

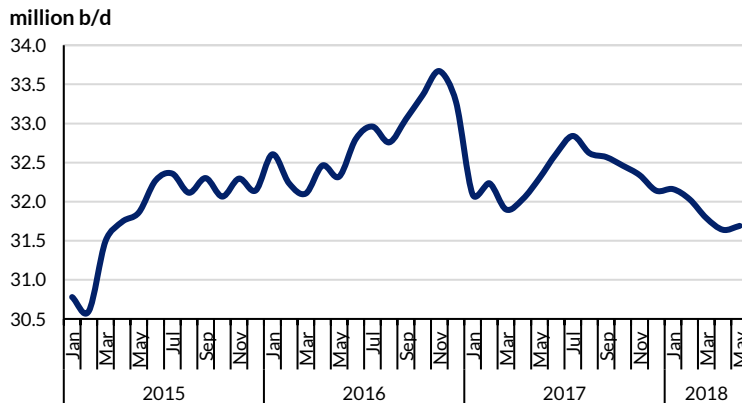
How Much and Where From?

Weekly Tanker Market Report

The current dynamics in the oil markets are very different to the conditions seen just a year ago. Back in June 2017, OECD crude stocks were firmly stuck at their record high level for this time of year. By April 2018 inventories declined below the five year seasonal average, providing clear evidence that the cutbacks in OPEC/non-OPEC production have proved effective in clearing the overhang of crude oil supply. The situation was also helped by the unintentional decline in output in a number of OPEC countries, most notably in Venezuela. Not surprisingly, oil prices have firmed notably. Brent crude is now trading around \$75/bbl, after briefly touching \$80/bbl last month, following the US decision to reimpose sanctions on Iran. Several sources within OPEC have raised the possibility of modifying the current output arrangement, which will be

discussed and decided during the upcoming meeting between OPEC and non-OPEC states next week.

OPEC Crude Production



Of course, any increases in crude production will translate into more cargoes in the market. The key questions are by how much and where from. Some have cited that output could quickly increase by 1 million b/d, although this largely remains speculation. Primarily, only the Middle East countries and

Russia have the capacity to increase production meaningfully, with the majority of the potential gain coming out of the Middle East. If that is the case, VLCCs could be the main beneficiaries, particularly, if most of incremental barrels are traded to the Far East. Higher Russian output would mainly aid the Aframax market, the default tanker size trading out of the Baltic Sea and one of the preferred options for trading Russian crude out of the Black Sea.

However, it remains to be seen whether the potential increase in OPEC/non-OPEC crude output will be sufficient to have a meaningful positive impact on tanker earnings taking into account the large surplus capacity, following the relentless fleet growth since early 2016. Also, we should not forget that some if not most of the potential gain in production will simply be replacing barrels that have disappeared from the tanker market over the past few months alone. Since January 2018, OPEC total crude supply has fallen by nearly 0.5 million b/d, due to the accelerating decline in Venezuelan output and smaller falls in a number of OPEC countries in West and North Africa. At the same time, a notable decline has also been observed in Russian crude exports out of the Baltic Sea this year, following the expansion of the ESPO pipeline branch into China's interior.

Going forward, there is of course a possibility of a further drop in Venezuelan crude production. There is also the risk of a fall in Iranian production, after US sanctions take effect. As such, there is a large element of uncertainty surrounding the future path. There is, however, one thing that we are more confident about. Should OPEC and its allies agree to boost production, then owners sentiment is also likely to receive a similar boost; which, as we all know very well, is not a factor to be ignored in the shipping market.

Crude Oil

Middle East

A repeat one paced performance for VLCCs this week with rates a little squeezed to just under ws 40 for older units to the East and more modern units to ws 47 with levels to the West stubbornly under ws 20 for all destinations. The June programme is now effectively closed out but July schedules are likely to be a little delayed by the current Eid Holiday, and an early week Holiday in China will further disrupt a smooth entry into next week. Suezmaxes pushed and pulled on cargoes to the West but the upshot was for the market to end at the underside of ws 30 there, and to around ws 70 to the East. Availability looks easy enough to prevent any near term break-out from that. Argmaxes became busier but not sufficiently to push rates beyond their previous 80,000mt by ws 95 marks to Singapore, though there remains potential into next week.

West Africa

Suezmaxes managed to draw a line, and then hold it, at down to ws 60 USGulf, and ws 65 to Europe but there was never enough volume to allow for any rebound, and availability remains to absorb whatever is likely to present itself over the coming period. VLCCs ticked over as dates moved towards mid July and rates equalised with AGulf/East numbers. Ws 47 'last done' to China with a flatline \$2.9 million seen for Nigeria to East Coast India. So long as the alternative Caribs/USGulf zone holds up, however, ballasters from the East will prove hard to knock lower.

Mediterranean

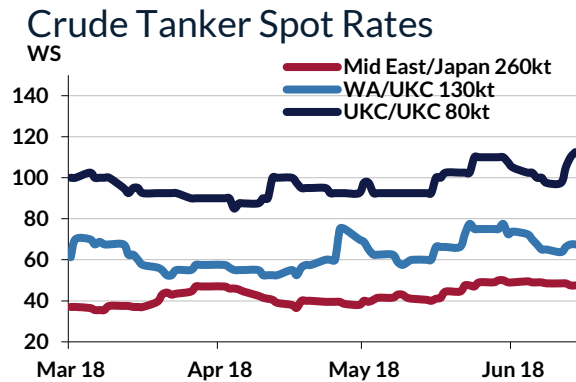
Aframaxes had fallen hard, but a raft of bargain hunting then ensued to allow for a responsive rebound. Once that had crested, it was again a defensive performance from Owners who had to then chase rates downwards once again to end at 80,000mt by ws 100 X-Med with further erosion possible into next week. Suezmaxes stayed active to the East with \$2.8 million from the Black Sea to China typical, but local action fell short of fulfilling supply, and rates to Europe dipped towards 140,000mt by ws 80 as a result...also with Libyan 'issues', early tonnage is supplementing the head of the queue, and further puncturing sentiment.

Caribbean

Aframaxes initially held on to their recent highs of up to 70,000mt by ws 145 upcoast, but thereafter Charterers began to hold back, and tonnage lists re-filled, to lead rates back to ws 135 with further slippage on the cards. VLCCs remained tight enough on the fixing window to continue to hold \$4 million from the USGulf to Singapore and at up to \$3.8 million from the Caribs to West Coast India but refugees from the East will likely cap any intention to push higher and Venezuelan problems will also remain a disruptive feature over the foreseeable future.

North Sea

A sharp, positive, change in the pace for Aframaxes to enjoy early in the week drove rates up to 80,000mt by ws 115 X-UKCont and to 100,000mt by ws 100 from the Baltic, but the mini-storm seems to have passed and Owners will be more minded to consolidate than attack further...and that normally leads to a softening scene - let's see. VLCCs saw very little fresh but the healthy Caribs/USGulf area will continue to prop rate ideas here at up to \$4.15 million for crude from Hound Point to South Korea, and to \$3.2 million for fuel oil to Singapore.



Clean Products

East

A soft and uneventful week on the MRs. Although activity has carried on ticking over, it hasn't been enough to stop most rates falling. EAF has been negatively tested most days and finishes the week ws 15 points down to ws120, this is not necessarily the bottom, but shouldn't be too far off. TC12 started the week at ws 120, but has since been regularly tested at ws 110 and is yet to further soften. UKCont has been unpopular having had only one test, so \$1.05 million can only be an assessment. Shorthaul has avoided the softening, keeping at \$135k throughout. Gizan has fallen \$75k to \$350k as Owners are keen to fix under last done levels in order to ensure they won't be sat waiting for too long. Charterers will be using this to their advantage, in order to chip away at the soft market. As Ramadan draws to a close, it appears most people have started the weekend and celebrations early. This reduced activity has done nothing to help the mass of building prompt AGulf tonnage, coupled with very few outstanding cargoes, Monday will have a heavy front end. Bank holidays in the Far East for the start of the week will also have a detrimental effect, unless we get an unlikely dumping of fresh cargoes, these prompt ships and low rates look likely to be around for at least another week.

LR2s took a big correction at the start of the week dropping some ws 20 points. This needed to happen eventually, but dropped further than it should have, and is now seeing a slight improvement. 75,000mt naphtha AGulf/Japan is now trading at ws 100 and may see a few more points added next week. 90,000mt jet AGulf/UKCont is slightly untested, but is expected to be \$1.875 million today. LR1s saw a quieter week and a small fall, but rates have rallied and should now be able to maintain their levels. 55,000mt naphtha AGulf/Japan is now ws 112.5 and 65,000mt jet AGulf/UKCont is back to \$1.60 million.

Mediterranean

Week 24 got off to a slow start with most getting back into the swing of things, having flown back from Positronia. With X-Med rates softening ws 2.5 points last Friday to 30 x ws 135, there was talk of momentum continuing to move in Charterer's favour, however, rates have held and traded sideways at this number throughout the week. Black Sea rates have held for the majority at the ws +10 point premium at 30 x ws 145, however, towards the end of the week, an unbalanced market has occurred with rates varying between 30 x ws 142.5-147.5. The general sentiment is that although tonnage remains in good supply, enough enquiry is ticking over in order to ease the building pressure and keep rates trading around the 30 x ws 135 mark for X-Med stems.

Enquiry remains sluggish on the MR front with rates by and large being dictated by action in North West Europe. Med-transatlantic runs have mirrored TC2 for much of the week and has slipped ws 5 points with 37 x ws 110 the going rate. Fresh test was seen for a Black Sea-WAF run at 37 x ws 135 with an Argentine option on the same voyage at \$1 million. In order to prop rates up and ease the pressure, an influx of cargoes is necessary in the Med with MR tonnage continuing to build.

UK Continent

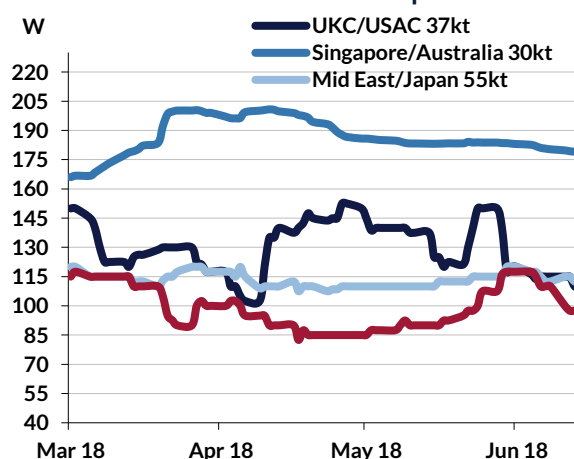
The wealth of tonnage opening in the UKCont, and the armada sailing from the States, in the end, was just too much for Owners resilience and despite good levels of enquiry, rates inevitably fell. The start of week 24 held TC2 runs at 37 x ws 115 which many thought was the bottom of the barrel and Monday/Tuesday saw a busy start with good levels of enquiry. By the midweek point though cracks appeared in Owners armour and ws 110 was seen, giving Charterers a new target of fixing. WAF and Brazil runs have been noticeably in short supply providing limited alternatives for Owners, and keeping tonnage turning over has been the name of the game. Taking positives, the good number of cargoes has given Owners some ability to fix, but under present levels making sense of any guess on the fixing rates is proving incredibly difficult for Owners and additional enquiry to anywhere but the States will be greatly welcomed next week.

A quiet week passed for the Handy fraternity with rates, despite heavy

pressure holding strong. 30 x ws 147.5 has been the go to rate ex Baltic with the X-UKCont stagnant at ws137.5 also, with Owners and Charterers seemingly in agreement to continue this trend. As the second half of the week appeared, so did fewer cargoes and still an ample tonnage list and Charterers dangled the carrot of Baltic stems into the mid ws 20s loading window trying their luck to break sentiment. Owners will be looking for the next glut of end month stems to appear early next week to be able to resist temptation as time will only be piling more pressure on the fixing rates as fresh tonnage appears.

Finally, to the Flexis where very little market cargoes appeared with ships keeping moving though COA demand. Rates have been untested for the majority of the week and with that the rate prediction against the pressured Handy market has been the call at 22 x ws 180-185. Expect more of the same ahead as Owners to be capped by the Handies with available ships taking out partners stems.

Clean Product Tanker Spot Rates



Dirty Products

Handy

This week started off following a similar sentiment as last week due to activity rolling over into Monday. When this movement was all cleared down fresh enquiry seemed to have stalled with little reprieve on the horizon, adding to this tonnage opening from the WMed region continued to move toward the region only adding further pressure on rates. With all told, this week has closed out with a negative feeling in the air, next week is going to need an injection of fresh enquiry to stop any further negative correct.

Monday presented us with a lengthy tonnage list unseen for a while. The majority of units were heavily weighted within the EMed region. Enquiry from the Black Sea has steadily drawn on these units, but the amount of tonnage that was available has overwhelmed the demand that was shown. This pressure gave Charterers the upper hand as we are currently fixing levels well below the 30 x ws160 level. Come Monday the market will need to take stock of fresh tonnage lists drawn up, as with delays in the region and the lack of units coming open in the WMed we could start to open a two tier market in the region.

MR

Charterers will be heading home thinking this was a game of two halves, as a sporadic position list, the front half of this week suddenly changed, with Charterers witnessing few options to break the current trend. A slow end to the week will not do anything to help the current trend

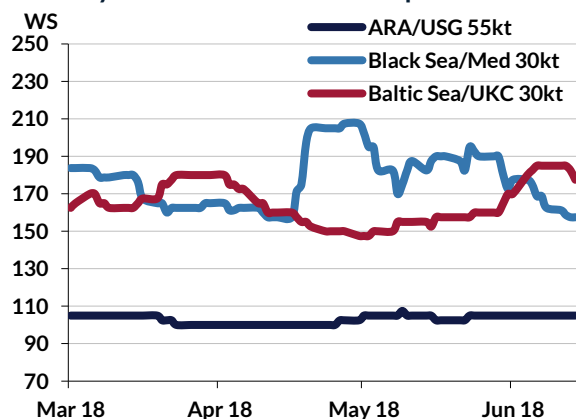
with Charterers likely to commence week 25 testing the ws 120 X-UKCont level.

Values in the Med came off this week where at time of writing Owners had been showing interest down to ws 110, as competition for stems intensified. Charterers who were able to test the market took advantage. Speculation presides whether the market will endure a prolonged spell at bottom feeding levels or see recovery in the short term.

Panamax

At the final stages of the week the Panamax market here in Europe may have just been given a boost mainly owing to the delays vessels are experiencing in Europe and through a pick up in some localised demand. Digging a little deeper, although the week has had a feeling of drip fed requirement keeping Owner aspirations at bay, perhaps some stability has been afforded this sector where last done now looks rather more affirmed even with ballast units willing to come over.

Dirty Product Tanker Spot Rates



Dirty Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	June 14th	June 7th	Last Month	FFA June
TD3C VLCC	AG-China	-1	48	49	41	47
TD20 Suezmax	WAF-UKC	+3	68	65	67	66
TD7 Aframax	N.Sea-UKC	+14	114	99	101	101

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

		wk on wk change	June 14th	June 7th	Last Month	FFA June
TD3C VLCC	AG-China	+0	9,750	9,750	3,250	9,000
TD20 Suezmax	WAF-UKC	+1,500	10,000	8,500	8,500	9,000
TD7 Aframax	N.Sea-UKC	+9,000	11,250	2,250	750	3,250

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	June 14th	June 7th	Last Month	FFA June
TC1 LR2	AG-Japan	-13	99	112	91	
TC2 MR - west	UKC-USAC	-5	110	115	120	116
TC5 LR1	AG-Japan	-2	113	115	112	113
TC7 MR - east	Singapore-EC Aus	-2	179	181	183	

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

		wk on wk change	June 14th	June 7th	Last Month	FFA June
TC1 LR2	AG-Japan	-3,000	6,750	9,750	4,000	
TC2 MR - west	UKC-USAC	-750	2,750	3,500	3,750	3,750
TC5 LR1	AG-Japan	-250	6,750	7,000	6,250	7,000
TC7 MR - east	Singapore-EC Aus	-500	10,000	10,500	10,500	

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

ClearView Bunker Price (Rotterdam HSFO 380)	-8	424	432	442	
ClearView Bunker Price (Fujairah 380 HSFO)	-11	450	461	461	
ClearView Bunker Price (Singapore 380 HSFO)	+2	453	451	458	
ClearView Bunker Price (Rotterdam LSMGO)	+4	642	638	676	

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