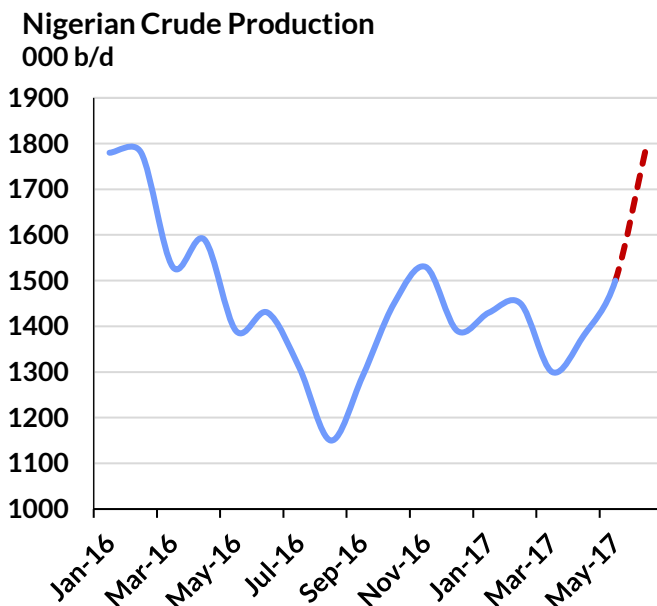


Nigerian Vision

Weekly Tanker Market Report

Nigeria has long been an important source of both crude and product tanker demand. However, in recent times, the West African state has been inconsistent in both its export and import activity, impacting upon the tanker market. The nation, like most other major producers, has suffered immensely from lower oil prices, which continue to strain government finances. However, finally there is some hope on the horizon. Insurgent activity has declined, force majeure has been lifted on the 250,000 b/d Forcados stream and, just hours before this report was published, Shell lifted force majeure on the Bonny Light.

In the short term, higher production is of course beneficial for crude tankers, which are being pressured globally by OPEC cuts and rising tanker supply. However, as Nigerian production increases, pressure will increase to join the groups collective action. Nigeria has in the past indicated an intent to contribute to OPECs collective efforts once its production returns to 'normal levels' which could fast be approaching. However, whilst production is moving in the right direction, instability is still an issue and the risk of further insurgent activity remains. However, at the time of writing, production appears to have more up, than downside.



Higher crude production may also have a positive impact on product imports, benefitting clean tankers. Higher export volumes offer support for crude for product swaps – where international refiners/traders exchange clean products in return for crude cargoes. Whilst higher production also provides further income to pay for fuel imports outside the swap agreements.

However, as with all developing nations, the status quo never stands still for long. Whilst most forecasting agencies see little growth in Nigerian crude production, the picture is different for the nations refining sector. In a report 12 months ago, we highlighted a new greenfield refinery under construction in Nigeria, citing the obvious

challenges and track record of refining in the country. Despite these hurdles, work is progressing at the 650,000 b/d Lekki refinery in Lagos. Recently news emerged that DuPont had been retained to provide a 27,000 b/d alkylation unit to aid the production of high quality clean fuels. The press release reiterated a Q4 2019 start-up date.

Such a date may prove to be optimistic, however right now it does appear that a refinery will be delivered, even if 2019 is unrealistic. Indeed, in the IEA's 2017 medium term report, the refinery is listed with a start-up of 2022. However, the challenge will be beyond simply building the refinery. The next hurdle will be running the plant near capacity, something existing refineries in the country have failed to come close to.

Such a development is clearly bearish for crude exports from Nigeria in the longer term, given limited prospects for production growth. Simultaneously it would indicate a reduced product import requirement once the plant is completed. However, when taking account of regional demand forecasts, refinery capacity additions fall short of anticipated demand growth, ensuring West Africa remains a demand outlet for refined products from Europe and beyond, even if the growth could remain limited. The refinery also intends to export products, creating more trading opportunities across the region.

Crude Oil

Middle East

Holidays in the East initially slowed the VLCC fixing pace and thereafter it never recovered with next week's upcoming U.S. Holiday providing further excuse for elongation. Rates merely stagnated over the period at no higher than low ws 50's East and mid ws 20's West with the near term outlook similar. Suezmaxes kept steady, but never active enough for Owners to lever the average rate higher. There was, however, more seen for Kharg loading and handsome premiums were paid there over the 'standard' ws 25 West, ws 65 East numbers. After a hopeful start, Aframax quietened and rates retreated back no little better than 80,000mt by ws 90 to Singapore and little early change likely.

West Africa

Suezmaxes at last found something to hold onto as Charterers moved in heavier numbers to secure as much as possible at the previous bargain basement prices. A degree of balance was therefore restored and rates moved up into the low/mid ws 60's for all Atlantic destinations and to ws 70+ to the Far East....still very poor TCE returns, but there'll be hope of onward progress after the U.S. Holiday. VLCCs ticked over on modest interest and a flatline AGulf lead-market. Rates operated at, or a little under, 260,000mt by ws 55 to the Far East with down to \$2.65 million seen to East Coast India.

Mediterranean

Really nasty for Aframax here - rates now are down to year lows of 80,000mt by ws 75 X-Med and Owners have more or less given up hope of any dramatic positive development over the near term, at least. Suezmaxes - as in West Africa - enjoyed more attention than of late which helped to trim the previous excess tonnage fat and to gently inflate rates to 140,000mt by ws 72.5 from the Black Sea to European destinations and to \$2.5 million to China. Further improvement may yet be seen.

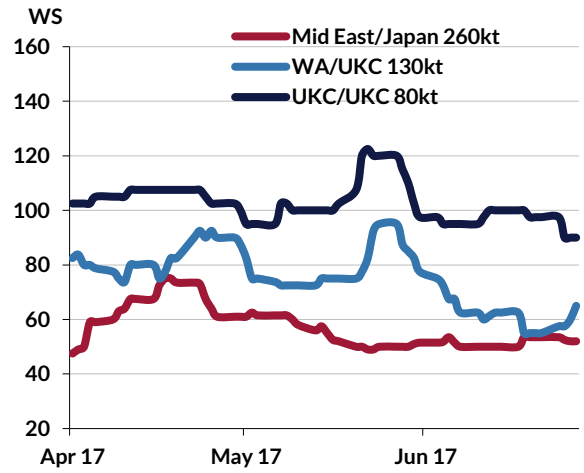
Caribbean

Aframax Owners had hoped for a rush of enquiry before the Holiday, but that never materialised and rates again operated at down to 70,000mt by ws 90 upcoast with only occasional premiums paid for specifically more challenged movements. VLCCs initially found a finer balance which allowed Owners to muscle rates up to \$3.1 million to West Coast India and \$3.8 million to Singapore, but enquiry then fell away and there could be some mild discounting seen upon the next deals concluded.

North Sea

Less and less day by day for Aframaxes here - a very slow end to the week leaves rates at no better than 80,000mt by ws 92.5 X-UKCont and 100,000mt by ws 70 from the Baltic with another phase of luke warm performance likely over the coming week. Little seen on VLCCs to the East, but assessments still show rate demands holding at around \$2.9 million for fuel to Singapore and \$4.1 million for crude oil from Hound Point to South Korea with little good reason to argue.

Crude Tanker Spot Rates



Clean Products

East

MRs have been busy this week and experienced a real flurry of action early week which saw most of the front end cleared away on subs. EAF rose to ws 170 - although ws 185 was seen to SAF. Tonnage was incredibly thin for this specific lift given the need for Sikka swivel suitability and double valve segregation. West runs need a test - although a \$820k was put on subs ex Kuwait, this was a one-off as the ship needed to head West for an upcoming TC. It seems that West now should be paying close to \$975k for a good clean history ship. TC12 has continued to trade around the ws 132.5 level, although a ws 135 was done ex Iran - evidently the Owners were willing to bypass the usual premium in order to secure this business, leaving a question mark over what the market level should be ex WCI. Shorthauls have gone on subs at \$200k for jet, but there are definitely still LR1s there to do gasoil and UMS short MR cargoes at cheaper numbers, so these levels will be tested next week. The interesting thing here will be whether all the ships which went on subs Wednesday will clear, or whether we will meet the new week with more tonnage to cover than originally thought.

LRs have had a busier week and rates have finally started to move. LR1s have been helped also by a firming MR market leading to any early LR1s being snapped up for either MR short hauls or squeezing LR1 replacement stems. 55,000mt naphtha AG/Japan is nearing ws 120 and 65,000mt jet AG/UKCont is now \$1.2 million. LR2s took a while to get going and although 75,000mt naphtha AG/Japan is

only ws 90 so far this market looks set to get back to ws 100 again soon. West rates have not been tested yet, but 90,000mt jet AG/UKCont is at least \$1.40 million, but destined higher. Lists are tight and next week should see more rises.

Mediterranean

The Handy Med market continues its bipolar ride through sentiment, looking relatively stable early in the week this was quickly dissolved as the Genoa parties meant that with many people traveling general activity levels slumped leaving 30 x ws 140 X-Med and 30 x ws 150 ex Black Sea. Tonnage seems well supplied going into next week suggesting we could see further incremental losses.

Action for MRs in the Med this week has been ticking over at a rather subdued pace with rates deriving from the action seen in NWE. As a result, rates have tracked what TC2 is trading at finishing the week with 37 x ws 130 on subs and looking soft. Tonnage seems to be adequately supplied meaning we are unlikely to see a change of fortune suddenly here.

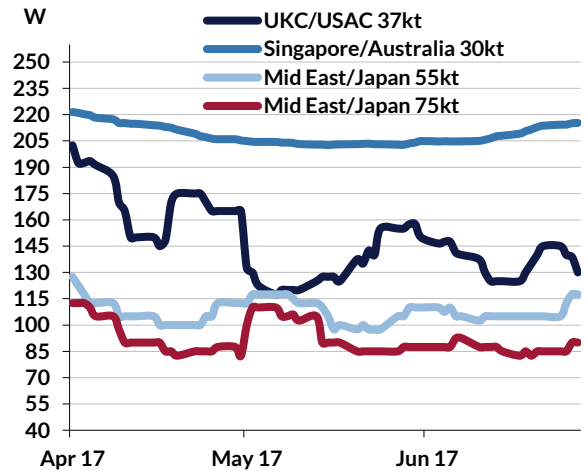
UK Continent

Week 26 started relatively well for Owners as rates looked set to hold as cargo and tonnage was fairly balanced, however, by Tuesday the tonnage list had grown somewhat and a few hidden positions had overcast the market with a rather soft sentiment ultimately dropping rates from 37 x ws 145 to 37 x ws 130 on TC2 and WAF suffering the same loses now with 37 x ws 145 on subs. Arb trading transatlantic looks to remain light and with the TC14 boats bound for the UKCont we could end up with ample tonnage this side of the pond sooner rather than later.

A generally positive week for the Handies meant that a tight tonnage list helped Owners push rates up 10 points to 30 x ws 160 ex Baltic and 30 x ws 150 X-UKCont. With some ships able to get a touch more whilst people were travelling in Copenhagen a quiet finish means that the market feels a touch soft going into next week.

The positive Handy market allowed Flexi tonnage to give a fresh positive test early in the week leaving 22 x ws 177.5 as the going rate and managed to trade sideways until the end of the week. For now, this seems to be the status quo to be repeated.

Clean Product Tanker Spot Rates



Dirty Products

Handy

Week 26 in the continent proved to be one Owners would choose to swiftly forget, not just owing to the little business on offer, but also to the fact levels deteriorated as a result. Still, for this region at least it isn't all doom and gloom where despite an ever-present oversupply imbalance, rates haven't moved as much as feared, although Owners will have their work cut out next week.

The same, however, cannot be said for the Med as in a region already awash with excess capacity, trading conditions Monday through Friday only awoken realisation that idle time would have to be absorbed by many. Furthermore, Charterers have managed to extract what little value remains from current levels, inflicting slight degradation across benchmarks taken from the opening of the week.

MR

The UKCont / Baltic again displays a degree of stability this week with Owners maintaining a vice like grip on what little positive sentiment remains. As a result, despite Charterers best efforts to reduce levels we are seeing rates maintain value where little natural tonnage presents and in a few cases ballast tonnage has been sought.

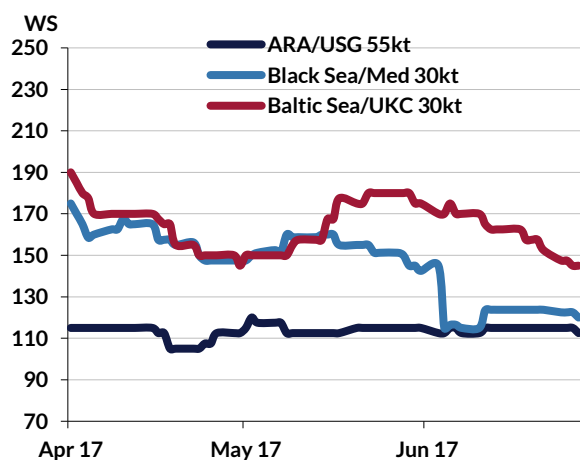
In the Med conditions on the MR's replicate those being seen on the surrounding Handies, where oversupply is accentuated due to inactivity. In short,

ballasting away has become a viable option for Owners where the safety net of part cargo employment lacks and any full-sized opportunity is being well fought for and at bottom rung values.

Panamax

Optimism surrounded this sector entering the week where disruption was anticipated creating hope from Owners that stimulus would follow. Circumstances in the Panamax market dictated that we should look towards the forthcoming July 4th holidays in the US for possible drivers against proceedings. This however, failed to deliver any rush to cover where as a result, the bottom end of recent cycles is once again upon us here in Europe. We finish the week mindful that any sudden swathes of units now opting to head this way threatens to break our current ws 112.5/115 cycle to the detriment of Owner ambitions.

Dirty Product Tanker Spot Rates



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 29th	June 22nd	Last Month	FFA Q3
TD3	VLCC	AG-Japan	-1	52	53	61	52
TD20	Suezmax	WAF-UKC	+6	61	55	76	71
TD7	Aframax	N.Sea-UKC	-7	91	98	96	105

Dirty Tanker Spot Market Developments - \$/day tce (a)

			wk on wk change	June 29th	June 22nd	Last Month	FFA Q3
TD3	VLCC	AG-Japan	-1,250	16,500	17,750	24,250	16,750
TD20	Suezmax	WAF-UKC	+1,500	9,000	7,500	14,750	12,750
TD7	Aframax	N.Sea-UKC	-5,750	3,500	9,250	7,000	13,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 29th	June 22nd	Last Month	FFA Q3
TC1	LR2	AG-Japan	+5	90	85	110	
TC2	MR - west	UKC-USAC	-4	134	138	130	134
TC5	LR1	AG-Japan	+11	117	106	113	120
TC7	MR - east	Singapore-EC Aus	+2	215	213	205	

Clean Tanker Spot Market Developments - \$/day tce (a)

			wk on wk change	June 29th	June 22nd	Last Month	FFA Q3
TC1	LR2	AG-Japan	+1,250	7,250	6,000	11,000	
TC2	MR - west	UKC-USAC	-1,000	8,000	9,000	7,750	8,250
TC5	LR1	AG-Japan	+1,500	8,500	7,000	8,000	9,000
TC7	MR - east	Singapore-EC Aus	+250	11,500	11,250	9,500	

(a) based on round voyage economics at 'market' speed

ClearView Bunker Price (Rotterdam HSFO 380)	+16	285	269	273
ClearView Bunker Price (Fujairah 380 HSFO)	+12	303	291	298
ClearView Bunker Price (Singapore 380 HSFO)	+14	305	291	302
ClearView Bunker Price (Rotterdam LSMGO)	+27	419	392	421

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