

Geneva, 22nd April 2020

So what to do with the oil tankers? A merciless world.

The Riverlake's outlook on oil freight markets today

Every day that flies by makes the freight market increasingly tighter and tighter. Whereas until very recently we observed that the so-called large ships, i.e. ships taking at least 600,000 barrels, (afamax) 1,000,000 barrels (suezmax) and 2,000,000 barrels (VLCC) were storing crude oil cargoes, we are now seeing intermediate size ships, handy size ships of 250 to 300,000 barrels, starting to be used for storage and more uniquely for crude oil but also for refined products. Then we see that more and more ships simply cannot find a place to unload - we are no longer talking about strategically driven storage - and this is only the beginning. An aframax loading 100'000 tons in the Baltic Sea is approaching USD 115'000 per day. These revenues are obviously boosted by bunker prices, at USD 201 on April 22nd in Rotterdam, 21 pct lower than yesterday.

The clash between the overproduction linked to the war between some producers and COVID-19 is total and global. Refineries have to start shutting down because there is no onshore storage capacity, refineries are no longer going or already stopped buying crude oil to refine. The virus has shut down the business and put cars and planes in the parking lot.

But what about freight rates, and is that good for shipowners? ?

Fewer ships available means higher rates. Lack of space, some rules such as the one preventing ships from docking directly as a result of the virus means pressure on freight rates, but not all ship owners are in the same situation.

Small ships, especially in the Mediterranean, are in a downward trend. The consumption of clean products has crashed and the feedstocks are no longer needed. We are therefore seeing a decrease in rates because there are fewer voyages. Traffic in Morocco has weakened in recent weeks as well, usually a busy area but a demand to supply bunkers to fishing boats is maintaining a certain level of activity. Deconfinement could lead to sustained activity this summer. In the Northern part of Europe, summer is traditionally a period that will see an increase in volumes and storage that will switch from winter quality to summer quality. However, due to lack of inland automotive consumption, and clearly no airborne activity, this segment remains flattish, with no significant gain or loss in the freight rates. Vessels are reasonably employed across the coming 10 to 12 days.

However, Riverlake estimates that rates for small vessels will remain flat to low as more prompt ships in these sizes and geographical areas will put stress on shipowners.

In contrast, the situation is quite different for ships of 250 to 300,000 barrels, the handy size to medium range segment, particularly in Europe. Rates in the Black Sea are at levels of WS 400 in inter med, even WS 425 in the Black Sea/Mediterranean, which is almost double last

week's levels, equivalent to a daily income of around USD 70,000 for ship owners. This was midday 22 April, but we see now 50 WS points more for the afternoon deals. We also now see mid WS 400 on North Continent to West Africa cargoes. We believe the WS 500 floor is about to be tested soon.

Cross West Africa rates has also seen an upsurge in the last week. This is purely driven by price as local traders try to capitalise on cheap product offshore. A lot of gasoline cargoes offshore Lome which are mostly differed cargoes from DSDP (Direct Sale / Direct Purchase) as NNPC pushes for delivery at later dates. The PPPRA is yet to review its pricing template for gasoline, which will likely push prices lower in the Nigerian market, this downward review is expected before the end of the week. The rates particularly inter Nigeria or inter African cabotage rates are ranging between USD 27'000 and USD 30'000 per day.

Riverlake broker teams estimate that this current pattern will continue over the upcoming weeks. You will find more information in our daily RTI index accessible for free on <http://www.riverlake.ch/en/r-c-publications/rti-daily-freight-market-level.php>