

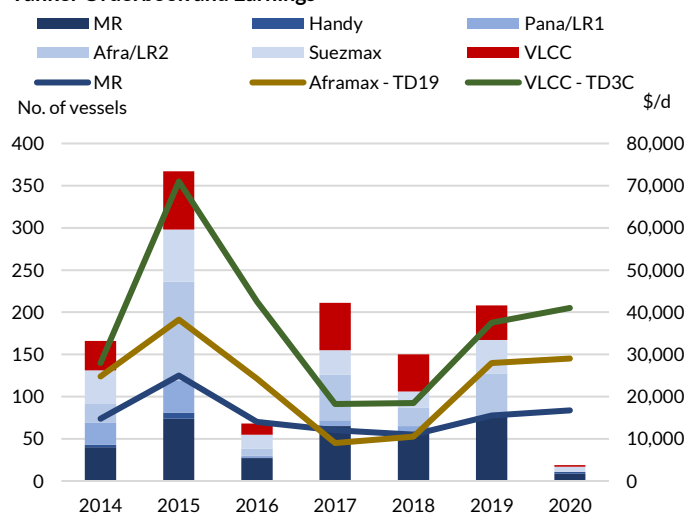
The Past, Present and Future

Weekly Tanker Market Report

Taking stock of what happened in the tanker sector during 2019 highlights that it was a positive year. Earnings across the board were up compared to 2018, with returns for VLCCs rising from an average of \$18,500/day during 2018 to \$37,500/day and Aframax following suit with earnings rising from \$10,500/day to \$28,000/day. But owners were still uncertain about the future and there was limited financing available, which had a dampening effect on owners ordering new tonnage. Overall orders for the year topped 200 tankers, an increase of 39% compared to the previous year, but still a long way behind the 360 vessels that were ordered in 2015. Owners were ordering MRs, Aframax/LR2s and Suezmaxes with renewed vigour, while VLCCs orders remained at similar levels to 2018 with 41 vessels.

The orders poured into South Korea, which remains the dominate player in the newbuilding sector taking 56% of all tanker orders during 2019. Chinese yards received 62 tanker orders, while orders continue to be placed in Japan, albeit at a much lower volume when compared to historic levels, with just 18 tankers. Russia and Vietnam were the only other countries that reported orders for deepsea tankers last year. With the increase in ordering compared to the previous year, there was an up-tick in newbuilding prices with VLCC prices rising by \$4 m to \$92 m and Suezmax prices rising by \$3 m to \$62 m. These price rises come at a time when there is uncertainty in the shipbuilding world as various yards in South Korea, China, Japan and Singapore are all considering the benefits of merging.

Tanker Orderbook and Earnings



Sinokor ordered the largest number of tankers, with 10 Aframaxes, four MRs and four VLCCs during the year. The Aframaxes will be constructed at Samsung and delivered in 2021. These will be LNG powered and will be chartered to Shell. The VLCCs will be built at Daewoo, whilst the MRs will be constructed at Hyundai Mipo.

The positive market sentiment that occurred throughout the majority of the year was there for most of 2019, despite the changing market environment. The Ballast Water Management Convention kicked in during September 2019, whilst at the same time, owners were looking at how they could navigate through the

new IMO rules for low sulphur fuels. Towards the end of the year the transition to the new fuels was handled with little disruption to global trade.

So, if 2019 was a positive year, what of 2020? The fundamentals for another positive year looked to be in place with a positive reaction to the US-China phase one trade deal, where China agreed to buy \$200 billion worth of US goods and services, of which \$52 billion in energy purchases. This could re-open the emerging tanker trades between the two countries, with potentially positive impact for the tanker sector. But for the present all crude sectors are already recalibrating sharply lower and there are also some very dark clouds on the horizon for the tanker market. The current situation with the Coronavirus has seen many flights to China discontinued until further notice, could this also happen within the tanker sector? The re-emergence of the COSCO Dalian vessels being could be detrimental to tanker earnings going forward. Also, there is much uncertainty over decarbonisation regulations which seems to be curbing newbuilding orders. The flip side to this could be that the low volume of vessel ordering in 2019 has provided a period of controlled fleet growth, which if continued could bring better fundamentals for tanker earnings.

Crude Oil

Middle East

VLCC markets had already been recalibrating lower on an easier supply/demand balance but the only story for now is the adverse effect of the virulent virus outbreak that has quickly shifted from being a Chinese problem, to a worldwide concern. The concentration of the issue does, however, remain in China and, with that country being so important for the health of the VLCC sector in particular, the short/medium term omens are not at all good. That said, tonnage could well start to get tied up with port delays, which may then provide a degree of culling that could tighten positions - clutching at straws perhaps, given the expected hit on demand. Rates have crumpled severely to around ws 55 East for modern units, with runs to the West marked in the low ws 30's via Cape. Suezmaxes had a slow week of it and followed the whole sector complex in tracking ever lower, rates currently stand at ws 100 to the East and into the high ws 40's West but look slippery moving into next week too. Aframaxes didn't buck the wider downtrend and spent the week searching for a market bottom - 80,000mt by ws 125 to Singapore now, but that may prove merely a waypoint in the quest.

West Africa

Suezmax Owners resisted but Charterers kept patiently chipping away to erode rates little by little. 130,000mt by ws 100 to Europe now but there could be further slippage yet before a solid phase of bargain hunting ensues. VLCCs saw less

and less as the week progressed as Charterers held back to see where the AGulf heads and only ballast time considerations will force action until then. Consequently, rates to the Far East now move to a theoretical ws 57.5 mark but solid evidence will have to wait until next week.

Mediterranean

Aframaxes had a week to forget - rates have now slipped around 60 ws points week on week to 80,000mt by ws 85 X-Med and to ws 90 from the Black Sea, with long availability and Libyan shutdown pointing to another weak phase to come. Suezmaxes eased a little more sedately, but still eased nonetheless to 140,000mt by ws 107.5 from the Black Sea to European destinations, and to \$5.2 million for runs to China. Minimal delays, Libyan outage and no support from elsewhere make for an unpalatable recipe for next week too.

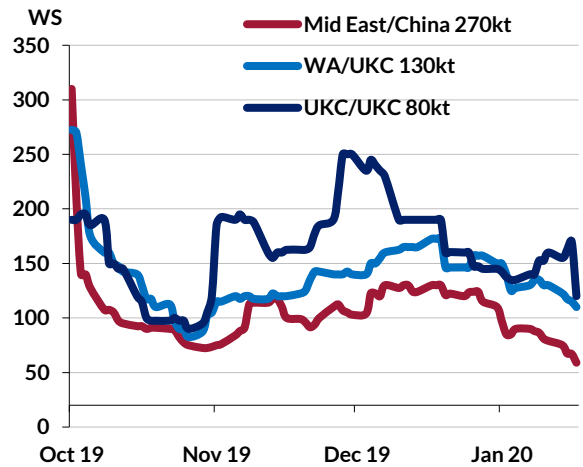
US Gulf/Latin America

'Down' is the common theme everywhere and Aframaxes have now left their partying days well behind. Rates slumped to 70,000mt by ws 115 upcoast, and to ws 110 transatlantic, and the downtrend isn't over yet. VLCCs also slumped badly. There was reasonable interest but a good percentage of deals failed subjects as the market crash overtook the economics and rates ended the week at a relatively lowly \$7 million from the USGulf to Singapore, and could yet slip even lower.

North Sea

Aframaxes took a severe late-week hit and will find it very difficult to stage a quick recovery given the soggy news from elsewhere. 80,000mt by ws 110 X-UKCont and to 100,000mt by ws 95 from the Baltic is the new average but even easier tonnage is over the horizon and Owners will continue to defend, rather than attack. VLCCs saw very little firm business and will have to recalibrate lower to fit in with the wider reduced expectation...around \$8 million now for crude oil to South Korea/China. Perhaps a bit lower even.

Crude Tanker Spot Rates



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

Clean Products

East

A rather uneventful week for the MRs in the AGulf, cargoes have been sparse and the negative sentiment from last week has lingered. TC12 has suffered, with 35 x ws 120 on subs a few times and stems into EAF are looking vulnerable. Assess that next done will be at the 35 x ws 160 level. UKCont also needs a fresh test but, with large drops seen on the larger ships close to \$1.25 million will be in Charterers sights. X-AGulf cargoes seem to fairing the best, with Jubail/Jebel Ali sitting at \$230k. The list is balanced off the next seven days, but as we move into the natural fixing window things open up, the cargo count stutters, and the bigger sizes continue to offer good economic benefit for those with the ability to stem up.

LRs have continued to have a very quiet week, with minimal volume and rates are still suffering. 75,000mt naphtha AGulf/Japan is down at ws 82.5 and 90,000mt jet AGulf/UKCont is hovering at \$1.80 million. Both rates are seeing single figure returns and Owners are very reluctant to drop lower. LR1s are busier but still do not have enough to create any momentum. 55,000mt naphtha AGulf/Japan is stuck at ws 95 for now, although it could see a further drop. 65,000mt jet AGulf/UKCont is also steady around \$1.70 million and seeing no signs of improvement. Whilst the Saudi refineries remain in maintenance, little optimism can we expected.

Mediterranean

A rather balanced week all in all on the Handies, with rates starting and ending at the 30 x ws 160 mark. A slight influx midweek meant that a handful more points were achievable and for stressed cargoes or stems with limited options (Italian flag for instance), we saw heights of 30 x ws 170. Following the weekend, with Black Sea laycans now stretching into second decade and fixing window tonnage looking replenished, Owners will start on the back foot, with ws 160 likely to be the starting point but it wouldn't be surprising to see south of this. Other than a slight blip midweek, which saw Black Sea fall to ws 170 (because of SOM openers), rates have by and large traded at the 30 x ws 175 mark, however, expect Monday to see this pressured with ws 170-172.5 on the cards. The saving grace for Owners may be poor weather around the E-Med region, which may delay itineraries slightly but if this clears over the weekend then the list is likely to be grim reading.

A slender tonnage list has been MR Owners saving grace in the Mediterranean and some reasonable WAF enquiry has kept this the case. The problem we are seeing for this optimism is the ballast tonnage from WAF now swooping into the more active Med market, as well as larger tonnage heading this way from the poor East market. The weight of the UKCont will inevitably knock the wind out of Owners hopes as we await to see the negative correction ahead.

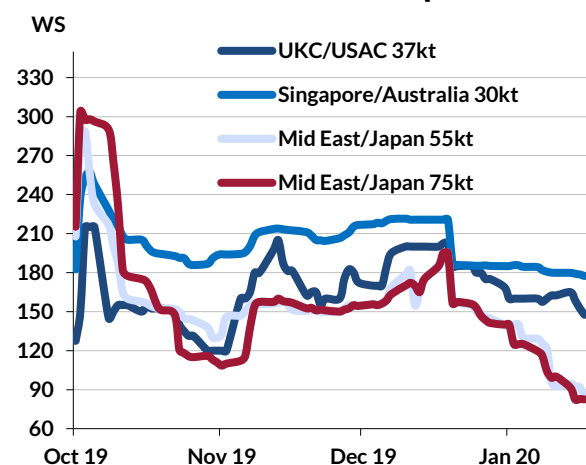
UK Continent

This has been a week to forget for Owners as we never really got started, with rates pressured throughout. We saw minimal WAF enquiry, which in recent weeks has been the leading provider of employment and, with the continual slow pace of the transatlantic market being seen once again, it was no surprise to see ws 20 points knocked off as we land around 37 x ws 145 for TC2. With the States market having kept many ships at bay from ballasting to Europe over the past weeks, Owners saw opportunity to press but this also has been taken away, with TC14 falling near on ws 30 points, a poor LR market and limited levels of enquiry, Charterers have been able to squeeze numbers. Looking ahead we see only rain clouds over this market and it doesn't look like it's going to change any time soon.

All considered, it has been a steady week for Handies up in the North. With added pressure coming from LR's being fixed/preferred ex Baltic Owners have done a good job at holding the line at last done levels. Baltic liftings close the week at 30 x ws 187.5-190 & X-UKCont at 30 x ws 180. Better enquiry has also been seen down the Med, which could potentially mean that there may be a deficit in the list for willing Med candidates early next week. That being said, watch out for the softening MR market, which will now certainly act as a cap on Handy freight as we move into week 6.

Finally to the Flexis where a quiet week of market enquiry has given little to discuss. Present rates are around 22 x ws 230-235 for X-UKCont but, with pressured sectors on the larger tonnage, it does feel that this market could be negatively tested next week.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

This week started with little to no expectation of a recovery as prompt tonnage continued to build in the North, which in turn put negative pressure on fixing levels in the area. However, after a few days of trading, it quickly became clear that off market activity was clearing down early tonnage in the region. One thing to note, the demand for UKCont-Med stems has been the dominating factor taking more units away from the region and leaving the tonnage list looking very different from where we started the week. In fact, at the time of writing, trading from the Baltic has crept up a little, with ws 225 on subjects. This could be just enough to give Owners confidence as we head into the weekend.

The Mediterranean started off on the front foot this week, with an upturn in fresh enquiry, which gave Owners confidence to try and push on from last done levels. However, by mid-week the hard reality turned out to be very different, as the cargo tap was turned off a little. This resulted in tonnage building up in the West Med area leaving little Owners with the choice between heading North or dropping levels in the West Med. As a result, rates dropped down to ws 275 for X-Med. In general, the East Med sentiment has remained firmer, with rates holding around the ws 285-290 level. With all this said, it was only a matter of time before soft

sentiment spread, with Black Sea finishing the week around the ws 285 level. Owners and Charterers alike will hit the reset button on Monday, which could spur on another busy start to the week.

MR

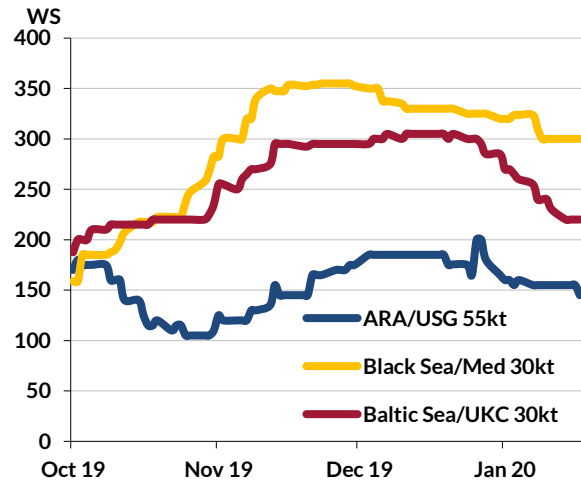
Still the cargo taps have had no real opportunity to be turned on in the North as the region remains devoid of MR tonnage. Just one test for the sole unit being pushed will see it leave the region at ws 210, if subs are lifted. Beyond this unit for now ballasters are the only real option should full size stems be essential but, with the surrounding Handy market looking to firm again, expect rates to hold for now.

A mix of fixing and failing has made it a long and frustrating week for MR Owners in the Med, one which has seen them attracted by smaller stems for employment. With limited full stems on offer from both the Black Sea and across the Med, Owners will be hoping that as mid Feb fixing dates approach, enquiry levels will build back to those seen in the Handy sector. Rates for the region are being held at around ws 225 for Black Sea, with no real sign of opportunity for either Owners or Charterers to push on or test.

Panamax

Another week of Owners looking to secure what limited business has been on offer, although most of the opportunity consisted of a less desired non transatlantic nature. That said, any employment will be welcomed if the lists are to avoid becoming saturated with excess capacity, which when also taking into account how the US markets have lost chunks of value this week perhaps spreading the fleets a little might not be such a bad thing. As far as rates are concerned we are seeing case by case type freighting scenarios develop, with a larger degree of focus being on what's right for the ship rather than holding out for headline rates.

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 | Jan 9th | Jan 2nd | Last Month* | FFA Q1 |
|--------------|-----------|--------------------|------------|------------|----------------|-----------|
| TD3C VLCC | AG-China | -63 | 59 | 122 | 90 | 54 |
| TD20 Suezmax | WAF-UKC | -41 | 106 | 147 | 122 | 93 |
| TD7 Aframax | N.Sea-UKC | -43 | 119 | 162 | 251 | 123 |

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

| | | wk on wk change | Jan 9th | Jan 2nd | Last Month* | FFA Q1 |
|--------------|-----------|--------------------|------------|------------|----------------|-----------|
| TD3C VLCC | AG-China | -70,250 | 36,250 | 106,500 | 72,500 | 30,000 |
| TD20 Suezmax | WAF-UKC | -20,250 | 40,000 | 60,250 | 56,750 | 47,500 |
| TD7 Aframax | N.Sea-UKC | -26,500 | 31,500 | 58,000 | 123,250 | 32,500 |

Clean Tanker Spot Market Developments - Spot Worldscale

| | | wk on wk change | Jan 9th | Jan 2nd | Last Month* | FFA Q1 |
|---------------|------------------|--------------------|------------|------------|----------------|-----------|
| TC1 LR2 | AG-Japan | -73 | 83 | 156 | 129 | |
| TC2 MR - west | UKC-USAC | -39 | 148 | 187 | 171 | 143 |
| TC5 LR1 | AG-Japan | -65 | 92 | 157 | 131 | 98 |
| TC7 MR - east | Singapore-EC Aus | -10 | 177 | 187 | 183 | 169 |

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

| | | wk on wk change | Jan 9th | Jan 2nd | Last Month* | FFA Q1 |
|---------------|------------------|--------------------|------------|------------|----------------|-----------|
| TC1 LR2 | AG-Japan | -21,500 | 7,500 | 29,000 | 23,750 | |
| TC2 MR - west | UKC-USAC | -5,000 | 14,250 | 19,250 | 17,750 | 13,250 |
| TC5 LR1 | AG-Japan | -8,750 | 6,500 | 15,250 | 16,250 | 8,750 |
| TC7 MR - east | Singapore-EC Aus | +1,750 | 16,000 | 14,250 | 17,000 | 14,750 |

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

| | | | | |
|--|------|-----|-----|-----|
| ClearView Bunker Price (Rotterdam VLSFO) | -112 | 466 | 578 | 509 |
| ClearView Bunker Price (Fujairah VLSFO) | -205 | 573 | 778 | 613 |
| ClearView Bunker Price (Singapore VLSFO) | -138 | 565 | 703 | 591 |
| ClearView Bunker Price (Rotterdam LSMGO) | -109 | 483 | 591 | 573 |

* WS spot rates converted into 2020 WS100

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