

## Give us a Break!

### Weekly Tanker Market Report

Last year our wrap-up of the year was titled “A year of surprises” - this year we could title a year of few surprises, at least no positive ones. The tanker market remained challenging with freight rates under pressure from a constant barrage of tanker supply, while the demand side was impacted by OPEC’s crude decision to implement production cuts which also impacted in a lack of arbitrage opportunities. One of the few exceptions to the bearish picture was the spike in rates witnessed as a result the surge in demand on Continent-USAC (TC2) route following the outage of US refining capability in the wake of Hurricane Harvey. This spike was short lived and quickly reverted to previous levels. Since June, the Brent oil price has risen by around \$20/barrel which has had more of an impact on owners earnings. However, unfortunately the supply and demand balance is still some way off particularly given the wave of newbuilding added to the existing orderbook.

Ordering activity was already brisk even before Trafigura announced in June their intension to order initially 22 newbuild crude and product carriers placed through Asian partners and leased back with purchase options. Of course, this is only part of the story, attractive newbuilding prices still continue to tempt owners into ordering across all tanker sectors despite challenging freight markets. The tanker orderbook surpassed 200 by early December with firm numbers for VLCC orders representing more than 27 per-cent of the final total. Aframax/LR2 also showed similar numbers while there was steady ordering of MRs throughout the year. We are also aware of many owners who have indicated their interest in adding to these numbers either as replacement tonnage or speculative asset plays. Second-hand asset prices also continued to be pressed down with tonnage older than 10 years registering the biggest decline. Charterers have plenty of younger units to ‘cherry pick’ heaping more pressure on the older tonnage to find employment. This is clearly demonstrated by the unwinding of VLCC floating storage in the second-half of the year resulting in an increase of older units finding it difficult to get back into conventional trade.

Impending legislation became a major talking point during the year. A sigh of relief was almost audible as the IMO bowed to pressure amending the BWM Convention by delaying implementation of the requirements for a further two years for most owners. However, the major concern for all shipowners is the rapidly approaching 0.5% sulphur fuel limits effective from January 2020. The IMO, under pressure to fulfil the Paris climate change accord, have stated several times that there will be no movement on this legislation and owners have little choice but to comply, the real issue is what the cost of compliance will be? Tanker market earnings have had more of an influence of scrap levels. However, the closer we get to 2020 compliance with these two items of legislation coupled with vessel age, will be the main drivers for higher scrapping levels going forward.

In January 2017 we witnessed the inauguration of a new US President who entered the White House on a policy of “putting America first” and in particular, providing energy security as well as providing jobs for American workers, a major part of the Trump election campaign; meaning less dependence on crude imports. US dependence on crude imports had in fact been diminishing long before Trump entered the Oval office, but we have witnessed US shale oil exports reaching an all time high of 2 million b/d in October. However, US policy on a number of political issues may have a major impact on the tanker market in 2018. The issue of Iranian sanctions was put back on the agenda by the administration, while the thorny issue of North Korea still hangs like the “Sword of Damocles” poised to fall. Events in Venezuela also present a major concern to the tanker market.

The year ends with the announcement of the merger of Euronav with Gener8 (still to be ratified) which may be an early sign of more such partnerships in 2018. For sure next year will be full of challenges for the tanker market and not just from a supply and demand perspective. However, global politics may also play a significant role on how quickly the tanker market will get back on its feet.

## Summary Table - Market & Fleet Data

		Dec-16		Dec-17		2017	
		WS	TCE/day	WS	TCE/day	WS Low	WS High
<b>Rates</b>	(TCEs at 'market speed')						
VLCC	Middle East - Japan	81	\$ 61,500	51	\$ 11,750	39	96
Suezmax	West Africa - UKCont	95	\$ 34,000	91	\$ 17,000	55	120
Aframax	North Sea - UKCont	119	\$ 41,250	102	\$ 5,000	90	135
LR2	Middle East - Japan	76	\$ 8,250	108	\$ 9,000	77.5	156
LR1	Middle East - Japan	80	\$ 5,750	135	\$ 9,250	97.5	155
MR	UKCont - USAC	108	\$ 8,500	159	\$ 9,500	97.5	247.5

		End 2017	
		Fleet Size	
VLCC		720	
Suezmax / LR3		557	
Aframax/LR2		1004	
Panamax/LR1		445	
Handysize / MR		2017	
Tanker Firm Orderbook (25kdwt+)		492	68.6m dwt
New Deliveries (25dwt+)		253	35.5m dwt
		End 2016	End 2017
Brent Oil Price (ICE Close)		\$ 56.14	\$ 64.40

		Fujairah	Rotterdam		
Bunkers 380cst HSFO (end Dec)		\$ 369.50	\$ 352.50		
		2016		2017	
World Oil Production (November)		95,960	2.87%	94,843	-1.16%
OPEC crude production		33,670	4.66%	32,360	-3.89%
Non OPEC -inc OPEC NGL & Biofuels		62,975	1.85%	63,291	-2.18%
World Oil Demand (Full Year)		96,308	2.07%	97,843	1.59%
Tankers Demolished (25,000 dwt+)		80	9.2m dwt		
		China	Subcont		
Scrap Prices		\$235	\$435		
VLCC's sold for scrap number /dwt		11	3.3m dwt		

## Crude Oil

### Middle East

VLCCs found solid attention through the week, and although the top end of the range was raised somewhat, there wasn't quite enough fixing momentum generated to counter still 'easy' availability, and propel the market into clear blue water. The announced merger between Euronav and Gener8, and related en-bloc sales, provided alternative late week excitement but the ramifications of that will be a story for later in 2018. Rates moved to a peak of ws 57 to the east with low/mid ws 20's still in situ to the West.

Suezmaxes changed little over the week with only minor rate undulation reported. Presently 130,000 by ws 87.5 to the East and high ws 30's to the West with no significant change likely over the near term. Aframax slowed to puncture last week's gains and rates slumped back to 80,000 by ws 115 to Singapore accordingly - a sluggish holiday period looks on the cards.

### West Africa

Hopes of a pre-holiday rush to fix remained unrealised for Suezmax Owners here and the market merely drifted throughout. 130,000 by ws 85 now to the US Gulf, and no more than ws 90 to Europe with similar values anticipated over the next fixing phase too - perhaps even a little lower. VLCCs, on the other hand, enjoyed heavy, sustained, interest but the end result was only a modest gain to ws 57 to the East with a rare movement to the UK Cont securing ws 69. Ongoing good availability was the drag anchor, and that hasn't yet been trimmed sufficiently to really tighten the rope.

### Mediterranean

Aframaxes had ended in good form, and restarted equally optimistic, but as the week wore on, enquiry slowed, and rates began to fall off. 80,000 by ws 107.5 X-Med now with perhaps further discounting before the week's close. Suezmaxes slid sideways initially but did pick up a fraction later on and may yet creep a touch higher before the market ripple smooths again. 140,000 by ws 87.5+ from the Black Sea to European destinations with around \$3.1 million available for runs to China.

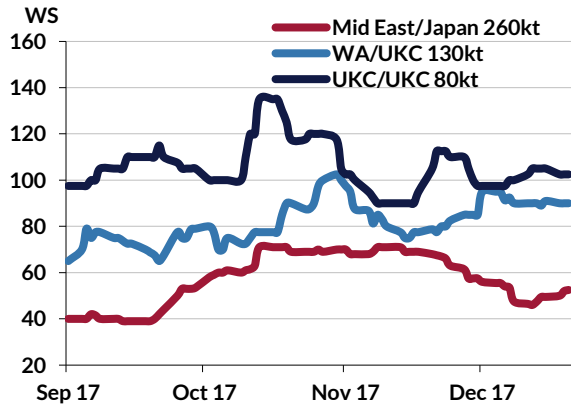
### Caribbean

Aframaxes continued last week's late dip but then rallied to hold a line at 70,000 by ws 150/155 upcoast as bad weather disruption once again threatened. Owners then hoped for a bigger push into the break, but at the time of writing that has failed to materialise. VLCCs had one of the quietest weeks of the year with Venezuelan issues impacting and recent US Gulf export enquiry temporarily drying up. Owners with early positions resorted to ballasting to other load zones in consequence, and rate ideas fell off into the low \$3millions to West Coast India and to little better than \$3.6 million to Singapore.

### North Sea

A cut and paste of last week's uninspiring Aframax commentary would suffice. Slow and easily tonnage, meaning rates remain stuck at around 80,000 by ws 100 X-UKCont and 100,000 by ws 75 from the Baltic. Holidays may refresh the participants, but are unlikely to refresh the near-term market. VLCCs remained compromised by the Forties pipeline shutdown and dubious fuel oil 'arb' economics to the East. \$3.075million was seen for a run to Singapore, and little else.

## Crude Tanker Spot Rates



## Clean Products

### East

Owners will feel rightly disappointed by the lack of action on the MRs this week - far from seeing a pre-Christmas flurry, the slightly softer sentiment which emerged towards the back end of last week continued. Shorthaul still sits at the \$190k level, where it will likely remain until tonnage starts to clear in the new year. Westbound cargoes were tested ex Mangalore at \$1.05 million, but there are suggestions that a straight AG load could be traded more aggressively if it were to emerge, given the availability of willing tonnage there. TC12 dropped off to ws165 this week and EAFR cut down to ws 200. A cheap ws 205 Singapore number should give Charterers the impetus to trade any EAFR/East cargoes aggressively - playing on the fears of Owners who don't want to work over the festive period. As the week is pretty much over already, we will likely wait until Wednesday of next week for more cargoes to enter the market - Owners will be eager to see a flurry of activity in the short week to firm up these soft rates across the board.

### Mediterranean

As we reach the closing point of Week 51, further gains have been made by Owners as we continue to see good numbers of outstanding cargoes being clipped out. Black Sea manages to pull up to 30 x ws 225 and with that X-Med also dragging up above the 30 x ws 215 mark. East Med liftings continue to battle with the improved Black Sea market and some Owners are able to grab a few more points on top of a vanilla X-Med run.

Today we will see the final opportunity for Charterers who still need coverage before the Xmas break to cover with appropriate tonnage and with that could see further gains by Owners if any problematic cargoes arise as delays on fixed tonnage are still being seen across the Mediterranean.

MRs see stability throughout the week as they mirror levels achieved from the UKC for transatlantic and WAF runs. Good levels of voyages heading through the Suez have also given Owners the opportunities to press this sector and moving into the Christmas period Owners will be happy with the upcoming tonnage list.

### UK Continent

West African volumes have been the main catalyst up on the Continent this week as a healthy amount of enquiry has been seen. Unfortunately for Owners this hasn't been enough for them to really push rates hard as transatlantic cargoes have been subdued due to the fact the gasoline arb remaining shut. West Africa continues to trade sideways at 37 x ws 190 and TC2 ticks along around 37 x ws 170. Looking ahead many now await to see what new fixing dates will occur for the remainder of the week or if Charterers decide to hold fast and wait till post-Christmas to hit the marketplace. For the time being MRs remain finely balanced.

The main talking point for the Handies was at the very start of the week as Owners enjoyed considerable levels of enquiry to top up the list from the previous week. By comparison the tonnage list was rather tight, and Owners wasted no time in applying the pre-Christmas pressure pushing rates up 20 ws points by close of play 30 x ws 210 ex Baltic and 30 x ws 200 X-UKC. Rates have remained unchanged for the remainder of the week as the Baltic programme was mostly forward fixed away from prying eyes up to 04-05 January dates. There was enough tonnage hidden and being recycled that owners could not make further gains despite their best efforts. Gas oil and ULSD moves UKC/Med picked up in the latter stages of the week fluctuating around 30 x ws 180-185 levels.

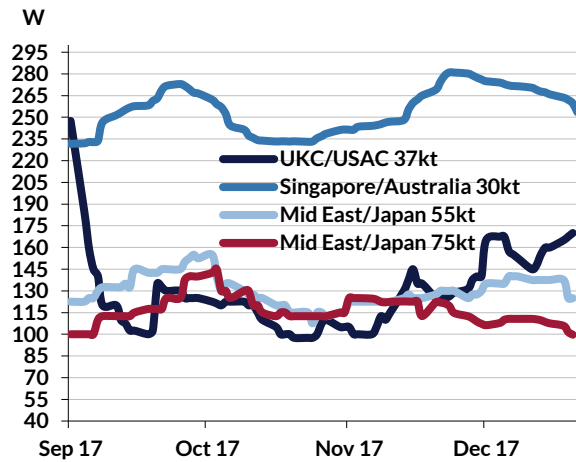
Outstanding tonnage will likely hold their positions to snatch a late runner early next week.

The Flexi market continues to be plagued by a general lack of enquiry leaving Owners forced to look for more exotic routes outside of the traditional Baltic/UKC and X-UKC voyages of previous years. That said with much of the tonnage fixed away on long haul spot or T/C employment, rates have been insulated from complete collapse and this week have been able to firm on the back of the action seen on the Handies. Benchmarking rates is still a difficult exercise as ideas about where the levels lie vary from Owner to Owner 22 x ws 270 for Baltic/UKC runs gives a ballpark of where one should look though.

## LRs

It's been a disappointing week for LR Owners in the East. As expected the building tonnage lists and lack of cargoes had its effect on rates, as across the board they negatively corrected. Naphtha levels adjusted the most aggressively with TC5 dropping 12.5 points to 55 x ws125 and TC1 coming down to 75 x ws100. West stems also softened but not as much as East bound cargoes with 60kt jet at the \$1.2 million level and on the larger ships it sits at the \$1.59 million mark. With the upcoming holidays expectation is that both Owners and Charterers will be keen to clear away open ships and outstanding cargoes and as such the opportunity for an aggressive, quick and direct deal could be had.

## Clean Product Tanker Spot Rates



## Dirty Products

### Handy

With most agendas aligning similarly, this week has been about trying to clear down fixing programmes in view of the upcoming holiday disruption. As the week progressed, initially Owners looked skeptical that requirement would remain consistent, however passing the midweek stage sentiment shifted in Owners favor when tonnage stocks started to deplete. Furthermore, at the time of writing the securing tonnage to meet December laycan's is proving a tough ask, and further increment is a distinct possibility. It would seem then that this region may now be afforded some time to cool off over the holiday without Owners fearing the worst for TCE's upon our return.

In the Med Conditions were rather more challenging from an Owner's perspective as the weight of tonnage accruing on the lists worked in Charterers favour by reducing the costs of moving oil. Upon reflection however, this market has seen a degree of recovery with approved tonnage ballasting into the Black Sea clawing back as much as 5 ws points between deals. This said, the ongoing performance of this market remains under close scrutiny with Characters sensing a nervous disposition from some Owners, anxious not to have ships sat spot over the Christmas holidays. Further decrement is a possibility if the market is to be tested against some last moment deals.

### MR

Fresh enquiry seen in the north has done a good job of depleting workable units in the region, keeping the accustomed trend ever ongoing. A byproduct of this illiquidity is that Charterers are having to look further afield to secure tonnage, and with this comes higher numbers when negotiations take place. A strong beginning to 2018 is likely, as even with some downtime that is now expected, this sector can easily withstand inactivity.

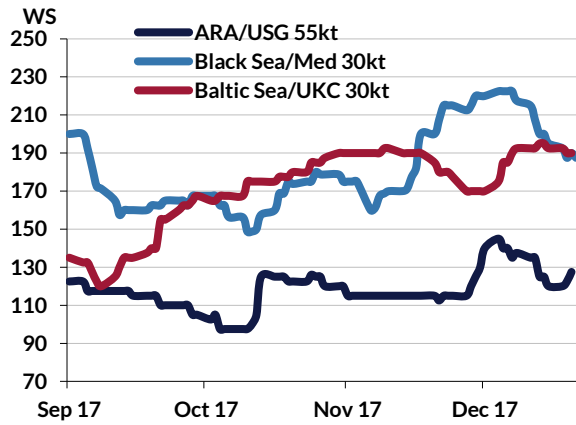
The Med on the other hand has seen confidence dented this week, witness fixing and failing limited fresh enquiry, and a surrounding Handy market struggling to maintain value. This said, Owners have managed to resist negativity for the most part, with any last-minute deals likely to be an anomaly given the problems a spot ship would face.

### Panamax

Closing the week, we look back on collective activity with markers being visible for all to see on how today's rates became set. Demand this week has been placed upon natural tonnage stocks here in Europe as for now this is the only way of securing rates at the lower end of the spectrums recently seen. Adding to this, Conditions in the US remain firm trading just sub of the ws 200 mark, and with such disparity between the US and Europe, the next few deals will prove how undervalued Europe is sat, or for at least whilst units are unwilling to leave the short haul US sectors.



## Dirty Product Tanker Spot Rates





## Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Dec 21st	Dec 14th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	+4	53	49	57	54
TD20	Suezmax	WAF-UKC	+0	89	89	84	79
TD7	Aframax	N.Sea-UKC	-0	104	104	98	105

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

			wk on wk change	Dec 21st	Dec 14th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	+2,750	13,250	10,500	16,000	14,000
TD20	Suezmax	WAF-UKC	-500	16,000	16,500	14,750	12,000
TD7	Aframax	N.Sea-UKC	-750	6,250	7,000	3,250	5,500

## Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Dec 21st	Dec 14th	Last Month	FFA Q3
TC1	LR2	AG-Japan	-8	100	108	107	
TC2	MR - west	UKC-USAC	+11	171	160	139	169
TC5	LR1	AG-Japan	-12	125	137	129	124
TC7	MR - east	Singapore-EC Aus	-7	260	267	277	

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

			wk on wk change	Dec 21st	Dec 14th	Last Month	FFA Q3
TC1	LR2	AG-Japan	-1,250	5,750	7,000	7,500	
TC2	MR - west	UKC-USAC	+1,250	11,000	9,750	7,000	10,750
TC5	LR1	AG-Japan	-2,000	7,500	9,500	8,250	7,500
TC7	MR - east	Singapore-EC Aus	+4,750	19,000	14,250	15,750	

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

ClearView Bunker Price (Rotterdam HSFO 380	+11	353	342	346
ClearView Bunker Price (Fujairah 380 HSFO)	+1	370	369	373
ClearView Bunker Price (Singapore 380 HSFO)	+8	379	371	373
ClearView Bunker Price (Rotterdam LSMGO)	+10	553	543	538

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