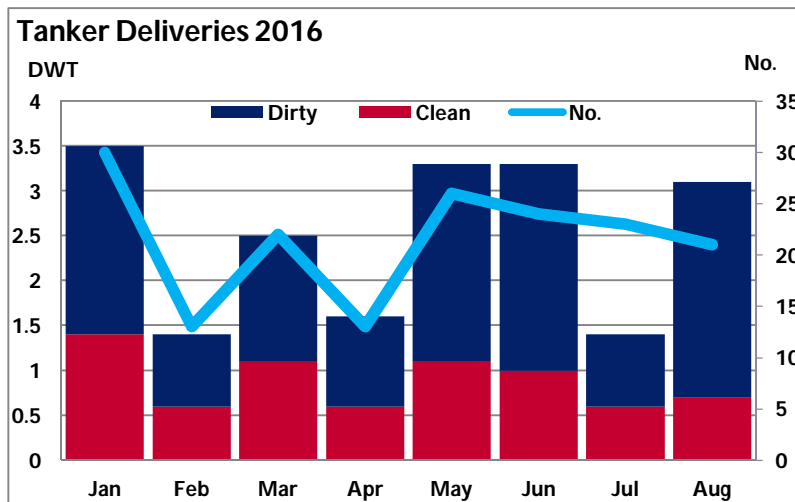


# International Rescue?

## Weekly Tanker Market Report

As owners head back to work after their summer breaks, many will no doubt have to do some serious thinking as we approach the final quarter of 2016. I am sure that although they may have been absent from their offices, they still were not too far removed from their email and kept their mobile phones topped up to remain informed as to the falling fortunes of the tanker market. Now back in their offices, many will have to take a hard look at their spreadsheets and the accountants profit warnings as we enter the final third of the year.



Last summer we were reporting about the orderbook swelling, and it continued to do so throughout the remainder of 2015. A few owners switched dry bulk orders to tankers and the orderbook was further swelled by an influx of orders ahead of the Tier III regulation requirements for the US trade. Last year shipbuilders around the globe received orders for 50 million dwt/tonnes, just shy of the total of 51 million achieved in the heady days of 2008. Thankfully, for the tanker

market, orders placed so far this year amount to a mere 50 (25,000 dwt & above) equivalent to 7 million dwt and this is in a record low newbuilding price environment. However, we are also aware of several owners who are considering placing orders either as an investment opportunity or just part of their fleet renewal programmes.

Over the first eight months of this year, deliveries of new tonnage have amounted to 20 million deadweight and according to our records we are scheduled to see 19 million deadweight over the remaining four months. We do expect to see some slippage; however, slippage just means delayed. So the delivery profile hangs over the tanker market like a very dark cloud which could remain overhead for some time to come. The tanker market is scheduled to see a further 37 million deadweight delivered in 2017. Since the start of the 2016 we have seen a mere 1.4 million deadweight of tanker sales for scrap, hardly surprising given the strength of most tanker markets over the first half of the year and the poor lightweight values on offer. Another recent support for the VLCC sector has been "operational" storage for both crude and fuel oil which was as high as 38 units in May but has subsequently diminished to 22 (excluding Iranian storage).

So it is difficult to find many positive things to say about the tanker market in the short term. The announcement yesterday that the Ballast Water Management Convention will finally enter into force from September 2017 will have an impact on the older ships where many may not be considered viable to retrofit in terms of costs versus age and earnings potential. In all probability, next month we will learn from the IMO the timing of the implementation of the new global sulphur cap for marine fuels. Many stakeholders believe the global maximum permissible sulphur limit on marine fuel will be 0.5% (lower limits for the ECAs) and implementation will be brought forward to 2020. Both these pieces of legislation will impact on owners in terms of the expenditure required to comply with these regulations. We believe that the impact of both directorates will enhance the prospects for increased scrapping. Once again legislation will have a huge impact of fleet numbers going forward, similar to the impact of the introduction of double hulls in the 1990's.

# Crude Oil

## Middle East

A turbulent week for VLCC Owners here, where initially they were able to command premiums for vessel restricted business but due to the overabundance of tonnage throughout September there was never an opportunity to build from that. A generic AG/East voyage today currently stands at 270,000mt x ws 35 with discounts achievable for older/less approved units. Voyages to the West were concluded against option cargoes and levels achieved remain around 280,000mt x ws 24.5 via the canal. Suezmax rates to the West have hovered in the high ws 30's for non-premium business. The October Basrah programme has been released and it does give Suezmax Owners some confidence for first decade cargoes. Aframaxes in the AG finally saw some continued activity other than the repetitive Indian and Pakistani business (currently trading at \$230k for AG/Karachi) that has been the staple over the last few months, with Charterers once again emerging with enquiry heading East. A serious amount of prompt tonnage in the Singapore area has meant, however, that Charterers have been able to continue to drive rates down, with 90 x ws 55 fixed for an AG/New Zealand run (equiv 80 x ws 62) and levels are now at a point where Owners are hovering around the break-even/negative earnings level. This has forced some Owners to dig their heels in, especially with Charterers looking to fix increasingly forward dates. At these levels (Charterers now expressing ideas sub-ws 60 for AG/East) Owners are reticent to lock in long voyages far in advance and perhaps the bottom has now been reached, though it will take a mammoth effort for Owners to claw back their losses to any substantial degree in the short term.

## West Africa

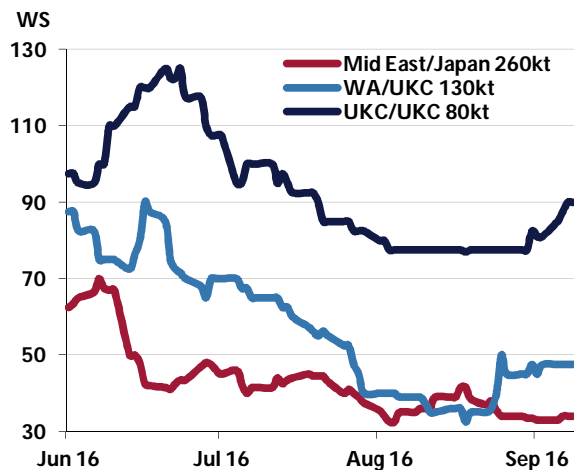
At the start of the week VLCC Owners were on a more offensive footing here as potential gains in the Middle East took effect. One replacement cargo saw levels move up a couple of ws points but as the week comes to a close levels were quickly brought back down to their recent lows of 260,000mt x ws 37.5. Suezmax market had

showed some early week potential for rates to push up, as the week continued this ebbed away. Levels became grounded at 130,000 mt x ws 47.5 for Europe. Likewise rates to the East remained steady through the week at ws 60.

## Mediterranean

Finally the week upon week of steady fixing has come to bear fruit for Owners. Rates have begun to creep up from ws 65 levels for ordinary cross-Med voyages to mid 70s now being asked, if not more. The truth is for the normal fixing window in the Med and Black Sea, ships with firm itineraries are in scarce supply and if Charterers wish to book this side of the weekend they will be looking at premiums. Next week is another story however and fortune may favour the brave; but one would need to be very brave to wait for more ships whilst others force rates up in the intervening hours. Suezmax rates from the Black Sea slightly firmed to 135,000mt x ws 55 but the main drive this week has been for cargoes discharging in the East. \$1.55 million had been paid in the earlier part of the week for Ceyhan/Spore but by the later part of the week Owners were not willing to repeat this rate and pushing for higher.

## Crude Tanker Spot Rates



## Caribbean

Aframax Owners had a short week to work with due to holidays in the U.S but due to weather delays and the incident in the HSC, Owners were

able to push levels on. Rates subsequently moved up to 70,000mt x ws 105 for Caribs/upcoast, but with more tonnage now showing available this is looking a little 'toppy'. VLCC interest moved up healthily with Charterers looking further forward into October. Availability for the first half of October is thin and rates have moved up accordingly currently levels achieved are \$2.25 million to WC India and around \$2.8 million to Singapore although this is likely to be bettered with the next fixtures that are reported.

## North Sea

North Sea and Baltic Afras witnessed a resurgence this week. Delays have continued in holding up tonnage with North Sea grades on board and inevitably constricting the list. The busy programme for second decade on Russian Export Blend has also further thinned the list. These factors have shifted the dynamic of the North and at PM Friday of week 36 rates are firm and up some 17.5 points. The week started trading at ws 52.5 on 100kt for Baltic/UKC and ws 85 for cross North Sea. At the time of writing last done for Baltic/Ukcont is ws 70 and looking to push up with cross North Sea ws 92.5 and firm. Next week as cargo dates move into 3rd decade we expect the trend to maintain but sentiment is still fragile and if second decade vessels get declared short the present movement could be checked, and falter fast. An interesting week in the North. Inevitably we saw some fixing and failing on the VLCC's here, but overall the majority of naturally placed ships did eventually fix away. Levels concluded were around \$2.5 million from Rotterdam to Singapore and around \$3.5 million for Far Eastern destinations.

# Clean Products

## East

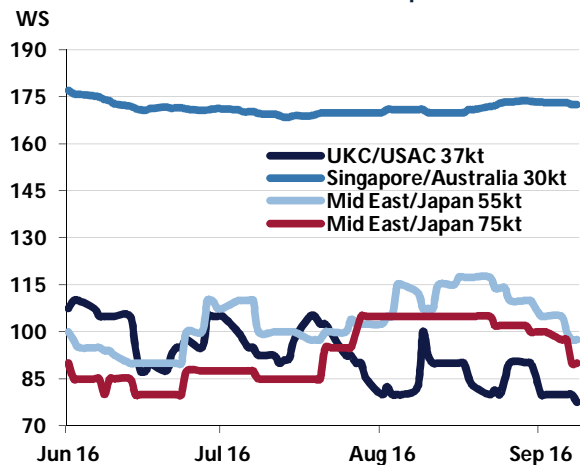
LRs have had a disastrous week with activity levels at rock bottom and rates falling fast. With Eid holidays next week there is little optimism from Owners in the short term. 55,000 mt naphtha AG/Japan is down to ws 97.5 and 65,000 mt jet AG/UKC is hovering just above \$1.3 million. 75,000 mt naphtha AG/Japan is down to ws 85 with more to come, and 90,000 jet AG/UKC is at \$1.80 million but again we expect this to continue the slide into next week. The MRs troublesome spell continues, rates soften and then softened even further and with public holidays in the Middle and Far East on Monday, it looks unlikely that we will see any change in the short term. AG/UKC voyages sit at \$1.0 million level and \$925k for last vegs. AG/EAfr dropped off during the week and closes at 35 x ws 107.5. Shorter voyage followed the status quo and AG/RSea trades at \$350k and with X-AG at the \$145k level. Eastern naphtha cargoes were affected and finish at 35 x ws 92.5 mark. A disappointing end to a disappointing; where signs of improvement are currently not on the horizon.

## Mediterranean

A lacklustre week 36 comes to a close in the Mediterranean with many Owners wanting to forget this one as soon as possible. Monday brought with it a hefty tonnage list with 20+ prompt ships, which despite acceptable levels of fixing, never was able to be shaken off. One of the main culprits for this glut of tonnage has been an incredibly quiet Black Sea, producing a small handful of employment opportunities for Owners. With this in mind, we see our tonnage weighted heavily to the East Med and simply not enough stems to keep ships moving. Rates for Cross Mediterranean moves have been nudged further towards the 30 x ws 100 mark and Black Sea liftings losing some of their premium and come to a close at 30 x ws 110. Looking ahead it seems difficult for the time being to see when the light will appear at the end of the tunnel, with Owners just taking every opportunity that arises. The MRs, despite poor rates can enjoy some good activity passing. Cargoes heading to the AG have been moving, with numbers falling to \$500k for a

Med / Jeddah run. With 3-4 of these passing and a few transatlantic runs also appearing, tonnage has been turning over nicely, and vessels ballasting North from WAF will certainly prick their ears up to any employment chances.

## Clean Product Tanker Spot Rates



## UK Continent

This week sees the NWE MR market continue to be plagued by a sustained period of inactivity that has been insufficient to cater for the amount of readily available tonnage. It is no surprise then that a 5 points drop to 37 x ws 75 has occurred as the week draws to a close with problems being compound as TC14 continues to be slow and enquiry for WAF and China has been few and far between. Currently the market looks set to stay flat going into next week, although Owner will be eager to take advantage of any opportunity to get the market back up, notably the drawdown of UMS stock in the States and switching over to winter grade gasoline could have some influence on this, how much remains to be seen. Handy rates ex Baltic have stayed flat at 30 x ws 105 for the duration of the week, the rate at which cargoes are entering the market seems well matched with the rate at which tonnage is being recycled giving little opportunity for owner or charterers to swing the market in their direction. The X-Cont market has suffered somewhat this week now trading at 5 points discount for the Baltic runs, most tonnage seems happy to take cargo at this level provided the market does not drop any further.

Owners are pleased to see a touch more activity this week as Flexi enquiry seemed to be improved in comparison with recent weeks. That said the tonnage list looks to be lengthy again by the time Monday comes around and whilst we might be noticing a few more spot cargoes in the market the level of enquiry is not sufficient enough to affect rates and will likely see Owners be forced into continuing to trade the rates flat as we have seen this week.

## LRs

As another desperately quiet week draws to a close, we are back at a familiar scenario where there are seven prompt LR1s up on the Continent, with two more to add to the pile come Monday morning. Owners did well to hold on to 60 x ws 80 for an ARA/WAF run this week, however it will be interesting to see just how aggressive Charterers are during week 37. A number in the 60 x ws 70's is easily achievable for ARA/WAF as is 60 x ws 65 for a Cont/Med run. It is a similarly depressing situation on the LR2s where rates have slipped again. One Charterer fixed an LR2 for a Baltic/Japan run at \$1.7 million. In recent weeks, LR2s opening on the Continent have managed to find employment by snapping up cargoes loading in the East. However this week, due to a range of factors, the East market has offered little. This has naturally exacerbated the overall outlook for LR2s. With low rates, plenty of tonnage options and just a trickle of enquiry, it is little surprise to see a couple of LR2s dirty up.

# Dirty Products

## Handy

In the North the Continent has been a little bit like a school disco, everyone standing around anxiously waiting for someone to ask them to dance but being bitterly disappointed. Furthermore, there are still some Owners stuck at the party waiting for their turn from Charterers, with cocktail in hand and a drooped umbrella. Like most parties it does take time for things to get going and guests to warm up, so perhaps Owners will take some positives from the fact there was at least some activity trimming some of the excess capacity. At the other party down in the Mediterranean, it was an uneven ratio of boys to girls. The balance of ships to cargoes has had a detrimental effect on rates resulting in a 20 point drop from the beginning of the week. There will be some Owners stuck at the party this weekend, in the hope of a new flock of cargoes on Monday to smooth and try and charm market increment.

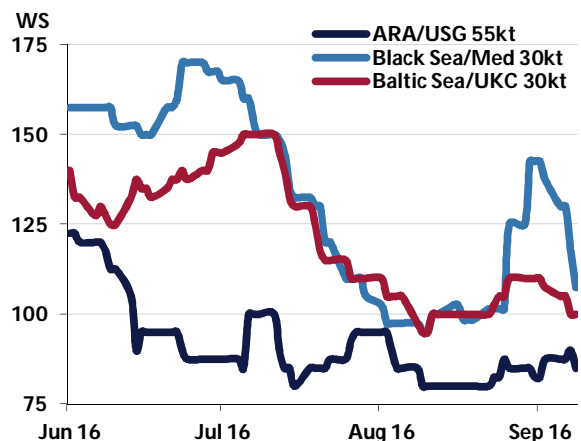
## MR

Well it appears that this size sector up in the Continent has taken annual leave! Once again MR stems have not been able to compete with surrounding markets \$/per ton and we have very little to report. Looking ahead there are still not a great deal of naturally positioned vessels in the region, but plenty of West Mediterranean tankers for a UKC-Med voyage. In the Mediterranean there have been a few MR stems but these dealings have been concluded under the radar leaving some Owners left in the lurch miff as to why they weren't given any opportunity. Scratch a little deeper and you will notice the MR's that have been fixed were all open in the East Med, nicely positioned for Black Sea loads and those that are still sat prompt are bunched in the West Mediterranean region where competition is rife. That said, rates have remained flat whilst at the same time managing to thwart the posed threat of decline.

## Panamax

Mixed emotions for the Panamax market this week with activity leading to a spread of fixing levels being achieved. Ws 87.5 on subjects out of the Continent raised Owner's expectations and renewed belief in the market, Although it seemed the slight increment was short lived with a couple of cargoes from the Mediterranean having Owners with ships crossing the pond throwing their hats into the mix and eventually seeing negative correction with ws 80 eventually achieved. Heading into next week with naturally placed tonnage and ballast units coming into the picture, this market may well have its work cut out if the higher echelons of this week's range are to be re-established.

Dirty Product Tanker Spot Rates





## Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sept 8th	Sept 1st	Last Month	FFA Q3
<b>TD3</b>	VLCC	AG-Japan	+2	34	33	37	45
<b>TD20</b>	Suezmax	WAF-UKC	+1	48	46	35	60
<b>TD7</b>	Aframax	N.Sea-UKC	+9	92	82	78	96

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

			wk on wk change	Sept 8th	Sept 1st	Last Month	FFA Q3
<b>TD3</b>	VLCC	AG-Japan	+750	13,500	12,750	17,750	24,750
<b>TD20</b>	Suezmax	WAF-UKC	+500	10,750	10,250	6,000	17,250
<b>TD7</b>	Aframax	N.Sea-UKC	+8,250	15,500	7,250	4,500	19,500

## Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sept 8th	Sept 1st	Last Month	FFA Q3
<b>TC1</b>	LR2	AG-Japan	-10	90	100	104	
<b>TC2</b>	MR - west	UKC-USAC	-5	77	82	93	96
<b>TC5</b>	LR1	AG-Japan	-9	98	107	108	95
<b>TC7</b>	MR - east	Singapore-EC Aus	+0	173	173	170	

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

			wk on wk change	Sept 8th	Sept 1st	Last Month	FFA Q3
<b>TC1</b>	LR2	AG-Japan	-3,000	15,750	18,750	21,000	
<b>TC2</b>	MR - west	UKC-USAC	-1,000	4,250	5,250	8,000	7,750
<b>TC5</b>	LR1	AG-Japan	-2,750	11,250	14,000	15,000	10,750
<b>TC7</b>	MR - east	Singapore-EC Aus	-500	13,500	14,000	14,500	

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

ClearView Bunker Price (Rotterdam HSFO 380)	+6	246	240	216	
ClearView Bunker Price (Fujairah 380 HSFO)	+13	269	256	226	
ClearView Bunker Price (Singapore 380 HSFO)	+11	263	252	221	
ClearView Bunker Price (Rotterdam 0.1% LSFO)	-8	404	412	366	

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