

Nota d'actualitat 04/05/2020

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Oil - From \$17k/day to \$170k/day to charter a vessel. Outlook.

- **Charter prices for crude tankers have skyrocketed** recently as the combination of collapsing demand, a supply glut, and the lack of onshore storage have pushed traders to store oil at sea. Last week the cost to charter a vessel from the Persian Gulf to Japan, rose to ~\$170K/day, while the same route in early March had a cost of \$17K/day. Port bottlenecks, as tankers take longer to unload into scarce storage, are some of the 2nd round effect of April's mass production, primarily from Saudi Arabia & Russia (when Russian output rose about 51K bpd in April to 11.349M bpd).

Outlook:

- **Oil demand set to improve, but the road will be long.** The easing of some coronavirus restrictions is leading to a gradual recovery in gasoline consumption, that is starting to rebound (See the chart below). We believe the recovery will be slow, possibly taking a year or so until global demand reaches pre-pandemic levels of ~100M bpd.
- **In the short-term**, unsold crude will likely to continue accumulating into June or July, and with storage tanks full there remains the risk of wild gyrations in futures prices. That is why we do not expect the price of crude oil to start a sustainable path towards > \$ 40 until, at least, July.

