

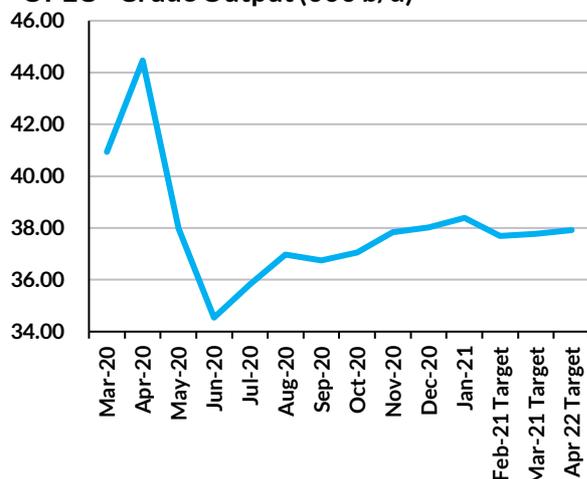
Short Term Pain

Weekly Tanker Market Report

Yesterdays news that OPEC+ would keep production unchanged for April was not exactly what the tanker market wanted or needed. Undoubtedly this move will create more short-term pain for the sector with very little change in cargo volumes expected for at least another month. However, the short-term pain induced could sow the seeds for a quicker recovery in seaborne trade and perhaps accelerate the underperforming tanker demolition market.

OPEC+'s decision seems well reasoned. Whilst crude oil prices had been trading around pre-pandemic levels, there was evidently a disconnect between the paper and physical crude markets. The paper markets seemed to be pricing in forward demand, whilst the physical crude markets were showing signs of oversupply. This is unsurprising. Spring maintenance programmes, most notably in Asia will peak through April and May. Whilst forward demand looks more promising as the northern hemisphere moves into Spring and vaccination programmes gather pace, the recovery in physical demand is not there just yet. Any increase in production would risk flipping the market into a surplus and delaying the recovery.

OPEC+ Crude Output (000 b/d)



Inventories would have been the key focus for OPEC+. Stocks in Europe and the US have shown relatively consistent drawdowns. But it is inventories in Asia which are still of concern. Stocks in China are reported to have started building once again, reducing short term physical buying interest. Indeed, in the past week Chinese companies have been seen reoffering term barrels in the market, providing evidence of the demand weakness at home. And even in the US this week, a record build in crude stocks caused by weather related refinery outages reversed the trend in inventory declines. The stock build in the US will likely reverse itself in a matter of weeks as refineries restart, but still adds yet another argument to OPEC+ maintaining production.

However, in the months ahead, physical demand for crude is set to increase. Most refinery maintenance programmes will conclude during May and this will lead to an increase in demand for June delivering cargoes. At the next OPEC+ meeting the pressure to increase output will grow, particularly if buyer interest for June delivering crude firms. In addition, the extra month or so of production restraint will further help rebalance inventories, which will mean when demand does recover, a greater portion of the demand increase will come from increased seaborne crude trade. In effect the longer OPEC+ keep inventories drawing, the more direct the correlation is between tanker demand and rising oil demand. However, based on OPEC+'s recent behaviour, the base case is that production will only increase slowly this year and whilst it will lift demand and freight rates, the pace of recovery will be modest. Owners may have to endure challenging conditions for a little while longer.

The prospect of more months of pain may also increase the argument to scrap. At present, high bunker prices, low freight rates, attractive scrap prices and increasing regulatory pressure should all create a healthy tanker scrapping market. Yet, so far this year scrapping has underperformed partly due to secondhand values for old tonnage outpricing scrapping values. Yet, many of these secondhand buyers are increasingly failing due diligence checks, whilst demand for older tonnage for further trading is finite and will eventually ease. Furthermore, those sellers who are unable to find a buyer who passes due diligence will increasingly find the only option is scrapping.

Ultimately the news from OPEC+ would have been disappointing for many, but for the longevity of the market, owners short term pain will be their long-term gain.

Crude Oil

Middle East

Another frustrating week for VLCC Owners where there has been sufficient enquiry but they still remain unable to pull themselves out of the current rut. Availability will ensure Charterers keep all the trump cards and, with the latest OPEC+ announcement keeping production flat, it is unlikely we are going to see anything favourable for Owners in the near future. Last done for a voyage AGulf to China was 270,000mt by ws 29.5 and again we estimate for a Western run 280,000mt by ws 18 to the US Gulf (via Cape). An extremely dull week for Suezmax activity, which has seen cargoes to the East paying 130,000mt by low/mid ws 50's and sub ws 20 to Europe. Many Owners continue to ballast to the West where returns are higher. Aframax rates started the week in a very strong stance at 80,000mt by ws 100 for AGulf-East. However, the cooling Mediterranean market has seen some cracks appear and rates are hovering around 80,000mt by ws 85 to close the week.

West Africa

Knowing that the light at the end of the tunnel has been pushed back a couple of months more, VLCC Owners are likely to be more favourable to the longer voyages. Although this would really only apply to ECO or Scrubber fitted ships as the price of bunkers would negate the less efficient units from being able to compete. Latest from this area is 260,000mt by ws 34 for a voyage to China. Suezmax Owners have been able to slightly improve their plight

this week due to the expected tightening of available tonnage. Levels have climbed to 130,000mt by ws 62.5 for European discharge and ws 63 East. This current window of opportunity may allow for higher levels to be paid but it will be short lived due to greater availability of tonnage for forward loading cargoes.

Mediterranean

A week of reckoning in the Mediterranean Aframax market. Improving weather conditions, thinning activity and an average outlook in neighbouring markets have served to undermine confidence. Rates of 80,000mt by mid ws 130's for Ceyhan voyages to Europe were eroded first to ws 120 but by the close of the week ws 102.5 has been achieved multiple times. For voyages with cheaper port costs even 80,000mt by ws 90 was paid. Some resistance for longer employment from the Black Sea was seen; with levels softening to 80,000mt by ws 112.5 but the reality is cargoes are attracting 8 offers today, so we go into the weekend on unsteady ground. An active but flat week for Suezmax tonnage. Libya to China cargoes remain at the conference rate of \$2.6 million and XMED cargoes paying 135,000mt by ws 73.5.

US Gulf/Latin America

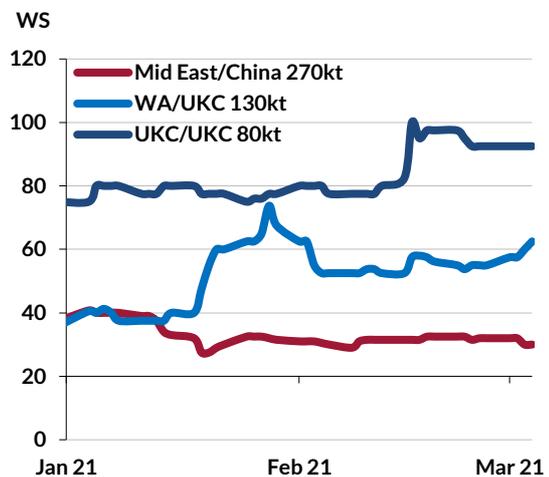
Aframax Charterers have been clawing back for most of the week the recent gains Owners secured predominantly off the back of weather delays. Now that we are back to some normality, with greater

availability of tonnage, rates have dipped especially for transatlantic runs where rates are down to 70,000mt by ws 105. Short haul runs still hold at respectable levels in the region of 70,000mt by ws 140-145. VLCC Owners just haven't seen enough enquiry to structure any recovery here and rates continue to remain around \$4.1 million to China.

North Sea

An interesting week for Aframax tonnage in the North with levels making a comeback. X-North Sea is trading at 80,000mt by ws 95 level and Baltic is hovering at 100,000mt in the high ws 80's, depending on the voyage. The availability of tonnage has thinned somewhat and given Owners more of an opportunity to dig their heels in, especially for cargoes with restrictions. Next week will prove to be the test as to whether levels can hold. Russia has been allowed to increase production slightly in April by OPEC+ but not to a significant enough level to call for too bullish outlook. If we see a similar number of injection barrels for March there could be further progress to be made on Northern rates.

Crude Tanker Spot Rates



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

Clean Products

East

LRs overall have had a depressing week. It started very optimistically with both LR1s and LR2s feeling like they were about to catch the wave. But with tonnage still available on both sizes and cargo volumes struggling, rates have really struggled. LR1s have perhaps seen the better of it, with 55,000mt naphtha AGulf/Japan pushing up to at least ws 95 and will potentially see ws 100 early next week. 60,000mt jet AGulf/UKCont is being hampered by a very static LR2 market, with rates still unable to breach \$1.30 million. LR2s have seen some improvement but it's very limited. 90,000mt jet AGulf/UKCont bottomed at \$1.30 million on Tuesday but has since established a base at \$1.375 million. Yet, owners' hopes of \$1.5 million plus were quickly dashed as Owners realised this was all they were going to get. 75,000mt naphtha AGulf/Japan is pretty steady at ws 70 for now. Next week could see some small rises on both; however, until real fundamental changes in supply and demand are seen, rates will struggle to move far.

We sum up the end of a very busy week for MRs, which are detailed by route. AGulf/West cargoes either point to UKCont or Latin America; the latter shows the arb is open for distillate into the region. \$1.065 million paid ex India; however, as the list has thinned (and in particular, veg history ships disappear), expectations for next done rise to \$1.15-\$1.2 million levels. UKCont will trade circa \$1.05-\$1.1 million date dependant, but economies of scale are much better on the LR2s, so we have seen a flourish in action on this size for westbound voyages.

Naphtha runs have been busy, due mainly to Indian tenders coming out in force. Prompter dates have been extremely difficult to cover due to lack of naphtha suitability. Ws 140 on subs now ex Chennai on a replacement, and ex Red Sea (also replacement).

EAF has traded at ws 157.5 levels, which is disappointing for Owners, given the step up last week; ws 165 was also on subs but this option later dropped. Owners will look to push further in the new week, but there is suggestion already that the LR1 segment will absorb more enquiry, so we could see some dampening in volume on the smaller size.

Mediterranean

Week to forget for the Owing fraternity in the Med, with losses seen throughout. Monday morning brought fairly heavy losses right from the off to 30 x ws 140 (a ws 15 point drop from Friday). Since then, fixing window units have been in abundance and it's been easy for Charterers to fix at less than last on nearly every fixture. At the time of writing, 30 x ws 118.5 is seen on subs ex W-Med, although expect most to hold at a touch higher than this at ws 120. Further East it looks slightly tighter, with ws 2.5 more points achievable ex E-Med, whilst Black Sea still holds at 30 ws x140 levels. Monday will bring a new found fixing window, stretching towards end second decade ex Black Sea, which will make it difficult for any momentum to be found.

Rates have traded sideways at the bottom of the market this week, with 37 x ws 112.5 and 37 x ws 122.5 the going rate for transatlantic & WAF voyages respectively. Activity levels have been good but Charterers have found it easy enough to pick ships off at this rate. With the tonnage list tight by Thursday, Owners were only able to achieve a ws 2.5 point improvement on both numbers. Monday will likely start proceedings at this bottomed out rate; however, with paper trading for balance of the month at around 37 x ws 127.5 now, it wouldn't be surprising to see improvements next week.

UK Continent

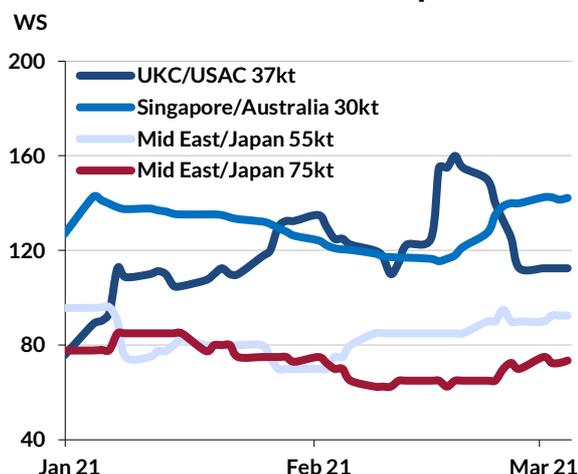
Overall, there are positives to be taken by both parties this week as Charterers enjoyed fixing at the low rate of 37 x ws 112.5 for transatlantic and Owners saw an active week clearing much of the top part of the tonnage list away. Enquiry heading to the States flowed freely up to Wednesday, as we saw an array of Charterers jump into this ws 112.5 market, with the ws 10 point premium for WAF also withstanding. However, as tonnage lists were reassessed at the week's midpoint, any outstanding cargoes off prompt dates were to be faced with limited options and the long ballast by many started to show some promise. Unfortunately though enquiry ceased rather rapidly, with only today do we see a couple of fresh stems appear. With some wind knocked out of Owner's sails we await to see who holds the upper hand come COB.

Charterers for the most of this week have been in control, being able to quietly go about their business and clip away units under COAs. Off the back of this little has bubbled to the market surface but owners held the line and rates at the start of the week traded around 30 x ws 145. Although when a fresh market quote was seen on Thursday and surprising to many 30 x ws 135 went on subs but the bigger fleets in the north have been able to repeat 30 x ws 145 for TC9 on Friday. The Continent on the other hand has once again offered very little fixing opportunities. X-UKCont needs testing but rates are expected to land around 30 x ws 120 when next tested.

All in all, it's been another lacklustre week in this UKCont Flexi market, with minimal cargo enquiry and little fixing activity throughout. The glimmers of action that we have seen have been kept under wraps and as a result

rates in this market continue their tracking of the UKCont Handies. With this in mind the benchmark for a X-UKCont voyage currently stands around the 22 x ws 160 mark, which is where it has traded for the best part of the week. Heading into week 10, an influx of fresh cargoes will be needed to help clear the handful of vessels expected to be ppt around the UKCont come Monday.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

Trading activity on the Continent again had a slower feel but this was hardly a surprise when fixing volumes Friday-Monday of the week previous tightened availability once again. Furthermore, what was seen thereafter showed an equilibrium balance being stuck between supply and demand, with ws 172.5 becoming a conference rate despite sentiment remaining firm.

Down in the Med, gains have been seen week on week with the Black Sea region not only attracting much of the focus but being the real driver for overall direction. Highs of ws 225 were set, where at one stage of the week even going to your closest Owners off market didn't buy you much favour for any reduction in ws points. Looking ahead though, the critical mass of units trading in this region creates a need for a cargo base to remain at peak levels. There could be valid arguments forming that trend will flatten off here at least in the short term.

MR

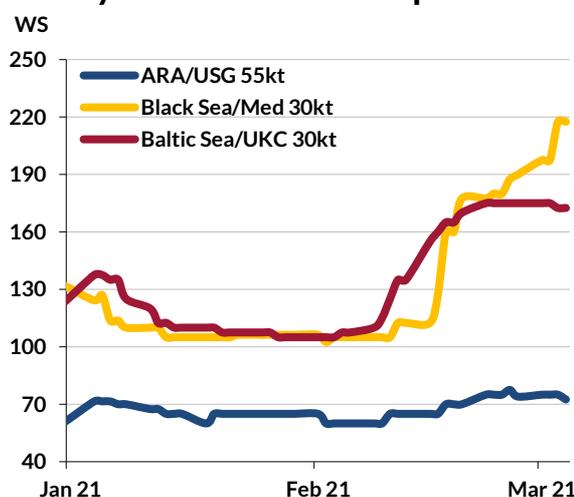
Gradually MR Owners have managed to leverage their positions into improved earnings, where scarceness of availability has made an impact. Looking at this in a little more detail, levels in the Black Sea have now moved up into the 140's and without too much of an eyebrow being raised. But rather than focusing on the gains themselves, perhaps what is more significant is the relative ease Owners have been able to achieve these gains.

Yes, a firm active surrounding Handy market always makes an MR Owners life easier, but right now, and which is also being echoed on the continent, MRs seem to be enjoying a spell of greater demand for full utilisation of their cargo space. As for the \$/MT, even at these rates, Charterers are still getting a comparatively good deal especially from the Black Sea.

Panamax

With a number of units now taking up the opportunity to fix short, the list is perhaps a little more spread out with most ppt availability now taken care of. This alone, however, is not enough to change the fortunes of the sector as limited transatlantic activity means that these same conditions only reoccur further down the line. Still, any improvement will be greatly welcomed by Owners and if less competition can become a factor then just maybe some green shoot of recovery can be seen.

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 4th	Feb 25th	Last Month*	FFA Mar
TD3C VLCC	AG-China	-2	30	32	31	34
TD20 Suezmax	WAF-UKC	+5	60	55	52	54
TD7 Aframax	N.Sea-UKC	-2	95	97	78	86

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

		wk on wk change	Mar 4th	Feb 25th	Last Month*	FFA Mar
TD3C VLCC	AG-China	+250	-2,750	-3,000	-750	750
TD20 Suezmax	WAF-UKC	+4,000	8,000	4,000	5,000	5,000
TD7 Aframax	N.Sea-UKC	-250	3,250	3,500	-6,500	-2,250

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Mar 4th	Feb 25th	Last Month*	FFA Mar
TC1 LR2	AG-Japan	+3	74	71	68	
TC2 MR - west	UKC-USAC	-15	113	128	123	122
TC5 LR1	AG-Japan	+1	92	91	76	88
TC7 MR - east	Singapore-EC Aus	+5	142	137	121	132

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

		wk on wk change	Mar 4th	Feb 25th	Last Month*	FFA Mar
TC1 LR2	AG-Japan	+1,750	2,250	500	1,250	
TC2 MR - west	UKC-USAC	-2,000	3,500	5,500	6,250	5,000
TC5 LR1	AG-Japan	+1,250	4,500	3,250	1,750	3,500
TC7 MR - east	Singapore-EC Aus	+1,500	6,500	5,000	3,750	5,000

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

ClearView Bunker Price (Rotterdam VLSFO)	-26	465	491	438
ClearView Bunker Price (Fujairah VLSFO)	-13	503	516	468
ClearView Bunker Price (Singapore VLSFO)	-27	502	529	476
ClearView Bunker Price (Rotterdam LSMGO)	-28	505	533	476

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

Mumbai

Office 128, Level 1, Block A,
Shivsagar Estate,
Dr. Annie Besant Road, Worli,
Mumbai, Maharashtra, 400018,
India
T +9122-6110-0750

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

Dubai

Platinum Tower, 39th Floor,
Unit 10, Jumeirah Lakes Towers,
Dubai, UAE

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