

Clean tankers to turn up this summer, CEOs say

Long-awaited turnaround in rates still predicated on inventories continuing to decline, fewer newbuildings.

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Product tanker chief executives see their market finally turning this summer as gasoline and diesel inventories start to decline, along with newbuilding deliveries.

Speaking at a webinar organized by investor relations firm Capital Link, d'Amico International Shipping president Marco Fiori acknowledged earlier calls for a market turnaround were premature.

But with fleet growth of 2.5% expected this year against demand growth of 3%, he says the inflection point is nearer.

"We've been very optimistic for a while now," Fiori said. "We expected the same thing last year. There are still too many ships. But the good news is very few are coming in to market this year."

Concordia Maritime chief executive Kim Ullman echoed the view that "there are too many ships for the time being."

Yet refined product inventories continue to move in the right direction as they approach five-year average levels. The trend should continue as refineries come offline for maintenance and gasoline inventories need to be replenished ahead of summer.

"From summer onwards, it's looking better," Ullman said.

Spot rates for medium-range (MR) tankers firmed in December and January, reaching \$14,000 per day for the benchmark Atlantic Basin trade, according to Clarksons.

Along with better spot rates, time charter query has also picked up says Eddie Valentis, chief executive of Pyxis Tankers. One-year time charter on MR tankers are running between \$14,500 and \$15,500 currently he says.

"We even think the second quarter might be good for product tankers," Valentis said. "There's been a lot of time charter enquiry which is a sign major players want to take a position in tonnage."

While spot rates have ticked down to below \$10,000 per day over the past week, Fiori says the fact that second-hand ship prices have stabilized over the last two quarters is further sign of market confidence.

With shipyard capacity extremely tight, Fiori says there is more opportunity to buy ships in the seven to eight year old range.

"There are a lot of things you can do without ordering new ships," Fiori said.

Valentis agreed saying there is good interest in modern tonnage up to seven years old. "But not a lot is being circulated for sale."

Pyxis, which recently had a capital raise, says is “very interested in that range,” Valentis said.

Vessels older than 15 year old make up a large portion of the clean tanker fleet, around 20% currently. Fiori says vessels in the age range tend to get harder to trade with oil majors due to vetting requirements and sometimes get shunted to secondary trades such as vegoil.

“I don’t think scrapping will have a big impact on the market,” Fiori said.

