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VLCCs and suezmaxes riding high as peace deal hikes Hormuz flows

- *West Africa-China VLCC rate index is at $127,708 per day, up from around $90,000-$100,000 per day prior to peace framework*
- *US Gulf-China VLCC index is at $115,749 per day, up from around $100,000 per day prior to the peace agreement*
- *MEG-China TD3C index is becoming a more relevant measure of physical fixtures; it is at $296,175 per day, more than double Atlantic indexes and TD3C's pre-crisis level*

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The historic winning streak for tanker shipping continues. The US-Iran peace framework is proving lucrative for owners of very large crude carriers and suezmaxes

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MORE CRUDE TANKERS ARE TRANSITING THE STRAIT OF HORMUZ, A TAILWIND FOR VESSEL DEMAND AND SPOT RATES.

Source: alones – stock.adobe.com

AS MORE cargoes transit the Strait of Hormuz, spot rates for very large crude carriers and suezmaxes are exceeding rates prior to the US-Iran peace deal.

Tanker traffic remains significantly constrained versus the pre-crisis period, but more laden tankers are exiting, the shuttle service from inside the Middle East Gulf to the Gulf of Oman (GOO) continues apace, Iran crude exports are flowing, and more non-Iranian tankers are entering the strait in ballast.

Global seaborne crude exports are still below where they were before the crisis, but excluding flows to China, they have returned to normal levels.

Crude tanker spot rates

The Baltic Exchange's West Africa-China time charter equivalent VLCC index was at $127,708 per day on Monday, up from around $90,000-$100,000 per day before the peace deal.

The US Gulf-China VLCC index was at $115,749 per day, up from around $100,000 per day prior to the peace agreement.

The Baltic Exchange's MEG VLCC indexes were largely hypothetical for most of the Hormuz crisis, with scant physical activity underpinning the numbers, which were calculated using implied risk premiums.

But the MEG-China TD3C benchmark is now becoming more relevant, given that crude cargoes are clearly flowing through the strait.

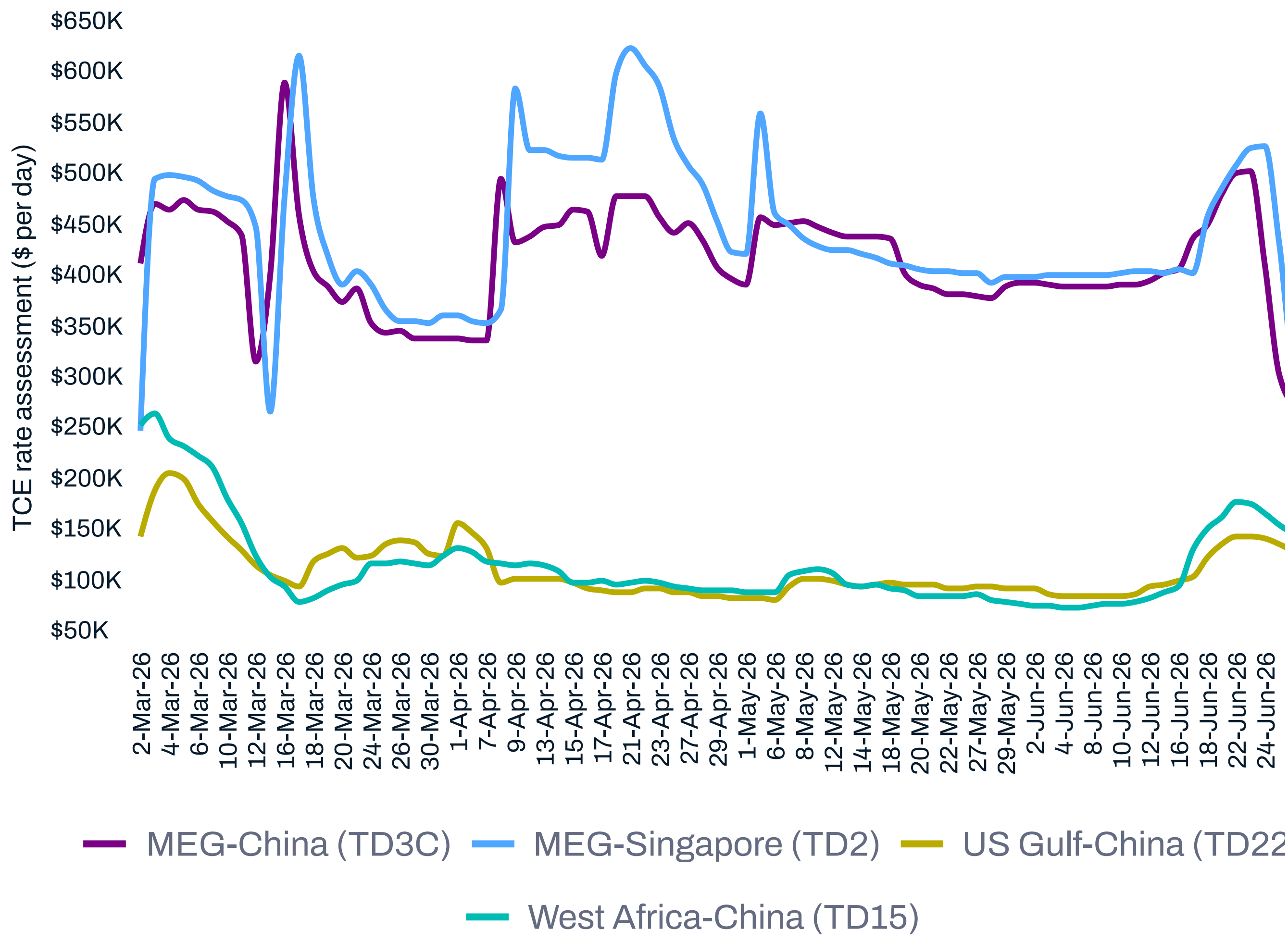
"We're now seeing a meaningful pickup in TD3 fixtures," said Okeanis Eco Tankers chief executive Aristidis Alafouzos in an online post on Monday.

"This is the first time in months that TD3 is starting to reflect real physical activity rather than just paper pricing," he said, adding that "if this trend continues, TD3 can gradually regain its role as a useful barometer for the crude tanker market".

The Baltic Exchange assessed the TD3C at $296,175 per day on Monday, more than double the Atlantic basin indexes and the TD3C's pre-crisis level.

VLCC TCE indexes

Hormuz crisis period | Year to date | Past year



Source: Baltic Exchange

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Sparta Commodities pointed to downward pressure on the TD3C on Monday, citing 70 open VLCCs in the MEG market against a 54-ship average and a "still lengthening" position list.

Transits are now "a third to half of pre-war normal", with "Japan-linked vessels still exiting in convoys", said Sparta.

In the sub-VLCC segments, the peace agreement is benefiting suezmaxes but not aframaxes.

The Baltic Exchange's suezmax index (an average of the Baltic-Mediterranean and West Africa-North Europe indexes) was at $151,026 per day on Monday, up from around $90,000-$100,000 per day before the peace agreement.

The aframax indexes, by contrast, are in line with late-May levels, at around $30,000-$40,000 per day.

Suezmax and aframax TCE indexes

Source: Baltic Exchange. Suezmax index is average of Black Sea-Med (TD6) and West Africa-North Europe (TD20).

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Strait transits and shuttle service

Two important bellwethers of Strait of Hormuz activity are outbound laden VLCCs and inbound ballast VLCCs.

According to data from Vortexa, an average of 2.8 outbound laden VLCCs transited per day from July 1-5, close to the average of 3 per day in June and well above the average of 0.9 in May, 1.2 in April and 0.6 in March.

There was an average of 3.6 inbound ballast VLCC transits per day from July 1-5, according to Vortexa data. This compares to an average of 2.4 in June, 0.7 in May, 1 in April, and 0.6 in March.

The fact that inbound ballast VLCCs are rising sharply over time and exceeding outbound laden VLCCs points to near-term owner optimism on the MEG trade.

Brokerage BRS pointed to another positive Hormuz signal on Monday: spot sentiment outside the strait in the GOO is firming because "the pickup inside the Arabian Gulf thinned the GOO list considerably, and with several owners keen to pursue this premium business, the number of GOO and Red Sea candidates dwindled".

The Baltic Exchange assessed the GOO-China TCE rate for VLCCs at $145,477 per day on Monday, up 7% versus July 1.

Part of the cross-strait activity continues to be driven by the shuttle trade, wherein a select group of VLCCs loads inside the MEG, transits the strait to the GOO, unloads crude via ship-to-ship transfers, then returns to reload inside the strait.

Transit times vary, but these VLCCs usually transit outbound and laden around a week after they transit inbound in ballast, and vice versa.

Data from Vortexa and Lloyd's List Intelligence shows at least two dozen VLCCs involved in the shuttle service at various times, beginning in late April and continuing to the present.

Tankers involved in this trade are controlled by four entities. Two are state firms: ADNOC of the UAE and Kuwait Petroleum. Two are private players: Sinokor, the South Korean joint venture with MSC owner Gianluigi Aponte, and vessels owned by Greece's George Prokopiou.

The shuttle service is yet another example of shipping's ability to adapt to disruptions.

There are many owners who are unwilling to re-enter the MEG trade at this stage, but are willing to load via STS in the GOO. The shuttle service allows more crude to flow from the MEG, carried by select owners willing to accept the transit risk, and provides cargo access for the next leg of the voyage to Asia to owners unwilling to take the transit risk.

Global seaborne crude supply

The broader fear for shipping — not just tanker shipping, but all segments — was that the energy commodity shortfall caused by the Hormuz crisis would lead to petroleum inventories bottoming out and prices skyrocketing, causing demand destruction and a global recession.

That hasn't happened, for two main reasons, one related to supply and the other to demand.

"The global economy is now in a far better place than it was a month ago. Demand destruction is now seen as less of a threat," said BRS.

On the supply side, lost barrels out of the MEG were partially replaced by Middle Eastern pipeline supplies loading in Fujairah and the Red Sea port of Yanbu, while the US and other countries simultaneously boosted seaborne supply via the release of reserves.

More recently, seaborne crude has been buoyed by the MEG shuttle service, stranded tankers escaping through the strait, the pause in Iran sanctions, and at least some resumption of mainstream MEG fixtures.

On the demand front, China drastically reduced its crude imports.

According to data from Vortexa, global seaborne exports of crude and condensate bound for China averaged 11m bpd between January 2025 and February 2026, pre-Hormuz crisis. In May, they were less than half that: 5.2m bpd. In June, they averaged 6.7m bpd.

Last month, global exports of crude and condensate averaged 39.5m bpd, according to Vortexa data. That was still down 3.6m bpd or 8% versus the January 2025-February 2026 average, despite all the workarounds.

However, global exports of crude and condensates for all destinations excluding China averaged 32.7m bpd in June, up 635,000 bpd or 2% versus the January 2025-February 2026 average.

Global seaborne crude exports

Source: Lloyd's List based on data from Vortexa. Pre-crisis average is January 2025-February 2026. Includes crude ar condensate.

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This highlights how important the potential re-emergence of China would be to tanker rates in the second half.

"Despite much discussion to the contrary, Chinese oil demand is seen returning towards its pre-conflict level," said BRS. Market conditions imply that "China's crude imports will rebound strongly from their second-quarter slump".