

Will History Repeat Itself?

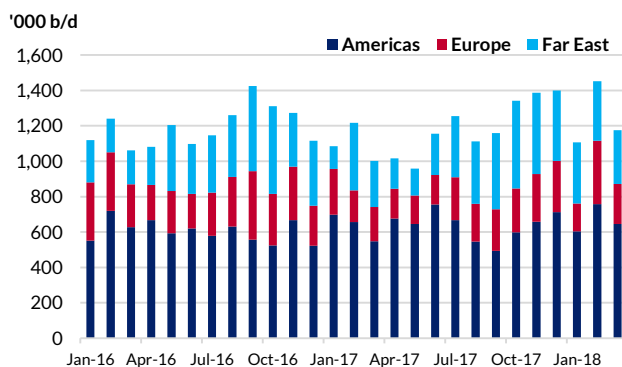
Weekly Tanker Market Report

Mexico's energy sector could be radically overhauled if the current frontrunner in the July elections wins office. Candidate Andres Obrador has indicated that major reforms will take place should his party take office. Information published by Reuters stated that Obrador is opposed to sending crude oil abroad. The report goes on to say that he would try to put an end to all crude oil exports within three years of coming into office, focusing instead on refined products. Obrador's energy adviser said that the country needs to try to consume their own fuels and not depend on foreign gasoline. He went on to say that this would be bad for US refiners, who export around 800,000 b/d of gasoline and diesel or 66 percent of Mexico's domestic demand. Mexico is currently the biggest importer of US refinery exports. Obrador's plans also include expanding the processing capability of PEMEX's six refineries and building one or two more to add 300-600,000 b/d to the current 1.6 million b/d production.

Over the past decade, Mexico's crude production has been falling due to the decline of several mature fields and the failure to develop replacement sites to compensate. Since 2013, the government has allowed foreign investment into the energy sector in an attempt to halt plunging production and ending the monopoly held by the state-owned PEMEX. However, this so far has failed to translate into higher output. In fact, according to the IEA, Mexico's production is set to continue to fall this year. Yet, last year two significant oil discoveries were made - a huge offshore discovery by a Talos Energy led consortium (Zama-1) and a significant onshore discovery by

PEMEX. Initial estimates suggest that Zama-1 holds in excess of one billion barrels. The PEMEX discovery, the largest onshore discovery in 15 years, is also estimated to hold a similar volume of high quality light crude and gas.

Mexican Crude Exports



The current Mexican government had hoped to attract more investment from international companies to explore offshore waters in a bid to improve reserves and ultimately production. Initially, auctions to open up deepwater oil blocks were met with limited success, with only 2 winning bids for the 14 blocks

available. This in part might be to the uncertainty ahead of the July elections. Obrador, if elected, also plans to review contacts signed by the existing government with foreign investors. Critics have warned that Obrador's election could derail reforms and lead to a renationalisation, similar to what happened when Chavez came to power in Venezuela. International investors are keen to pump billions of dollars in exploration but are waiting to see what post-election reforms would take place should there be a change of government. When Chavez nationalised the Venezuelan energy sector in 2007, he did this after foreign companies had poured billions of dollars into a series of costly oil projects, which were producing huge amounts of crude. Chavez made his move at a time of high oil prices providing the Venezuelan government with a huge windfall. The current situation in Mexico is different, with the nation still requiring investment to kick-start the industry. To change the structure of the Mexican oil and gas sector will take time and of course investment. However, should Obrador's proposed plans come to fruition, could the impact on both the crude and products sector in the Caribbean be significant for tanker trade? For the moment this remains political rhetoric but once again this could be a development to watch.

Crude Oil

Middle East

Modest VLCC demand through the week met ongoing good availability, and although Worldscale rates did inflate very slightly, it was merely a compensatory move to account for higher bunker prices, and net earnings remained at little better than at Opex levels. A slightly more active phase right at the very end, prior to the long weekend for many, added extra noise, but probably little else. Rates operate at up to ws 49 to the Far East with older unit's still sub ws 40, and levels to the West at no better than ws 20 via the Cape. Suezmaxes started poorly but then attempted to push a little higher as many Owners decided to ballast away - rate ideas moved to around ws 70 to the East but remained at little better than ws 25 for more popular West runs. Aframaxes picked up the pace and bolted down an improved 80,000 by ws 100 to Singapore as their default number accordingly. More could yet be engineered, but Holidays will perhaps delay any further improvement.

West Africa

Suezmaxes continued to push, mainly upon support from the firmer Med markets, rather than large-scale local volume, but managed to raise rates to ws 77.5 to Europe, and ws 72.5 to the US Gulf, nonetheless. Ballasters from the East are set to arrive in numbers upon the fixing window soon and will then probably serve to cap further ambition.

VLCCs enjoyed reasonable demand, but Owners struggled to re-establish any premiums over prevailing AG/East numbers, and the week ended at a peak ws 47.5 level to the Far East with \$2.64 million the last seen to East Coast India.

Mediterranean

Aframaxes had already become busier in the previous week and a maintained a strong cargo flow this week, eventually converting the activity into significant rate gain - now at up to 80,000 by ws 170 X-Med and likely to stay solid for a little longer, before the inevitable backslide. Suezmaxes levered the Aframax rise to their advantage also - initially upon part cargoes, and then upon full load requirements also. Rates moved sharply higher to very close to 140,000 by ws 100 from the Black Sea to European destinations and to above \$3 million for runs to China.

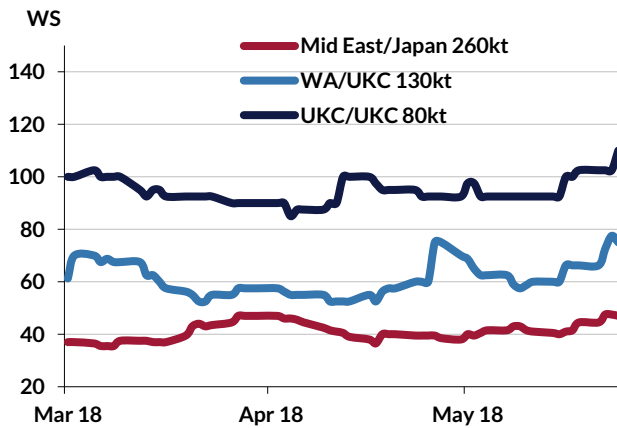
Caribbean

Aframaxes busied sufficiently to push the market to just over 70,000 by ws 120 upcoast but then stalled, and a restocking of positions then started to threaten a degree of retracement into next week, and after the Holiday weekend. VLCCs kept busy throughout with US Gulf loadings again prominent. Rates moved up another notch to \$3.6 million from US Gulf to Singapore, and to \$3.4 million from the Caribs to West Coast India. Tight supply will remain a support for a while to come.

North Sea

Not as sparky as in the Med, but Aframaxes here did begin to grow legs of their own to lead rates to 80,000 by ws 112.5 X-UK Cont, and to 100,000 by ws 92.5 from the Baltic and the positivity to the South will continue to inspire, so long as that continues, though the long weekend in London will disrupt the rhythm somewhat. VLCCs saw very little fresh upon unattractive 'arb' fuel oil economics, and only occasional crude supply. Rates theoretically hold at around \$3.15 from Rotterdam to Singapore, and at up to \$4.25 million from Hound Point to South Korea.

Crude Tanker Spot Rates



Clean Products

East

An interesting week for the MRs in the AG. There were high levels of activity early in the week which if it had continued would have seen the balanced sentiment turn in favour of the Owners. However, that further push was never really achieved and although certain rates did see a positive test this was down to the fact the bunker prices rose and earnings needed to correct. The jet West trade saw a fresh test and positively rose to \$1.25m. East Africa saw an early but premature increase at the start of the week and found a natural footing at 35 x ws 175. AG/Red Sea also saw a gentle correction and closes the week at \$500k and X-AG sits at the \$190k level. TC12 adjusted accordingly and sits 35 x ws135. It was a pretty quiet end to the week for the MRs and Owners will be hoping to follow in the footsteps of the larger LR2s but with a few LR1 sitting in the wings waiting to pick off MR short haul cargoes, it could be a steady start to next week.

Mediterranean

The lists pulled at the start of Week 21 were grim reading for Owners with prompt units in abundance however with bunker prices rising, a reluctance from Owners to drop rates South of 30 x ws 140 was apparent with rates trading sideways throughout. The market remained flat X-Black Sea also with 30 x ws 150 the going rate with cargoes and tonnage in the balance. At the time of writing, outstanding enquiry is certainly on the thin side and with prompt units still around come Monday, Owners will

be under pressure from the off to hold last done levels.

MR action in the Med this week has by and large been driven by the action seen in North West Europe. Last done heading Transatlantic from the Med was the market quote seen earlier in the week which achieved 37 x ws 125 however a 2 year T/C after the voyage will have sweetened the deal. A fresh test is needed X-Med but expect rates to be firming on the back of TC2 now trading at 37 x ws 150. A relatively tight tonnage list keeps the general sentiment in the Med a positive one....

UK Continent

As Week 21 comes to a close of play, the momentum which Owners had built throughout the week seems to have been halted. With the UK bank holiday on the horizon it was expected for fresh cargo enquiry to be down to bare minimum today which has given Charterers much needed restbite. Transatlantic has been the main catalyst for the drive in rates with the market now trading around the 37 x ws 150 and +20 with West Africa discharge respectively. The tonnage list does remain tight but the 3 day break could see more units be replenished and more ballaster arrive from the poor US market. A good week for the owning fraternity with gains seen across the board however all the good work could quickly become undone unless the cargo hits the market post bank holiday. The word balanced comes to mind when summing up the Handy market in NWE this week.

For nearly the whole duration of the week, rates traded sideways at 30 x ws 145 for Baltic / UK and 30 x ws 135 X-UK Cont. The market witnessed good flows of cargoes in both these markets respectively, also with the addition of some more exotic routes like UK Cont / Ecuador at Lumpsum \$975K and the odd West Africa cargo. With this action in mind the tonnage list was tight by Thursday afternoon thus allowing Owners to push rates up from last done levels now 30 x ws 150 X-Baltic and X-UK Cont at 10 points less. Tonnage is still tight at the time of writing on Friday and with some cargoes outstanding, the same levels expect to be paid early next week even with a bank holiday on Monday.

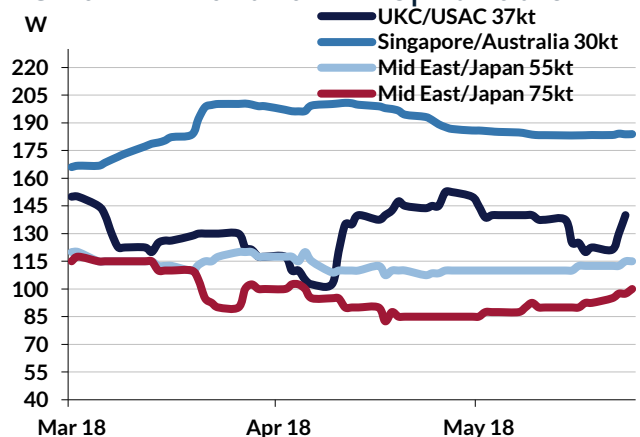
Another typically quiet week passes buy on the Flexis with little to rock the market in either direction. A fresh test highlights the notion for little change with equivalent 22 x ws 180 being confirmed (and still in line with Handies). COA cargoes and O/P requirements continue to keep certain units on the move thus stopping tonnage building up too much at any one point and hence the reason this market hasn't completely crashed. There could be some upside on the horizon if the Handies continue on their current trajectory next week.

LRs

The LR2s have stolen the lime light this week for the larger ship seeing some real positive improvement on rates – but similar to other sizes this was fuelled by the rising bunker prices. However, with \$1.85m on subs for UK Cont and some Owner ideas in the \$2.0m levels for next done there is a real push from the

Owners at present. TC1 also saw rise and it finishes the week at the 75 x ws 107.5 level. With more naphtha and jet still yet to be covered asses that it will be another busy and positive week for the LR2s next week. The LR1 having seen an initial gentle rise have held flat. UK Cont trades at \$1.65m and TC5 sits comfortable at 55 x ws 115. Short haul cargoes have been competitive as Owners look to minimize waiting time but overall the sentiment holds flat for now.

Clean Product Tanker Spot Rates



Dirty Products

Handy

Over all a steady week for North West Europe market, rates have continued to tick over for the week even though we have witnessed enough enquiry to steadily turn over tonnage in the region. A few ships presented on Monday towards the top of the tonnage list, giving the feeling of a possible drop in rates but this was immediately brushed off by the amount of activity which gave Owners the confidence needed to hold the rates. As tonnage lists continued to get shorter and shorter with Owners gaining a few points up to ws 160. Fresh tonnage lists will be interesting to see come Monday as number of fixtures being concluded this week have seen units fixed away from the North.

The Mediterranean has been dominated by activity from the Black Sea this week. This enquiry has managed to steadily strip away units from the East Med region, in turn rates have consolidated with repetition of ws 190 being achieved multiple times from the region. As we close this week out tonnage list is looking tight for early June loadings. However, with the long weekend due to bank holiday in London, it is prudent to remain cautious hence the market could show different scenario on opening next week.

MR

Despite the lack of naturally place units, the Continent we did witness a couple of full sized tests this week which at least provided a benchmark for others to work from. Rates reported proved there was not much change from previous fixtures despite the disparity with 45 x ws 130 conservatively reported for a voyage heading to the Med. Charterers will once again be keen to see what next weeks early position list will shape up like and hoping it may show signs of sort of replenishment.

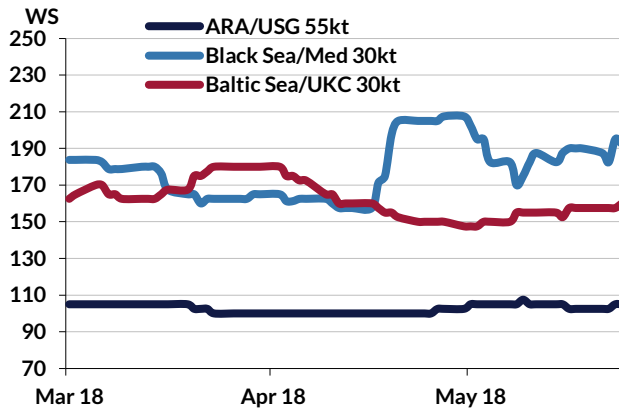
It was a week of two halves for Owners in the Mediterranean this week as the front of the week (albeit part sized stems) started with a bang snapping up workable tonnage. Despite a fast start rates remained relatively unchanged with cross med trading around the 45 x ws 125 mark. A quiet finish may enable charterers to start applying the pressure as we commence week 22.....

Panamax

This sector has unwound to be a bit of a tale of two stories from both sides of the pond. With the Caribs market at the start of the week continuing to push on from the previous week with Owners on the front foot managing to secure levels 50 x ws 130 levels. Activity concluded from this side on the Atlantic has once again been swept up by tonnage open naturally close to our shores. With little Owners willing to ballast units this direction, this theme is likely to continue as we move into week 22.

With that said, it is worth noting the long weekend in London and the USA may give enough of a break for a couple more workable units to creep out of the woodwork come Tuesday.

Dirty Product Tanker Spot Rates



Dirty Tanker Spot Market Developments - Spot Worldsca le

		wk on wk change	May 24th	May 17th	Last Month	FFA May/June
TD3C	VLCC AG-China	+6	47	41	40	45
TD20	Suezmax WAF-UKC	+11	78	67	53	67
TD7	Aframax N.Sea-UKC	+10	111	101	96	97

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

		wk on wk change	May 24th	May 17th	Last Month	FFA May/June
TD3C	VLCC AG-China	+4,750	8,000	3,250	5,000	6,250
TD20	Suezmax WAF-UKC	+4,750	13,250	8,500	4,750	8,500
TD7	Aframax N.Sea-UKC	+6,500	7,250	750	-1,250	-1,500

Clean Tanker Spot Market Developments - Spot Worldsca le

		wk on wk change	May 24th	May 17th	Last Month	FFA May/June
TC1	LR2 AG-Japan	+9	100	91	90	
TC2	MR - west UKC-USAC	+30	150	120	135	140
TC5	LR1 AG-Japan	+3	115	112	109	118
TC7	MR - east Singapore-EC Aus	+1	184	183	201	

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

		wk on wk change	May 24th	May 17th	Last Month	FFA May/June
TC1	LR2 AG-Japan	+2,000	6,000	4,000	6,250	
TC2	MR - west UKC-USAC	+4,500	8,250	3,750	7,750	7,000
TC5	LR1 AG-Japan	+500	6,750	6,250	7,500	7,250
TC7	MR - east Singapore-EC Aus	+0	10,500	10,500	15,500	

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

ClearView Bunker Price (Rotterdam HSFO 380)	-1	441	442	371
ClearView Bunker Price (Fujairah 380 HSFO)	+8	469	461	403
ClearView Bunker Price (Singapore 380 HSFO)	+5	463	458	391
ClearView Bunker Price (Rotterdam LSMGO)	+0	676	676	621

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