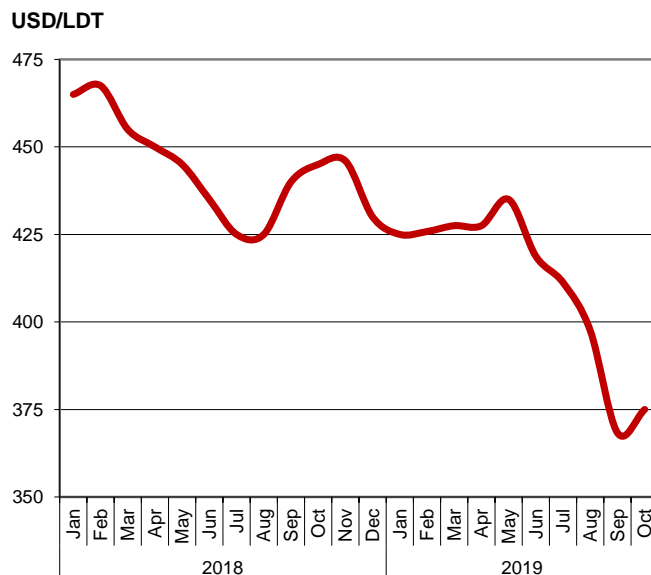


Not Sold for Scrap Weekly Tanker Market Report

One of the key developments in tanker supply this year has been a near absence of the demolition activity. During the 1st ten months of 2019 just 30 tankers over 25,000 dwt were reported sold for scrap. About half of all demolition activity has been in the Handy/MR size group, with 17 units removed since the beginning of the year. There were 3 Panamax/LR1s demolished and just 1 tanker in the LR2/Aframax size group. The count is marginally higher for larger crude carriers, with 5 Suezmaxes and 4 VLCCs sold for removals.

This is in stark contrast to developments last year, when over 150 units were scrapped. However, this year's dramatic decline in numbers is not surprising, considering that the pool of prime candidates for demolition has been considerably reduced following intense activity in 2018. Weaker scrapping prices have also discouraged demolition, with lightweight values gradually falling from a high of \$435/tonne in March 2019 to under \$375/tonne in October, notably down from a peak of \$465/tonne seen in early 2018. Throughout this year, there also has been less willingness from Owners to send tonnage for scrap as expectations were running high that the rebound in the market is just around the corner.

Indication of Tanker Scrap Prices -



In addition to actual demolition sales, we have also observed an increase in VLCC floating storage demand in recent months, mainly for VLCCs around Singapore/Malaysia, as final preparations for IMO2020 got under way. According to our records, at the end of October 35 VLCC and converted VLCCs (FSOs) were involved in storage of crude, dirty petroleum products (including IMO2020 compliant bunker fuels) and clean products. Although this is quite a substantial number, the vast majority of these vessels have been involved in storage operations for quite some time.

A temporary spike in tanker earnings in October to their highest level in over a decade boosted Owners' confidence and as such right now it is hard to find a solid argument to support a demolition decision. Moreover, scrapping activity is likely to remain at minimal levels over the next few months on the expectation that geopolitical uncertainty, seasonal strength in refining runs, weather related delays and the IMO2020 disruptions could support tanker earnings during the winter season. However, this situation could change as we progress into the 2nd quarter of next year. Although at present there is some optimism about the US/China trade talks, the evidence is mounting that the current state of affairs is already reducing the gains in world oil consumption and is likely to translate into sluggish growth in demand next year, keeping a lid on the potential rebound in tanker earnings.

In terms of tanker supply, nearly 110 tankers will be celebrating their 20th birthday next year, with figures being particularly elevated for larger crude carriers. Not all of these units will head for the beaches. However, trading conditions for ageing and inefficient tonnage will undoubtedly become more challenging, with the bunker base shifting to more expensive 0.5% sulphur fuels. This will add an extra cost on top of typical extended off-hire periods and higher maintenance & repair expenses. Furthermore, there are also tankers over 15 years of age that will have to renew their International Oil Pollution Prevention (IOPP) certificates and hence face the deadline for an expensive Ballast Water Treatment system retrofit next year. The choice whether to bite the bullet will be individual for every vessel. However, arguments to support the demolition decision will certainly have more weight.

Crude Oil

Middle East

Hopes were high for a busier week for VLCCs but Charterers had other ideas and retained discipline throughout. The end result was that rates ratcheted lower to break into the high ws 70s to the East and into the high ws 40s to the West. Next week market fluidity, and information flow, will be disrupted by well attended events in Dubai and the consequent confusion is unlikely to help Owners' cause, even if activity does pick up. Suezmaxes continued upon their previously set downward path to end at down to ws 80 East and to under ws 40 to the West, with availability looking 'easy' for some time to come. Aframaxes slid down the rate pole to 80,000mt by ws 130 to Singapore on slack demand and easier supply and the southerly trend looks to be set for the next fixing phase too.

West Africa

A disastrous week for ever-pressured Suezmaxes...initial light attention lapped up against a wall of tonnage, and rates responded by diving to ws 90 to Europe, and just under that transatlantic. That said, it does now seem that a more solid bottom has been found and eventually some degree of fightback may be engineered...eventually. VLCCs stayed very slow as Charterers eyed leading AGulf rates falling away and held back for as long as possible. Eventually some interest broke the surface and it was little surprise that resultant rates sagged

into the low ws 80s to the Far East. Similar, or even lower, marks anticipated into next week too.

Mediterranean

Aframaxes slipped even lower, and then remained stuck at a sticky market bottom at down to 80,000mt by ws 82.5 X-Med and ws 92.5 ex Black Sea, with no sign of early recovery unless Charterers suddenly become spooked - unlikely as it seems. Suezmaxes drifted sideways, and then lower as enquiry stayed modest, and support elsewhere collapsed. 140,000mt at down to ws 115 from the Black Sea to European destinations, and to \$4.5 million to China, fairly reflects the situation.

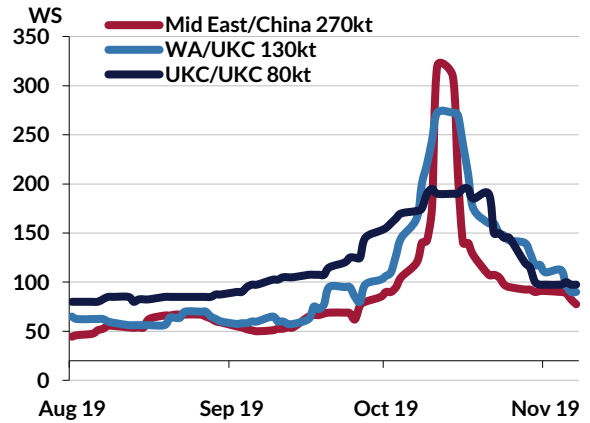
US Gulf/Latin America

A week to forget for beaten up Aframax, rates fell sharply upon strong competition to end as low as 70,000mt by ws 115 upcoast and to ws 107.5 transatlantic also. 'Bottom' may now be close, but it will take sustained attention early next week for any chance of a springback. VLCCs found only occasional interest and, with other load zones also weakening, Owners here had to fall in line and accept discounts to end at around \$8.75 million from the US Gulf to Singapore with further erosion looking likely.

North Sea

A top heavy Aframax list never went away - Charterers therefore took a very easy approach and rates compressed to 80,000mt by ws 92.5 X-UKCont, and to 100,000mt by ws 80 from the Baltic. For the time being there'll be no plan to shake up the dynamic. VLCCs were occasionally picked off but rates had to settle back somewhat as the USGulf eased. \$9.5 million for crude oil to South Korea now, but perhaps a little lower than that into next week.

Crude Tanker Spot Rates



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

Clean Products

East

The MR segment seems primed for an upward push. The timing of Bahri week couldn't be more important to either side of the argument. Whilst Owners will try to maintain a unified front through the week, Charterers will see the week as a welcome excuse to take some of the momentum out of the market. In reality, the overall health of the MRs in terms of the list and the outstanding cargoes should be driving us forward but Owners have a job on their hands to make sure they're in line with this and don't take any backward steps. Rates: X-AGulf \$250k / EAF 35 x ws 157.5 / UKCont \$1.35 million / TC12 35 x ws 150.

Pretty evident that any heat in the LR1 market has almost completely drained out. This morning, Vitol is the only Charterer with outstanding cargoes in the market, and happy to sit on them and let Owners come to them. The list will not work in Owners' favour during Bahri week either as an armada of tonnage yet to cover indicates imminent softening. In reality, Owners will try to fix as much off market and direct as possible, but the writing is on the wall in terms of the direction of freight. Rates: TC5 55 x ws 140 / UKCont \$1.75 million.

At long last it is probably safe to say the westbound rates have bottomed. Looking in from the outside, the \$1.6 million and 90 x ws 106 is sure to cause a bit of a stir with Owners. However, we have to keep in mind that it was done

on a ship open in the Red Sea and it should be hard to recreate on a vessel ballasting in, especially from the West.

Nonetheless, naphtha has certainly taken a back seat and have not been tested since AGulf / West was circa \$1 million higher... The next test should come at 75 x ws 105 or around there. The inactivity on the LR1s has left us in quite a strange position, when comparing the LR1s vs the LR2s. In that, the LR1s should realistically be a lot lower than where they stood prior to the upcoming round of cargoes.

Mediterranean

A rather disjointed week in the Med, with rates difficult to pinpoint throughout. Monday saw rates as low as 30 x ws 157.5. However, Owners were stubborn and didn't allow this to become the going rate, with rates settling somewhere around the 30 x ws 160-165 mark. The list midweek began to tighten. This coupled with a healthy list of cargoes created an air of positivity across the Med, allowing Owners to keep rates trading sideways at the 30 x ws 165. The last few weeks has seen slow Black Sea enquiry. This was the case again, with just a few cargoes coming out of the woodwork, which meant momentum was never able to be built on. This, therefore, allowed Charterers to simply fix at the ws +10 point premium on X-Med. Come Monday, it is likely things will begin fairly balanced and expect Owners to hold at the current levels, with a potential momentum if Black Sea enquiry picks up.

Another mediocre week for MR Owners in the Mediterranean this week, with a slow stream of enquiry not able to maintain the previous week's fixing rates. Owners found themselves on the back foot once again as we saw the TC2 market slide ws 10 points to around 37 x ws 135, with further decline on the cards with a fresh test. Enquiry seen heading East now puts rates at \$700k for Suez and \$900k AGulf but, with the negativity on other routes, expect these to remain under pressure.

UK Continent

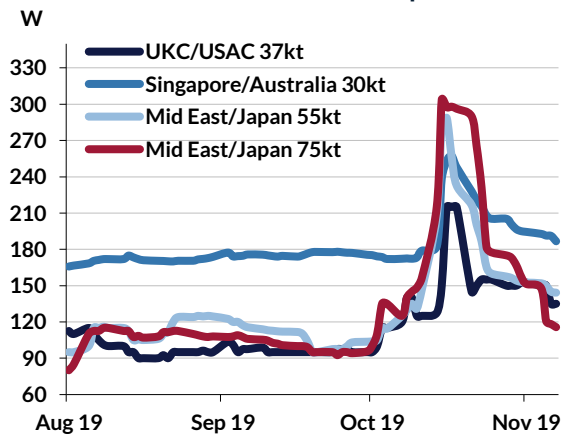
Not a lot to cheer about this week for the MRs. A quiet end to the previous week was followed by a very slow start to this week against the backdrop of a sizeably oversupplied tonnage list. By mid-week we at least saw activity levels improve but, with Owners scrambling to find cover, rates were inevitably forced downwards. Next week will probably be a case of more of the same, with further downward pressure on rates likely until at least we see the 3rd decade stems come out. Owners are left to play a damage limitation game until then. We close the week with TC2 at 37 x ws 130 at best and WAF down to ws 167.5. Both routes, however, require a fresh test.

After the LRs' dominated enquiry in the North at the end of last week/start of this week, it's been a slow period for Handy Owners. We began the week with Baltic/UKCont rates down ws 5 points at the 30 x ws 150 mark. This downward trend continued, with rates dropping a

further ws 7.5 points to 30 x ws 142.5 being seen on subs by Wednesday. Cargo enquiry X-UKCont had been quiet all week and in need of a fresh test, which it finally received on Thursday, with 30 x ws 125 being seen on subs. With the X-UKCont market now at this level, you would expect Baltic/UKCont rates to now follow suit and slip further to around the 30 x ws 135 mark. With very little now outstanding Owners will be hoping for an influx of fresh enquiry next week to help stem further losses in the North.

Finally, to the Flexis where we saw a slow week pass and rates pressured as the Handies saw a slow negative correction across the week. Portugal and North Spain seem once again to be the main supply of cargoes, with any Baltic stems hiding away under the blanket of COA. We expect rates to settle somewhere along the 22 x ws 175 mark, as Handies continue to struggle with LR activity taking the wind out of their sails.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

This week started off once again with a tight position list in the NWE sector. This prompted a busy Monday, with a couple of fresh stems being worked early on. However, fixing and failing has been fluid with these stem. As such, Owners with prompt units continued to find employment as fresh enquiry continued to flow. This maintained fixing levels at ws 220 for the week but we close out the week with more units heading away from the region, tightening positions further. This is setting up for a busy start to next week as some Charterers will be keen to take out firm units.

The Med this week has continued at the usual pace with Black Sea enquiry once again leading the charge for tonnage being taken up. Enquiry flooded in during the first two days trading, seeing in excess of 10 units on subs in the region. Consistent demand throughout the week has chipped away at an already depleted position list, resulting in subsequent gains, with ws 255 on subs and Owners today bullish for more. Expect Monday to present a tonnage outlook that will force dates forward. With Turkish Straits delays threatening to further destabilise the region, Owners remain firmly in position to maintain momentum. For now, correction in this market may only be seen if Charterers can utilise tonnage from the surrounding weak Aframax market currently offering a better overall deal.

MR

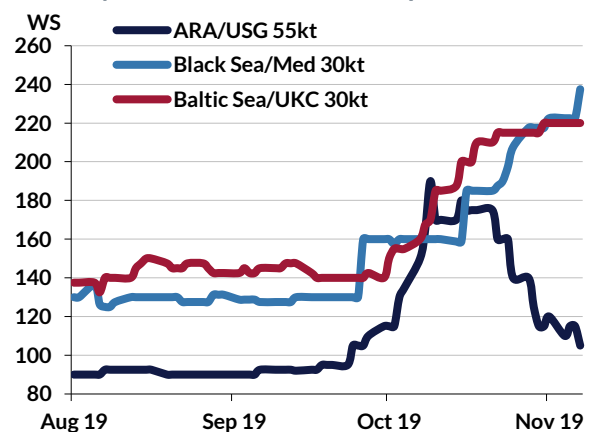
The MR sector has enjoyed a fulfilling week, with increment being seen on deals concluded in both the Cont and the Med. Splitting the performance between the

two zones, it is actually the Continent that can report the largest gains, where 45 x ws 197.5 has been put on subs. However, given the scarcity in availability, this is hardly a surprise. It is the Med, however, that boasts a stronger sentiment. Although headline ws rates don't align with the amount of units trading in the area, Charterers have to think ahead, with MR Owners having a profitable safety net of the smaller Handy market affording them the ability to be bullish.

Panamax

After last week's negative correction in rates and poor sentiment, Owners will have been hoping to see a change in fortunes. However, this week has not delivered and further negative correction has been seen, with a new benchmark of ws 110 on subs. This has been driven by weak demand within this sector as well as the larger Aframax sectors falling further, enabling Charterers to achieve an all-round better deal. Weak markets continue to play in to Charterers hands, leaving Panamax Owners with little choice now but to ride the storm until shoots of recovery begin to show.

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	Nov 07th	Oct 31st	Last Month	FFA Q4
TD3C VLCC	AG-China	-10	81	90	175	78
TD20 Suezmax	WAF-UKC	-24	91	115	243	95
TD7 Aframax	N.Sea-UKC	-4	96	99	196	133

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

		wk on wk change	Nov 07th	Oct 31st	Last Month	FFA Q4
TD3C VLCC	AG-China	-10,750	61,000	71,750	163,750	78
TD20 Suezmax	WAF-UKC	-13,250	30,000	43,250	109,250	95
TD7 Aframax	N.Sea-UKC	-4,750	12,500	17,250	87,000	133

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Nov 07th	Oct 31st	Last Month	FFA Q4
TC1 LR2	AG-Japan	-42	116	157	148	
TC2 MR - west	UKC-USAC	-24	133	157	126	160
TC5 LR1	AG-Japan	-9	144	153	131	143
TC7 MR - east	Singapore-EC Aus	-8	187	195	173	217

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

		wk on wk change	Nov 07th	Oct 31st	Last Month	FFA Q4
TC1 LR2	AG-Japan	-13,000	22,500	35,500	32,500	
TC2 MR - west	UKC-USAC	-4,750	12,750	17,500	10,500	18,000
TC5 LR1	AG-Japan	-2,000	22,250	24,250	19,250	22,250
TC7 MR - east	Singapore-EC Aus	-1,000	18,250	19,250	16,500	23,250

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

ClearView Bunker Price (Rotterdam HSFO 380)	+4	258	254	309
ClearView Bunker Price (Fujairah 380 HSFO)	+2	303	301	304
ClearView Bunker Price (Singapore 380 HSFO)	-14	366	380	347
ClearView Bunker Price (Rotterdam LSMGO)	+9	560	551	557

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