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The 105,200-dwt Limerick Spirit (built 2007) is an LR2 product carrier in the fleet of Teekay Tankers. Photo: Teekay

'Super-tight': product tanker rates jump to highest levels since April

Analysts and brokers see increased traction for owners as cargo volumes increase

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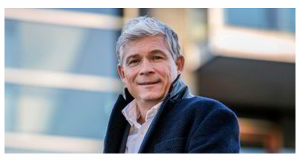
By **Gary Dixon** in **London**

Healthier refining margins have boosted product tanker rates to their highest level since April, analysts and brokers report.

LR2s and MRs in particular have benefited from higher cargo volumes and activity.

Clarksons Platou Securities said these vessels are now "showing healthy signs".



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"Spot tanker rates have improved of late, and while VLCCs have eased recently as charterers and owners prepare for the start of the December loading programme this week, product carriers have been gaining traction," analysts Frode Morkedal and Omar Nokta said.

Better refining margins have been seen in Asia and Europe, brought on by rising demand and low stockpiles, boosting overall activity and output.

Standard LR2s finished the week ending 12 November with global rates averaging around $18,000 per day, the investment bank calculated.

More modern eco ships were banking nearly $23,000, however.

Nearing April's year-high

This is the highest level since a brief rally in April saw numbers top $20,000 on average.

That aside, these are the best rates going back to September 2020.

On the MR side, the week ended on $10,500 per day, with eco ships attracting more than $14,000.

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Again, these are the best numbers since the spring, and since September last year before that.

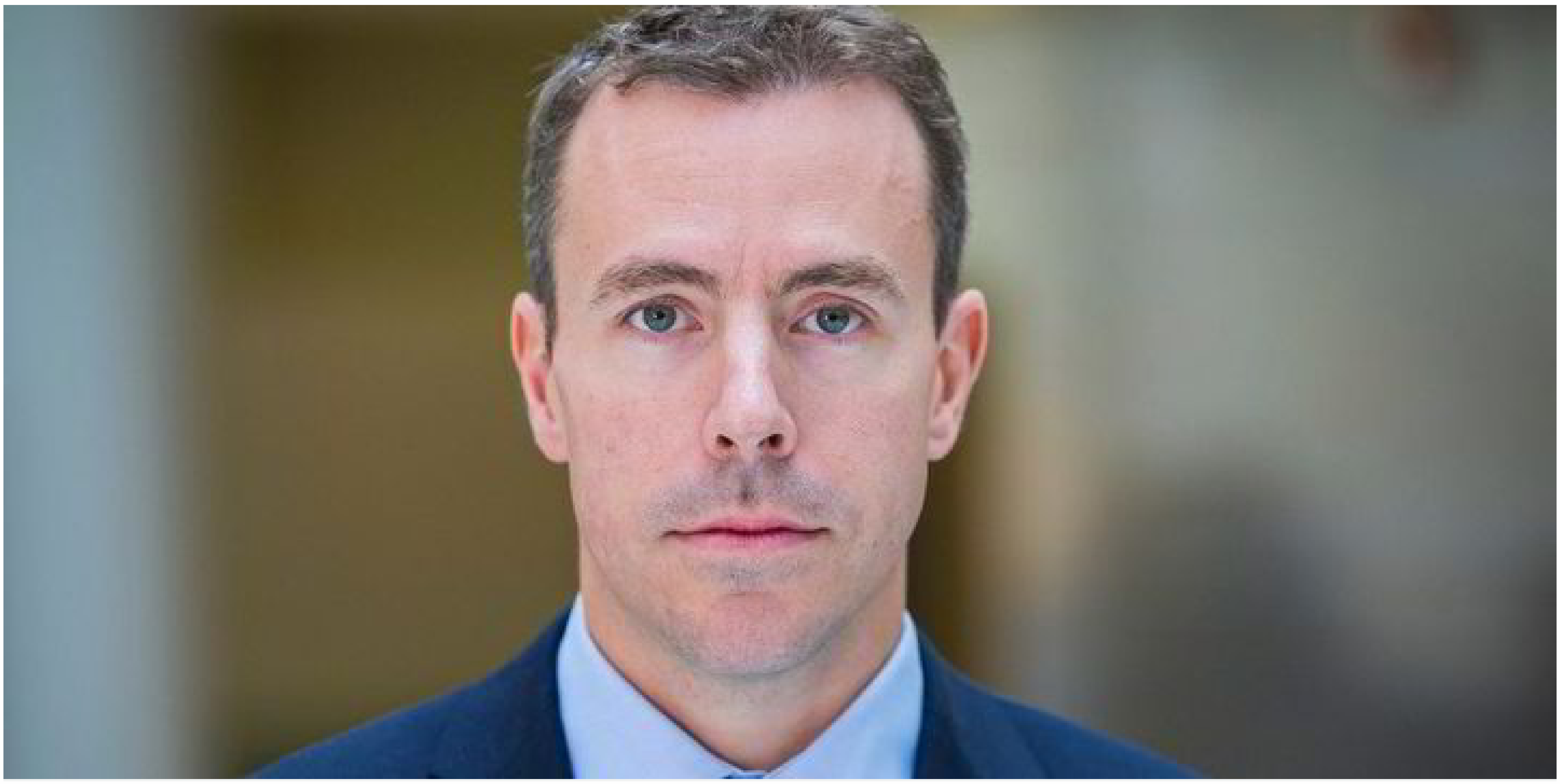
UK shipbroker Howe Robinson Partners said there was a quiet end to the week for MRs heading from northern Europe to the US east coast.

"A stand-off seems to be the order of the day," it reported.

"While there are not many cargoes left uncovered, owners [are] holding back on what is still there, perhaps in anticipation of further rises in the market, given the lack of ballasters available to cover a cargo out of north Spain.

"Whilst the tonnage list is not oversupplied, where rates go from here will be dictated by early-week activity."

Tonnage scarcer


Frode Morkedal is managing director of equity research at Clarksons Platou Securities. Photo: Clarksons

For MRs in the eastern Mediterranean, tonnage was said to be "super-tight".

The western Mediterranean is still lagging, according to Howe Robinson, with limited activity, but rates are up more than 10% from the last-done level nevertheless.

Charterers nominated a limited number of cargoes on Friday to try to kill some of the momentum, it added.

"The market continues with a firm sentiment due to limited availability in the Med. We should see continued high enquiry levels in the coming weeks, so expect [this] week will see further improvement on rates," Howe Robinson said.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Clarksons Platou noted that all the product tanker companies it covers believe the third quarter will be viewed as the trough in the market, with the fourth quarter looking more positive.

Shipowners have logged fixed rates for the final three months at higher levels than in the previous quarter, with spot rates higher than these in turn.

"Looking ahead as we approach winter consumption and a tightening oil and tanker balance in 2022, the outlook remains very favourable in our opinion," said Morkedal and Nokta.

D'Amico International Shipping chief executive Paulo d'Amico echoed this on a conference call earlier this month. "We're seeing a recovery," he said.

Insight Howe Robinson Partners Clarksons Platou Securities MR tankers LR2 tankers Mediterranean

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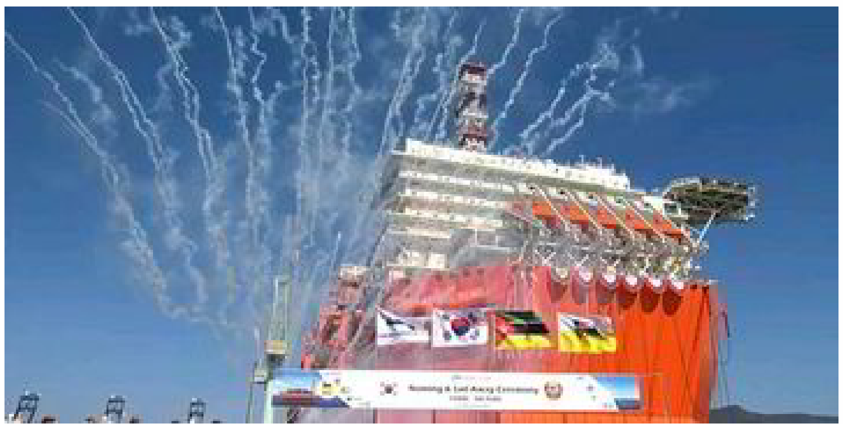

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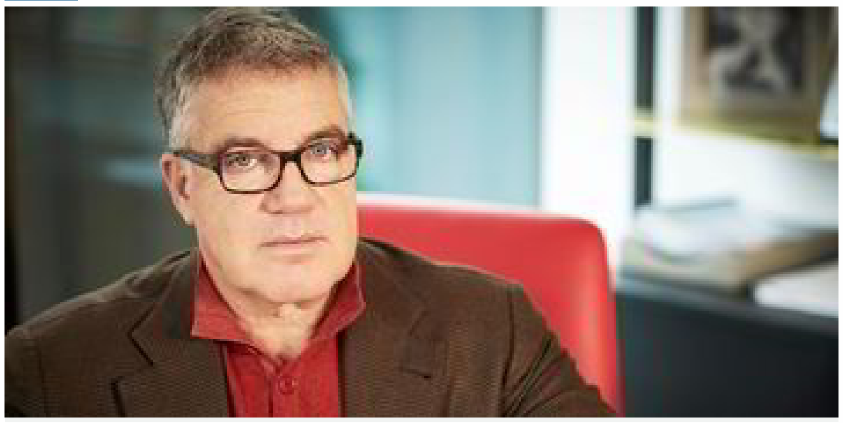

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