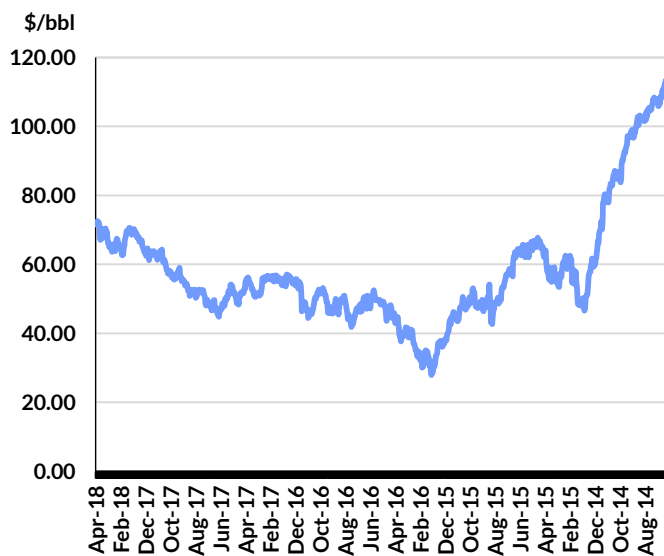


# The Price is Right?

## Weekly Tanker Market Report

Last night saw Ice Brent close at \$73.78/bbl, the highest since November 2014. Oil prices have been on a rollercoaster journey over the past four years. Geopolitical risk, most notably ongoing Libyan disruptions and the fall of Mosul to ISIS drove oil prices up to \$115/bbl in June 2014. Then the battle between US shale oil and OPEC dominated oil price movements, pushing Brent below \$28/bbl in January 2016, despite Mosul remaining in the hands of ISIS, and Libyan production remaining under pressure.

Brent Oil Prices



Since bottoming out in early 2016, oil price movements have, until recently, been dominated by supply and demand balances. OPEC's strategy to curtail production and raise prices took time to gain traction. Values had gradually firmed throughout 2016 as US shale output fell in line with lower prices and received an extra boost later in the year as OPEC folded on it's strategy to defend market share. However, it took until the second half of 2017 before oil prices showed a clear upwards trajectory, again driven by OPEC's collective action rather than geopolitical factors. That story is, however, now changing. OPEC and its allies are close to achieving their objective, with sources close to OPEC suggesting oil stocks were just 12 million

barrels above the 5-year average, whereas the glut of oil at sea has all but evaporated. Now against a backdrop of tighter supply/demand balances, a seasonal uptick in demand and a backdrop of political uncertainty, oil prices are gaining increasing support.

Perhaps the biggest political factors driving oil prices today are the threat of sanctions being reimposed on Iran, which could see production fall back towards pre-sanctions relief levels (down 800,000 b/d); significant production declines in Venezuela, which have seen output fall 580,000 b/d YOY; the war in Yemen, which recently saw an attack on a VLCC and heightened tensions between Saudi Arabia and Iran; and of course, although of little direct impact on oil markets, conflict in Syria. Perhaps the only area, where tensions have eased back, have been between North Korea and the United States, which could ignite once again if planned talks end badly.

But should the oil markets really be that concerned? Undoubtedly, oil supply/demand balances are tighter. However, production increases from Brazil and the United States alone this year could supply the estimated 1.5 million b/d increase in world oil demand, even before smaller increases from other sources are accounted for. Even if production declines in Venezuela were to accelerate and sanctions were to be reimposed on Iran, Saudi Arabia and its Gulf allies alone have sustainable spare capacity in the region of 3 million b/d. This would of course support prices further but the market would likely remain adequately supplied.

For tankers, the most notable impact in the short term will be higher bunker prices. Further down the line, higher prices could stimulate increased marginal barrels to flow into the market but at the same time potentially put downwards pressure on demand. The future direction of the market remains finely balanced.

# Crude Oil

## Middle East

May VLCC fixing got properly underway but for Owners it was the same sorry story they had endured for late April and rates continued to operate at little better than ws 40 to the East for even the most modern units, and with older ladies accepting into the low ws 30's. West runs were very few and far between and rate demands remained theoretically in the high 'teens'. Oil prices, and therefore bunker prices, have moved noticeably higher, so Owners will be striving to add a Worldscale point/two merely in compensation, though it will need a serious fixing push by Charterers to allow for any net upward movement to be engineered. Suezmaxes lost most of their previous shine as volumes dropped away and Owners once again had to face rates at down to ws 24 to the West, and to ws 62.5 to the East with no early turnaround likely. Aframaxes held their lines, as was expected, at 80,000mt by ws 90 to Singapore and could yet add just a little more if the fixing pace maintains.

## West Africa

Suezmaxes crawled off their bottom markers to ws 60 Europe and ws 55 USGulf, but needed more interest to make the gain anything much more than cosmetic. Owners will be hoping for the Med/Black Sea zone to more solidly strengthen to provoke Charterers to more meaningfully engage and lend a further leg-up. VLCCs drifted sideways upon only modest demand though higher bunker costs prevented Owners from accepting any further discounts on forward dates and long voyage

commitment. Rates averaged ws 40 to the Far East with as low as \$1.75 million paid from Angola to West Coast India, albeit upon an older unit.

## Mediterranean

Aframaxes spent the week closing in on a finer balance but still fell short of the volume required to reach critical mass. Nonetheless, rates are gently 'on the up' with 80,000mt by ws 80 X-Med the current bottom marker and improvement lurking for next week. Suezmaxes received welcome news of a fuller Black Sea May programme and as Charterers moved onto more forward dates to take insurance, rates began to creep higher. 140,000mt by ws 75+ now from the Black Sea to European destinations, and \$2.6 million to China, with an expectation of higher values to be scored next week.

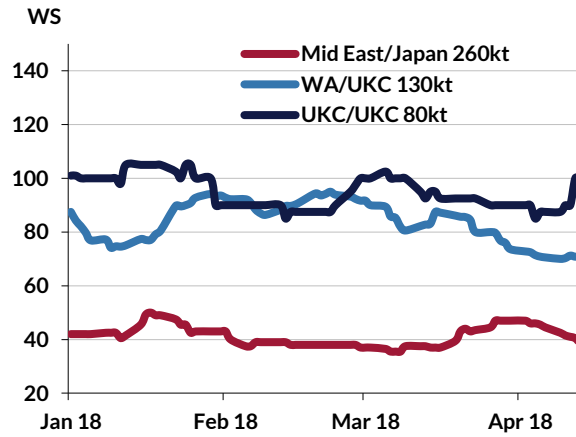
## Caribbean

Aframaxes built their case for a higher rate structure but had still not fully convinced into the weeks end and rates remained at just below 70,000mt by ws 100 upcoast. Another attempt could be made from Monday. VLCCs were gently pruned with USGulf loadings taking centre stage as Venezuelan logistical problems worsened. \$3.1 million from the USGulf to Singapore is 'conference' with Caribs to West Coast India marked at around \$2.8 million.

## North Sea

Aframax Owners failed to build upon last week's mini spike as Charterers pulled back in response. Rates slipped to 80,000mt by ws 90 X-UKCont and to 100,000mt by ws 77.5 accordingly. The short-term outlook is for further slippage too. VLCCs saw very little action but theoretically would move at \$2.7 million for fuel oil to Singapore if traders could match their 'arb' economics, with just under \$4 million payable for crude oil from Hound Point to South Korea.

## Crude Tanker Spot Rates



# Clean Products

## East

Like the larger tonnage, the MRs have seen softening on all runs this week, struggling to maintain last done levels. EAF stems have been tested throughout the week, each time having chipped away at last done, finishing at ws 155 for now but next week could see ws 150 tested. Likewise, TC12 has softened 5 ws points to ws 127.5 as aggressive Charterers pushed to beat last done in the weak market. At \$170k, X-AGulf has managed to avoid the softening seen in longer haul rates and held flat all week. Red Sea has been given as options throughout the week at \$375K, also avoiding the softer trend. West negatively tested \$15k mid-week to \$1.135 million ex Kuwait, a tad unnecessary due to very few Owners wanting to head to the Cont, not helped by the still poorly performing Cont market. Charterers will have to fight hard to be given this option, so it will be interesting to see whether this is repeatable. Into the new week, MRs look likely to see a further dip from the long build-up of prompt tonnage. We are still not seeing enough cargoes in the market to stem the softening of rates and more worrying is the number of hidden vessel not being pushed by already over tonned fleets.

A relatively quiet and steady week for the LR2s. As expected with the lack of outstanding cargoes, rates were negatively tested at the start of the week; however, rates have settled since the initial drop. UKCont sits at \$1.575 million and TC1 at the ws 85 mark. Activity has just about ticked along; however, there wasn't too much to celebrate, it has just been sufficient to stop rates from falling further. Looking to the next week, Owners will be hoping that rates can continue to hold steady and, if there is a resurgence of fresh cargoes, there could be scope for improvement but there could be a slight dip before we see the upcycle.

Similarly, the LR1s haven't seen an abundance of activity, bits and pieces but still not enough to move the market. TC5 has seen some slight fluctuations but its down 5 ws points from Monday and closes at ws 107.5. Owners will be hoping that the natural floor has been reached but more cargoes are required. West runs sympathetically softening \$25k to hold at \$1.3 million, although this has been largely untested. There remain a few early ships that need to be cleared away but, with stems sparse in supply, it could be another tough week.

## Mediterranean

An equilibrium on the Handies has been seen across the Mediterranean throughout much of week 16, with cargoes and tonnage continually balanced and rates trading sideways throughout at 30 x ws 135. It is only now, at the time of writing, that the momentum of the market seems to be moving in Owners' favour with depleted tonnage and a long list of stems to be covered. A prompt stem ex West Med is currently on subs for 30 x ws 145, meaning Owners' ideas are now closer towards the 30 x ws 137.5-140 mark for X-Med stems. Black Sea rates have by and large tracked action in the Med, with the rule of thumb +10 ws point premium applied to X-Med at 30 x ws 145, with a few cargoes achieving slightly more due to Turkish Straits delays at the beginning of the week. It will be interesting to see, if this late surge of momentum is carried into next week, with stems still there to be covered.

Slow start to the week on the MRs, with sluggish enquiry and a comparatively well supplied tonnage list, with ballasters ex WAF continually entering the picture. Rates in NWE began to firm towards the end of the week due to good transatlantic activity, which has meant Owners' ideas in the Med are more bullish. At the time of writing, 37 x ws 145 is on subs Med-transatlantic, a nudge behind rates up in the UKCont. If NWE continues to trade in front of the Med, ballasters ex WAF may decide to ballast past Gibraltar and we could see tonnage thin out during week 17.

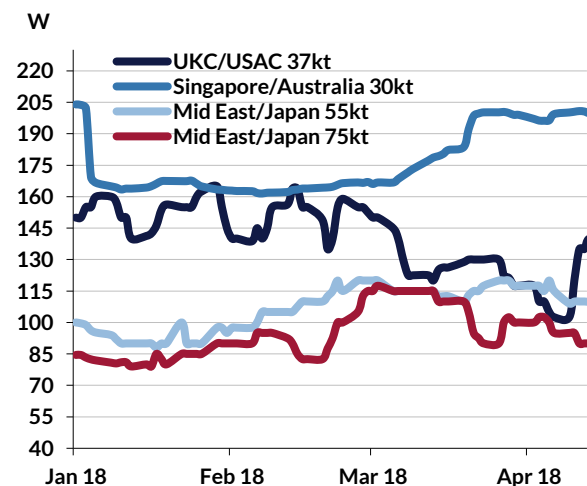
## UK Continent

This week has finally provided the right circumstances for the MR Owners to successfully build off the incremental successes of recent weeks. Enquiry was strong from Monday and, with a tight tonnage list (particularly on the front end), Owners were able to make gains from the get-go. TC2 runs have been the main driver this week, kicking off shy of 37 x ws 140 but, at the time of writing, on Friday are holding firm 37 x ws145 and potential for more, with cargoes left to cover. Tricky load ports (e.g. Mongstad etc) have offered Owners a few more points, with both 37 x ws 150 and ws 160 being seen transatlantic. Baltic/UKCont liftings on MRs have played their part too, with generally good levels of enquiry for the last of the ice class requirement, allowing rates to track TC2 basis 40 kt. Although WAF enquiry has been a little slow, a good USGulf market is helping to draw some ballast tonnage away from this side of the pond, meaning we should see the same positivity early next week, especially given that there are few cargoes to cover mostly with April dates.

Week 16 has proven to be a successful week for the Handy Owning fraternity up on the Cont. Baltic enquiry has been the main catalyst behind levels firming, as those looking to cover their exposure, had to break bigger stems down to 30kt, resulting in an influx of cargoes. Baltic freight quickly rose to 30 x ws 165 and, even though cross Cont still requires some testing, those with vessels in position remain bullish, with fixing ideas around the 30 x ws45-150 mark. Looking ahead towards the start of next week, natural fixing dates ex Baltic will move towards 1-5 May window and, depending how many of those stems ex Primorsk will be 30kt, will be a huge factor on how this sector will perform.

Unsurprisingly, general enquiry has been slow yet again this week on the Flexis; however, with Handies managing to perform well consistently for a whole week, the feelings on the Flexis has inevitably changed also. A cargo early in the week pegged the market 22 x ws 170 levels but by Friday Owners are expected to be settling for 22 x ws 200 on X-UKCont voyages. Enquiry is still slow; however, there are limited tonnage options for cargoes that do need cover, thus insulating rates. Many Owners still opting to trade these ships in Gibraltar area for more consistent employment.

## Clean Product Tanker Spot Rates



# Dirty Products

## Handy

The week passed by with only drip fed requirement throughout; levels started to correct negatively, where competition among units intensified. As and when the market was tested, numbers reacted downwards, losing up to 10 ws points, from the market levels Monday opening. That said, at time of writing, at this late stage of the week, final “ring arounds” are suggesting there is still some last minute activity happening in the background. Any bursts of activity next week could quickly bring a change in trend.

Predicting a 50 ws point positive swing finishing last week, many would have been thinking such volatility was only possible during the subconscious hours of the day, waking up to a rather different set of conditions actually in play. Pinching yourself, this week the Black Sea brought around total change of trend, where Turkish Straits transiting was suspended due to poor visibility. The reaction was that Charterers were forced to enter in greater abundance, securing the earliest itineraries available. Fixing dates also reaching ahead, Owners sensed that value was there to be gained and, as the cargoes came in, the rates went up. Looking ahead and, with X-Med requirement also lending a hand to keep selection further trimmed, sentiment is likely to remain favourable to Owners.

## MR

With only one full sized test this week, the market in the Continent remained rather subdued, which should be unsurprising, considering workable units proved to be a rarity throughout. With the Mediterranean market hot to trot, units in nearby regions turned a blind eye to the north. Once again, at the time of writing, Charterers’ options

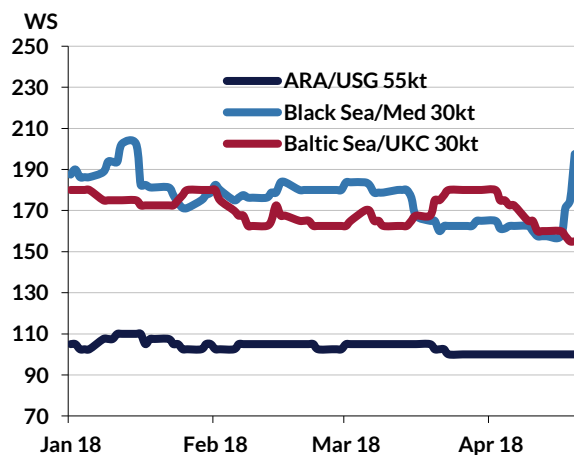
are very limited, as only one unit looks to be making her way steadily to the region.

What a difference a week makes. Monday morning brought an influx of enquiry both part and full sized in the region, as vessels were snapped up at an alarming rate. Ws 125 was witnessed X-Med and reports of one Charterer having an outstanding cargo today will likely show numbers well into the high ws 140’s. With the sheer volume of fixing this week, Charterers will be preparing to face another short tonnage list come Monday morning.

## Panamax

A double edged sword for Panamaxes this side of the pond. On one side much more activity has been witnessed this week but on the flip side rates have not managed to gain any ground. The position list has obviously diminished slightly, following this fresh enquiry but sitting here now it already looks like next week’s sentiment is unlikely to change drastically. As natural early positions remain in play from both sides of the pond, a further upturn in enquiry is needed to inject any stimulus into this sector.

Dirty Product Tanker Spot Rates





### Dirty Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Apr 19th	Apr 12th	Last Month	FFA Q2
TD3C VLCC	AG-China	+0	40	40	44	42
TD20 Suezmax	WAF-UKC	+5	58	53	53	58
TD7 Aframax	N.Sea-UKC	-1	95	96	93	93

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

		wk on wk change	Apr 19th	Apr 12th	Last Month	FFA Q2
TD3C VLCC	AG-China	+250	5,250	5,000	9,750	7,000
TD20 Suezmax	WAF-UKC	+1,750	6,500	4,750	6,000	6,750
TD7 Aframax	N.Sea-UKC	-750	-2,000	-1,250	-1,000	-3,250

### Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Apr 19th	Apr 12th	Last Month	FFA Q2
TC1 LR2	AG-Japan	-4	86	90	93	
TC2 MR - west	UKC-USAC	+11	146	135	131	137
TC5 LR1	AG-Japan	+1	110	109	115	113
TC7 MR - east	Singapore-EC Aus	-4	197	201	200	

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

		wk on wk change	Apr 19th	Apr 12th	Last Month	FFA Q2
TC1 LR2	AG-Japan	-1,500	4,750	6,250	7,750	
TC2 MR - west	UKC-USAC	+1,250	9,000	7,750	7,500	7,750
TC5 LR1	AG-Japan	+0	7,500	7,500	9,000	8,000
TC7 MR - east	Singapore-EC Aus	-1,000	14,500	15,500	15,500	

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

ClearView Bunker Price (Rotterdam HSFO 380)	+17	388	371	358	
ClearView Bunker Price (Fujairah 380 HSFO)	+3	406	403	387	
ClearView Bunker Price (Singapore 380 HSFO)	+10	401	391	381	
ClearView Bunker Price (Rotterdam LSMGO)	+2	623	621	566	

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