC2 run or just to set sail and ballast across marketing yourself FOC. As the week developed this decision has almost been taken out of Owners hands as rates continued to rocket and now come Friday, we see half a dozen vessels "IN BLST". Off the back of this we now have the trickier task of calling what rates are fixed next, with the undesirable direction of WAF seeing a premium ever expand and transatlantic carefully balanced between "super desirable" and "simply not worth it, I'm ballasting". With this in mind, we have 8 or so outstanding cargoes in the UKCont and, with ballast tonnage now negatively affecting our lists, expect Charterers to be shown some bullish rates and come Monday further gains to be had by Owners.

Majority of the Baltic Russian business continues to get fixed under the radar via COAs as rates have traded steady at 30 x ws 350 throughout the week. The Continent has also seen an uptick in volumes too with X-UKCont firming to 30 x ws 205-210 (load dependent) and 30 x ws 185 for UKCont/MED. The front end of the tonnage list has tightened and, with a few uncovered cargoes both for Baltic and UKCont there is potential that freight could firm some more heading into Monday.



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Dirty Products

Handy

This week, the Cont has continued to suffer from a lack of fluidity with a well-stocked list saw putting rates under pressure for the second week in a row. By mid-week very little had been presented to those marketing tonnage and as a result a longer voyage south saw 5 points clipped away from the recent X-UKCont rate with the usual minus 5 points for Med. With very little stimulus in the region and the forecast for the same to continue, there is nothing to suggest a swing of sentiment back in Owners favour any time soon.

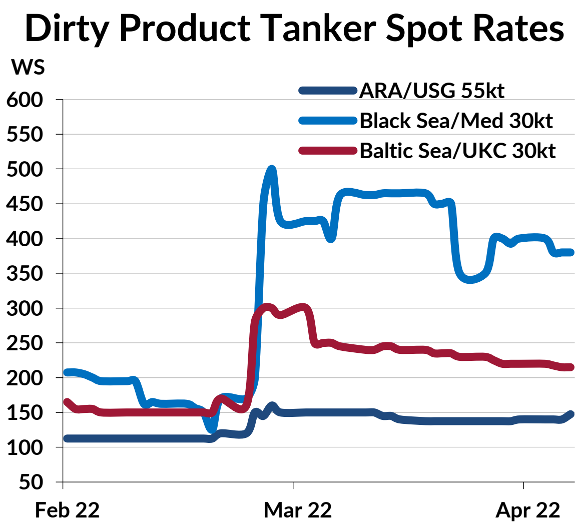
In contrast, the Med this week has experienced a clear out of tonnage not seen since cargo flows from the Black Sea dropped off. Despite a sluggish start to the week and softening of levels down to ws 155, an injection of pace kick started activity, which saw Charterers scramble for units to cover stems in the natural window. Fast forward to Friday and levels have experienced a rebound up to ws 207.5 and availability well in to the second decade of April is tight. Replenishment come Monday will be key but with outstanding cargoes on early dates, there may be more to come.

MR

As is often the case with the MR markets in the North and Med, Owners with units to fix find themselves riding the coattails of the smaller Handies when the market firms, and battling for part cargo when it softens. This trend has been seen once again this week where in the Med the swift tightening of units on the Handies and a clear down of tonnage in the next window has seen a rebound in rates making taking part cargo opportunities a viable back stop. However, in the North the slowdown in enquiry has meant MR Owners have been left wondering where next employment will come from and with 45kt stems few and far between. Going forward the expectation is to see fresh tests in both regions should a 45kt stem surface with the potential for firming in the Med and a negative correction in the North.

Panamax

Rates have moved up this week where for the most part, this claim was being made absent of any fixtures to justify rate assessment. The difference, however, this week has been because of a number of factors, the US remains extremely firm and surrounding Aframaxes over here in Europe have also projected northwards between deals leaving those open on the tonnage lists here naturally in a position of strength. We finish the week some 17.5 ws points firmer than where we started.



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 7th	Mar 31st	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+9**	53	44	47	58
TD20	Suezmax	WAF-UKC	**+83**	187	104	81	126
TD7	Aframax	N.Sea-UKC	**+16**	169	153	135	117

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

			wk on wk change	Apr 7th	Mar 31st	Last Month*	FFA Q2
TD3C	VLCC	AG-China	**+14000**	6,750	-7,250	-11,000	14,500
TD20	Suezmax	WAF-UKC	**+49000**	64,750	15,750	-500	32,000
TD7	Aframax	N.Sea-UKC	**+13500**	42,750	29,250	13,500	6,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 7th	Mar 31st	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-23**	131	154	194	
TC2	MR - west	UKC-USAC	**+1**	193	192	185	199
TC5	LR1	AG-Japan	**-27**	156	183	202	171
TC7	MR - east	Singapore-EC Aus	**-9**	252	261	251	216

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

			wk on wk change	Apr 7th	Mar 31st	Last Month*	FFA Q2
TC1	LR2	AG-Japan	**-5750**	11,250	17,000	25,500	
TC2	MR - west	UKC-USAC	**+1500**	8,750	7,250	3,750	10,750
TC5	LR1	AG-Japan	**-4750**	12,000	16,750	17,750	16,500
TC7	MR - east	Singapore-EC Aus	**-500**	18,250	18,750	14,000	13,000

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

ClearView Bunker Price (Rotterdam VLSFO)	**-48**	821	869	951
ClearView Bunker Price (Fujairah VLSFO)	**-25**	846	871	971
ClearView Bunker Price (Singapore VLSFO)	**-40**	815	855	976
ClearView Bunker Price (Rotterdam LSMGO)	**-43**	1045	1088	1161

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