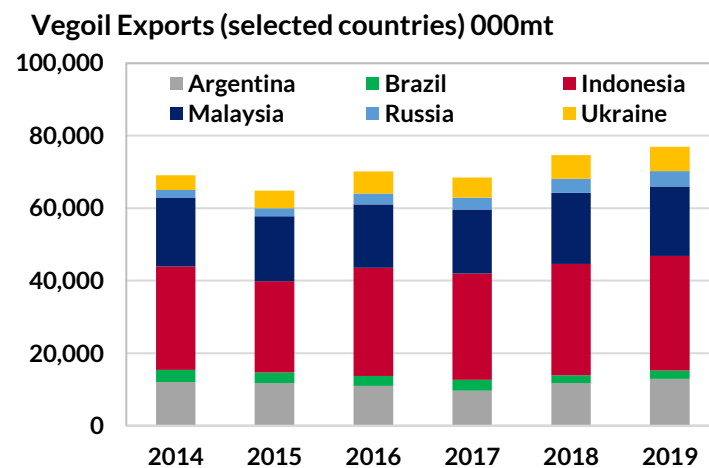


Food for thought

Weekly Tanker Market Report

Trade in edible oils forms a small part of the demand puzzle for MR product carriers and for this reason is often overlooked from a demand side perspective. However, whilst, only contributing around 2% of total MR cargo volumes, it remains important to understand how developments in this industry might impact the MR market.

Palm oil forms the largest cargo group (for IMO3 MRs) within the vegoil sector and Indonesia and Malaysia account for 85% of global production. Both countries will consume more of their domestic palm production in 2020 for blending into to the diesel pool. In January, Indonesia mandated an increase in the biofuel content of diesel to 30% (B30), up from 20% last year. Malaysia doubled its biofuel blending mandate to 20% (B20) effective this year. In terms of production, Malaysian crude palm oil production in 2020 is expected to fall marginally from 2019, whilst Indonesian production is also expected to come in slightly lower. The countries exported 50 million tonnes in 2019.



Due to the B30 mandate, Indonesia is expected to consume an extra 1 million tonnes of palm oil for domestic consumption in 2020, further reducing export activity. For Malaysia, B20 will also reduce the country's capacity to export. Data suggests that in 2019, around 8 million tonnes of palm oil was shipped on IMO3 MRs. Given current developments it would be expected that this volume should decline in 2020.

These volumes have become a good source of demand for newbuild MR carriers seeking to get West. However,

with fewer cargo volumes expected in 2020, newbuild MRs may have to rely on conventional CPP trade. This may well have been inevitable in any case. With the European Union in the process of phasing out the use of palm oil in biofuels, imports into the region will without doubt come under pressure, impacting on long haul palm trade on MRs.

Outside of South East Asia, other key supply regions for edible oils focus on Latin America and the Black Sea. The second largest demand area is Latin America, most notably exports from Argentina. Vegoil exports from Latin America provide a good source of backhaul cargoes for IMO3 MRs seeking to triangulate out of South America having discharged petroleum products there. In 2019, 4 million tonnes of vegoils were exported on MRs from the region. For 2020, Argentinian soybean oil shipments are projected at 6 million tonnes, up 14% year on year, however export taxes may impact total volumes. Although Brazil expects to also see a stronger harvest, higher domestic demand is expected to eat into vegoil export volumes.

In the Black Sea, 2020 trade is expected to exceed 2019 volumes, with Ukraine and Russia collectively exporting in excess of 9.2 million tonnes (up 500,000 tonnes on 2019 levels). However, despite volumes looking set to increase, the region only exported 1.5 million tonnes of vegoils on MRs in 2019, meaning any marginal increases are likely to be insignificant. With the palm market looking tighter in 2020, more Black Sea vegoils should head to India and China. However, as with any commodity market right now, it is impossible to ignore the impact of coronavirus on demand. Chinese demand has of course already been heavily impacted, and India, as with any other country, could soon follow suit if the virus takes hold there.

Longer term however, as the world population continues to grow, demand for both vegoils in the food industry and for biofuel/industrial use will see increased volumes. Being willing and able to switch between petroleum and edible oil trades will become an ever more prudent business strategy.

Crude Oil

Middle East

Steady VLCC fixing volumes but that wasn't nearly enough for the market to reach critical mass and allow Owners to build further upon last week's gains. In fact, by the week's end there were signs of a slight pullback with the last quarter of the March programme unlikely now to yield anything better, and sentiment cannot escape the negatives of production cuts and coronavirus impacted demand. Rates currently stand in the mid/high ws 40's for modern units to the Far East, with high ws 20's asked for any rare West interest. Suezmaxes huffed and puffed over Western runs and did manage to squeeze rates to around ws 35 for those but needed more Eastern action to convert to a wider pullback. As dates roll forward, however, any initiative is likely to slip away. Aframaxes lumbered through a slow week and rates eased into the high ws 90's to Singapore, with even damper prospects for next week's campaign.

West Africa

Suezmaxes remained defensive through the week and rates slid off to 130,000mt by ws 72.5 to Europe and to ws 65 to the USGulf as Charterers toyed with easy availability. Next week is unlikely to reverse the trend and Owners are bracing themselves for deeper rate-cuts. VLCCs found only modest attention. Rates held up in the high ws 40's to the Far East and should stay there, or thereabouts, over the next fixing phase too as wider Atlantic demand continues to provide Eastern ballasters with alternatives.

Mediterranean

Aframaxes enjoyed ever increasing Black Sea interest to help pull their market up by the bootstrings to 80,000mt by ws 120+ with X-Med runs at up to ws 105. Probably a little way to run before plateauing once again. Suezmaxes, on the other hand, stayed on the sluggish side, with Owners minded to accept sharp discounts for the shortest X-Med trades and, with Black Sea to European destinations at little better than 140,000mt by ws 80 and runs to China lowered to \$3.7 million. Another challenging week to come.

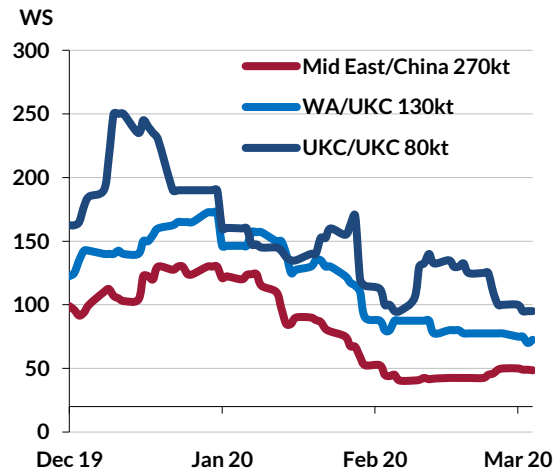
US Gulf/Latin America

Aframaxes busied early in the week, with an initial threat of fog disruption also helping. Rates ticked higher to 70,000mt by ws 150+ upcoast and to ws 135 transatlantic but it was a slower end to the week and the market seems to have topped. Charterers will probably take a cautious stance early next week to facilitate some degree of potential discounting. VLCCs continued to play an active fix/fail game, which aided rates to \$5.75 million from the USGulf to Singapore for the earliest dates, with \$5.6 million the average for easier positions. The games look set to continue similarly.

North Sea

A bit disappointing for Aframax Owners here - there was some late week 'extra' fuel oil interest but overall it was a downshift from last week's rate marks. 80,000mt X-UKCont moves at around ws 90, with 100,000mt ex Baltic running at ws 75. There are hopes for a busier, and more productive, week to come, however. VLCCs didn't push the rev counter - there were a few deals recorded though, with \$5.7 million paid for crude from STS SKAW to China and up to \$6.15 million reported from Hound Point to South Korea-China too. No big moves likely over the near term, at least.

Crude Tanker Spot Rates



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

Clean Products

East

Interesting week for the MRs as rates climbed but failed to push higher to the same degree as the bigger sizes. It must be noted though that the MRs started the week in a better position than the LR1s and LR2s (the bigger of the two almost at rock bottom), so didn't necessarily have the same ground to catch up on.

The week has brought a good supply of naphtha, which resulted in the removal of some 'cheap and weak' tonnage, whilst EAF held relatively firm and the issues around Port Sudan clearances continue to keep the Red Sea extremely tight. This has left the MR list very tight off the front and into the natural fixing window, leaving the MRs well poised for what could be a very busy next week. Last done is beginning to look cheap.

LR1s are looking incredibly tight now, both off the early window and into natural dates. Seeing TC5 cover at ws 125 we feel is a correct reflection of the market. Westbound cargoes will continue to be the difficult for Charterers. Owners will push for \$2 million basis UKCont and stretch the transatlantic diffs towards 400k -you can understand their rationale, with the LR2s trading \$3 million levels ex North Asia, and \$2.5 million ex AGulf. Whether we get a less 'aware' Owner doing slightly sub \$2 million is yet to be seen, but we would call this just a steppingstone en route to higher West numbers.

The LR2s are also looking incredibly tight. \$2.45 million levels are theoretically still last done going West, but Owners are using the bareness of the list to put \$3 million levels on Westbound cargoes now, the impetus to push

coming very much here from an incredibly tight North Asia market; where we have seen \$3 million levels on subs ex Korea. TC1 has experienced a push to ws 123, how much further we push this week will be interesting. As expected, no Charterer wants to be the first to take the numbers, the only thing we are concerned with is whether an overly aggressive push will result in an equally as spectacular crash, as we saw at the end of last year on TC1. Having said this, contract cargoes can help cement the market at loftier levels, so let's see who cracks first...

Mediterranean

A pretty balanced week overall on the Handies, with Monday morning being the only slight change in rates throughout. An early market quote on Monday morning, which dragged rates down to ws 170 (albeit on an older ship), meant Vanilla X-Med runs on suitable ships settled at the 30 x ws 175 mark and have consistently traded at this number all week. A ws +25 point premium has been seen throughout, with good levels of enquiry keeping Owners ideas high at the ws 200 mark and, with Novo releasing their new statement on Thursday regarding Covid-19, expect cargoes next week to have a more limited fleet of ships to choose from, which could make things interesting. For now, the market remains fairly stable but expect Monday to bring a bit of pressure on Owners in the Med, with a newly stocked tonnage list.

Finally, to the MRs plying their trade in the Mediterranean, where we see a slow week in general only being stabilised by the busier UKCont market, with ample transatlantic runs. When we finally saw some activity, rates were unsurprisingly slightly suppressed compared to the North at ws 180 for transatlantic and ws 200 for WAF. Enquiry

flow has been the main hindrance for the Med and can expect the strength here to be based upon sentiment in the Cont as this busy week shows tonnage clipped away and any late running vessels to give the potential to bloom further.

UK Continent

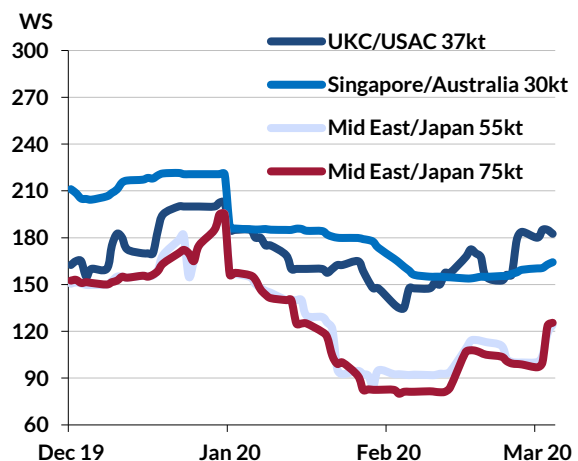
A very steady week for the Owners culminating in rates largely remaining stable throughout. TC2 has been particularly active and the early part of week was especially tight on positions. This helped solidify TC2 numbers at 37 x ws 185 for the most part. As we reached the back end of the week and enquiry levels dropped off somewhat, we have seen a handful of fixtures that suggest we are ending the week at ws 180-185 levels as a result of a healthier supply of ships. This has been exacerbated by WAF demand once again failing to offer any support. There have been a small number of fixtures but certainly short of what Owners would have been hoping for. WAF numbers are in the region of 37 x ws 202.5-205 but could face some pressure going forwards if demand does not improve.

Once fresh Handy tonnage lists were drawn up on Monday it revealed around 11 vessels opening in the next 3 days, which ultimately put Owners onto the backfoot and shifted all momentum towards Charterers resulting in rates ex Baltic softening to 30 x ws 155 and 30 x ws 145 for X-UKCont when tested. As the week rolled and demand picked up (especially ex Baltic), the tonnage list quickly began to shrink and Owners started to claw some Worldscale points back. By Friday, 30 x ws 170 went on subs for a prompter lifting for Baltic/UKCont and now expect X-UKCont to be positively corrected to around the 30 x ws 160 mark. Looking ahead if cargo enquiry remains

heading into early next week further gains could be on the cards but keep an eye out for LR's who could come a spoil the party.

In contrast, the Flexi market remains down in the dumps with a healthy amount of prompt units scattered across the Continent & Portugal/Gib area. With very little employment opportunities on offer for Owners rates are loosely benchmarked against pro-rated Handies, with a slight discount as 22 x ws 205 seems to be a fair call for X-UKCont. Fresh test required here.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

No easy way of saying this. Week 10 has been one to forget from an Owner's perspective as we have just seen the second largest single drop in value between trading days since March 2015! Furthermore there are ships lurking in the background from numerous operators, which need to find employment before we can even start talking about recovery. WS 200 is now the benchmark. We could cite a number of reasons for this decline and, with surrounding markets (Aframax inclusive) all underperforming, negative sentiment appears to be synonymous for this region.

Med conditions haven't been quite so bad, where in actual fact, initial requirements served to bolster Owners belief that value was being reflected in fixing levels. Subsequently, with further activity, levels did react positively by the measurement of ws 5 points both from the Black Sea and X-Med. Where we go from here, will as ever, depend on activity levels that follow, however, there is one major topic of conversation, which could twist this sector upside down. The hot topic of Coronavirus! Although for now the impacts of this horrible virus have largely been kept away from Mediterranean markets/Western sectors, the clauses being introduced this week and statements from various authorities being made as precautionary measures, will now have a knock on effect. Especially when we consider how many ships across all sizes call or called at Italian ports!

MR

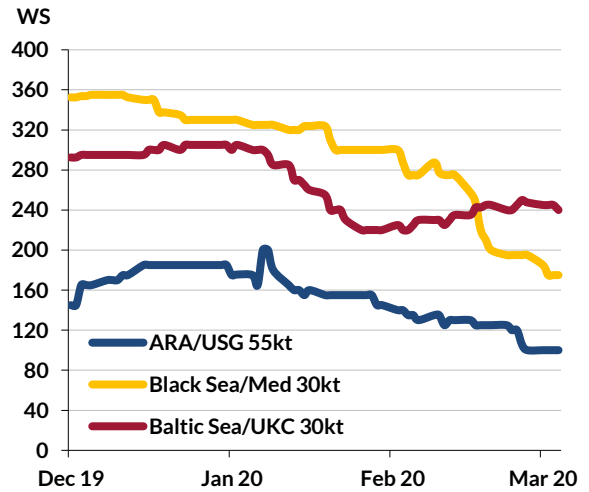
The north has been lacklustre this week, with no reported activity on the MRs. Enquiry has fallen to the surrounding sectors, with strong market activity being dominated by the Panamax throughout the week. We see one ballast MR unit moving north, whilst the natural units in the region have failed to get clipped away. Pressure building on Owners as the Handy market takes an end of week dive.

Instead this week has been dictated by a mid-week flurry of activity in the Med, which has brought the MRs into parity with Handies. Quite why Owners have not been able to push for a premium for the additional overage available compared to Handies has been down to the competitive tension generated from the tonnage list at the beginning of the week. No Owner has been able to stand up to the pressure from charterers for X-Med and Black Sea/Med voyages, which are now trading at ws 110 and ws 115 respectively. As we look to next week it seems the pressure will remain, with a wide spread of units available from various Owners leaving the expectation that rates will remain pinned to their Handy pro-rated equivalents.

Panamax

Finally some relief for Owners of tonnage in this sector where the closing stages of the week have provided opportunity to get spot tonnage moving. As the phrase goes however, conditions may deteriorate before they can improve, could never be more true of this sector right now. Vintage units going on subs at ws 90, with modern units only being able to achieve ws 100 shows us just how suppressed the sector had become. Should a few units start to get their subs then it could be suggested the market has at least reached a floor.

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	Mar 5th	Feb 27th	Last Month*	FFA Current Q
TD3C	VLCC AG-China	+1	49	48	42	45
TD20	Suezmax WAF-UKC	-2	76	77	88	73
TD7	Aframax N.Sea-UKC	-10	94	104	96	109

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

		wk on wk change	Mar 5th	Feb 27th	Last Month*	FFA Current Q
TD3C	VLCC AG-China	+2,500	32,750	30,250	16,000	27,500
TD20	Suezmax WAF-UKC	-1,250	28,250	29,500	28,500	26,750
TD7	Aframax N.Sea-UKC	-8,000	12,250	20,250	13,750	22,000

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Mar 5th	Feb 27th	Last Month*	FFA Current Q
TC1	LR2 AG-Japan	+26	125	99	81	
TC2	MR - west UKC-USAC	+5	183	178	150	174
TC5	LR1 AG-Japan	+24	124	100	92	130
TC7	MR - east Singapore-EC Aus	+7	164	158	159	164

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

		wk on wk change	Mar 5th	Feb 27th	Last Month*	FFA Current Q
TC1	LR2 AG-Japan	+10,750	28,750	18,000	8,000	
TC2	MR - west UKC-USAC	+750	24,250	23,500	15,750	22,500
TC5	LR1 AG-Japan	+7,250	19,250	12,000	7,500	20,750
TC7	MR - east Singapore-EC Aus	+1,750	17,000	15,250	13,500	17,000

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

ClearView Bunker Price (Rotterdam VLSFO)	+3	384	381	471
ClearView Bunker Price (Fujairah VLSFO)	-8	421	429	523
ClearView Bunker Price (Singapore VLSFO)	-23	426	449	536
ClearView Bunker Price (Rotterdam LSMGO)	+12	443	431	491

* WS spot rates converted into 2020 WS100

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