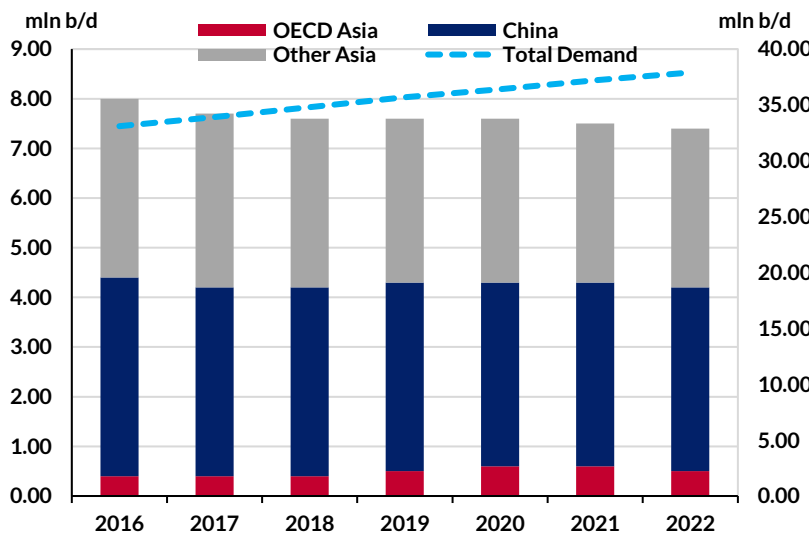


To have a winner there must be losers

Weekly Tanker Market Report

In the most recent International Energy Agency (IEA) medium-term outlook, the agency has forecast global oil demand will rise from 96.6 million b/d in 2016 to 103.8 million b/d by 2022 and that this demand growth will mainly come from non-OECD countries. Forecast oil demand growth for non-OECD countries, according to the outlook, is expected to rise by 8.5 million b/d by 2022 while in contrast OECD demand is expected to decline by 1.2 million b/d over the same period. More efficient oil use and the shift towards alternative energy sources are cited as part of the reasons behind slower demand growth. So effectively (no surprise) the bulk of future oil demand will continue to come from Asia Pacific region. The IEA estimate Asian crude demand will increase by approximately 5 million b/d by 2022.

Asian Crude Production vs. Demand



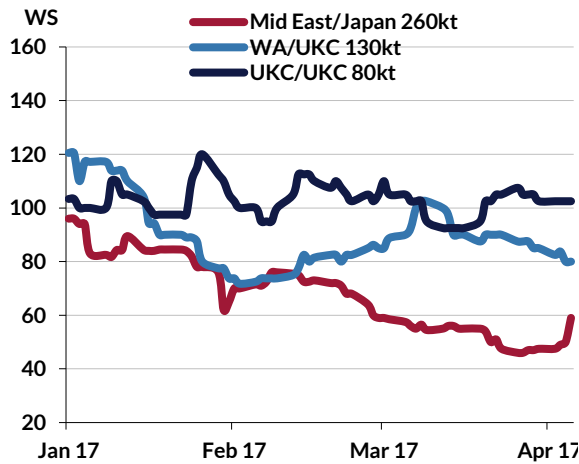
Over the past few years, Asian crude producers have experienced a continual decline in domestic production, in part due to the low oil price environment (cheaper to buy on the international market) as well as depleting oil fields and lack of fresh investment. Latest analysis states that this situation is unlikely to change in the foreseeable future. In fact, research points towards further downwards pressure on Asian oil production which is set to fall by more than 600,000 b/d by 2022. This would be the equivalent of 1% of global oil demand. Half of Asia's forecast

production decline is accounted for by China, still the largest producer, but many fields are mature, drying up and extraction is becoming more expensive. According to the IEA Chinese production has reached its lowest level in nearly a decade and shows no sign of recovering forecasting a drop to 3.7 million b/d by 2022 compared with 4 million b/d in 2016. The situation is the same for other Asian countries. By 2022 the IEA believe that in addition to Chinese losses other Asian producers will see a 410,000 b/d drop in production with the biggest decline from Indonesia (minus 125,000 b/d). Smaller losses are forecast for Malaysia, Thailand, Vietnam and India over the outlook period, but nevertheless add to the picture. Of the Asian producers only Australian production is set to grow.

All the above could provide support for the crude tanker market in the medium-term, in particular the VLCC sector. The IEA report claims that not all the additional barrels will be met by Middle-East producers as more production will be absorbed by the local refiners. Consequently, barrels will have to be sourced from other regions including the USA. Other developments in the Asian region include expanding refinery capacity which will naturally require feedstock whether sourced domestically or otherwise. An example of this is the 200,000 b/d Vietnamese Nghi Son refinery expected to receive its first shipment of crude in May. Nghi Son is 35% owned by Kuwait Petroleum and will eventually produce 8.4 million tonnes of product annually meeting around 40% of growing domestic demand. These kind of developments will support long-haul crude trades but could impact on the short-haul Aframax market in north Asia which are already impacted by pipeline developments. And of course, new refinery developments may support the crude import sector but may compete with long haul product flows into the region. As the tanker market starts to feel the impact of the recent OPEC agreement, the industry continues to seek some good news to boost spirits.

Crude Oil

Crude Tanker Spot Rates



Middle East

A pullback for vlcc's was brewing at last week's close and Charterers made it happen by kicking off this week with a sustained phase of bargain hunting. Availability remained easy, but the concentrated fixing created sufficient momentum to adjust average levels to the East from ws 45 to nearer ws 55 with rates to the West moving into the high ws 20's. Still nothing to really shout about but Owners haven't given up hope of squeezing a little more out of the remaining April demand. Suezmaxes, on the other hand merely moved sideways, and then down, upon very modest interest and very easy tonnage. Rates slipped towards ws 70 to the East and remained stuck at down to ws 32.5 to the West. Aframaxes held ground at up to 80,000 by ws 120 to Singapore, and some predict better things for next week but there's no real substance behind that for now.

West Africa

Suezmaxes resisted in the hope that Charterers would begin to initiate a pre-Easter holiday bargain hunt. Unfortunately, they weren't provoked, and Owners ended up turning tail to accept rates at down to 130,000 by ws 70 to the United States Gulf and little better than ws 75 to Europe. Perhaps such low values will now lead to a busier phase through the holiday lead up, but nobody's betting. Vlcc's were much busier, hand in hand with the Arabian Gulf, and Owners managed to retain their previous premiums over Arabian Gulf/East marks as that zone inflated rates now stand at around ws 65 to the Far East with runs to West Coast India at an average \$2.7 million.

Mediterranean

Aframaxes had already slipped late last week and the slow deterioration continued through this week with only modest interest meeting easier availability. Rates eased to 80,000 by ws 105 Cross Mediterranean but now hold temporarily in anticipation of busier end month times. Suezmaxes failed to find any real inspiration and accepted rates settling into the low ws 80,s for 140,000 Black Sea/Europe with West Africa expected to remain pressurized, a quick turnaround here seems unlikely.

Caribbean

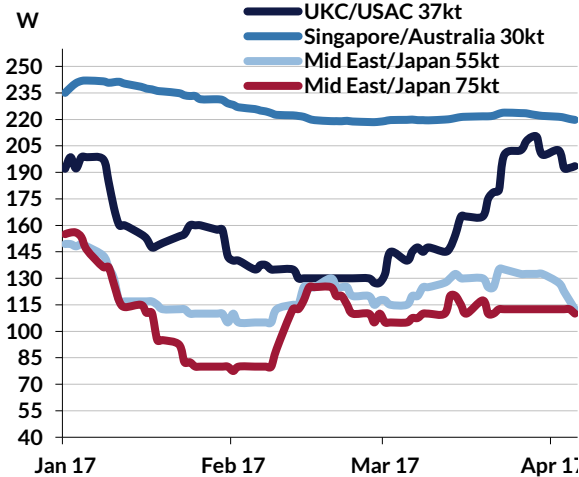
Aframaxes posted virtually no change over the week. The rot did stop at 70,000 by ws 90 up coast but once a little more demand surfaced, rates remained capped at ws 95 with no catalyst for real change on the near-term horizon. Vlcc's, as elsewhere became much more active to strip out the previous early over-hang, and rebuild rates to \$3.9million to Singapore and \$3.2 million to West Coast India and further gains may yet be posted.

North Sea

Overall, flatline for Aframaxes all week with rates Cross United Kingdom Continent operating at an average 80,000 by ws 100 with 100,000 ex Baltic at no better than ws 90. Chances of a pre-holiday busier phase, but no guarantee. Vlcc's did get occasionally picked off but were slow in comparison to other load zones. Fuel oil to Singapore pays around US\$3.2m with a movement of forties crude to South Korea securing \$4.275 million.

Clean Products

Clean Product Tanker Spot Rates



East

As is the case on the larger tonnage, the MRs have not fared well this week. With ample tonnage to choose from, Charterers have been able to pick and choose their preferred tonnage, and dictate levels at which they trade cargoes. Shorthaul has softened to \$170k, and although relatively untested, runs into the Red Sea are predicted to go at \$425k next done. East Africa is now down to ws 160, with next done inevitably less, and a ws 125 on TC12 was an initial shock but inevitable in such a weak market. West runs have dropped to \$925k ex Arabian Gulf, \$875k ex New Mangalore, Charterers making the most of this run as well, and proving that no direction is safe at the moment. Next week will likely be even quieter given the fact that its Easter, so Owners will get little let-off from this Charterer dictated market.

A quiet week on the larger tonnage, which has seen considerable softening on both the LR1s and the LR2s. Naphtha has moved more on the LR1's, and TC5 has dropped off to 55 x ws 112.5 with the strong possibility of further softening next week. TC1 has also seen considerable softening and 75 x ws 100 is now on subs, although Owners are quick to point out that this is an Eastern Owner who needs to move tonnage in that direction.

West runs have come off in line with naphtha. Although we have seen US\$1.175m on subs basis East Mediterranean, Owners are preparing to dirty this ship up post discharge, and a relative S\$1.375 million for UKCont will be hard to repeat, even in such a weak market. LR1s are also very soft headed west, and \$1.125 million is the market level now ex Arabian Gulf. With Easter around the corner, Charterers will look to take rates even lower next week

Mediterranean

The Mediterranean has witnessed a dramatic tumble in rates this week and the factors supporting the inflated rates of the last fortnight have been removed. Better weather, longer tonnage lists and fewer cargoes are now the playing field Charterers are faced with and the reason for why rates have dropped 5 points to settle 30 x ws 150-155 for X-Mediterranean and 30 x ws 170 ex Black Sea. Despite tonnage being fixed away the short voyages mean the list is replenished for the next fixing window which ultimately limits any rate growth. This natural correction in rates was to be expected after this hiatus seen recently, although the market seems to be finding its bottom.

In contrast the Mediterranean MR market has managed to hold the line and mirror what the continent has been doing. Even though volumes have not been there in vast amounts ballasters from West Africa have preferred Continent cargoes which has kept the MR tonnage tight. Transatlantic rates held at 37 x ws 192.5 and for Brazil 37 x ws 210, cargoes east have been subdued but Jeddah remains at L/S \$875k from central Mediterranean.

UK Continent

Week 14 has brought frustration for MR Owners in NWE as rates have gradually slipped throughout the week. Enquiry has not been sufficient to clip away all tonnage on the list giving charterers the opportunity to push rates down now with TC2 trading at 37 x ws 192.5 down from the 37 x ws 200 seen on Monday. West Africa enquiry which has been helpful to Owners in recent weeks has stayed quiet throughout the week leaving achievable numbers at 37 x ws 205-210. China runs have been lackluster and not helped by the news the mixed aromatics will now be subject to import tax not previously imposed. Ballasters arriving from Brazil and West Africa are likely to keep the rates flat and soft next week despite some indications that UMS heading transatlantic could pick up.

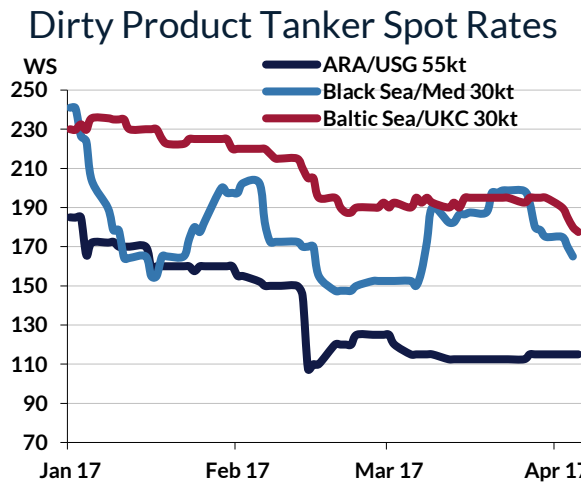
The rapidly declining ice-conditions in the Baltic have left remaining ice tonnage scrambling to obtain the last premiums on offer. Owners have done well to keep 30 x ws 205 trading for such ports, whilst non-ice Baltic ports are trading only about 5 points above the X-UKCont rates which offer 30 x ws 180 currently. Rates were looking soft until the very back end of the week which sees a good amount of enquiry and will likely help owners maintain last done going into next week.

Little surprises for the Flexis this week and this market continues to be plagued by a spate of inactivity on the spot market. With the majority of business tied up in COA's fresh tests are both rare and lacking any true sentiment of the market. Rates are dependent on the Owners match with the cargo and can fluctuate quite severely either side of the 22 x ws 215 benchmark. Next week looks to continue in this vein.

LRs

Week 14 has delivered a few interesting moments, but on reflection activity has been pretty steady with arguably perhaps a slight improvement in LR2 activity seen towards the back end of the week. A hefty correction to TC16 came during the first half of the week with levels falling from 60 x ws 140 down to 60 x ws 120 due to the prior build-up of vessels available to Charterers. More frustratingly for Owners however, was seeing a couple of those vessels fail to get their subject which has naturally piled further pressure on LR1 rates. Owners are clinging on to 60 x ws 120 now for ARA/WAF. With Owners remaining reluctant to head east, rates for west runs are likely to slip further unless we see an active start to week 15. A fresh test was seen on a Black Sea/Brazil run with a vessel placed on subs during the back end of the week at 60 x ws 130. Turning attention towards the LR2s, a vessel placed on subs earlier in the week at \$1.65 million for a Mediterranean /Japan run set alarm bells ringing. However, in fairness levels probably shouldn't have dropped this low with TC15 sitting at \$1.728 million. Owners have seen some healthy enquiry through both naphtha Baltic and Black Sea system barrels and from a few additional UMS stems entering the market in the Mediterranean to head to the Arabian Gulf as Ruwais is offline. A final remark to make and a slightly concerning one for Owners is that the Chinese government are looking at tax policy changes on reformate which has subsequently ground those movements to a temporary halt. On the whole, the tonnage list is pretty short and with uncertainty surrounding a number of positions one could argue that the market is balanced heading into week 15.

Dirty Products



Handy

Inactivity up in the continent has taken its toll and we close week 14 where last done sits 20 points softer than it did on Monday. To summarise, the region in one word would simply be; “quiet”. Owners who had their positions open in West Mediterranean ports have read the market incredibly well with the majority choosing not to ballast up to this region and sit tight and wait to see which market will get their ship moving. In fact this could act as a market support for the continent as it might just keep the region tight enough to stop any further decline next week.

It was a matter of time before the Mediterranean was tested and early this week some new benchmarks were made by Charterers nit-picking from a long list of prompt vessels. As the week progressed so did enquiry and despite seeing a downward spiral on rates the level of activity did eventually clear down the bulk of positions and saw the market plateau. Monday morning will be a case of assessing the position list to see what has replenished over the weekend, and then making a calculated decision of when to work stems, knowing we have a four-day Easter weekend approaching.

MR

This week proved to be a non-starter for Owners in the Continent with full sized stems remaining a rarity. This coupled with the lack of part cargo opportunities Owners in question were wondering where will the next chance of employment come from? Despite the odd question being asked, heading into next week positions are likely to look plentiful, with Charterers ideas likely to look bullish.

It was a game of patience in the Mediterranean this week for Owners where witnessing a false start Monday morning, position lists looked top heavy as prompt tonnage and 45kt stems continued to evade the market. Hitting the mid-week point however it appeared to be fastest finger first with natural sized units being snapped up as Black Sea requirement flooded in. Rates subsequently settled with ws 130 repeated and now with the fresh position list availability is predicted to look slightly thinner come Monday morning,

Panamax

This week started with some promise of activity on this side of the pond although in general, trading conditions meant levels of ws 115 have become the conference rate. Elsewhere, the Caribs market have not fared much better, as fixing levels tread water around last done values. If truth be told the steady trickle of enquiry is keeping a lid on movement in either direction, with both sides of Atlantic in a need of a injection of enquiry if we are to see any volatility.

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 6th	Mar 30th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	+1	47	46	59	54
TD20	Suezmax	WAF-UKC	-1	86	87	85	92
TD7	Aframax	N.Sea-UKC	-1	104	105	106	102

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

			wk on wk change	Apr 6th	Mar 30th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	+500	13,750	13,250	20,500	18,500
TD20	Suezmax	WAF-UKC	-750	18,500	19,250	17,250	21,000
TD7	Aframax	N.Sea-UKC	-1,000	13,750	14,750	14,500	12,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 6th	Mar 30th	Last Month	FFA Q3
TC1	LR2	AG-Japan	-3	110	113	105	
TC2	MR - west	UKC-USAC	-5	201	206	129	166
TC5	LR1	AG-Japan	-0	132	133	116	126
TC7	MR - east	Singapore-EC Aus	-2	220	222	219	

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

			wk on wk change	Apr 6th	Mar 30th	Last Month	FFA Q3
TC1	LR2	AG-Japan	-1,250	11,250	12,500	9,250	
TC2	MR - west	UKC-USAC	-1,000	18,250	19,250	6,750	13,000
TC5	LR1	AG-Japan	+0	11,000	11,000	7,750	10,000
TC7	MR - east	Singapore-EC Aus	-750	11,250	12,000	11,000	

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

ClearView Bunker Price (Rotterdam HSFO 380)	+13	295	282	305
ClearView Bunker Price (Fujairah 380 HSFO)	+13	313	300	328
ClearView Bunker Price (Singapore 380 HSFO)	+18	318	300	323
ClearView Bunker Price (Rotterdam LSMGO)	+17	463	446	476

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