

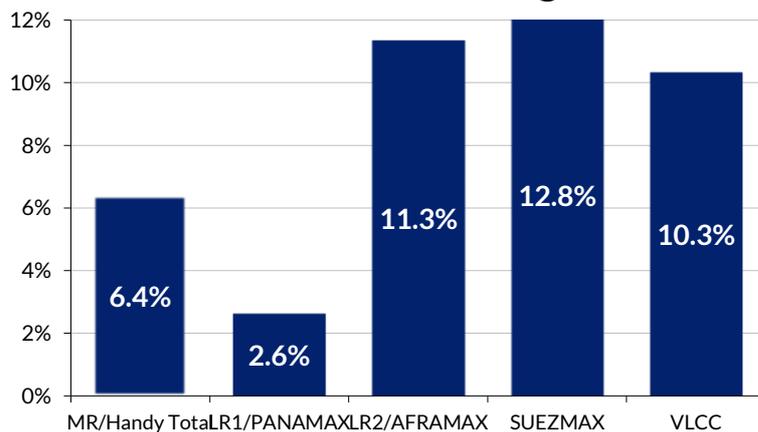
Whats on Order?

Weekly Tanker Market Report

Setting aside the exceptional volatility in tanker rates, Covid-19 outbreak and the dramatic changes in world oil markets, one of the features of the tanker market has been the ongoing underinvestment in new tonnage. So far this year, just 75 newbuilding orders have been confirmed, the lowest number for the January to May period since 2017. Investment appetite has been modest across most size groups. Between January and May, just 13 VLCC and 13 Suezmax orders have been placed, while the Handy/MR segment has seen 22 orders. In the Panamax/LR1 category, just 1 tanker has been ordered; yet, this is largely due to a lack of owners' confidence in this size group, with LR1s having to compete with smaller MRs and larger LR2s at the same time. LR2/Aframaxes have seen most interest, with 26 orders placed since January.

Limited ordering this year is important considering the restricted investment in tankers in recent years. Tanker orderbook at present stands at less than 9% of the existing fleet, down from around 15% in 2014-16 and well below 25% seen between 2007-09. Of all segments, Suezmaxes have the largest orderbook at 12.8% relative to its current fleet, while the LR2/Aframaxes orderbook stands at

Orderbook as a % of Existing Fleet



11.3%. VLCCs have 10.3% of its fleet on order, while the MR/Handy orderbook is notably smaller at just 6.4%, consisting almost entirely of MRs. As interest in LR1/Panamaxes has been almost non-existent in recent years, this segment has the smallest orderbook – at just 2.6% in relationship to its current fleet size.

The vast majority of tankers on order are due for delivery over the next 12 months, although some delays could materialise,

considering the disruptions Covid-19 has caused to shipyard operations in recent months. Furthermore, major cuts in crude production and refinery runs represent significant headwinds to tanker earnings and could also push deliveries back a little. Yet, even foreseeing a degree of slippage, the delivery profile for the 2nd half of 2021 still looks limited, while deliveries in 2022 are at even more restricted levels. This potentially offers support to tanker rates in the long run, particularly if increased levels of scrapping activity are seen. The global tanker fleet is starting to age, with plenty of candidates approaching demolition age. Around 18% of the fleet over 25,000 dwt were built between 2000 and 2004. The Ballast Water Management convention is also expected to play an important role in the demolition decision over the next few years, even for younger tonnage.

However, this positive outlook for the tanker fleet depends not only on the investment we have seen to date but also the appetite for new tonnage going forwards. On the one hand, environmental concerns and uncertainty about the future vessel designs could limit ordering activity, at least until more clarity emerges. After all, a tankers trading life spans over twenty years and no owner wants its asset to become uncompetitive in ten years' time. On the other hand, however, there is the need for fleet replacement. Newbuilding prices have also started easing, which could stimulate ordering activity, with values for larger crude tankers down by around 5% from their peak levels in mid-2019. Regardless of future environmental pressures, lower prices could still prove to be an attractive proposition, particularly to those liking the idea of a limited orderbook and prospects of increased demolition activity.

Crude Oil

Middle East

VLCCs started slowly and still clinging to bottom marks but suddenly Charterers decided to come out shopping in numbers simultaneously with West Africa, and Owners quickly reacted by forcing rates from ws 49 towards ws 70 to the Far East and into the mid ws 30's West via Cape. A nice surprise and although there was a degree of settling thereafter upon a slower pace, early positions remain on the tight side, and replacement needs will add a degree of underpinning during the wait for the hoped for next busier phase. 'Hoped' being the operative word though. Suezmaxes pricked their ears up at the VLCC rebound but apart from some extra cargo splitting opportunities, never achieved the critical mass needed to push rates up much over 130,000mt by ws 70 to the East, and low ws 30's West and that looks set to remain the way of things for a while yet. A very quiet week for Aframax...rates fell off to max 80,000mt by ws 110 and are expected to continue to look downwards next week too.

West Africa

Suezmaxes dipped further and apart from the very occasional slip-up, Charterers stayed firmly in control. Rates slipped off to 130,000mt by ws 70 to Europe, and into the high ws 70's to the East but Owners need a sustained increase in cargo volumes in order to initiate a fightback, and even firmer VLCC rates have failed to properly stimulate...so far. VLCCs- as above - started on the back foot, but then moved through a more solid

patch hand in hand with the AGulf, and rates pushed to ws 65 to the Far East before easing off towards ws 60 by the close. Near future prospects will also be dictated by whatever happens in the Middle East next week.

Mediterranean

No relief for already hard pressed Aframax as the market dozed through a summer-like phase. Early dates have remained quite tight, however, enquiry has been lightweight and Charterers haven't yet had to face that difficulty. Dates will roll ever forward and those pinch points are likely to be left behind. 80,000mt by ws 80 X-Med, and to ws 95 from the Black Sea for now, at least. Suezmaxes showed no material change over the week, with only modest local attention and any degree of added support evaporating in other load zones. 140,000mt by ws 70 - again - from the Black Sea to European destinations, and a repeat \$3.3 million the mark to China.

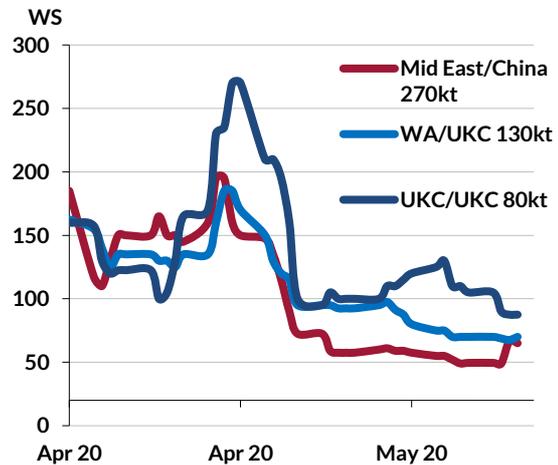
US Gulf/Latin America

A disastrous week for ever lower Aframax to endure. Bottom seems now to have been reached at 70,000mt by ws 72.5 upcoast, and little better transatlantic, so there is a chance that some pride could be restored next week if Charterers come out to shop in earnest. Plenty of VLCC noise and resultant fixtures regained the previously lost ground to hold again at around \$5.75 million from the USGulf to Singapore and a little more is possible upon any of the more awkward positions, although no big spike looks on the cards.

North Sea

Aframaxes chipped lower and even a reasonable amount of under the radar activity only ended providing a slightly more comfortable picture for Owners to gaze upon whilst giving them little meaningful support. Rates dripped down to 80,000mt by ws 87.5 X-UKCont and to 100,000mt by ws 72.5 from the Baltic, and here'll need to be a serious pick-up in action next week to make any real difference to that. VLCCs maintained the gains made last week, with up to \$6.5 million asked for crude runs to South Korea/China upon a quite finely balanced list, and supportive activity in West Africa and the USGulf/Caribs. No large slippage likely over the near term.

Crude Tanker Spot Rates



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

Clean Products

East

Quiet week for the LR1s, with limited activity to speak of. What cargoes have come into the market have been snapped up relatively quickly at competitive rates. The ever-building tonnage list ensures that Charterers are holding court and putting the pressure on Owners. With both natural UKCont and Far East stems needing a fresh test, rates should be around the \$1.975 million and 55 x ws 127.5 levels. Owners will need a strong and steady supply of stems next week before the sentiment starts to see any sort of correction.

Essentially a non-event of a week on the LR2s, with very little to speak of. The main theme included some negative adjustments in rates, down to around the \$2.6 million mark, which now seems fairly sustainable, with MRs at \$1.35 million if we are going off pure balance between the segments.

As can be said for all sizes, next week cannot be any quieter. As such, Owners will likely refrain from fixing the ATC gasoil cargo in the market in the hope of some more activity.

A flurry of cargoes entering the market on Friday afternoon should give MR Owners something to pick up their sprits before the weekend. After all, it has not been the most eventful week for the MRs. What little activity has been done, a good proportion has been conducted off market. Rates have been under pressure, with UKCont at \$1.35 million, TC12 at 35

x ws 125 (ship did need DD) and EAF at 35x ws 160. However, these fixtures have slowly taken care of some of the weaker tonnage. As a result, the tonnage list is looking a tad better as the week comes to a close. There remain a few cargoes still to cover but as expected this was always going to be a tough week with many public holidays. Owners should hold out until next week. There should be more stems as a sense of normality returns. It's not like there is much to lose by holding out a few days!

Mediterranean

All in all, an active week for the Handies, with an influx of E-Med action at the beginning of the week cementing a split market. Ws 20 points was the differential for much of week 22 between East and West, although at the time of writing a quiet couple of days has left Owners on the back foot and a softening is on the horizon. Given the list, there is still likely to be a split between East and West come Monday, but more likely towards the ws 5 point mark. Activity ex W-Med has been consistently slow, which will give Charterers the ability to shave a few points off last done. With a long weekend on the horizon for most of Europe, expect a quiet start to the week, which will only slow momentum further.

Owners here have been enjoying a small premium of ws 5 points on their UKCont counterparts recently. However, with that market seeing a glut of enquiry, rates in the Mediterranean once again become led by the North. This market will benefit further from the lack of ballasters

heading this way, with the draw to the busier market in the Cont and therefore will be given opportunity to improve rates similarly. Owners will remain positive heading into week 23, with a number of outstanding still looking for coverage.

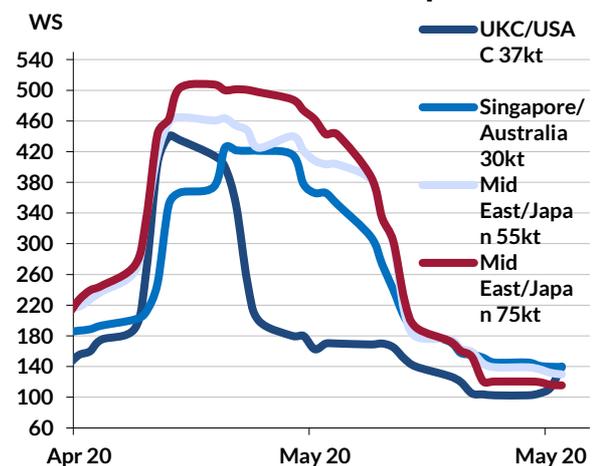
UK Continent

MRs in the Continent have enjoyed a positive week, with some good foundation being built and continuous levels of enquiry off the early June window giving Owners opportunities with every fixture. With all routes seemingly working, we have seen consistent enquiry for transatlantic, WAF, Far East and Storage. This partnered with an ever depleting tonnage list means we arrive on Friday at 37 x ws 140 for TC2 and a bullish attitude to whatever remains uncovered. Owners will be expecting some further gains on the horizon but also must be wary of the smaller and larger tonnage reducing in value and potentially becoming an option out for Charterers.

Week 22 has been a stable one in this UKCont Handy market, with good levels of enquiry throughout keeping the list well balanced. As a result, both parties have been happy to fix at last done levels over the course of the week, with rates at 30 x ws 140 ex Baltic and 30 x ws 130 X-UKCont. Heading into next week, Owners will be hoping that the positivity seen on the MRs can trickle down into this Handy market but for now the market remains stable.

It's been another quiet week in this Flexi market, with slow levels of enquiry and little to report in the way of fixtures throughout. With the UKCont Handy market holding the line at the same levels as it has done all week, Flexi rates are expected to remain stable. As a result, the call for a X-UKCont run remains around the 22 x ws 155-165 mark, with the lesser being done earlier this week.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

Starting the week in the Continent Owners were in good spirits, searching for repetition at ws 155 levels. Opportunity, as it turned out, was rather hard to come by, with support for these levels simply not being there. The extent of inactivity has been such, that come Friday, we are left with spot tonnage sitting on the lists. For some, idle time is now starting to clock up. Absent of further testing and a national holiday in Geneva on Monday, Charterers should find conditions favourable upon Monday's opening.

In the Med, activity has been rather steadier in terms of volumes shown to the market. However, rates have slid slightly from where the week began. This illustrates that confidence within the Med remains fragile and that sentiment is just about treading water, thwarting more drastic negative corrections for now.

MR

In any market there can always be that outlier fixture, which needs some explanation. In the Continent, it appears we have just had this. Higher numbers due to date sensitivity have not been repeated, while tonnage now builds due to a lack of activity. Next done is likely to reflect scarceness of opportunity.

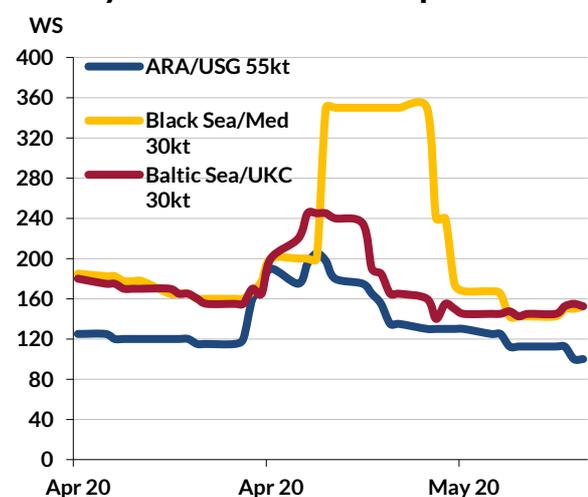
In the Med, MR Owners have had to rely on the safety net of picking up 30kt stems, which has helped to keep the list from becoming overly saturated. That said, Charterers continue to enjoy the benefits of a summer market, where coverage

options are of fewer concerns, and leaving it prompter to cover itineraries that are now a bit more reliable. As far as rates are concerned, for a full sized stem we don't see too much negative correction (kept within ws 5 points), which is likely to persist heading into next week.

Panamax

This sector has witnessed a dramatic downturn in activity levels from both sides of the Atlantic as firm enquiry goes AWOL. The effects of this is taking its toll on tonnage lists, with prompt tonnage being marketed pretty much in every region. This has not been helped by the surrounding Aframax market taking a tumble in the North this week, with this size group now undercutting on a pro rate basis. As far as last done goes on the Panamaxes, there is limited validity, and this is not going to be the benchmark moving into next week, with levels sub ws 100 anticipated.

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	May 28th	May 21st	Last Month*	FFA Current Q
TD3C VLCC	AG-China	+16	66	50	98	61
TD20 Suezmax	WAF-UKC	-0	72	72	118	70
TD7 Aframax	N.Sea-UKC	-20	93	112	156	99

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

		wk on wk change	May 28th	May 21st	Last Month*	FFA Current Q
TD3C VLCC	AG-China	+21,250	64,250	43,000	106,000	56,250
TD20 Suezmax	WAF-UKC	+750	32,750	32,000	63,500	31,250
TD7 Aframax	N.Sea-UKC	-13,950	18,750	32,700	65,250	22,000

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	May 28th	May 21st	Last Month*	FFA Current Q
TC1 LR2	AG-Japan	-5	116	121	501	
TC2 MR - west	UKC-USAC	+39	142	103	273	139
TC5 LR1	AG-Japan	-14	130	144	447	116
TC7 MR - east	Singapore-EC Aus	-12	139	151	421	148

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

		wk on wk change	May 28th	May 21st	Last Month*	FFA Current Q
TC1 LR2	AG-Japan	-1,250	31,250	32,500	174,000	
TC2 MR - west	UKC-USAC	+8,250	20,000	11,750	47,500	19,250
TC5 LR1	AG-Japan	-3,250	25,750	29,000	112,250	21,750
TC7 MR - east	Singapore-EC Aus	-1,750	16,750	18,500	69,250	18,000

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

ClearView Bunker Price (Rotterdam VLSFO)	-26	231	257	184
ClearView Bunker Price (Fujairah VLSFO)	-18	261	279	206
ClearView Bunker Price (Singapore VLSFO)	-15	266	281	246
ClearView Bunker Price (Rotterdam LSMGO)	-14	270	284	221

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