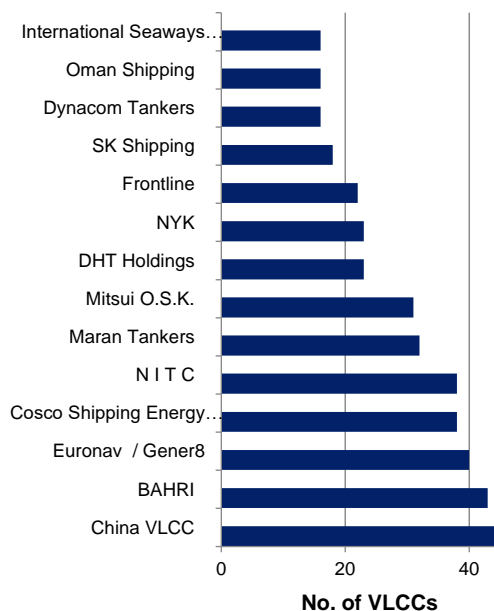


## Consolidation Club

### Weekly Tanker Market Report

Just before Christmas last year, the tanker market was greeted with the announcement of the proposed merger between two NYSE quoted tanker companies, Euronav and Gener8. At the time of writing this merger has still to be approved but, if the green light is given, the joint company will own 40 VLCCs and 28 Suezmaxes (incl. 4 newbuildings). Part of the deal includes the sale of 6 Gener8 VLCCs to International Seaways, another NYSE company which will raise their VLCC profile to 16 vessels. In a separate deal, concluded in March, DHT Holdings announced the acquisition of all 11 VLCCs from the BW Group (incl. 2 newbuildings). The BW Group promptly then placed an order in May for 4 VLCC newbuildings from Samsung HI for 2019 delivery at an attractive price. These were the only major “consolidation” deals concluded in 2017 in the large tanker sector. DHT had rebuffed several takeover proposals by Frontline earlier in the year.

#### Largest VLCC Fleets by Ownership



The beauty of the agreed deals is that both parties would grow their fleets without adding to the existing orderbook and as a result of clever acquisitions, bring down the age profile of their respective fleets. Euronav has a good track record of smart acquisitions without adding to the orderbook. In March 2015 the company purchased 4 brand new VLCCs from Metrostar. At the same time selling off the older units at good prices to keep the fleet modern. DHT has also been very active in this area too, selling off 5 units in November (all over 17 years of age) to reduce bank debt. Based on the VLCC fleet today (excluding VLCCs on order) and assuming the Euronav/Gener8 deal is ratified, Euronav will own 5.5% of the fleet, while DHT Holdings will own 3.2%. With the recent delivery of two units, Frontline now owns 3.0%, while International Seaways ownership could rise to 2.2%. Of course, consolidation has several strategic benefits for listed companies, as size does matter, making shares more liquid and more attractive to investors. Euronav’s acquisition of

the Gener8 fleet will of course swell the Tankers International Pool at the expense of the VL8 pool, providing a stronger platform to counter the charterers.

The VLCC supply is still dominated by the Asian giants such as China VLCC, Bahri and Cosco Shipping (CSET), with NITC’s share slipping. Apart from Euronav and NITC, all of the top ten owners have tonnage on order, which will swell the ranks by another 44 units. Maran, steadfastly remaining independent, will take delivery of 9 more VLCCs before the end of 2019. However, both China VLCC and CSET have substantial orderbooks, which will eventually give them an even more dominant position. The domination of the big fleets and the diverse ownership of the remainder of the VLCC fleet, most 10 units or less, is likely to limit any further consolidation in the short term.

The volatility experienced in the US stock market this week, pinned partly by concerns over the prospect of higher interest rates coupled with the current malaise across the tanker markets, heaps more pressure on beleaguered CEOs to keep the shareholders happy. With the prognosis of a tough year ahead for the crude sector, almost certainly, owners in the large tanker sector are unlikely to have further consolidation as a priority.

# Crude Oil

## Middle East

A much busier week for VLCCs...but that's where the good news ended as the fresh demand was easily met by a solid wall of availability that remains standing as the very last of the February programme shakes out. Rates remained stuck within their lowest range of the year at down to ws 34 East for older units, and at no better than ws 40 for the most modern vessels with straight runs to the West at under the ws 20 mark. Chinese New Year commences later next week, and Owners will be hopeful of concentrated pre-holiday attention, though with March stem confirmations still to be awaited, there is no guarantee of that. Suezmaxes bumbled along with ballasting from the area not an economic option and a consequent easy tonnage list kept rates at down to 130,000mt by ws 62.5 to the East and to ws 26 West. No early change likely. Aframaxes trod water over the period with little/no support from the inter Far Eastern market either. 80,000mt by ws 85 still to Singapore, and nothing likely to shift that over the near term, at least.

## West Africa

Suezmax Owners resisted on improved demand, and some degree of early awkwardness for Charterers, but the end result was that supply easily outweighed demand, and as the Med/Black Sea scene eased off to add extra competitors, so rates eased back to ws 52.5 to the USGulf, and to just under ws 57.5 to Europe, with a cautious start anticipated for next week. VLCCs found reasonable interest, but had to comply with the AGulf trend and a new 'conference' level ws 42.5 to the Far East

was then set with that level now available into the second half of March too and runs to West Coast India at \$2.275 million were last seen, and typical.

## Mediterranean

Aframaxes became increasingly bogged down to lead rates towards a low of 80,000mt by ws 90 X-Med, but by the week's end lists had thinned somewhat and the ground looks a little firmer if Charterers do move more solidly next week. Suezmaxes initially flicked higher on a rash of replacement needs, but once those passed, rates began to ease again as supply re-formed. now down to 140,000mt by ws 70 from the Black Sea to European destinations with around \$2.5 million available for runs to China.

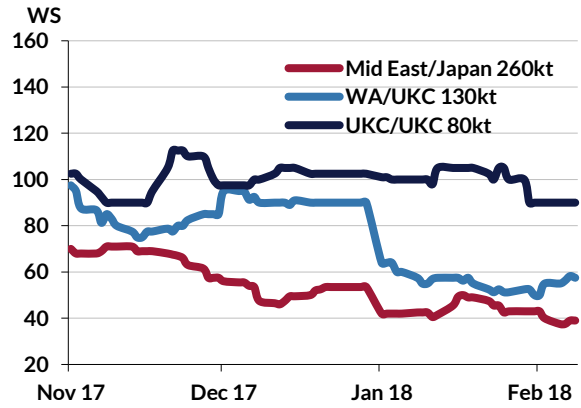
## Caribbean

Another frustrating week for Aframax that remained well away from achieving critical mass to break out of their 70,000mt by ws 80/85 box upcoast and more clearance work will be needed into next week too. VLCCs quietened, and early units started to seek alternative load zone opportunities to avoid waiting time. Rates theoretically hold at around \$3.6 million Caribs to Singapore, and \$3.1 million to West Coast India, but discounts will now be more readily considered.

## North Sea

Aframax enquiry stayed on the dry side all week but Owners dug in nonetheless at 80,000mt by ws 90 X-UKCont, and to 100,000mt by ws 70 from the Baltic. Charterers may now give up trying to chip away, and perhaps fix a bit more volume over the coming week. VLCCs saw few opportunities, but \$2.95 million was seen for fuel oil from Rotterdam to Singapore with crude oil from Hound Point to South Korea marked at a little under the \$4 million mark.

## Crude Tanker Spot Rates



## Clean Products

### East

A very quiet and to be honest a rather dull week for the LR2s in the AG. There was minimal activity, but somehow the tonnage list and rates have just about held. TC1 is holding at 75x ws 95 and jet heading West is at the \$1.6 million level. These rates will undoubtedly be tested when fresh and much need cargoes enter the market; which Owners will be hoping is early next week. The LR1s however, have had a more positive sentiment during the course of the week. Activity have been high and the number of fresh cargoes entering the market has remained constant. TC5 slowly crept up to 55 x ws 105 and although untested, Owners ideas for UKCont voyages is around the \$1.2 million mark. It would appear that the MR positivity is slowly giving the LR1 Owners a little confidence to test the last done levels. Expect levels to be further tested as we go into week 7 with a very tight tonnage list and decent levels of outstanding cargoes yet to be covered.

An incredibly cargo-heavy week on the MRs in the Middle East. The quiet end to last week was indeed just Charterers holding back second decade cargoes, which emerged thick on Monday morning. All rates have been positively tested, and earnings are well into the ws 20s now for Owners, and those lucky enough to have tonnage in the Red Sea are looking at \$30k earnings, when trading short cargoes in the area. AGulf/UKCont is at \$1.125 million, the same levels as LR1s, which highlights the incredible strength of the MRs currently. TC12 needs a fresh test but should sit at

ws 125. EAF has been given a huge boost and now should sit at ws 225-235 levels, sharper numbers achievable for vanilla GO runs to EAF with no particular requirements. Shorthaul is \$250k but are still curtailed by LR1s willing \$230k on shorthaul, and Red Sea cargoes should now trade at \$500k. With a healthy cargo list taking us into the new week, the MRs remain in a strong position.

### Mediterranean

A well supplied tonnage list and generally slow enquiry seen at the start of week 6 meant Owners were forced to reduce their ideas to 30x ws 157.5-160. Weather delays however, were the saving grace for Owners through the middle of the week with uncertain itineraries allowing them to hold at these levels, even with sluggish enquiry. The general sentiment at the time of writing, is that the market looks stable with cargoes and tonnage in the balance however, with IP week on the horizon, we may see Owners with vessels opening up over the weekend, look to get their units fixed away quickly at the start of next week which may put a strain on rates. Black Sea rates have been propped up for much of this week by delays of 3-4 days through the Straits. However, we saw a natural correction from 30 x ws 180 to 30 x ws 172.5 mid-week back in line with X-Med rates. With weather looking more settled now, 30 x ws 170 may be seen at the beginning of week 7.

All in all, a pretty lackadaisical week on the MR front with enquiry ticking over enough that rates held, even with ballasters ex WAF entering the picture. At the time of writing, Med-transatlantic

runs are achieving 37 x ws 145, in line with rates up in the UKCont. A market quote heading transatlantic seen today will show the true colours of the MR tonnage across the Med with the potential for rates to come off slightly given the extent of units around.

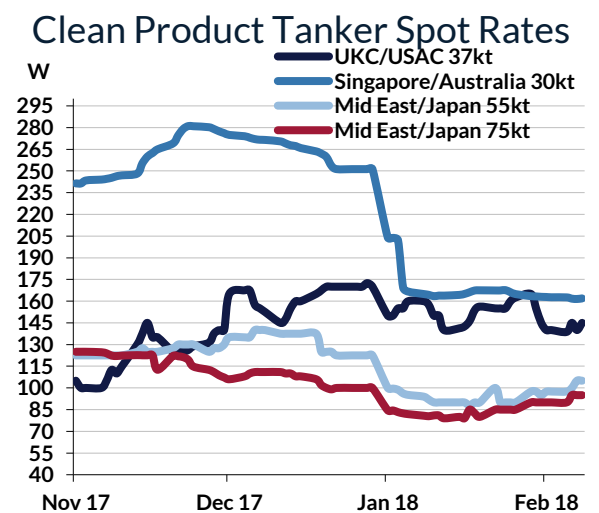
## UK Continent

As week 6 comes to a close, the MR sector has managed to keep a stable footing on vanilla routes and positive gains as the ice premiums took hold. In recent weeks WAF runs have kept this market ticking over, but as a slight decline in the movement appeared, the void was replaced with an improved number of transatlantic runs. Owners were able to improve TC2 to 37 x ws 150 and WAF to ws 170-175. But the real improvements seen were with ice tonnage as moves into ECC managed a ws 207.5 and loading Baltic peaked up to 40 x ws 185. Looking ahead on a prompt window, limited options are available for Charterers which could deliver improved rates, but in the natural fixing window some more placidity can be seen.

The NWE Handy market is now finally trading at levels expected for this time of year. The previous couple of weeks have seen Handy rates suffer as Charterers looked to favour LR liftings ex Baltic leaving the Handy market with too many ships and not enough cargo. With much of the LR tonnage cleared away, Owners enjoyed good levels of enquiry early in the week and as a result the tonnage list tightened quickly (particularly for ice class ships) seeing rates rapidly rise from 30 x ws 205 to ws 215 by the

midweek point and still holding firm by lunchtime Friday. The X-UKCont market has been quiet however, rates are date dependant here and somewhat limited by the state of the MRs with anything possible in the bracket of 30 x ws 190-200. If all ships get subs today/tonight the sentiment should remain firm into next week, although a handful of failures will leave the landscape flat.

With the Handy market picking up this week, so have the Flexis. Although the traditional Baltic/UKCont voyages have seemingly all but dried up Owners have been able to capitalise on an increased demand for Flexi liftings between the Bay of Biscay and Gibraltar with the occasional UKCont lifting popping up too. Whilst being a difficult market to benchmark number, by the end of the week 22 x ws 275 ex Baltic and 22 x ws 260 X-UKCont is the going rate. The Handies will dictate if there is more room for growth here but will have to wait until next week to see if this is feasible.



# Dirty Products

## Handy

A difficult week for Owners in the North, where enquiry has been steadily fed into the market at pace, that was just too slow for them to hold onto last done. As the week comes to a close, it would appear that the market is balanced while the presented position list is now on the tight side. Charterers will be preparing themselves for potential increment next week.

A similarly themed trend can also be said of the Mediterranean, where Charterers applied early pressure achieving negative correction for X-Mediterranean and Black Sea. Owners were able to protect any further downward pressure and the damage done appears limited. The end of this week's enquiry fizzled out and the limited prompt Owners in play refused to allow any further negative corrections.

## MR

Charterers faced another week of limited options in the Continent as there was only one real player in town to consider. The region continues to be worked on a case by case basis as the Owner in question spent the majority of the week patiently waiting for the opportunity to test. As the week progressed that opportunity finally came with reports of 45 x ws 152.5 on subjects now setting the benchmark. Should the Owner receive their subjects again Charterers are back facing a position list missing of natural sized units and are forced into using alternate sized tonnage for the immediate future.

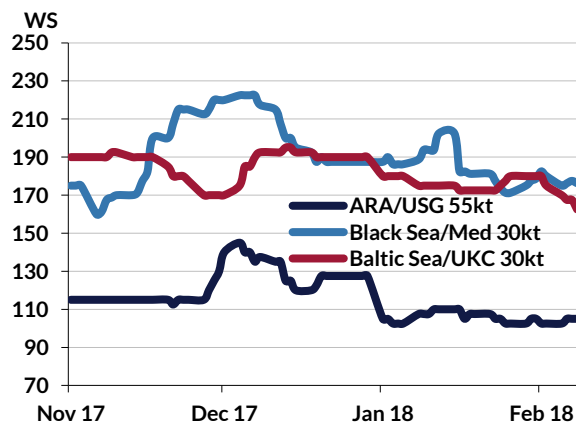
Full size stems were a rare sight this week in the Mediterranean as Owners had to settle mainly for part sized opportunities. Owners who chose to move on Handy stems at least saw their units get fixed, but an overall lack of enquiry across the board left Owners failing

to gain any momentum. Heading into next week there is an underlying feeling the market could turn in their favour, as delays are holding, and Charterers are not exactly spoilt for choice of natural sized vessel as all eyes will be on the fresh position list Monday morning.

## Panamax

In what can only be summarised as flat week of trading, owners were at least offered a few employment opportunities throughout the week. The problem is though that are just too many units also looking for employment offering the sector little hope of altering this ongoing trend. Perhaps then for now the silver lining to current proceedings is that levels have bottomed, and with the March programme not starting, Europe is offering opportunity to at least make a contribution towards costs.

Dirty Product Tanker Spot Rates



### Dirty Tanker Spot Market Developments - Spot Worldscale

|      |         |           | wk on wk<br>change | Feb<br>08th | Feb<br>01st | Last<br>Month | FFA<br>Q1 |
|------|---------|-----------|--------------------|-------------|-------------|---------------|-----------|
| TD3  | VLCC    | AG-Japan  | -2                 | 39          | 41          | 43            | 38        |
| TD20 | Suezmax | WAF-UKC   | +7                 | 58          | 51          | 61            | 62        |
| TD7  | Aframax | N.Sea-UKC | +1                 | 90          | 89          | 100           | 96        |

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

|      |         |           | wk on wk<br>change | Feb<br>08th | Feb<br>01st | Last<br>Month | FFA<br>Q1 |
|------|---------|-----------|--------------------|-------------|-------------|---------------|-----------|
| TD3  | VLCC    | AG-Japan  | -750               | 8,000       | 8,750       | 10,750        | 6,750     |
| TD20 | Suezmax | WAF-UKC   | +4,250             | 8,000       | 3,750       | 9,000         | 9,750     |
| TD7  | Aframax | N.Sea-UKC | +2,250             | -3,250      | -5,500      | 4,250         | 500       |

### Clean Tanker Spot Market Developments - Spot Worldscale

|     |           |                  | wk on wk<br>change | Feb<br>08th | Feb<br>01st | Last<br>Month | FFA<br>Q1 |
|-----|-----------|------------------|--------------------|-------------|-------------|---------------|-----------|
| TC1 | LR2       | AG-Japan         | +2                 | 94          | 92          | 82            |           |
| TC2 | MR - west | UKC-USAC         | +2                 | 146         | 144         | 156           | 146       |
| TC5 | LR1       | AG-Japan         | +9                 | 105         | 97          | 96            | 107       |
| TC7 | MR - east | Singapore-EC Aus | -1                 | 162         | 163         | 169           |           |

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

|     |           |                  | wk on wk<br>change | Feb<br>08th | Feb<br>01st | Last<br>Month | FFA<br>Q1 |
|-----|-----------|------------------|--------------------|-------------|-------------|---------------|-----------|
| TC1 | LR2       | AG-Japan         | +1,250             | 8,250       | 7,000       | 4,500         |           |
| TC2 | MR - west | UKC-USAC         | +1,000             | 10,000      | 9,000       | 11,250        | 10,000    |
| TC5 | LR1       | AG-Japan         | +2,250             | 7,500       | 5,250       | 5,500         | 7,750     |
| TC7 | MR - east | Singapore-EC Aus | +250               | 9,750       | 9,500       | 10,750        |           |

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

|   |     |     |     |     |
|---|-----|-----|-----|-----|
| ClearView Bunker Price (Rotterdam HSFO 380) | -27 | 351 | 378 | 367 |
| ClearView Bunker Price (Fujairah 380 HSFO)  | -16 | 381 | 397 | 388 |
| ClearView Bunker Price (Singapore 380 HSFO) | -17 | 379 | 396 | 389 |
| ClearView Bunker Price (Rotterdam LSMGO)    | -54 | 554 | 608 | 582 |

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