

Stealing a slice

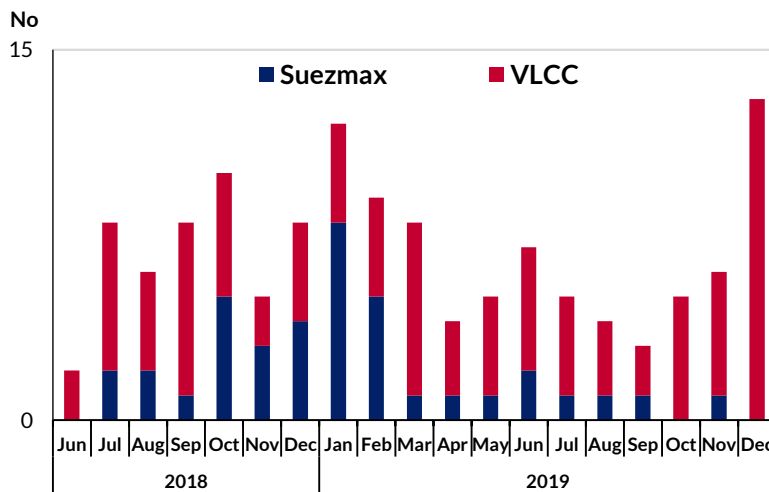
Weekly Tanker Market Report

It's not unusual for newbuild crude tankers to carry clean cargoes on their maiden voyage. However, with the crude tanker market in a depressed state of late, charterers have sought to take advantage to secure competitive freight costs on product flows from East to West.

This activity has had a profound effect on the product tanker market. So far this year at least three VLCCs have loaded East of Suez and sailed into the Atlantic Basin. Not only does loading a VLCC (or Suezmax) take out product tanker demand in the load region, it also impacts on tanker demand in the discharge region.

This year when the Maran Aphrodite and New Eminence loaded gasoil in China and Malaysia, they collectively took a potential 11-15 MR cargoes out of the Asian product tanker market, negatively impacting regional tanker demand. However, this was not the only impact, as soon as these vessels started signalling Europe as their destination, the European gasoil market started to react. Eventually, as these vessels moved closer towards discharge, the impact on regional gasoil pricing

VLCC & Suezmax Delivery Schedule



would have impacted trading activity in the Atlantic and thus product tanker demand, contributing to lower flows from other key supply regions such as the US and Middle East. The result could be another 11-15 MR cargoes also lost in the Atlantic market, doubling up the negative demand factor. Of course in reality, some of the demand loss will be offset by regional distribution of the imported product, although much of these is likely to be distributed by smaller tankers, barges, pipelines and

trucks. Interestingly, it's not just been flows from China and Korea, which have started to impact the market this year. Earlier in June the DHT Stallion loaded gasoil, which originated from Jamnagar via three STS operations off Fujairah. Without the involvement of this VLCC, the charterers would have most likely employed three LR2s to ship the product to Europe. Instead, these tankers opened in Fujairah after a short voyage, contributing to the regional tonnage list.

Beyond VLCCs, Suezmaxes have also proved popular for moving gasoil cargoes from East to West on their maiden voyages, particularly out of the Middle East and India. And even when these cargoes are not moved on newbuild crude tankers, the ever looming presence of these vessels continues to influence freight. With 130 VLCCs and Suezmaxes set to deliver between now and December 2019, the crude orderbook remains substantial. Provided the crude sector remains under pressure, these tankers will continue to be used where the economics make sense, capping the product tanker market's potential.

Product tanker owners will therefore need to hope for a better crude tanker market and wait patiently for the relentless pace of new crude tanker deliveries to come to a cyclical pause.

Crude Oil

Middle East

VLCC Charterers maintained an easy pace through the week, thereby continuing to massage the market lower with rates to the East dipping to below ws 50 for even modern units, and rare runs to the West at close to the ws 20 mark once again. There could be a little further to fall, but there's still plenty to do upon the July programme, and any uptick in fixing pace would harden sentiment once again. Suezmaxes show little material rate change over the week. Activity remained quite steady, but never sufficient to lead to any pinch points, and Owners will be relying upon other load zones to help out next week. Aframax started brightly to reach 80,000mt by ws 100 to Singapore, but all too briefly, and a slow end has led to downward pressure which will take rates down towards ws 90 over the next period.

West Africa

Suezmaxes were stuck in defensive mode through the week, but gave little rate-ground and Charterers were starting to find a solid bottom at ws 65 USGulf, ws 67.5 UKCont by the week's end. Owners will be hoping that, once convinced, Charterers will move through a busier phase of bottom feeding to then provoke some rebound potential. VLCCs found only occasional interest, and had then to edge lower as the leading AGulf fell off, and Caribs/USGulf rates also faltered. 260,000mt to sub ws 50 now to the Far East with \$2.65 million the last paid to West Coast India.

Mediterranean

Last week, Aframax hit bottom at ws 80 X-Med, but thereafter remained stuck fast as easy enough supply continued to soak up insufficient demand, and although volumes did pick up somewhat, sentiment was too weak for Owners to positively respond. It could be a repeat performance next week too. Suezmaxes kept very steady at no less than 140,000mt by ws 80 from the Black Sea to European destinations with an equally steady \$2.8 million payable for runs to China. Raised volumes are posted for later in the month, and Owners will keep their hopes smouldering until then.

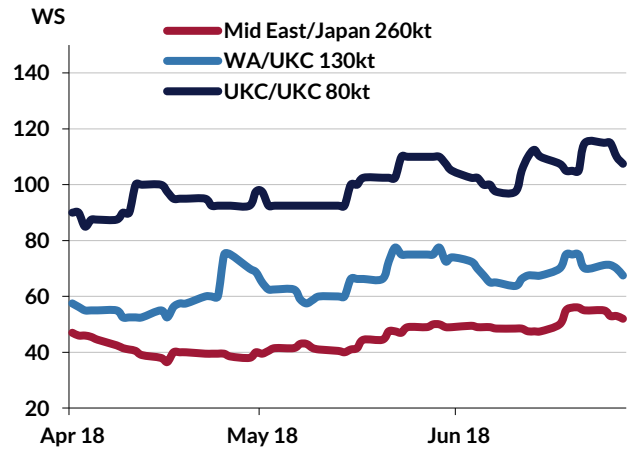
Caribbean

Stout initial Aframax resistance eventually ended in retreat to 70,000mt by ws 120 upcoast, and possibly even lower before the cycle completes. VLCCs lost a little of their recent gloss as enquiry slowed and forward sentiment became slightly punctured by the potential Chinese tariff issues that would trim that demand from the USGulf. Still quite respectable though at \$3.65 million from the USGulf to Singapore, and at around \$3.8 million from the Caribs to West Coast India.

North Sea

Aframax rates moved up a notch early week, but then eased and ended under renewed pressure. Rates stand at 80,000mt by ws 105 X-North Sea, and to 100,000mt by ws 85 from the Baltic lower values into next week, as it seems. Little VLCC action, but interest was beginning to swell behind the scenes and rate demands remained at up to \$3.3 million for fuel oil to Singapore, and at close to \$4 million for crude oil from Hound Point to South Korea.

Crude Tanker Spot Rates



Clean Products

East

A relatively flat week for the MR rates however, this looks set to change. The tonnage list has really tightened up, it looks likely rates will be positively tested early next week. The UKCont market is still very much underperforming and remains unpopular, last done sits at \$1.075 million, however, with a few a UKCont cargoes still to be covered expect a push on next done rates. X-AGulf has firmed towards the end of the week to \$150k but this is probably not what next done will be, as Owners are talking \$170k levels. Similarly, EAF also looks set to firm next week, last done remains ws 120 but Owners are looking for at least ws 10 points on top. Gizan held flat at \$350k but \$400k is not far off the horizon. TC12 has kept at ws 112.5 levels all week but like most other runs could firm. As tonnage continues to thin, Owners will be looking for more than last done. Its been a long time coming for Owners but at last the sentiment going into the weekend is definitely positive. The list looks balanced until at least the 8-10 window and, with a lot of outstanding cargoes, Monday could be a busy one!

A busy week on the LR1s, with rates holding up well. LR2s have seen a hard start but a busy end to the week, with good enough volume to steady any falls. 55,000mt naphtha AGulf/Japan is ws 120 for now and 65,000mt jet AGulf/UKCont is \$1.65 million. These rates haven't got room to push up any further and provided LR2s hold their latest levels, there should not be any

downside either. 75,000mt naphtha AGulf/Japan is now steady at ws 97.5 and 90,000mt jet AGulf/UKCont is sitting at \$1.85 million for a good cubic vessel. Rates should now hold after the end of the week's activity but we will have to see more next week to gain anything further.

Mediterranean

Week 26 has seen the X-Med market continually under pressure but Owners have been reluctant to drop the market any lower than the 30 x ws 130 mark, which has been the going rate throughout the week. Although WMed tonnage has been in good supply and certain Owners indicated they could do less than last, rates have held and traded sideways all week. The Black Sea market has tracked X-Med and traded at the ws +10 point premium throughout, with a wealth of tonnage around SOM and EMed being cancelled out by persistent enquiry ex Black Sea. Come Monday, the front end of the list will see a wealth of ships open and pressure will continue to build on Owners, unless we see a spike in enquiry.

Cargoes continue to appear at a sluggish rate in the Med on the MR front, with rates by and large being driven by action up in NWE. Med-transatlantic has mirrored TC2 around the 37 x ws 100-102.5 mark, with Owners extremely reluctant to see levels South of this and so most are in agreement that we've found the bottom of the market. Fresh test was seen for a Med-WCI run at

\$710K, however, expect rates to remain under pressure in week 27 unless the UKCont market improves.

UK Continent

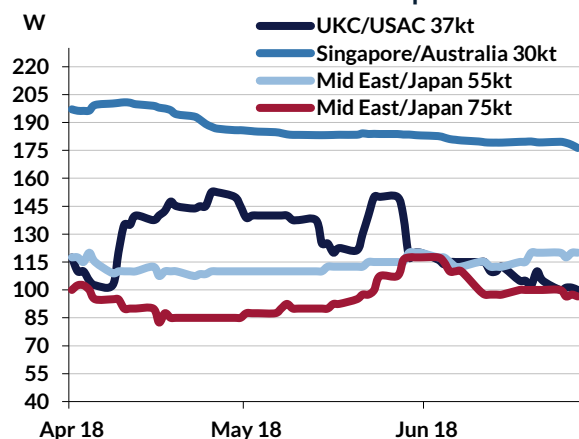
As the week comes to a draw, Owners will be looking forward to escaping their offices after 5 days of dismal fixing rates. The weight of available local tonnage partnered with ballast vessels from the USAC has been too much for the owning fraternity, as rates slipped from 37 x ws 105 down to ws 100 on TC2 but thankfully not being able to break this further. Shorthaul runs have been popular for Owners; in hope, things will pick up soon, leveling out at 40 x ws 105. Yet, with slow enquiry to WAF, Owners have not been able to be particularly picky here. However, we have seen good levels of tonnage turnover and are finally seeing positivity in the States market, which seems to have given Owners a chance to claw back ws 2.5 points on fixing rates. Pushing ahead, Owners will be hoping to continue with the small gains but, unless we see improved levels of enquiry to WAF (which is rumoured) partnered with transatlantic, it seems this ideology may just stay as that and not a reality.

Not the most thrilling week has passed for Handies up on the north, as drip-fed enquiry, coupled with a long tonnage list both on the front end and for natural fixing dates, has kept Charterers firmly in the driving seat. Owners did put up some resistance early this week in order to stop rates falling, which in turn has seen the markets

bottom at 30 x ws 130 for Baltic liftings and 30 x ws 120 for X-UKCont. The MRs have been a thorn in the side for Handy Owners, with a number of Baltic cargoes capitalizing on competitive numbers being fixed on bigger units. Looking ahead, more volumes will have to be seen in order for the levels to move from the floor; however, currently this seems to be optimism rather than the reality.

Another almost silent week for Flexi Owners, with only the odd market quote getting Owners excited. As a result, a fresh negative is expected in the North due to the Handies being on their knees. With the list of Flexis in the front end growing, it will be hard for Owners to gain much from this market in its current state.

Clean Product Tanker Spot Rates



Dirty Products

Handy

Steady as she goes in the North, as this weeks activity has been just enough to keep Owners ticking over in the region. The pace of enquiry has been consistent throughout the week, leaving little movement in fixing levels. One thing to note is that once again we have witnessed a number of units fixed away from the region. With this in mind, next week could see the region tighten on workable units, leaving fresh position lists key come Monday.

The Mediterranean this week has struggled to find momentum, as activity levels have remained flat all week. In line with this, fixing levels have been dragged along the floor, with a tonnage list that is almost bursting at the seams. Some prompt units toward the end of the week have managed to find employment but come Monday these are likely to be replaced by others. Unless we see increased activity, then the outlook and sentiment for this region is not going anywhere in a hurry.

MR

Despite a fair amount of tonnage appearing at the start of the week and only one full sized test witnessed throughout, the region now appears to be starved of workable units heading into week 27. With increment looming on the next test, Monday morning's position list will prove pivotal for Charterers, as the market hangs in the balance. Those sitting on stems will be preparing for an all too familiar feeling of planning ahead

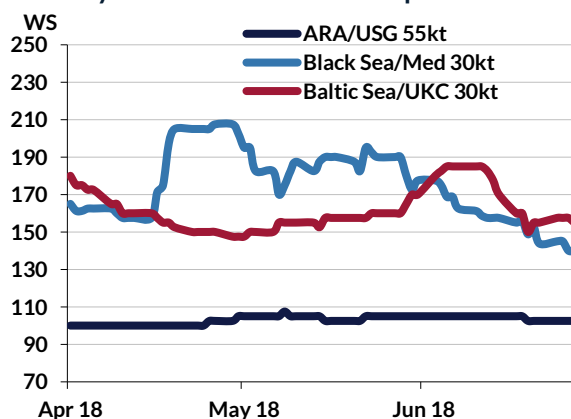
as a wandering eye will also be kept on surrounding regions.

A steady week in the Mediterranean, as fresh enquiry proved to be a rarity. With only part cargo stem to compete for, some Owners did find coverage in getting their tonnage fixed but at the detriment of suppressed levels. With the summer market continuing to come into fruition, Owners won't be blamed for thinking much of the same heading into next week.

Panamax

This week started off with a vessel fixing and failing at the sub ws 100 levels. Although this got Owners heads hanging low, the levels worked and appeared to have sparked enough interest for traders to awaken and enter the market for a similar deal. At least four cargoes from the Continent were subsequently worked off end or first/second decade dates July. Owners managed to use this as leverage to quickly correct levels back to three digit numbers. Whether all of these cargoes are firm, will be evident on Monday but certainly the level of enquiry this side of the Atlantic may spark Owners interest to commit more units to ballast this way.

Dirty Product Tanker Spot Rates



Dirty Tanker Spot Market Developments - Spot Worlds scale

		wk on wk change	June 28th	June 21st	Last Month	FFA June
TD3C VLCC	AG-China	-5	52	57	47	51
TD20 Suezmax	WAF-UKC	-3	70	73	78	69
TD7 Aframax	N.Sea-UKC	+2	108	106	111	103

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

		wk on wk change	June 28th	June 21st	Last Month	FFA June
TD3C VLCC	AG-China	-5,000	12,500	17,500	8,000	11,750
TD20 Suezmax	WAF-UKC	-2,250	10,250	12,500	13,250	10,000
TD7 Aframax	N.Sea-UKC	+500	7,750	7,250	7,250	4,500

Clean Tanker Spot Market Developments - Spot Worlds scale

		wk on wk change	June 28th	June 21st	Last Month	FFA June
TC1 LR2	AG-Japan	-4	97	100	100	
TC2 MR - west	UKC-USAC	-1	101	102	150	109
TC5 LR1	AG-Japan	-0	120	120	115	116
TC7 MR - east	Singapore-EC Aus	-3	176	179	184	

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

		wk on wk change	June 28th	June 21st	Last Month	FFA June
TC1 LR2	AG-Japan	-1,500	5,250	6,750	6,000	
TC2 MR - west	UKC-USAC	-1,000	1,000	2,000	8,250	2,250
TC5 LR1	AG-Japan	-500	7,500	8,000	6,750	7,000
TC7 MR - east	Singapore-EC Aus	-1,500	9,000	10,500	10,500	

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

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