

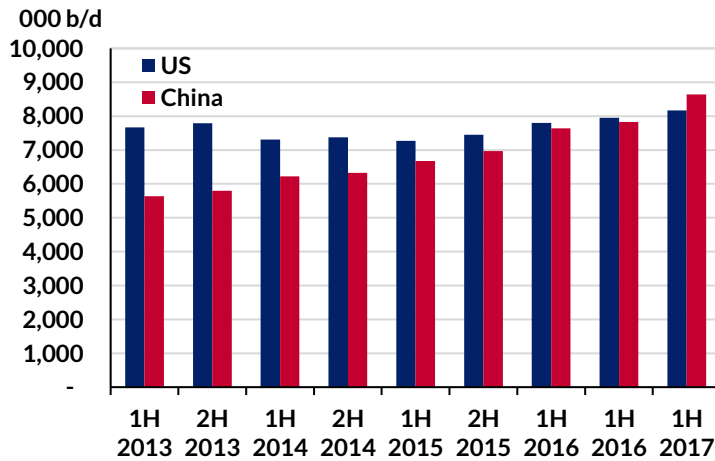
China Takes Top Spot

Weekly Tanker Market Report

Early this month, figures confirmed the rise of China as the world’s largest importer of crude oil ahead of the United States. Data shows that for the first time China averaged 8.55 million b/d of crude oil imports in the first half of 2017 compared with 8.12 million b/d imported by the United States. This trend looks set to continue as China develops its refining industry and builds strategic petroleum reserves. However, other factors play a role.

Firstly, one of the biggest differences between China and the United States is domestic oil production. China’s domestic crude production has been in gradual decline. According to data provided by Reuters, domestic production fell by 5.1% in the first 6 months of 2017, averaging 3.89 million b/d. This is in contrast to growing US production as the shale industry has been revitalised in recent months and highlights a growing trend in China of increased crude imports to replace declining domestic production.

US & Chinese Crude Imports



Perhaps more significantly, another factor driving imports has been the continuing effort to build strategic petroleum reserves (SPR). Finding accurate data on the levels of SPR build can be difficult. However, by adding crude imports to domestic production, minus refinery throughput an idea of surplus oil used to build SPR can be identified. According to data from Reuters, when comparing the first half of 2016 to 2017 the increase between available crude and refinery throughput was 510,000 b/d. Not all of this would necessarily go into filling the SPR, however, it is interesting to note

that a large percentage of overall crude import growth can potentially be attributed to the SPR build. Data released for July, shows refinery throughput was the lowest it has been since September 2016. This slowdown in refinery throughput coupled with rising oil demand further highlights the role of SPR builds in crude demand and invariably raises the question of how long can this continue? It is assumed that China will continue to build their SPR for years to come with the IEA highlighting 2020 as a tentative completion date, with 182 million barrels of storage space yet to be commissioned (according to latest reports). However, unless further investment is made into building new storage facilities it is possible to assume that this artificial source of import demand will gradually decline.

However, according to a recent presentation from Sinopec, China plans to add 2.5 million b/d of refining capacity by 2020, supporting growth in Chinese oil imports into the future. In recent years the expansion of China’s refining capacity has pressured regional refining margins, as China’s refined product exports rise. Politics may impact this in the future, but expanding capacity does look set to place China in a more dominant position within the refined products market.

Evidently, China will continue to have an ever greater role in the global oil market and continue to cement its position as the world’s largest crude importer. Due to declining domestic production and refinery expansions this should prove positive to tanker demand in years to come.

Crude Oil

Middle East

We could easily have cut and pasted last week's VLCC commentary with nobody realising...yet another bleak week for Owners as supply continued to swamp demand and Charterers took an easy attitude to working the new September programme. Rates remain anchored to as low as ws 37.5 to the East and low ws 20's West for the near term, at least. Suezmaxes also showed no sign of revival and merely tracked sideways through a slack week. Rates operate at down to ws 65 to the East and to ws 27 West with some Owners deciding to ballast away. Aframaxes have tightened somewhat, but remain pegged at 80,000mt by ws 85 to Singapore though should improve a little if only moderate activity develops next week.

West Africa

Suezmaxes settled into a holding pattern at an unchanged average ws 62.5 USGulf, ws 67.5 to Europe. Owners had hoped for more, but Charterers have eyed easy availability and been hard to provoke into heavier forward fixing. Perhaps they will next week - maybe. VLCCs weakly ticked over within a ws 48/50 range to the East with as low as \$2 million seen for East Coast India. Whilst the AG/East market continues to suffer, there will be little room for upward manoeuvre even if busier times do develop.

Mediterranean

It got even worse for over populated Aframaxes. 80,000mt by as low as ws 70 X-Med with a long queue of vessels ensuring another round of similarly awful numbers to come. Suezmaxes slowed, but received some degree of support from replacement needs and rates didn't fall below 140,000mt by ws 72.5 from the Black Sea to European destinations as a consequence with demands

to China remaining at a steady \$2.5 million average.

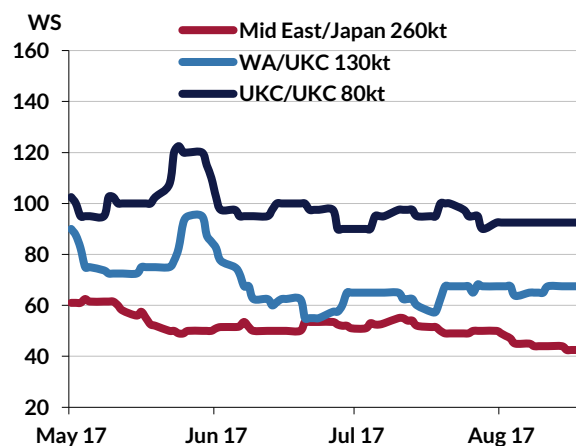
Caribbean

Limited push and pull for Aframax players to work with ending with the market operating at an almost 'conference' 70,000mt by ws 90 upcoast and it will be down to the weather next week to provide opportunity for positive change - or not. VLCCs had looked tighter rolling forward. but a slack North Sea and very weak AG scene pushed ballasting refugees into the equation and rates eased off to \$2.4 million to West Coast India and just under \$3 million to Singapore - not good, but still 'best in class'.

North Sea

As in the Med, a very limp Aframax scene. Rates chipped lower through the week to 80,000mt by ws 80 X-North Sea and to 100,000mt by ws 57.5 from the Baltic and it's hard to call for a turnaround developing anytime soon. VLCCs tried to make things work for traders, but even at \$2.4 million for fuel oil to Singapore the economics proved hard to confirm deals with crude oil to China struggling to re-achieve the asked \$3.5 million level too.

Crude Tanker Spot Rates



Clean Products

East

The LRs have experienced a good level of activity this week, we have seen a lot of naphtha movement in particular. LR2s have bounced back after an incredibly quiet week, although initially Owners took lower numbers and set the stepping stone for the market to reset and move up again. TC1 has traded mostly this week at ws 117.5, although now naphtha suitable LR2s are pretty much cleared out, 75 x ws 120 is now on subs and there is every indication that this number will continue to be pushed if more TC1 cargoes emerge. West runs have been comparatively untested, but \$1.8 million is again the market level, having dipped down \$75k early on in the week. LR1s have been active, particularly as the LR2s started to thin. We have seen some LR2 cargoes downsized, and again the LR1s look quite thin. TC5 has been trading 55 x ws 125 all week, and West runs have (similarly to the LR2s) dipped and re-established themselves, finishing the week at \$1.375 million ex AG with the potential to firm slightly more to \$1.4 million. The LRs again look solid going into a fresh week, although a little light on cargoes.

Its been a busy week for the MRs in the AG. There have been high levels of activity throughout the week and the tonnage list has remained pretty tight. Rates have held relatively steady as the week has progressed, however, a few voyages came under a little pressure. EAF softened just a little and closes the week at the ws 197.5 level. X-AG runs came down also as a few LC veg ships gave discounts thus testing previous levels of

\$250k for a L3C CPP ship, as a result asses it at the \$240k mark. AG/Red Sea has been quieter this week and sits at the \$500k level. TC12 naphtha runs saw a real push as the week went along and naturally corrected to 35 x ws 155 and with a few naphtha cargoes yet to be covered, could there be a further push next week? Time will tell. UKCont stems have been a little untested this week, but with the West still an undesirable end destination the last done of \$1.2 million stands. On the whole, a busy, but steady-ish week for the MRs which looks set to continue into the new week.

Mediterranean

The slow summer weeks continue for Handy Owners in the Med with little enquiry, meaning that rates have traded sideways throughout at the 30 x ws 115 mark for X-Med. Black Sea rates held strong at the beginning of the week, but dipped back in line with X-Med and end the week at 30 x ws 125. Expect more of the same going into week 34 with pressure building on Owners to maintain last done rates.

MR's in the Med have endured another slow week with Owners ballasting up to NWE in search of action. East runs have been slow to appear with Suez/AG runs at \$390-590k. The short-lived improvement in NWE keeps rate trading flat with fresh enquiry still remarkably slow in the Med leaving many Owners forced to look at X-Med Handy cargo in the meantime.

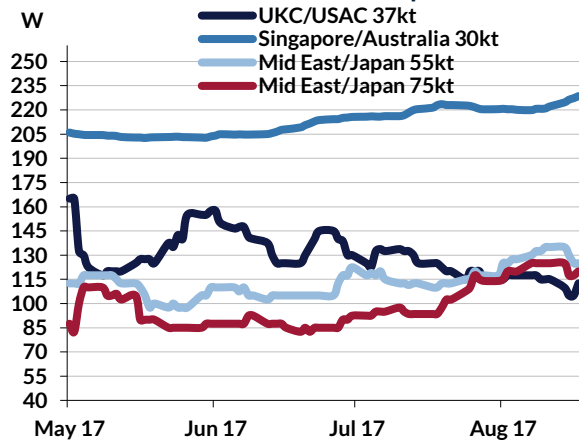
UK Continent

Week 33 has been a typical summer week for the MRs in NWE, rates continue to remain uninspiring and gradually softening due to the period of general inactivity and oversupply of tonnage for all routes. TC2 is the main route that is trading although rates settle end of week ws 2.5 point lower than where we started for 37 x ws 105. A handful of ships have done less for convenient load ports or last cargo history. An influx of enquiry on Thursday showed some glimmers of hope, although with a number of these cargoes not coming firm or going on other tonnage rates ultimately remain unchanged. Brazil and WAF are offering Owners numbers around 37 x ws 120 whilst China needs a fresh test after \$1.13 million failed this week. Expect more of the same next week.

A similar story for the Handies too this week as rates continued creeping their way down finishing off 30 x ws 125 for cargoes ex Baltic and 30 x ws 120 for X-UKCont voyages. Charterers have been able to apply a little bit more pressure here and there depending on the cargo matched with the ship, but a slight improvement of activity in the back of the week keeps rates moving sideways into next week.

Spot Flexi action has been almost non-existent this week, a fresh test sees a X-UKCont voyage get confirmed for 22 x ws 160 with similar numbers expected to be achieved ex Baltic. The inactivity on the Handies continues to plague the Flexi market although volumes for both sizes are low leaving Charterers firmly in the driving seat.

Clean Product Tanker Spot Rates



Dirty Products

Handy

From another week's trading Owners of tonnage in the continent will be sat again more optimistic that soon their time will come, as the region trades at such noticeable disparity to the Mediterranean, with a growing number of reasons to help formulate this opinion. Firstly, tonnage continues to be booked on voyages to leave the region, at a rate faster than tonnage being booked to come back up. Furthermore, delays in the region keep an already tight list stretched as units have big question marks over their itineraries. Perhaps the only thing for now that has kept a lid on aspirations is that the cargo base trading in the North failed to lift off, but should that change, the continent could soon become more favourable for Owners.

In the Mediterranean, just as the heat appeared to be coming off the boil with levels softening slightly, Turkish Strait delays started to pick back up. As a result, Charterers once again were forced to reach ahead on fixing dates in order to meet contractual obligations. In turn, this has helped to reaffirm levels close to previous peaks, with activity remaining uncovered going into the weekend. Speaking to Owners there is belief that perhaps improved TCE's could soon be on offer, which is offering rationale to why units aren't yet being worked that are showing availability, frustrating as it may be for Charterers, there is everything to play for on Monday, as weekends often have a habit of uncovering additional tonnage!

MR

The decision to stick or twist is an ever-presenting dilemma for Owners in the continent, as sporadic requirement means you are always second guessing the call when

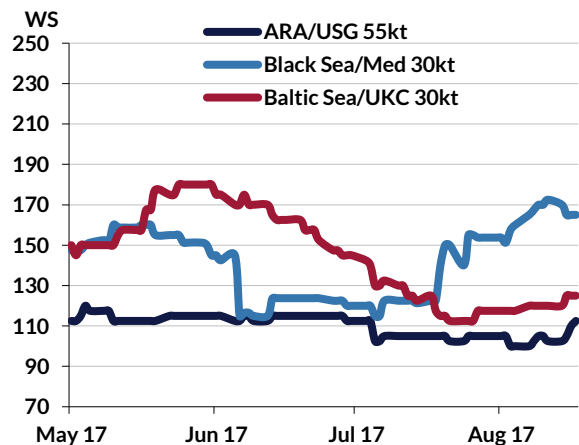
to move. Part cargo requirement paying nowhere near as healthy a return compared to other regions, it seems the worst thing you can do is not make any decision and leave a vessel spot! Still, optimism is building that the Handies could soon pick up.

In the Mediterranean, once again front-end tonnage has proved a desirable position to be in as here too, Turkish Strait delays have provided a lifeline in what has been altogether a quiet week for this sector. This said, where units have been moving themselves down the lists in recent weeks we aren't seeing a too greater degree of stagnation, which in turn starves off the threat of negativity to general freight rates.

Panamax

Date sensitivity gave a few lucky Owners cause to be jubilant this week, where we have seen upside to the market of ws 15 points on the value of a fronthaul voyage, where in combination with a more active States market, tonnage supply going forward also looks somewhat stretched. Here however, is where this party must have a finish time with the music being turned off, as unless you are forced to use a 55kt sized bottom, the surrounding Aframaxes are more than willing to lend their assistance by taking out a part cargo.

Dirty Product Tanker Spot Rates



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 17th	Aug 10th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	-1	42	43	52	45
TD20	Suezmax	WAF-UKC	+2	67	65	64	68
TD7	Aframax	N.Sea-UKC	-1	91	92	97	96

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

			wk on wk change	Aug 17th	Aug 10th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	-500	8,250	8,750	15,750	10,500
TD20	Suezmax	WAF-UKC	+1,000	10,250	9,250	10,000	10,750
TD7	Aframax	N.Sea-UKC	-500	500	1,000	6,250	4,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 17th	Aug 10th	Last Month	FFA Q3
TC1	LR2	AG-Japan	-5	120	125	95	
TC2	MR - west	UKC-USAC	-0	114	114	131	120
TC5	LR1	AG-Japan	-8	126	135	119	122
TC7	MR - east	Singapore-EC Aus	+8	229	221	216	

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

			wk on wk change	Aug 17th	Aug 10th	Last Month	FFA Q3
TC1	LR2	AG-Japan	-1,250	14,250	15,500	8,250	
TC2	MR - west	UKC-USAC	+250	4,750	4,500	7,500	5,750
TC5	LR1	AG-Japan	-1,250	9,500	10,750	8,500	9,000
TC7	MR - east	Singapore-EC Aus	+750	13,000	12,250	11,500	

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

ClearView Bunker Price (Rotterdam HSFO 380)	-12	295	307	285
ClearView Bunker Price (Fujairah 380 HSFO)	-6	310	316	303
ClearView Bunker Price (Singapore 380 HSFO)	-9	311	320	303
ClearView Bunker Price (Rotterdam LSMGO)	-19	455	474	443

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