

Déjà Vu

Weekly Tanker Market Report

The acceleration in VLCC demolition activity this year has frequently been in the headlines of late. As more tankers head to the beaches, this gives shipowners some cause for optimism in the future, particularly taking into account the current depressing market. However, quite a few of those units reported for scrap or viewed as likely demolition candidates in the short term, have been absent from the trading market in the recent past. Some have been involved in floating storage, others showed little signs of trading activity, at times for extended periods.

Another area of concern is the robust interest in newbuild tonnage. Over the course of last year, 57 VLCCs were ordered, marking 2017 as one of the highest over the past decade in terms of the volume of new tanker orders. Strong investment in new tonnage has continued so far in 2018. Since the beginning of the year 24 firm VLCC orders have been placed and indications are for more in the pipeline. Strong ordering activity keeps the VLCC orderbook at elevated levels despite a steady flow of new deliveries. As of now, VLCCs have the largest orderbook of all tanker size groups, at 16% relative to its existing fleet. Over 40 tankers are scheduled for delivery for the remainder of this year and another 57 units over the course of 2019. Even with an anticipated slippage, deliveries next year will mark the 4th year in a row of heavy delivery profile. Of course, if scrapping continues at similar robust levels seen recently, fleet growth will slow down in the near term. However, once all the prime candidates are out of the market for good, the pace of demolition will slow down.

Furthermore, ordering activity will not come to a complete halt going forward. Although newbuilding prices have firmed over the past twelve months or so, values still remain well below the averages seen over the past 15 years. The approaching 0.5% global sulphur cap on marine bunkers in 2020 also offers additional savings for newbuilds with scrubbers (once the cost of the scrubber is repaid).

VLCC Newbuild Prices



On this basis, it is perhaps not surprising that we are starting to see speculative orders from investors with limited or no exposure to the shipping industry. After all, low newbuilding values, a promise of technology driven competitive advantage and the pick-up in demolition is an attractive story to sell. Norwegian investor Arne Fredly is behind 4 firm VLCC orders at South Korea's DSME, while Guggenheim Capital ordered another 2 units at the same yard. Although these orders represent only a small fraction

of the total VLCC orderbook, the key question is it just a "one off" investment or a start of a new trend and will there be many more to come? We remember all too well the surge in tanker orders back in 2013-15, in part financed with a helping hand from private equity and hedge funds. This eventually translated into over ordering in many segments. Will history repeat itself again?

Crude Oil

Middle East

A grinding week for VLCC Owners to endure with availability easily outweighing modest demand, and rates slipping slightly lower, and back to towards the year's lows. Modern units moved below ws 40 to the Far East with older vessels accepting into the very low ws 30's. Bunker prices have continued to rise, however, and those who have yet to bunker-up will raise their very bottom markers by a Ws point/two merely for compensation. Suezmaxes drifted sideways through the week at down to ws 62.5 to the East and ws 25 to the West but many Owners are minded to ballast to the Atlantic now, and that may eventually lead to slightly more favourable conditions. Widespread Holidays early next week will, however, delay any serious activity. Aframax failed to add to their recent mild uptick, and settled back a fraction to 80,000mt by ws 87.5 to Singapore as enquiry merely drip fed the marketplace. More of the same over the near term likely.

West Africa

Suezmax Owners put up increasing resistance that eventually provoked Charterers into a more active fixing phase which quickly translated into marked gains. 130,000mt by ws 65 USGulf and over ws 70 to Europe now, and perhaps a bit more to come before the heat subsides. VLCCs, on the other hand, were left anchored by AGulf malaise with rates clipped just a touch below ws 40 to the Far East and under \$2 million still available to West Coast India.

The Suezmax fightback, and higher bunker costs, could perhaps lead rates up a little next week though.

Mediterranean

Steady, consistent, Aframax fixing began to wear tonnage lists sufficiently to allow for rates to move higher to 80,000mt by ws 95 X-Med and Owners are in the mood to squeeze more out of the situation over the coming period too. Suezmaxes lost their early excess supply-fat and were in better shape to take advantage of increased attention late-week. 140,000mt by ws 85+ from the Black Sea to European destinations now with above \$2.7 million payable for runs to China. So long as West Africa stays supportive, there could yet be further rises posted.

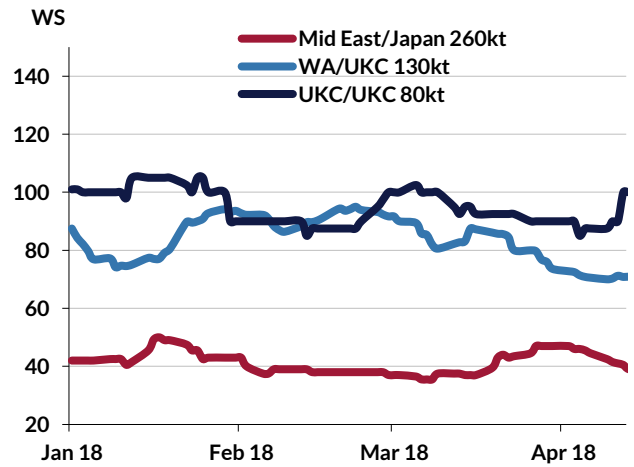
Caribbean

Aframaxes spent the week reinforcing their 'claim' to higher rates but didn't quite achieve what they had hoped for. The market did gain to 70,000mt by ws 100 upcoast but Owners still need just a little more to set a noticeably higher range. VLCCs broadly held steady with only the occasional wobble. Demand from the USGulf and East Coast Mexico is solid enough, but Venezuelan difficulties are worsening, and that remains a concern to the long-term health of the region. Rates operate at around \$3.1 million from the Caribs to Singapore, and \$2.8 million to West Coast India - little changed from last week.

North Sea

Unlike the Med, Aframaxes here faced dwindling returns with the Baltic leading the downtrend and X-UKCont levels likely to follow within short. Just for now, still 80,000mt x ws 90 X-UKCont, but a lower 100,000mt by ws 65 from the Baltic, and further slippage on the cards for early next week. VLCCs saw little but \$4 million was paid for crude oil from Hound Point to South Korea with \$2.7 million still asked for any stray fuel oil to Singapore.

Crude Tanker Spot Rates



Clean Products

East

Another lacklustre week on the MRs, with most routes being subject to further softening. West rates have kept flat at \$1.1 million levels however, it is yet to be tested this week. Similarly, TC12 remains untested since Monday, ws 125 again is just an assessment, following the trends of other routes, a negative test seems expected to be next done. X-AGulf has been more popular, but hasn't escaped the softening of the long-haul rates, dropping \$15k to finish on \$155k. EAF thought it saw its natural bottom last week at ws 155 but has been pushed down each time it has been tested to finish the week on ws 135. With a very thin outstanding cargo list and only one of these off next week's dates, Owners will have to fight off a lot of competition to have a look in at securing stems. In the unlikely event that we do see a large dump of prompt stems, the build-up of tonnage which has happened over the past week or so, will take time to even out. Hopefully next week will be busier, but don't hold your breath, rates don't look likely to be heading back up too soon, though a more eventful week than this will go a long way in helping.

LRs have had a turnaround, with LR2s finally getting busy but LR1s going a little quieter. Having said that, rates have struggled to respond and 75,000mt naphtha AGulf/Japan is still ws 85 and 90,000mt jet AG/UKCont for now at \$1.55 million. Early tonnage remains preventing any rises so far, but as more

stems quote in mid-May we could see improvements. LR1s are pretty steady with 55,000mt naphtha AGulf/Japan flat at ws 110. But west runs have been harder to cover with Owners reluctant to go into such a weak market. 65,000mt jet AGulf/UKCont is accordingly up at \$1.45 million today but is probably not moving higher for now. Rises on LR2s are expected within the next week whilst LR1s should remain flat.

Mediterranean

The market for most of week 17 has been unsettled with an influx of cargoes at the start of the week cancelled out by a lengthy tonnage list, meaning rates held at the 30 x ws 137.5 mark. Owners ideas then became bullish following replacement stems that saw heights of 30 x ws 157.5, however, these stems left prompt vessels which were happy to settle for less and at the time of writing, an equilibrium seems to have been reached around the 30 x ws 142.5-145 mark. Black Sea enquiry has been sluggish for the majority of the week with rates tracking X-Med at the ws 10+ point premium, however, a late surge in activity has been seen today with the staple Black Sea-Med rate now at 30 x ws 152.5.

Busier week on the MR's with consistent levels of enquiry throughout and with tonnage tight for end month dated stems, we have seen rates firm slightly with a Med-Brazil run currently on subs for 37 x ws 170 suggesting Med-transatlantic is in line with TC2 around the 37 x ws 150 mark. With ballasters ex WAF beginning

to enter the next fixing window, this may stem any further gains at the beginning of week 18, unless we see an influx on cargoes come Monday.

UK Continent

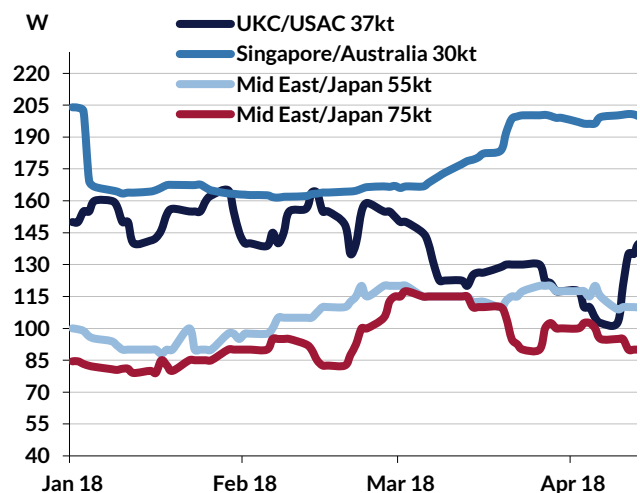
As week 17 comes to an end, Owners will feel perhaps this sector did not quite live up to full expectation, with good levels of enquiry off the end/early window sparking some life into rates. Transatlantic runs dominated the first half of the week pulling rates up to 37 x ws 150-155 and ws175 for WAF, but with the larger LR's picking off much of the demand to WAF, this inevitably stunted further growth in this market. As Thursday arrived, so to cargo enquiry levels seemed to slow, but with limited options for Charterers loading up to the 5th May, opportunities to press on rates have still been present, and stems to fall into this have seen some inflated ideas. Pushing ahead with a broken-up week ahead with many bank holidays across Europe, we may find this will dilute some of the potential in this market for Owners, and with ballasters potentially on the horizon from a weaker States sector, options will grow for Charterers giving the chance to pin this market back once again.

A good week for Handy Owners plying their trade up on the Continent as a sudden rush to cover end month exposure got the wheels in motion. With rates ex Baltic quickly rising to 30 x ws 160 the fixing window then pressed towards early May and with a tightening front end, levels pressed north towards

the 30 x ws 165. X-UKCont also finally experienced a busier week with good demand seen ex Bay of Biscay and also ex ARA. Levels were trading around the 30 x ws 135 but off the back of the firming seen ex Baltic, by the end of the week rates stood corrected to 30 x ws 150. Looking ahead and if enquiry persists, then further gains are expected to occur next week and with momentum firmly with Owners, Charterers will be grateful to see the weekend on the horizon.

Activity has picked up generally as the week has gone on, mostly due to the uptick of enquiry on the larger tonnage which has trickled its way down to the Flexis. In turn Owners have been able to find regular employment, whilst also keeping rates in check, with the sentiment drawn from the Handies. As a result, we see the X-UKCont benchmark at the 22 x ws 190-195 region by the end of the week, some ws 20-point improvement from where we were on Monday. Provided the Handies continue on the same tract Flexis should mirror this.

Clean Product Tanker Spot Rates



Dirty Products

Handy

A steady start for Owners in the continent as fresh enquiry was mainly dripped fed into the market. Passing the halfway mark with rates taking a slight dip, the end of the week did bring us a mix of cargoes with some heading southbound and others for short cross continent, should make for an interesting position list come Monday morning. In terms of rates, end of week activity may of just put the brakes on any further decline heading into week 18.

This week with the Mediterranean still simmering over last week's action, it did not take long to realise the weekend break failed to help any signs of replenishment. Charterers were presented with a tight, early position list and a few outstanding Black Sea cargoes quickly snapped up the earliest ships. As the week progressed a lack of fresh enquiry was noticed, but with workable ships still limited, Owners managed to keep rates from slipping, but there is an underlying feeling that next week could see Charterers start to slowly get a grip back on this market.

MR

Without many options on the table for Charterers throughout this week, full sized stem enquiry proved to be lacking. We did see the first natural sized vessel eventually snapped up, as once again Charterers were faced with limited options. The region continues to trade on a case by case basis due to the lack of tonnage as the disparity between fixtures fails to provide a benchmark for others to work from.

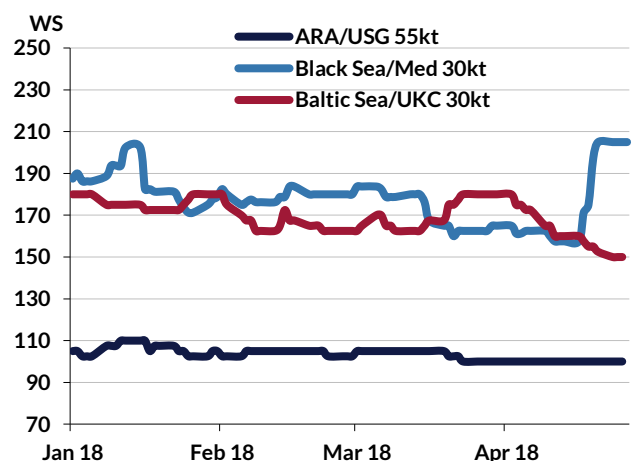
Tonnage in the Mediterranean has been propped up by the firm Handy market, as Owners have continued to find employment with a mix of full size and part cargo stems.

This theme looks like continuing into next week and already reports of enquiry pushing close to mid-May dates from the Black Sea. These forward dates are only going to keep us on our toes come Monday, when presented with fresh tonnage lists, firm units may well get swept up quickly.

Panamax

This week has seen enough fresh requirement to clear down the majority of natural tonnage from this side of the Atlantic, although in such frequency Charterers for the most part have managed to keep a lid on aspiration through the week and rates climbed ws 2.5 points from where the week begun. The Caribs market has mirrored what we have seen locally here, with enquiry steadily turning over tonnage but fixing levels remain flat for now. Come Monday fresh tonnage lists will be key as to what direction this market is going to be heading.

Dirty Product Tanker Spot Rates



Dirty Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Apr 26th	Apr 19th	Last Month	FFA Q2
TD3C VLCC	AG-China	-1	39	40	44	41
TD20 Suezmax	WAF-UKC	+9	67	58	53	61
TD7 Aframax	N.Sea-UKC	-3	92	95	93	93

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

		wk on wk change	Apr 26th	Apr 19th	Last Month	FFA Q2
TD3C VLCC	AG-China	-750	4,500	5,250	9,750	5,750
TD20 Suezmax	WAF-UKC	+4,000	10,500	6,500	6,000	8,000
TD7 Aframax	N.Sea-UKC	-2,000	-4,000	-2,000	-1,000	-3,500

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Apr 26th	Apr 19th	Last Month	FFA Q2
TC1 LR2	AG-Japan	-1	85	86	93	
TC2 MR - west	UKC-USAC	+6	152	146	131	141
TC5 LR1	AG-Japan	-0	109	110	115	114
TC7 MR - east	Singapore-EC Aus	-9	188	197	200	

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

		wk on wk change	Apr 26th	Apr 19th	Last Month	FFA Q2
TC1 LR2	AG-Japan	-500	4,250	4,750	7,750	
TC2 MR - west	UKC-USAC	+1,000	10,000	9,000	7,500	8,250
TC5 LR1	AG-Japan	-250	7,250	7,500	9,000	8,000
TC7 MR - east	Singapore-EC Aus	-2,000	12,500	14,500	15,500	

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

ClearView Bunker Price (Rotterdam HSFO 380)	+1	389	388	358
ClearView Bunker Price (Fujairah 380 HSFO)	+5	411	406	387
ClearView Bunker Price (Singapore 380 HSFO)	+19	420	401	381
ClearView Bunker Price (Rotterdam LSMGO)	+7	630	623	566

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