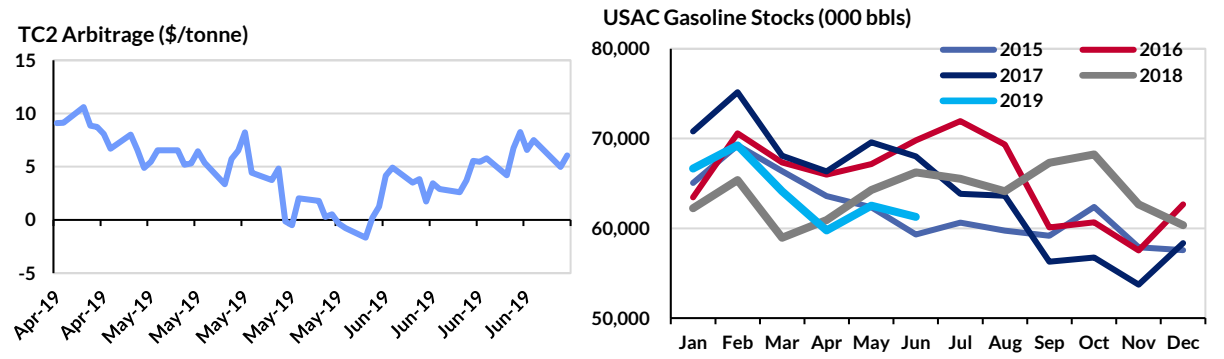


Reduced Independence?

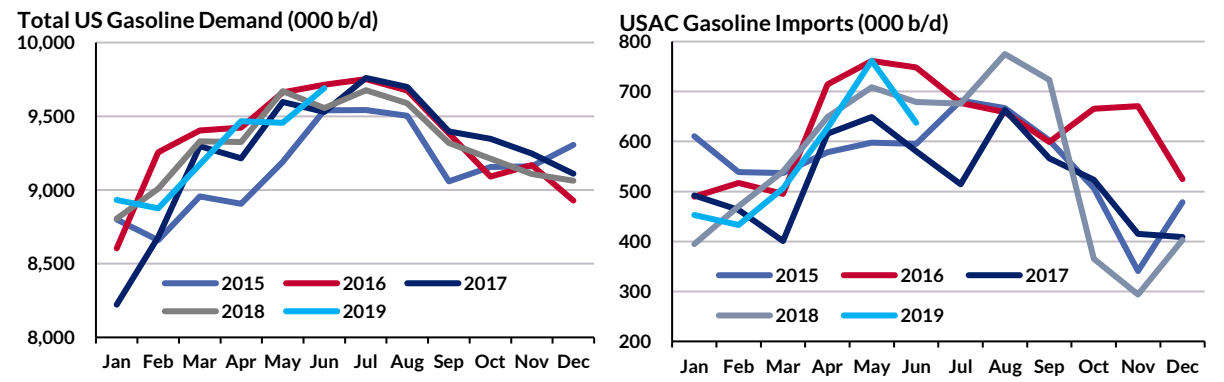
Weekly Tanker Market Report

The recent explosion at Philadelphia Energy Solutions' (PES) 335,000 b/d Philly refinery has come at an opportune time for product tankers trading in the Atlantic, whilst the decision to permanently shut the facility will have longer term implications for product supplies into the US Atlantic Coast.

Freight markets were initially quick to react, with the benchmark UK Continent – US Atlantic Coast 37,000 tonnes gasoline (TC2) route jumping from WS117.5 to WS160 in just two days. However, the sharp increase in freight at the time started to impede arbitrage economics, forcing freight back down to WS140 a few days later. Interestingly, the US-Europe gasoline arbitrage followed a similar trend, peaking last week before settling lower this week as traders took a more measured approach to addressing the shortfall. Since then, TC2 freight has settled in a WS140 to WS145 range, tracking a slightly narrower arbitrage. In short, the outage has helped lift TC2 to a higher level, but has not transformed \$/day earnings on the route.



Fundamentally the outage is positive for product tankers, particularly MRs in the Atlantic. According to Platts, the refinery was producing approximately 150,000 b/d of gasoline and blending components prior to the outage and this volume will need to be sourced from elsewhere, as will the 100,000 b/d of middle distillates and 25,000 b/d of low sulphur fuel oil that was being produced by the refinery. Domestic supply and stocks will of course provide some cover. However, inventories are at their lowest levels for this time of year since 2015, whilst peak gasoline demand season will continue to weigh on stocks, supporting import activity.



Underlying gasoline demand in the United States also remains strong, having recently set a new record before easing back to hold close to record highs. Pump prices over the summer may prove to be key, however regardless of this, import volumes should remain supported. The PES outage is therefore another support factor in the short term, however, for the market to move to, and then maintain at higher levels, export volumes from Europe to West Africa, and the US Gulf to Latin America will also need to strengthen simultaneously. Once the summer driving season ends, import demand will of course wane, with the impact of the disappearance of PES less noticeable. It seems ironic that just before Independence Day, in the city where the Declaration of Independence was signed, the closure of the US Atlantic Coast's largest refinery has now created increased dependence on gasoline imports.

Crude Oil

Middle East

Quite solid VLCC enquiry through the first half of the week, but availability was never challenged and equally solid competition began to chip rates lower to ws 45 to the Far East on modern units and back into the high ws 30's for older vessels, with rare runs to the West marked at little better than ws 20 via Cape. If the pace continues at no more than 'steady' into next week, then further compression will be the likely result. Suezmaxes drifted lower upon very modest volume, and easy availability. Rates now move at down to ws 65 to the East and to ws 35 West, with no relief in near sight. Aframaxes traded at down to 80,000mt by ws 115 to Singapore but enquiry became spasmodic and the trend line looks somewhat southerly over the near term.

West Africa

Suezmaxes spent the week in defensive mode, which turned into a pragmatic retreat as Charterers put the cargo flow onto drip feed, and tonnage lists remained undented. Rates eased towards 130,000mt by ws 55 to the USGulf, and to under ws 60 to Europe, with the U.S. Holiday ensuring a quiet end to the week too. VLCCs found steady interest, and sufficient enough to initially hold rates steady at around ws 48 to the Far East and to \$3 million to West Coast India, although with the AGulf softening there was pressure building for a degree of correction and next deals will probably yield some degree of discounting.

Mediterranean

Aframaxes had already eased off from their highs of last week, and spent this week attempting to underscore a new bottom level. 80,000mt by ws 90 X-Med now, and that will probably hold as the anchor mark over the next fixing phase. Suezmaxes held up quite well upon steady attention and Owners maintained 140,000mt by ws 77.5 for European destinations as their backstop rate, with above \$3 million still asked for runs to China. Owners will, however, need another similarly active week to counter the weakness elsewhere from creeping into the equation.

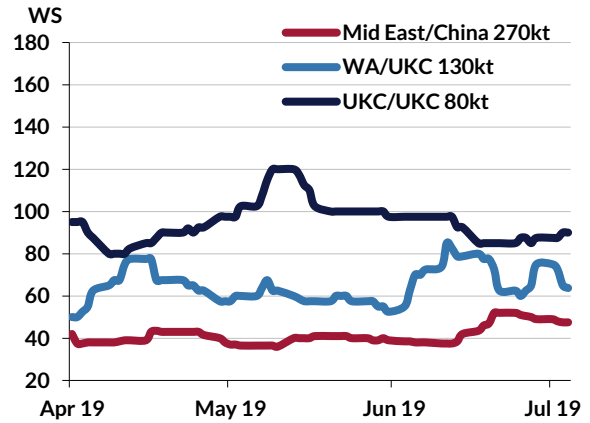
Caribbean

Aframaxes had hoped for a busy lead up to the Holiday to rescue them from recent low levels, but enquiry failed to materialize and before the break rates had dumped to under 70,000mt by ws 70 upcoast, which represents an absolute bottom, but one that will be very hard to bounce back from quickly given the further build-up of tonnage. VLCCs found things a little more challenging than of late and the temporary imbalance led to rates drifting off to \$4.1 million from the USGulf to Singapore, with another solid pulse of fresh enquiry needed to stabilise the situation.

North Sea

Aframaxes did thin out somewhat in the first half of the week, to add just a little extra rate fat, but thereafter stalled, and rates settled back to a very modest 80,000mt by ws 92.5 X-UKCont and to 100,000mt by ws 62.5 from the Baltic. Owners need more consistent enquiry to pull themselves higher - or even to hold present marks perhaps. VLCCs were more noticeably courted but not all enquiries came to fruition and rates for crude oil to South Korea couldn't stretch above \$4.8 million, with fuel oil to Singapore marked in the low \$3 million zone.

Crude Tanker Spot Rates



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

Clean Products

East

This was always going to be a tough week for MR Owners. Starting with 15 prompt ships certainly put Owners on the back foot. However, the levels of activity have been consistently high every day and as such, tonnage has cleared, and the list is looking better. But as expected, to get to this point, at the end of the week, rates were going to be tested. That they did. TC12 down to 35 x ws 105 and runs into the UKCont at \$1.25 million, made for unpleasant reading for Owners. X-AGulf corrected aggressively, with \$190k repeated for Jubail/Jebel and \$160k for shorter stems. EAF also followed suit, with ws 117.5 going on subjects. But as the week closes and tonnage thinning an EAF replacement commanded an impressive ws 150. Of course, this is a replacement, but it should be an indication of the state of the market and Owners intentions of getting rates moving upwards again. With a decent number of open stems still to be covered, the sentiment looks set to improve in favour of Owners.

A painful week for LR in the Middle East, with rates under pressure. LR1s in particular are over tonnaged and with limited long hauls, those that did quote saw major discounts. 55,000mt naphtha AGulf/Japan has dipped dramatically, with ws 90 on subs - this may only be a blip though. 65,000mt jet AGulf/UKCont is now around \$1.65 million but, with most stems coming from Sikka where AWRP is not an issue the differential to AGulf load is a little fluid. LR2s have ended the week busier than where they started, with some real volume finally. But tonnage has built up and so rates have had to see a decline. 75,000mt naphtha AGulf/Japan is ws 95 today but there may well be less done very soon. 90,000mt jet AGulf/UKCont is probably now worth \$1.95 million, but needs

a real test. Overall a lack of volume in July on both sizes has led to low freights than previously anticipated. This may be reversed into late July / early August but Owners will need patience.

Mediterranean

Week 27 has been one for the Owners. Lists pulled on Monday were, by comparison to other weeks, pretty tight and, with delays in the Turkish Straits hindering northbound transit times, the ball was firmly in Owners court. Black Sea/Med voyages were the first ones able to really capitalise on this and although last week closed somewhere between 30 x ws 155-180, the top end of this was realized, with 30 x ws 200 being on subs by COB Thursday. There's enough uncovered cargo and continued delays for Owners to keep these levels in check up to and beyond the weekend. E-Med rates have followed suit as tonnage is drawn away into the Black Sea, with Charterers favouring safe itineraries, as a result, rates here have pulled as high as 30 x ws 170 and looking positive now and into next week as well. WMed enquiry has, for the duration, been a little lacklustre by comparison but, with tonnage being drawn East there has been some upside, although only to the 30 x ws 150-155 mark. The outlook is still positive here but not quite as peachy as Black Sea and EMed.

MRs in the Med have basically tracked the activity and achievable rates seen in NWE. There was a slight firming early in the week and then a tailing off of sorts in the later part. However, with 37 x ws 142.5 on subs transatlantic, it could be argued that the action on the Med Handies is allowing MR Owners to justify a couple more points on the MR liftings from the Med. East routes seem to be well supported as \$750k to Suez has been done twice this week and seems to be holding (LR tonnage is likely to be cheaper than this for the same voyage).

UK Continent

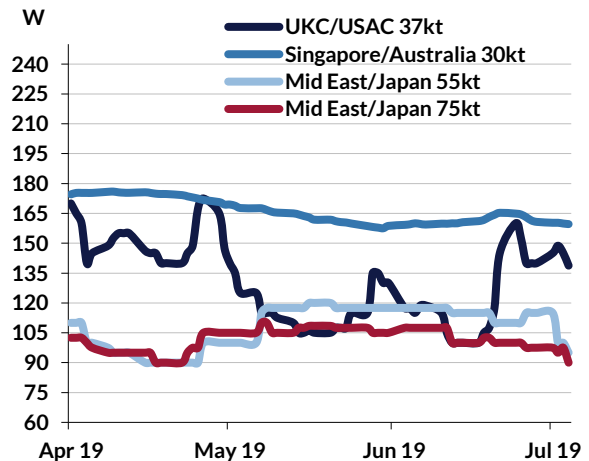
If you look at the rates achieved on TC2 this week you'd see 37 x ws 140 early on, 37 x ws 145 by mid-week and back to 37 x ws 140 by the end of the week. Although, relatively uninspiring at first glance, there was some real promise build early on the week, with the gasoline arb still supported by the PES refinery outage and 4th July holiday in America. This accounts for the firming early on, with ws 5 points gained and also the correction in the back end of the week, which many feared could be more severe than it was. Owners have managed to dig in heels against the curbs of enough outstanding cargo, to hold rates until next week. WAF demand was slow early on as LRs were preferred but, with a few fresh stems late in the week this route gets tested still within ws 15 points of TC2 levels. Next week, is a tough one to call at this juncture, rumours of pipeline issues could support WAF demand, the condensed week this week could see more UMS quoted early next week (only seen barrels lifted up to the 15th) or could all of this fall flat on its face and we find ourselves stuck in a summer rut. Optimistically, we feel the former is more likely, but to what extent remains to be seen.

A week which started with so much promise for Handy Owners in the North, as the combination of good enquiry and a tightening tonnage list saw freight ex Baltic jump up to 30 x ws 140. With certain fixing dates tight for tonnage, it forced Charterers to look at bigger units in order to cover their exposure, which effectively forced fresh Handy enquiry to fizzle out as the week rolled on. By Thursday, Owners still remained optimistic that the market would hold especially as the Primorsk programme had a healthy amount of 30kt stems to lift but, with later dates being quoted and tonnage being quickly recycled, Baltic liftings softened to 30 x ws 135. The

X-UKCont market is now also suffering from inactivity, with next done expected to land around the 30 x ws 120-122.5 range. Charterers are in control here.

Another quiet week has passed for Flexis on the Continent, as very little fixing action has bubbled to the market surface. Even though Handies at the start of the week improved, Flexi Owners weren't able to capitalize on the small gains as the front end of the tonnage list was plagued with prompt units. Once the dampening sentiment began to occur on the Handies, it was a formality that rates will continue to grind along the floor with 22 x ws 160 the benchmark for X-UKCont.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

Owners on the Continent are resigned to finish this week on a back foot, where activity levels have fallen off, leaving units to pass their open dates and the tonnage list to repopulate. Up for discussion, however, is the perceived “market value” in this region, as we seem to have a two tier market, with a number of ships on the Continent lacking necessary blanket approvals for NWE trading. Equally, there are a few Charterers now starting to question the upper end of the ranges and will not be looking to simply repeat last done when in the immediate fixing windows ahead. Nevertheless, market rates are allegedly still at ws 140-142.5 but clearly subject to further testing. Considering the number of ships available in the area, the trend will need at least one more positive week before it can perhaps change direction.

In the Med, an abundance of units available for the few cargoes offered have resulted in a rather fragile position for Owners moving into next week. There was some activity mid-week, allowing rebalancing from our softening view and a voiced resilience of Owners to rates falling below the ws 140 mark. However, we understand that some cargoes have been quietly fixed at ws 137.5, unfortunately, moving the market past the psychological ws 140 barrier. A number of units now wait on the Bosphorus Straits in anticipation of the next loading window to be offered. However, with delays in now dropping from 4 to 3 days, the Owners' fragile position has been exacerbated.

MR

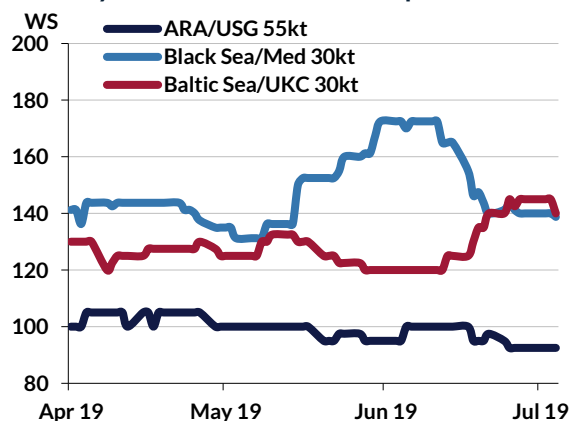
With the Continent suffering from a lack of liquidity, it has been reliant upon both stale benchmarks and ballast tonnage from which to formulate a structured approach to covering in this region. Charterers are needing to reach out ahead on dates as availability dictates the need to plan ahead, which also helps keep sentiment firm.

In the Med, there has been more to focus on but, with what has been concluded a conference rate has been set in stone at 45 x ws 105 X-Med, with a ws +5 point differential from the Black Sea. This sector is also being plagued by a stuttering surrounding the Handy market, and looks set to be stuck in a cyclical pattern until the bar is raised on surrounding sectors.

Panamax

Beneath the surface activity has been present although there has been more than enough players to soak up what is on offer. That said, the conference rate of 55 x ws 92.5 has repeated numerous times now and this week continues very much on this flat trajectory.

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	Jul 04th	Jun 27th	Last Month	FFA Q3
TD3C VLCC	AG-China	-2	48	50	38	49
TD20 Suezmax	WAF-UKC	-2	61	64	70	65
TD7 Aframax	N.Sea-UKC	+3	91	88	98	92

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

		wk on wk change	Jul 04th	Jun 27th	Last Month	FFA Q3
TD3C VLCC	AG-China	-2,000	20,500	22,500	11,250	49
TD20 Suezmax	WAF-UKC	-1,000	9,500	10,500	12,500	65
TD7 Aframax	N.Sea-UKC	+2,500	9,250	6,750	16,750	92

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Jul 04th	Jun 27th	Last Month	FFA Q3
TC1 LR2	AG-Japan	-7	91	98	108	
TC2 MR - west	UKC-USAC	+5	140	134	119	136
TC5 LR1	AG-Japan	-13	97	110	118	105
TC7 MR - east	Singapore-EC Aus	-2	160	161	160	164

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

		wk on wk change	Jul 04th	Jun 27th	Last Month	FFA Q3
TC1 LR2	AG-Japan	-1,750	11,500	13,250	16,500	
TC2 MR - west	UKC-USAC	+1,250	11,750	10,500	8,500	11,250
TC5 LR1	AG-Japan	-2,750	8,750	11,500	13,750	11,000
TC7 MR - east	Singapore-EC Aus	-500	12,250	12,750	13,500	13,250

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

ClearView Bunker Price (Rotterdam HSFO 380)	-8	381	389	352	
ClearView Bunker Price (Fujairah 380 HSFO)	-3	396	399	375	
ClearView Bunker Price (Singapore 380 HSFO)	+10	429	420	382	
ClearView Bunker Price (Rotterdam LSMGO)	-10	565	575	530	

www.gibsons.co.uk

London

Audrey House
16-20 Ely Place
London EC1N 6SN

T +44 (0) 20 7667 1247
F +44 (0) 20 7430 1253
E research@eagibson.co.uk

Hong Kong

Room 1404, 14/f,
Allied Kajima Building
No. 138 Gloucester Road
Wan Chai, Hong Kong

T (852) 2511 8919
F (852) 2511 8910

Singapore

8 Eu Tong Sen Street
12-89 The Central
Singapore 059818

T (65) 6590 0220
F (65) 6222 2705

Houston

770 South Post Oak Lane
Suite 610, Houston
TX77056 United States