

## Tanker Shipping

November 28, 2023

Breakwave Tanker Futures Index: 1,393

↓ 30D: -9.4%  
 ↑ YTD: 17.2%  
 ↓ YOY: -17.9%

VLCC Middle East-Asia Spot Rates: \$16.22

↑ 30D: 11.4%  
 ↓ YTD: -8.4%  
 ↓ YOY: -38.7%

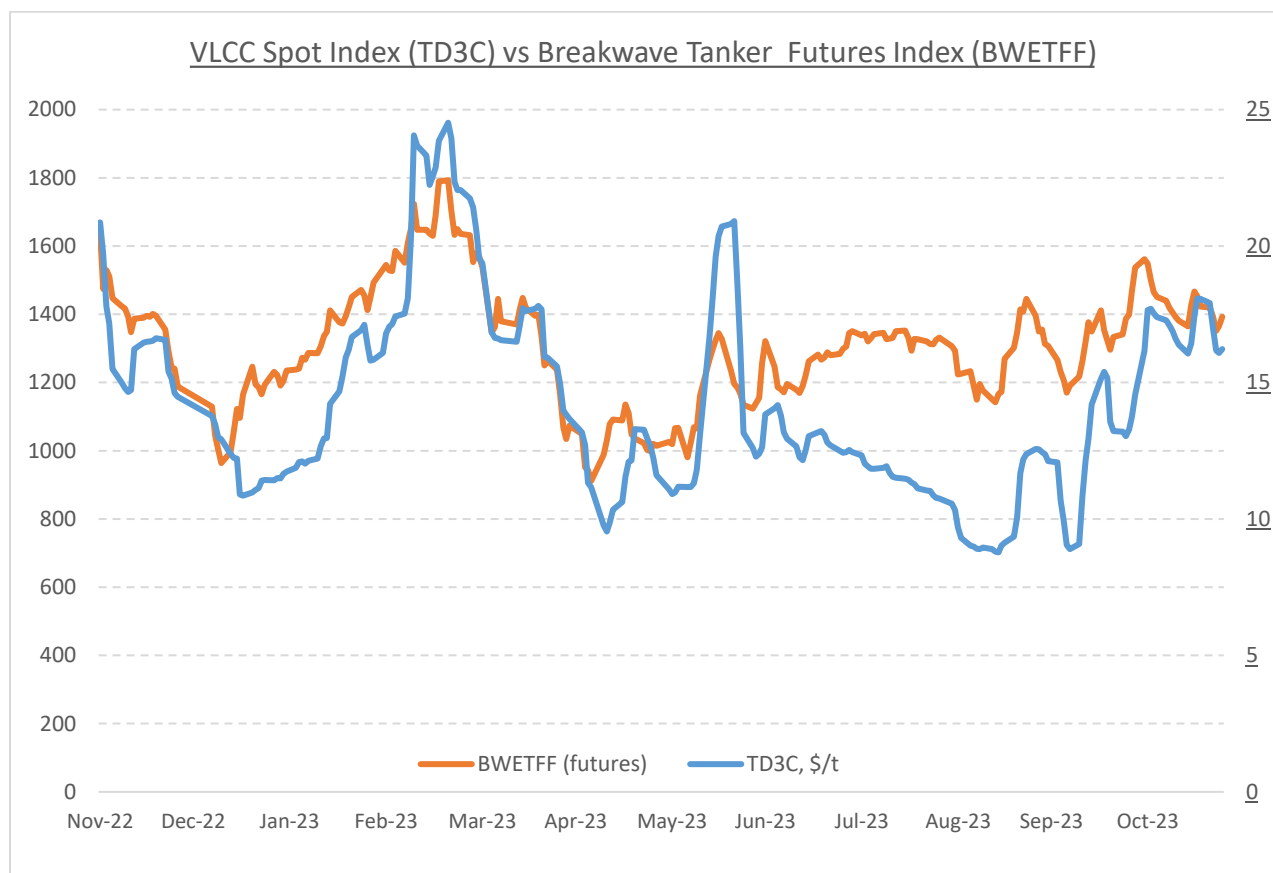
Short-term Indicators:

Momentum: **Negative**  
 Sentiment: **Neutral**  
 Fundamentals: **Positive**

### Bi-Weekly Report

- VLCC rates stable amid ongoing challenges and shifting dynamics in oil supply/demand** – The VLCC freight market **sentiment** appeared **softer** at the end of November, despite a more promising outlook mid-month, hinting at a better-balanced market. However, **freight rates** have **improved compared to levels seen a month ago** with VLCC rates from the Middle East and West Africa to China recording a monthly increase of roughly 20%. Meanwhile, **challenges persist** in the tanker market, particularly concerning oil supply and demand, but also volatile oil prices, and these factors will be crucial in shaping market dynamics as we head into December. Looking a bit closer at the oil demand prospects, a **subdued outlook** for future growth and **conflicting demand projections** from OPEC (more positive) and the IEA (more cautious) underscore uncertainties in the market's trajectory and thus complicates the outlook for freight rates in the intermediate future. **Freight futures** continue to price a **stable** December market, followed by a decline in freight rates during the seasonally weaker first half of 2024. However, time and again, **tightness due to winter weather** can always alter the supply/demand picture, and although fundamentally **less oil shipments** translate to less demand for tankers, such marginal changes could become a secondary factor when vessels get delayed due to weather factors.
- Oil prices remain subdued as demand outlook becomes murky** – There is a **clear divergence** when it comes to oil **demand outlook** for 2024 amongst the two main oil research organizations. The International Energy Agency (**IEA**) maintains a cautious outlook pegging demand growth at less than 1 million barrels per day (mbpd). On the other hand, the Organization of the Petroleum Exporting Countries (**OPEC**) forecasts oil demand growth of 2.25 mbpd. The apparent variance of ~1.3 mbpd represents approximately 1% of the world's daily oil consumption and surpasses the daily production of certain OPEC members, exemplified by Libya. As the **upcoming OPEC meeting** on November 30<sup>th</sup> gets closer, any shift in the production outlook, including the extension or expansion of production cuts, will have a significant impact on both prices as well as freight expectations for 2024. Yet, all the above **highly depend on the global economic outlook**, which remains very uncertain amidst high interest rates, an ailing real estate market in China, and two ongoing wars. **Our view** remains that oil prices will fluctuate in a rather wide range of about **\$70-\$90 per barrel** for the foreseeable future while the potential for **stronger oil demand** for 2024 is a **more likely** scenario, yet admittedly our forecast is also subject to all the above factors and thus lacks confidence.
- Tanker cycle driven by tight supply, recovering demand** – The tanker market is recovering from a long period of staggered rates as the growth in new vessel supply shrinks while oil demand is recovering in line with the global economy. A historically low orderbook combined with favorable demand fundamentals should continue to support increased spot rate volatility, which combined with the ongoing geopolitical turmoil, should support freight rates in the medium term.

*The Baltic TD3C Index measures the spot rate in USD per ton for Very Large Crude Carriers (VLLCC) operating in the Middle East to Asia route. The Breakwave Tanker Futures Index (BDRYFF) is designed to track freight futures contracts with a sector weighting of 90% VLCC TD3C and 10% Suezmax TD20 and a weighted average maturity of approximately 50-70 days.*



## Tanker Fundamentals

Demand	YTD	YOY
World Oil Demand	104,390 kbpd	4.8%
Oil Supply, OPEC	28,080 kbpd	-5.9%
Oil Supply, non-OPEC	67,540 kbpd	3.2%
OECD Total Crude Oil Stocks	1036.5 MMbbls	-0.7%
US Crude Oil Exports	31.9 MMbbls	16.9%
China Oil Imports	424.5 MMbbls	2.6%
Global Crude Oil Floating Storage	86.5 MMbbls	-12.6%

### Supply

Tanker Fleet	687.5 mdwt	2.6%
--------------	------------	------

### Freight Rates

VLCC Middle East-Asia, USD/ton	14.09	15.0%
Suezmax West Africa-Europe, USD/ton	20.10	10.7%

Note: All numbers as of latest available; Imports/Exports/Production are YTD sums as of latest reported; Inventories/Fleet are weekly totals  
Sources: Bloomberg, IEA, Clarksons and Breakwave Advisors

#### Disclaimer:

This research report has been prepared by Breakwave Advisors LLC solely for general information purposes and for the recipient's internal use only. This report does not constitute and will not form part of and should not be construed as a solicitation of any offer to buy or sell any security, commodity or instrument or related derivative or to participate in any trading or investment strategy. The opinions and estimates included herein reflect views and available information as of the dates specified and may have been and may be subject to change without notice.

#### Contact:

**Breakwave Advisors LLC**  
17 State Street, 40<sup>th</sup> floor  
New York, NY 10004  
Tel: +(1) 646 775 2898  
Email: [research@breakwaveadvisors.com](mailto:research@breakwaveadvisors.com)