

Venezuela

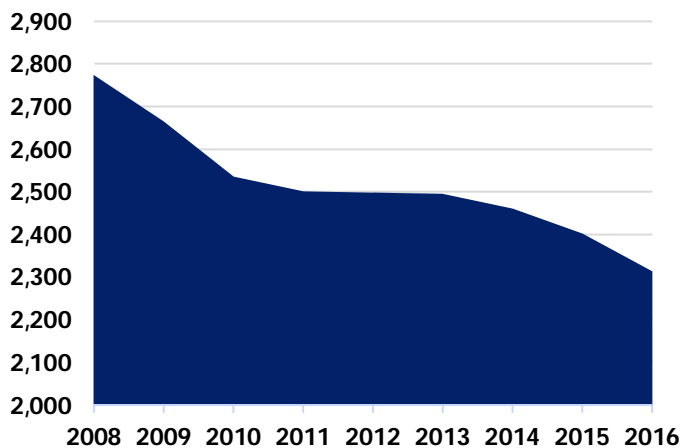
Weekly Tanker Market Report

Perhaps of all countries, Venezuela has suffered the most from the crash in crude oil prices. Furthermore, Venezuelan heavy grades tend to price at a notable discount to Brent. Despite a recent rise in oil prices, the country remains in economic turmoil. The IMF forecasts 2016 GDP at minus 8% and an inflation rate of 500%. To compound these issues country is running short of basic foodstuffs, working weeks have been cut and power outages remain commonplace, with oil operations (both upstream and downstream) suffering as a result.

Official Venezuelan crude production was reported as approximately 2.37 million b/d in May, down from a 2.65 million b/d in 2015. However, many analysts dispute official figures, arguing that actual production is likely to be lower in the region of 2.18 million b/d in May. Whatever the measure, production appears to be falling and could fall below 2.0 million b/d later this year as the country struggles to cover the costs associated with sustaining output, in particular paying foreign oilfield services companies.

In the downstream refining sector, refinery disruptions are frequent, owing to power outages and lack of maintenance/investment. Despite having a sizable refining capacity, utilisation is said to be much lower with many key refineries such as the 955,000 b/d Paraguaná complex suffering from major outages, often running at less than 50% of capacity. Such disruptions have forced the authorities at times to source additional products from overseas. At the same time the government must continue to import light oils to dilute its heavy grades.

Venezuelan Crude Production



To make fuel supply matters worse, issues accessing US dollars have prevented payment for imported cargoes and caused discharging delays as suppliers hold off discharging until payment has been made.

So what are the implications for the tanker market? For products, more imports to Venezuela comes at the expense of less exports, whether this is bullish or bearish really depends on the net effect which is hard to gauge, although lower refining runs are likely to support imports from the US and Europe.

For the crude market, a reduction in exports from Venezuela would initially appear negative, reducing the number of Aframax cargoes in the Caribbean/US Gulf region as well as threatening long haul VLCC exports to the East. However, at present the impact on crude exports is limited due to lower refinery runs. In addition, in reality much would depend on where replacement cargoes to US are sourced from. One obvious source is heavy Canadian grades; but refiners may also look to Middle East producers, such as Iraq or Saudi Arabia, with Iran currently off limits. Thus the overall effect could boost tonne mile demand, providing increased support to the VLCC sector in particular.

Furthermore, it may prove likely that Venezuela prioritises shipments to China over other customers, given the oil for loans programme that exists between the two nations. So on the one hand, lower exports from Venezuela, would be bearish, but higher import to the US from further afield, notably the Middle East would be supportive for tonne mile demand.

Crude Oil

Middle East

No rebound from a persistent sticky bottom for VLCCs this week, and with July fixing well into its end game, and availability still looking easy, Owners will be hoping for a fast start to August from next week in order to re-float from rates that average low ws 40s to the East, and barely better than mid ws 20s to the West. Suezmaxes clung on to recent marks, but then slipped a bit to just under ws 40 to the West and towards ws 75 to the East on faltering enquiry, and easier positioned date ranges coming into view. No material change for Aframaxes that merely drifted sideways at 80,000 by ws 97.5 to Singapore, and look unlikely to rally anytime soon either.

West Africa

Another week of disappointment for Suezmax Owners that kept rates nailed down to ws 62.5 to the USGulf and little better than ws 65 to Europe. One would like to throw a ray of hope into next week's forecast, but there'll need to be heavy fixing to warrant it, and that doesn't seem likely as things stand. VLCCs maintained relatively 'generous' premiums over the AGulf for runs to the Far East but fixing was on the light side, and the differential began to shrink. Rates eased to ws 48.5 to China, with as low as \$2.6 million paid to East Coast India. Onward fortunes will be handcuffed to Middle Eastern developments.

Mediterranean

Aframaxes softened as expected. Things did get reasonably busy for a while, but it was for bargain hunting purposes, and served to pull rates down to an effective bottom 80,000 by ws 87.5 cross Med. Owners will hope that such low values will provoke another active spell, and this time to their benefit. Suezmaxes initially held up, but slim interest, a stagnant West African market, and building availability, then combined to undermine rates to as low as ws 62.5 cross Med with Black Sea to Europe at down to 140,000 by ws 72.5 and runs to China absent from fixture boards, but with 'ideas' of around \$3.4 million for assessment purposes only.

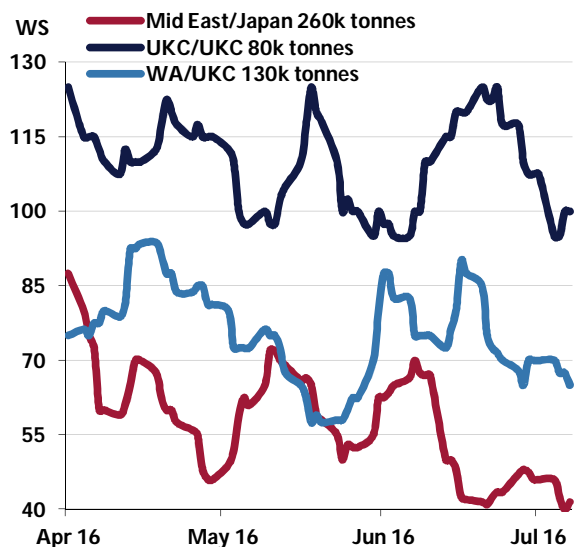
Caribbean

Flat on all sizes. Aframaxes were additionally compromised by the long holiday weekend, and never recovered above 70,000 by ws 82.5 upcoast thereafter on very little enquiry. VLCCs found the bare minimum to trade with and rates necessarily fell off to \$3.5 million to Singapore, and to \$2.5 million to West Coast India. Owners will continue to struggle to find any positives to build upon in the near term.

North Sea

Down a bit, and then sideways for Aframaxes that ended the week at around 80,000 by ws 100 cross UKCont, and 100,000 by ws 77.5 from the Baltic. Supply has been trimmed, but demand within the current fixing window has been more or less covered, so little early change likely. VLCCs failed to find enough to regain any grip, and weak fuel oil 'arb' economics to Singapore led potential rates there to \$2.9 million with one crude oil deal struck from Hound Point to South Korea at \$4.75 million.

Crude Tanker Spot Rates



Clean Products

East

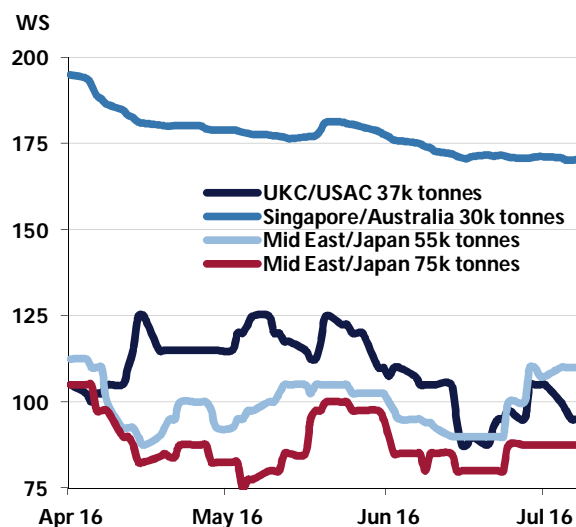
This week has proved slightly disjointed in the LR market, with much of the Middle East off for the week, tied with missing personnel in Singapore and India. At this time last week, we commented that a distinct lack of outstanding cargoes could only be the result of Charterers sitting on end-month stems, allowing tonnage to thicken slightly, and let downward pressure build on rates. The LR2s have had an interesting week in the sense that west-bound cargoes have seen increases, whereas naphtha runs haven't. This is due partially because of Owners' desire to stay East of Suez, and the fact that many of those ships offering in on West cargoes are themselves ballasting from the West, so need to demand higher rates in order to make sense of round voyage economics. AG/UKCont finishes the week at \$1.85 million, but there is a possibility for further firming in the new week. Naphtha runs have stepped down slightly from the ws 85 and finish the week at ws 83.5. The LR1s have had a second bout of action, although tonnage remains in the AG to cover stems. The interesting thought is how much of this tonnage is either west-suitable or west-interested. Few west-keen Owners have pushed rates slightly, which finish the week at \$1.5 million, although a still uncovered 12-13 stem is likely going to pay up, which Owners will be quick to identify as a new benchmark. Naphtha runs have remained fairly flat - a ws 100 out of the Red Sea marked a slight dip down from last done levels, but Charterers were quick to forget that it was a new arrival in a fleet, and Owners were keen to tidy it up quickly. General sentiment remains that rates are flat, but have the possibility to firm if new cargoes continue to emerge, come week 28. It was a bit of a mixed bag this week for MRs in the AG. There was strong activity for the first few days as Charterers and Owners tried to tidy things up before the public holiday in Singapore and India on Wednesday. A complete midweek standstill saw the markets hang fire until trading commenced with alacrity on Thursday. The very tight tonnage list and outstanding cargoes was the sign Owners have been waiting for and it wasn't long until rates were positively tested. West voyage still remain un-favoured and it came as no surprise that this positivity was corrected

sharply and closes the week at \$1.175 million. A push has been seen for the shorter voyages with AG/RSea sitting at the \$475k level and X-AG at the \$240k mark. Gas oil stems heading to EAfr have jumped around a bit, last done sits at 35 x ws 130, however this will certainly be tested soon and expectation is that ws 140 mark is not out of the question. The MRs have the wind in their sails and the Owners will be looking to unfurl the spinnaker to make the most of this opportunity.

Mediterranean

As Week 27 comes and goes in the Handy sector, rates have remained placid with little for neither Owner nor Charterer to get too excited about. Enquiry has been drip fed into the well-stocked tonnage list and throughout the week cracks have appeared in Owners armour with rates continually heading south. Levels close the week at 30 x ws 122.5 for x - Med and 30 x ws 135 for Black Sea liftings but with a number of prompt ships still looking to find employment don't expect a shift in freight rates heading into the start of Week 28. MRs have experienced a slow and uneventful Week, Red Sea runs have remained at \$725k basis Turkey / Jeddah and transatlantic voyages have slipped to 37 x ws 100.

Clean Product Tanker Spot Rates



UK Continent

NW Europe's MR corner shop shelves have remained well stacked throughout Week 27. With gasoline stocks hitting a record high on the East Coast of the US, TC2 volumes were always going to be limited. Levels started at 37 x ws 100 but as ballasters arrived from the States and West Africa, Charterers realised they were in a strong position and rates slid down the ladder to 37 x ws 90. Looking ahead there doesn't seem to be any catalyst for positive change up on the Continent with a continued oversupply of tonnage and inquiry on the light side, expect the rocky road ahead to continue. In the Handy sector trading has remained suppressed with supply quite clearly outweighing demand. Prompt tonnage has been in ample supply which has been the main reason behind rates falling to 30 x ws 110. Until cleared, expect rates to continue to bottom-feed. The Flexis similarly have operated a slow and soft theme throughout the week with 22 x ws 150-152.5 level being the benchmark. Enquiry will have to increase otherwise last done levels will continue to be squeezed.

LRs

The less said the better of LRs in the West this week. A herd of hungry vessels continue to roam the marketplace (mainly towards the East where employment opportunities are greater) with no immediate prospects for greener pastures in the West on the horizon. Gasoline flows to West Africa are down to a trickle and the naphtha arbitrage to the East remains closed. ARA/WAf rates stay flat at 60 x ws 65 with a sense that rates have bottomed at this level. We have however seen a couple of LR1s pick up runs with options to Brazil at 60 x ws 80, a trip to Jeddah collected \$750k and \$1.2 million to go to the Far East. If you listen closely you can hear the tumbleweed blowing around the LR2s in the West as another subdued week draws to a close. Like on their little brothers, rates remain under pressure and Owners are choosing to ballast their vessels towards the AG in search of employment.

Dirty Products

Handy

Numbers remained firm in the Continent this week as activity presented in an adequate fashion taking care of any firm units that cropped up. Generally we saw levels move with in just small measures of positive volatility, although at the closing stages of the week further stimulus has been provided through replacement business which in turn has opened the door to increment into the ws 150+ realms. In the Med, market trend appears sat at polar opposites where numbers have been eroded steadily progressing through the week. A lengthened tonnage list ensured that units were forced to compete for available cargoes with Charterers sharpening their pencils between deals. Monday will now hold a great deal of importance for forward trend, units expected to open could be forced to compete if we do not see the cargo base develop quickly.

MR

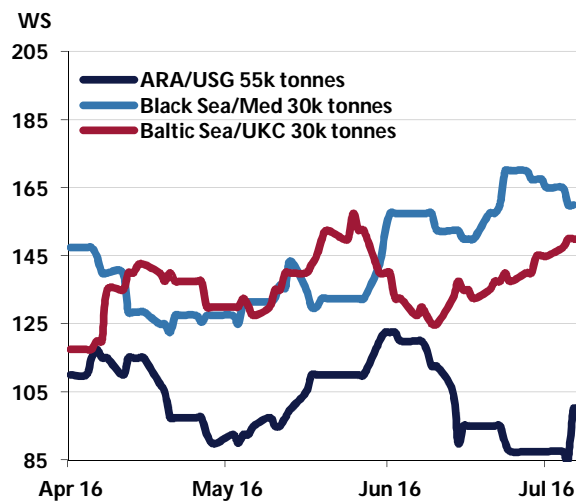
Naturally placed tonnage remained scarce through the week which has kept levels firm between deals. Aided further by the strength of the surrounding Handymax markets, Charterers for now have found little room for manoeuvre in the battle for altering benchmarked levels. Putting on a brave face Owners this week tried to be resilient in the face of tough conditions, where many of whom were sat contemplating when the right time would be in moving in on part sized opportunity. Come Friday, it would appear a few such units have opted to take this approach which has shortened MR supply, but has equally left the door open for Charterers to test last done knowing the stagnancy of previous benchmarks.

Panamax

The tables are slowly turned in Owners favour within this sector as fixing dates coming into market appeared cut off much of the ballast tonnage. In turn, those who could make current fixing windows found themselves to be in a rather fortuitous position and subsequently benefitting from increments on last done. With European

numbers now touching the treble digit range, the big test will be whether gains can be sustained where more tonnage reflects, as at present, Charterers will be fancying their luck whilst Caribbean markets remain in the doldrums.

Dirty Product Tanker Spot Rates



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	July 7th	June 30th	Last Month	FFA Q2
TD3	VLCC	AG-Japan	-5	42	47	67	44
TD20	Suezmax	WAF-UKC	-3	67	70	75	66
TD7	Aframax	N.Sea-UKC	-8	100	108	109	99

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

			wk on wk change	July 7th	June 30th	Last Month	FFA Q2
TD3	VLCC	AG-Japan	-6,500	22,000	28,500	51,750	24,250
TD20	Suezmax	WAF-UKC	-1,500	21,000	22,500	25,500	20,500
TD7	Aframax	N.Sea-UKC	-2,750	21,750	24,500	24,750	21,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	July 7th	June 30th	Last Month	FFA Q2
TC1	LR2	AG-Japan	+0	88	88	85	
TC2	MR - west	UKC-USAC	-13	92	105	105	99
TC5	LR1	AG-Japan	-6	102	108	94	98
TC7	MR - east	Singapore-EC Aus	-1	170	171	174	

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

			wk on wk change	July 7th	June 30th	Last Month	FFA Q2
TC1	LR2	AG-Japan	-1,000	14,250	15,250	14,000	
TC2	MR - west	UKC-USAC	-2,250	7,000	9,250	9,250	8,000
TC5	LR1	AG-Japan	-1,500	12,500	14,000	11,000	11,500
TC7	MR - east	Singapore-EC Aus	+250	13,500	13,250	14,250	

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

ClearView Bunker Price (Rotterdam HSFO 380)	+0	244	244	238
ClearView Bunker Price (Fujairah 380 HSFO)	+1	265	264	253
ClearView Bunker Price (Singapore 380 HSFO)	-11	256	266	252
ClearView Bunker Price (Rotterdam 0.1% LSFO)	-13	423	436	458

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