

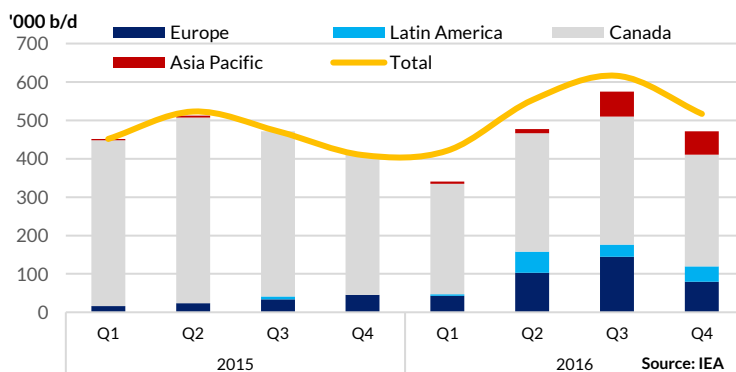
The Longest Yard

Weekly Tanker Market Report

For crude tankers, voyages from the Caribbean to Asia via the Cape of Good Hope are generally considered the longest haul; however, the lifting of the US crude export ban made possible an even longer route from the US Gulf to Asia Pacific. The volumes traded were fairly modest in 2016: almost nothing was transported to Asia during the 1st half of year, while shipments rose slightly to around 60,000 b/d during the 2nd half. This was largely expected considering the decline in US crude production for most of 2016, which fell by over 0.5 million b/d year-on-year. This not only limited the scope for the increases in total US crude exports (which were up modestly by just 55,000 b/d, including those barrels to the East) but also translated into higher crude imports, which registered much stronger gains. In addition, shipping US crude to Asia is relatively high cost and there are also infrastructure limitations. US crude is largely exported on Aframaxes and Suezmaxes, while a VLCC loading (most practical for long haul) involves an expensive reverse lightening exercise. AIS tracking data shows that just four VLCCs shipped US crude to Asia in 2016, all in the 2nd half of the year.

The dynamics of the market have changed this year. US crude production has started to bounce back and is forecast to continue to grow. At the same time, massive Middle East OPEC cutbacks have limited regional crude availability, translating into higher values for the Middle Eastern barrels relative to the Atlantic Basin benchmarks. The price differential between DME Oman and WTI crude futures moved from an average discount of around \$1.4/bbl in 2016 for DME Oman to a premium of around \$1.5/bbl so far this year. These developments have stimulated total US crude exports to a number of destinations, including higher demand from Asian refiners.

Main Importers of US Crude



Preliminary weekly US data suggests that total crude exports averaged around 0.77 million b/d so far in 2017, up massively by 350,000 b/d versus the same period last year. AIS tracking data also shows a notable increase in shipments to Asia, with 3 VLCC loadings in January, 5 loadings in February and another 5 in March.

Whilst Middle East OPEC production cuts remain in place, such “restraint” is likely to support robust demand from Asian refiners for US crude. However, as this trade is primarily

arbitrage driven, greater availability of the Middle Eastern barrels is likely to make US crude less appealing, particularly if prices for the Middle East grades decline relative to the Atlantic Basin crudes.

In the medium term, the picture may change again. Prospects are strong for continued gains in US crude production. Some may argue this is likely to reduce seaborne crude imports. However, increases in US crude exports will alleviate the downward pressure on imports. The case for further growth in exports is also supported by the fact that US refiners are more geared up to run on heavier imported crude versus light sweet domestic grades.

Crude export pipeline infrastructure to the US Gulf increased towards the end of 2016 and further projects are expected to be completed over the next few years, paving the way for further growth in export volumes. However, reverse lightening is expensive and can add up to 15-25% to the overall cost of freight for a VLCC load. To make US crude more attractive to Asian buyers, economies of scale are needed - that is efficient VLCC shipments. Last year plans were evaluated to transform LOOP into a crude export facility but the infrastructure is not there yet. Nevertheless, if there is strong demand, sooner or later progress is likely to be made, opening the door for strong gains in the longest haul trade from US to Asia for crude tankers.

Crude Oil

Middle East

Another challenging week for VLCC Owners as supply continued to easily overhang only moderate daily demand. Rates barely moved from an average ws 45 to the East and ws 25 to the West, but there was a degree of resistance building at the week's end and perhaps some gentle pull back may develop for the traditionally busier end month fixing phase. Suezmaxes moved no better than sideways to the East - 130,000 by ws 80/82.5 - but took a further hit to the West at down to ws 32.5 due to heavy competition for that preferred direction and ballasting to the Atlantic is becoming more popular. Aframaxes tailed off a bit from recent highs to end at 80,000 by ws 115 to Singapore and a weaker phase looks set to take hold over the near term.

West Africa

Suezmaxes remained stuck fast at recent lows as Charterers merely drip-fed enquiry into a well-stocked marketplace. Rates stand at no better than ws 82.5 to the USGulf and ws 85 to Europe with few positives in sight to call for an early rebound. VLCCs saw more attention than of late and rates moved a little higher in response, but a quieter end to the week stalled momentum and higher than ws 55 to the Far East and \$2.6 million to West Coast India, proved difficult to secure. Little movement into next week unless the Middle East surprises.

Mediterranean

Aframaxes continued for most of the week upon their recent roll with rates pushing up briefly to 80,000 by ws 130 cross Med, but things slowed into the weekend and vessels remained to put Owners slightly more on the defensive before next week's campaign. Suezmaxes started steadily, but also slowed late-week and rates from the Black Sea to European destinations eased to ws 90 with around \$3.3 million asked for runs to China.

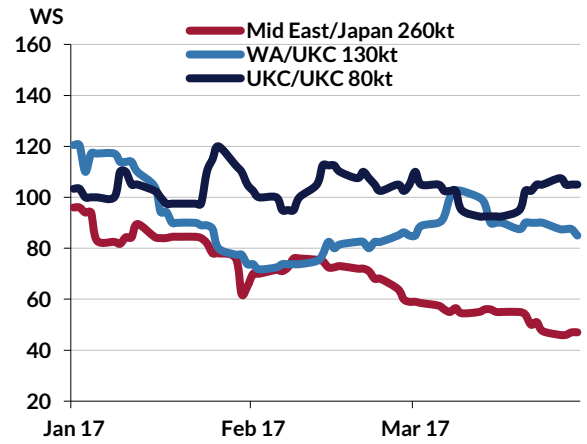
Caribbean

Another dull week for Aframax here. Rates just about held above 70,000 by ws 90 upcoast, but there will have to be sustained activity before Owners can regain any initiative. VLCCs ended very slowly with early vessels still unfixed. Despite that, rate ideas held up fairly well at close to \$3 million to West Coast India and \$3.7 million to Singapore, though they may prove harder marks to hold into next week.

North Sea

Aframaxes enjoyed a steady enough week, but failed to gain any advantage from the stronger Mediterranean scene and rates again averaged 80,000 by ws 105 cross UKCont and 100,000 by ws 95 from the Baltic. The ice market also draws to a close and that will remove another support-rod moving forwards. Traders had occasional success moving fuel oil on VLCCs to Singapore with rates operating at down to \$3.2 million, but many deals also failed subjects and lower rates may yet be called for.

Crude Tanker Spot Rates



Clean Products

East

The MRs finish the week in a slightly strange situation - tonnage is looking thin off the front window, and although we have seen some prompt cargoes and late replacements emerge, rates have remained relatively stagnant all week at last done levels. X-Gulf rates have dropped off to \$175k Jub/Jeb, although this was on subs with a ship which has failed numerous cargoes already. EAF has sat level at ws 175 all week, and TC12 very steady also at ws 137.5. Gasoil into the Red Sea is still trading at \$450k, although there is a possibility for potential softening as Owners may look to reposition to what is a pretty thinly supplied loading area. West runs have come off, due partially to an active West market - \$1 million was for a day on subs with an older ship, but again was replaced off prompt dates at \$1.075 million. Going into the new week, this rate will need a test, but it will likely settle at the \$1.05 million level, possibly \$1.025 million dependent on grade and dates.

The LRs have this week ticked along - the LR1s being more active than the LR2s, and we have seen a fair level of tonnage put on subs. The high levels seen on TC5 last week have been readjusted and ws 132.5 has been the tried and tested level for naphtha runs on this size. West runs on the LR1s have been relatively quiet, but a late ship on subs for ULSD ex Sikka suggests that they should fall at the \$1.235-\$1.25 million levels - the lower level taken as it was guaranteed to discharge in East Mediterranean. The LR2s have been relatively quiet this week, but \$1.55 million has been put on

subs and 75 x ws 112.5 seen many times on TC1. Tonnage now looks thin off the natural window, and Charterers will be keeping fingers crossed not to fail subjects and be forced to go back into the market off this window.

Mediterranean

Week 13 has proven to be the calm after the storm for Handies plying their trade in the Mediterranean and Black Sea region as Charterers have been able to swing the momentum back into their hands. With fresh cargo enquiry light and tonnage being quickly recycled, Charterers have been able to continually chip away at freight rates. Levels towards the back end of the week have now dropped to 30 x ws 220 and looking ahead at the market fundamentals further softening should be on the cards. Black Sea has also suffered as delays in the Straits have now calmed to 3-4 days, but just like the Mediterranean the main reason has been due to the lack of enquiry, rates end the week at 30 x ws 250.

Slow is the word to justify the MR market in the Mediterranean this week as enquiry hasn't been able to mirror the Continent market. Rates on the other hand have held the line at 37 x ws 210 transatlantic and 37 x ws 225 for WAF, but more will have to be seen soon in order to justify these levels in the short term.

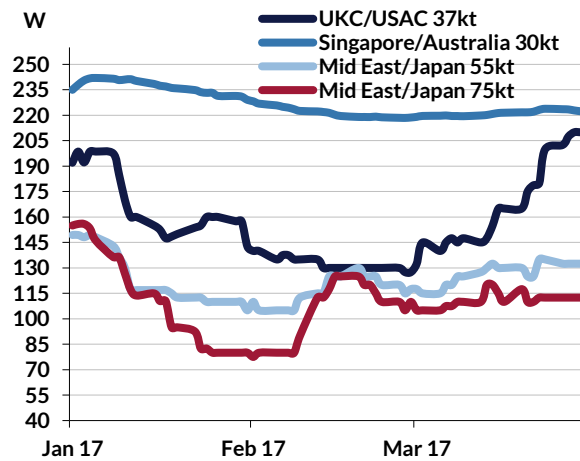
UK Continent

This week MR Owners were pleased to see a tight tonnage list maintained primarily due to a strong USGulf market and recent WAF fixing keeping ballasters at bay. On the back of this, rates have been pushed sideways for the duration despite cargo volumes not being anything too out of the ordinary. Ultimately the week finishes with TC2 paying 37 x ws 210 and WAF offering 37 x ws 220-225, although some enquiry for China has been there Owner ideas of \$ 1.7 million are too much for Charterers to make sense of. There were a couple of wobbly rates at the back end of the week and with the USGulf softening back down Owners may struggle to maintain current levels going into next week.

For the most part rates for Baltic/UKCont and X-UKCont were steady this week 30 x ws 205 and 30 x ws 195 accordingly. However the latter part of the week has highlighted the end of the ice season in the Baltic, and, whilst most port still require it, restrictions are being lifted. As a result the Handy market in NWE is becoming a much more level playing field and with 30 x ws 185 on subs ex Ust-Luga, Charterers will be looking to repeat this on next done.

A rather quiet week on spot activity again for the Flexis leaves rates somewhat hard to pinpoint. Certain Owners are bullish with ideas as a result of heavy COA requirement subsequently pushing their positions forward. Rates seem fairly stable and fluctuating around 22 x ws 215, although in reality rates will depend on the cargo specifics and the Owner matched up to it.

Clean Product Tanker Spot Rates



Dirty Products

Handy

It's almost as though this week never happened as the market in the Continent remains unchanged from where we left off last Friday. That said, the limited activity seen this week might have had a psychologically negative impact on Owners ideas. Whatever the case as we close week 13 today we heard reports of a TD18 move that has shown little change on where the market currently lies which leaves this region on a level playing field for now.

The Mediterranean came to a screeching halt this week as the cargo gravy train stopped. Prompt tonnage in this region has built and built and Charterers have been able to test the region's stability as the week progressed. Looking ahead into next week, last done is again under threat of seeing negative correction unless we see firmer enquiry.

MR

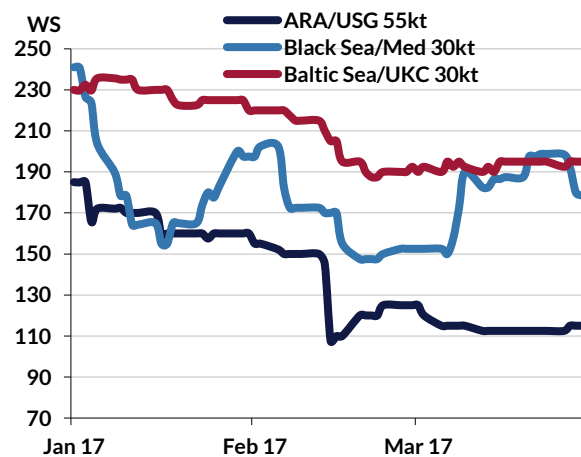
Activity in both the Continent and Mediterranean proved to be somewhat of an anticlimax this week as full sized opportunity remained a rarity for Owners. Focussing on the Mediterranean, towards the back end of the week a couple of Charterers eventually thought it was time to dip their toes into the market at least providing us a test, but with tonnage still readily available further negative correction remains looming over Owners heads for now. In the Continent with naturally placed vessels still available and ballasting units creeping closer toward the region the market patiently

waits for someone to make the next move. Although in a similar scenario to Owners in the Mediterranean achieving last done levels may be a step too far considering Charterers are not exactly short of options.

Panamax

This week started with little momentum due to the hangover of an uneventful week 12 trading pattern, but it didn't take long before the Caribs market sprang into life on Tuesday evening which subsequently left some Charterers struggling to find cover on stems from this side of the Atlantic. As the week ticked by this activity managed to push rates up a couple of points to the ws 115 levels. Next week could be interesting, as presently there is little tonnage willing to commit to ballast this way and if all the tonnage that is currently on subjects gets fixed away, natural positions will be few and far between.

Dirty Product Tanker Spot Rates



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 30th	Mar 23rd	Last Month	FFA Q3
TD3	VLCC	AG-Japan	-2	46	48	70	54
TD20	Suezmax	WAF-UKC	-4	87	91	81	92
TD7	Aframax	N.Sea-UKC	-3	105	108	101	102

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

			wk on wk change	Mar 30th	Mar 23rd	Last Month	FFA Q3
TD3	VLCC	AG-Japan	-1,500	13,250	14,750	29,250	18,500
TD20	Suezmax	WAF-UKC	-2,250	19,250	21,500	15,500	21,000
TD7	Aframax	N.Sea-UKC	-2,250	14,750	17,000	10,500	12,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 30th	Mar 23rd	Last Month	FFA Q3
TC1	LR2	AG-Japan	+0	113	113	115	
TC2	MR - west	UKC-USAC	+10	206	196	130	166
TC5	LR1	AG-Japan	+2	133	131	126	126
TC7	MR - east	Singapore-EC Aus	-1	222	223	219	

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

			wk on wk change	Mar 30th	Mar 23rd	Last Month	FFA Q3
TC1	LR2	AG-Japan	+750	12,500	11,750	11,500	
TC2	MR - west	UKC-USAC	+1,250	19,250	18,000	6,750	13,000
TC5	LR1	AG-Japan	+0	11,000	11,000	9,000	10,000
TC7	MR - east	Singapore-EC Aus	+500	12,000	11,500	10,750	

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

ClearView Bunker Price (Rotterdam HSFO 380)	+12	282	270	306
ClearView Bunker Price (Fujairah 380 HSFO)	+7	300	293	334
ClearView Bunker Price (Singapore 380 HSFO)	+5	300	295	330
ClearView Bunker Price (Rotterdam LSMGO)	+11	446	435	483

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