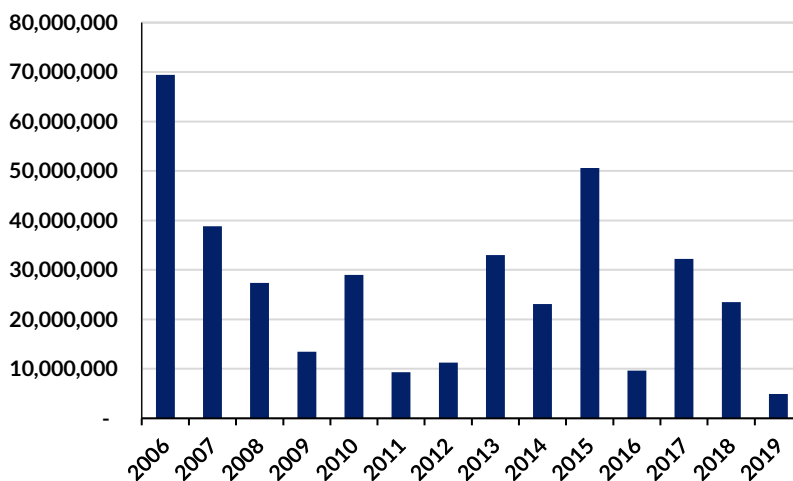


Orders on the Up? Weekly Tanker Market Report

2019 has already started out as a busy year in terms of tanker ordering activity with VLCCs and MRs once again appearing to be in vogue. So far this year, at least 12 VLCCs and 11 MRs have been contracted. Both asset classes also received the most interest in 2018, with 42 and 49 units being ordered respectively. Now, the question is, was the start of 2019 just a blip or a sign of things to come?

Many factors will play a role in the investment decision. From fleet renewal programmes and regulatory developments, to speculative investment based on anticipated future demand. But other influences, such as prices and yard slot availability will also play a role. Precisely determining shipbuilding capacity can be a tricky game, with different vessel types occupying slots for different periods of time, depending on their complexity. However, some conclusions can be drawn from what we know, and what we think might logically take place.

Tanker Orders by Year (dwt)



Looking at historical activity, overall, ordering across all shipping sectors declined in 2018 and remained low compared to the busier periods of ordering seen between 2013 - 2015, and prior to that the 2006 - 2008 boom. This implies that there is plenty shipbuilding capacity to see higher ordering activity in 2019. Yet, there are other factors to consider. Firstly, the shipbuilding industry has hardly been in good health in recent years, many yards that were active during the last shipbuilding boom remain idle, whilst offshoot yards such as

Hanjin's Subic Bay facility have struggled, having recently filed for rehabilitation following loan defaults. At the same time, consolidation is increasing, with Hyundai Heavy Industries (HHI) taking control of Daewoo Shipbuilding & Marine Engineering (DSME). Secondly, whilst investment in 2018 was well below record levels, contracting of complex LNG carriers and containerships roughly doubled year-on-year, suggesting that newbuilding slots at premium yards could be a little scarcer over the next few years. This may be particularly true if, as widely reported in the press, a large LNG order (of up to 60 vessels) is placed by Qatar. The timing of this deal may be unclear. But, with the final investment decision now taken on the joint Exxon/Qatar Petroleum Golden Pass LNG project and Qatari aspirations to increase domestic capacity, the requirement is certainly there.

Higher consolidation should reduce 'overcapacity' in the Korean shipbuilding sector, which, coupled with higher demand from other sectors (e.g. LNG), could support higher prices, potentially impacting on the volumes of newbuilds contracted. However, much depends on what happens in the Chinese shipyard industry and whether that sector too sees further consolidation. Nevertheless, prices have already increased over the past 12 months, with a newbuild VLCC (non-scrubber, Korea) having risen approximately \$10m over the past 12 months. Regulation may also make the decision trickier, owing to uncertainty over which fuel choice/compliance method represents the future. Some owners may wait to see how the next few years evolve before committing to newbuild designs. However, regardless of how these factors play out, replacement tonnage will be needed, and ordering activity will eventually surge. When this takes place, however, is key to the shape and timing of the next market upcycle.

Crude Oil

Middle East

The big VLCC news this week was many thousands of miles to the West, as Venezuela became more problematic and the USGulf/Caribbean area produced a wave of interest to impressively spike rates. With very forward dates, and tonnage discharging in the Far East able to also engage there, the previously dead Middle East zone started to react, even though availability remained weighty, and rates pushed up to above ws 50 to the East and back up to the low ws 20's to the West. Further gains may be seen next week, but anything resembling a spike will need a good deal of the tonnage overhang to be cleared first. Suezmaxes merely drifted sideways, and then a little lower, as the week slowly progressed. 130,000mt by ws 75 East and to ws 32.5 West now, and for the near term too. Aframaxes continued to tumble at down to 80,000mt by ws 85 to Singapore but enough has now been cleared to allow for a solid bottom, and perhaps some gentle re-inflation next week.

West Africa

Suezmaxes pushed and pulled against thin interest to add to their frustration, but it was a resistant frustration and the mood is threatening to convert into higher rates if Charterers hit the ground running next week. Currently rates are penned in to 130,000mt by ws 67.5 to the USGulf, and to a little over ws 70 to Europe. As in the AGulf, VLCCs here had eventually to become positively influenced by the rampant USGulf market

and rate demands pushed into the low ws 50's to the Far East by the week's end, with any further uptick in the Middle East to be quickly mirrored here.

Mediterranean

Occasional hope of something better for Aframaxes ended with disappointment and merely hopes of something better developing next week. Rates remained at down to ws 90 X-Med and to ws 105 from the Black Sea, with only occasional premiums seen. Suezmaxes struggled to gain any directional momentum, apart from sideways. Owners were more minded to cover 'known quantity' short hauls at whatever was required rather than shoulder potential extra waiting time for longer runs ex the Black Sea where levels remained at an average 140,000mt by ws 82.5 to Europe and to \$3.5 million to China. Hard to call for any significant early change either.

Caribbean

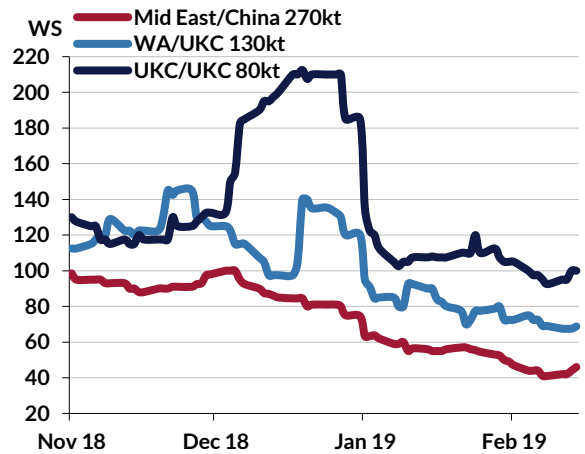
VLCCs were the undoubted stars of the show here, and for elsewhere too. A veritable tsunami of mainly USGulf/East interest hit the decks and effectively stripped out tonnage into later March windows. Those 'left behind' were able to take full advantage and pumped rates up to \$6.65 million to South Korea, with up to \$8 million asked for restricted Venezuelan loadings to West Coast India. With ballasters from the East needed to ensure supply, if there were to be a serious upward move there, then things could get even more interesting....if.

Aframaxes also had a better time of it than of late, but at a more modest level. Rates steadily gained to 70,000mt by ws 145 upcoast, and over ws 120 transatlantic on steady demand, and uncertain itineraries. Consolidation for now, and maybe a bit higher next week.

North Sea

Increased transatlantic Aframax enquiry but even that produced little material gain, and local movements hardly inspired either. 80,000mt by ws 95 X-UKCont and up to ws 90 transatlantic, with 100,000mt ex Baltic at no better than ws 85...a sideways shuffle looks to be the next move. VLCCs were picked off behind the scenes but it's the next fixture that everyone will be interested in, and that will be boosted by - yes - the USGulf mini-boom. Owners will now be looking towards \$5 million for fuel oil to Singapore, and \$6 million+ for crude oil to South Korea.

Crude Tanker Spot Rates



*All rates displayed in graphs in terms of WS100 at the time

Clean Products

East

LR1s have hit the temporary base for now and there seems little further downward pressure. Tonnage is still available though. 55,000mt naphtha AGulf/Japan is at ws 112.5 and 65,000mt jet AGulf/UKCont is at \$1.70 million. More business is expected next week, with value still compared to the LR2s. LR2s have had varied fortunes this week, with TC1 taking a dive, only to recover the next day. 75,000mt naphtha AGulf/Japan is around ws 125 but will depend very much on dates and restrictions. 90,000mt jet AGulf/UKCont is now around \$2.60 million, but again very date dependent. LR2 lists remain very short into first half March, so it is more likely the LR1s will take more volume where they can.

Despite decent levels of activity, Owners have shown little faith in the MR market during the course of the week. As the tonnage list tightened up off the front-end and cargoes continued to enter the market, Charterers were able to press Owners in vulnerable positions and maintained soft levels throughout. EAF cargoes steadily dipped and appear to have found the floor at 35 x ws 150. With a few UKCont stems getting covered, these rates were also negatively tested and corrected to \$1.325 million. Short haul cargoes tried to hold on, but the softening sentiment was too relentless and finally corrected on rates. Rea Sea runs sit at \$500k and X-AGulf at the \$230k mark. As we come to the close of the week, the tonnage list is looking tight off the front end and, with a healthy number of open cargoes in theory there should be a positive push on levels. However, we suspect Charterers will certainly be trying to ease any potential rate rise by keeping their cards close to their chests and slowly drip feeding stems into the market.

Mediterranean

For much of week 7, just about enough enquiry ticked over in order to keep rates trading sideways at the 30 x ws 150 mark across the Med. However, with a wealth of tonnage in W-Med (including lots hidden) rates took an inevitable slide on Thursday, with 30 x ws 147.5 the going rate and Owners still on the back foot. The Black Sea market, however, has been a different story with Owners able to bear fruit throughout. Heights of 30 x ws 180 have been consistently achieved and although for certain stems a dip was seen (in some cases ws 10 points), outstanding enquiry remains strong and has led to 30 x ws 185 on subs, with Owners hoping to build on this on Monday. We wait with bated breath to see what Monday brings, with two different sentiments on the X-Med and Black Sea markets.

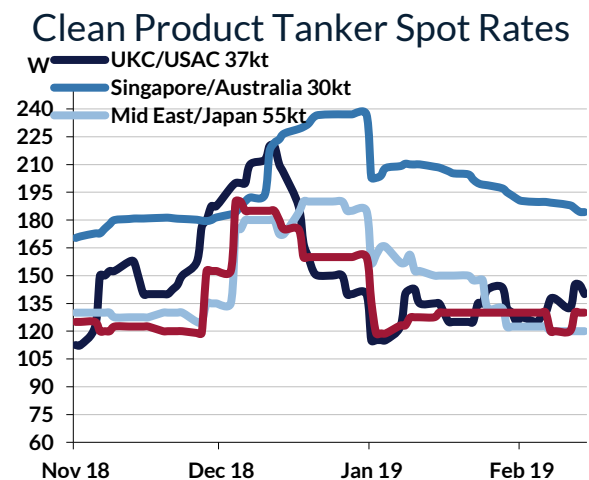
MRs in the Mediterranean sector managed to jump on the Continent band wagon at the beginning of the week, as excess cargoes pulled rates upwards. By Mid-week we saw Owners aiming towards the 37 x ws 145 mark for transatlantic and ws 160s for WAF moves but, with Charterers resistant, these aspirations never materialised. Ws 140 is now seen, mirroring the UKCont, for transatlantic and pushing forward Owners look to keep rates settled here as tonnage lists restock further.

UK Continent

This week has seen some small gains for the Owners with ships in NWE. The front end of the tonnage list was tight for the first part of the week with enquiry being positive from the onset Owners were able to push up from last done levels. Although the inevitable standoff occurred as Owners were asking for more, TC2 did eventually pull up to 37 x ws 140 and still holding on Friday. WAF enquiry has been a little slow, which sees the premium over TC2 shrink to only ws 12.5 points currently. With LR's taking a lot of the Baltic program out of the equation, ice class MR tonnage has built in the North, meaning the premiums enjoyed at the beginning of the year have been lost now with equivalent of 40 x ws 157.25 on subs. At the time of writing, the lists are balanced, so expect next week to kick off at the same place we are now, the strength seen mid-week in USGulf has hopefully pulled a few ballast units away from the next fixing window in NWE.

A rather uninspiring week has passed for Handies up in the north and the main catalyst for this has been Charterers preference to fix LR's, which has resulted in volumes on the Handysize evaporate. Last done ex Baltic is 30 x ws 165 but, with a wealth of ice tonnage for natural fixing dates and very little left to fix for February (if D/C options are taken on LR's) many are expecting further softening to occur as we head into next week. X-UKCont cargoes have followed suit and have also taken a hit and trade around the 30 x ws 140-142.5 mark. One positive to take from this week, is the healthy amount of Cont/Med cargoes being quoted, which have seen a number of non-ice units being cleared from the Continent, which could force a short in the list if further stems are quoted.

The Flexi market has enjoyed a bit more action this week, albeit weighted more in the first half. This has helped tonnage to keep from building too much on the front end but, with the Handy market witnessing some softening, so too have the Flexis. 22 x ws 170 was on subs but failed down to the Med and X-UKCont is unlikely to be anything more than 22 x ws 185 given where the Handies now are. Given that levels in this sector are closely linked to the Handies, keep an eye on this sector for the direction of the market next week....looking a bit negative as it stands.



*All rates displayed in graphs in terms of WS100 at the time

Dirty Products

Handy

North West Europe has suffered from one of the slowest weeks in a very long time. Over all the total amount of cargos quoted can be counted on one hand. Little trade from the Baltic involving ice class tonnage has managed to be confirmed, with rates still at ws 280, while none-ice trade has been concluded at ws 5 points less. That said, the tonnage availability for certain stems in the area may continue to be limited, in turn allowing Owners to hold the rates around those levels for now. However, it is expected that rates will suffer negative adjustment next week when cargos in the new loading window will start to be quoted. All eyes Monday will be on the fresh tonnage lists to assess what Owners are presenting to the market..

The Mediterranean market started the week with a substantial drop in fixing levels as ws 20 points was shaved off last done from the Black Sea (ws 250 to ws 230). It could be said, that this was expected considering the very long list of prompt tonnage being shown. This early correction in rates spurred on others in the region to come to market. However, Charterers slowly drip fed enquiry which maintained rates here until today. The last day of trading for this week seems to have been a key turning point for some Owners with prompt units, as at least one Owner has taken the plunge to take what is on offer as a new low of 30 x was 207.5 is being reported

from the Black Sea. With this in mind we could see further negative pressure on the region come Monday.

MR

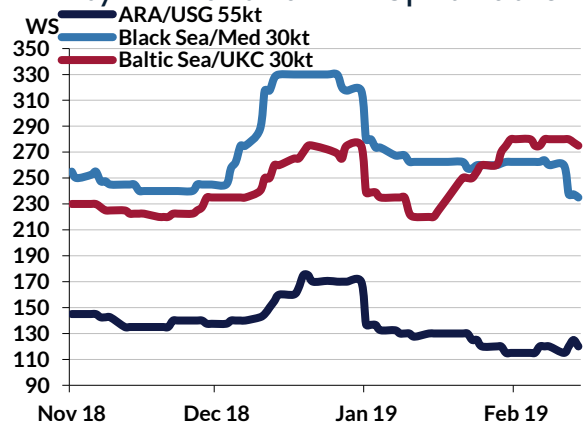
This week on MR's in the North has mirrored the activity seen in week 6. From Monday, it was once again clear that tonnage would be sparse and opportunities for Charterers to come to the market with a full size stem would be limited. Fast forward to Friday and as expected there are no fixtures to talk of and rate assessments of ws 180-190 remain untested. There are currently few firm positions showing in the region in the short term and even with at least one MR with no firm prospects heading to the region, there is no reason for a change in the current climate.

In the Med firm units have slowly but surely come closer than the horizon recently, and as such have been able to encourage a small amount of enquiry to the market. The position list going in to the end of the week shows opportunity. However, until now Owners have also had the firm Handy market to fall back on, with one ex dd unit taking a smaller stem earlier in the week. With the Handy market coming off to levels not seen in some time, week 8 is shaping up to be the downward correction one would expect given the build-up of tonnage seen recently.

Panamax

Further activity this week helps reduce tonnage stocks on this side of the Atlantic, where in doing so, we have seen the emergence of disparity in fixing levels between the Med and the Continent. On the Continent, now resigned to having to bring units into position, levels are looking firmer even where non port restricted business is in play. The Med however, continues to show a more healthy selection for Charterers and until units are cleared in the same fashion as the Continent we are likely to see levels more synonymous with the lower end of what has recently been achieved. Elsewhere, the US continues to deal with the fallout from Venezuela, where to put it crudely, Owners have been “putting square pegs in round holes” just to keep units in employment. As a result, sporadic fixing patterns have been shown, which have also made operators open their eyes to potentially ballasting vessels this way.

Dirty Product Tanker Spot Rates



*All rates displayed in graphs in terms of WS100 at the time

Dirty Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Feb 14th	Feb 7th	Last Month	FFA Q1 (Bal)
TD3C VLCC	AG-China	+4	47	43	56	46
TD20 Suezmax	WAF-UKC	-1	68	69	81	64
TD7 Aframax	N.Sea-UKC	+5	100	95	108	99

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

		wk on wk change	Feb 14th	Feb 7th	Last Month	FFA Q1 (Bal)
TD3C VLCC	AG-China	+3,500	18,250	14,750	30,750	17,000
TD20 Suezmax	WAF-UKC	-1,250	16,750	18,000	26,250	14,750
TD7 Aframax	N.Sea-UKC	+2,500	15,000	12,500	23,250	14,250

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Feb 14th	Feb 7th	Last Month	FFA Q1 (Bal)
TC1 LR2	AG-Japan	+0	120	120	130	
TC2 MR - west	UKC-USAC	+4	140	136	127	130
TC5 LR1	AG-Japan	-6	113	119	149	115
TC7 MR - east	Singapore-EC Aus	+0	189	189	206	

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

		wk on wk change	Feb 14th	Feb 7th	Last Month	FFA Q1 (Bal)
TC1 LR2	AG-Japan	+1,000	23,750	22,750	27,250	
TC2 MR - west	UKC-USAC	+500	12,250	11,750	11,000	10,250
TC5 LR1	AG-Japan	-1,750	11,500	13,250	21,500	12,000
TC7 MR - east	Singapore-EC Aus	-500	19,250	19,750	21,000	

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

ClearView Bunker Price (Rotterdam HSFO 380)	+15	401	386	352
ClearView Bunker Price (Fujairah 380 HSFO)	+15	418	403	379
ClearView Bunker Price (Singapore 380 HSFO)	+10	431	421	396
ClearView Bunker Price (Rotterdam LSMGO)	+28	579	551	534

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