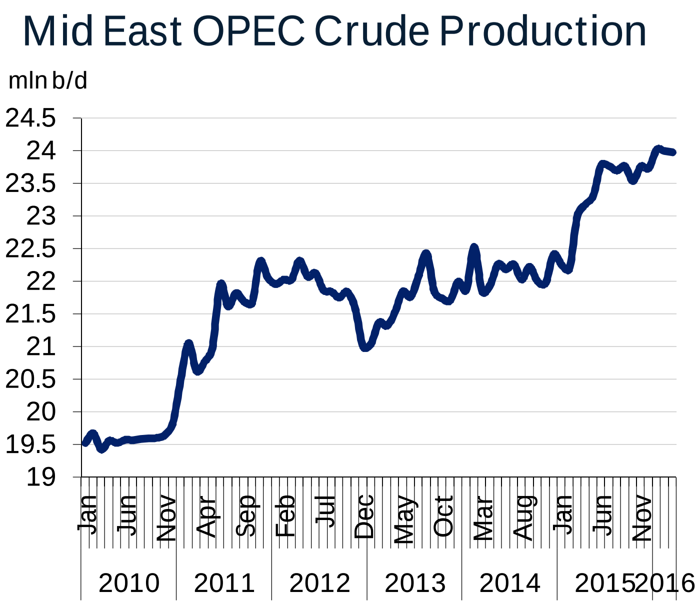
Doha Meeting

Weekly Tanker Market Report

The abundance of crude that triggered the collapse in oil prices has undoubtedly offered multiple benefits to tanker markets since late 2014. Cheap oil increased seaborne trade to existing and new markets, supported land based commercial and strategic storage, while increased volatility in prices stimulated arbitrage driven shipments. At the same time, excess crude supply not only elevated floating storage (mainly for operational reasons) but also translated into delays and inefficiencies in the supply chain. Finally, owners managed to hold on to the benefit of lower bunkers.

The prolonged period of low oil prices is hurting both OPEC and non-OPEC producers alike. US crude output is being hit the hardest. Production started to decline mid last year. The latest EIA projections are for total US crude output to drop by over 0.8 million b/d in 2016 and by around 0.55 million b/d in 2017 to just over 8 million b/d. Although so far only modest changes in production have been seen in other non-OPEC countries, major cutbacks to CAPEX of oil companies apply breaks on future potential. There is also considerable pressure on budgets of producing countries where revenues from oil sales are used to finance fiscal policies.

As such, it is not surprising that low oil prices have prompted a dialogue between oil producers regarding a collective response. The Doha meeting is just two days away, while the attendance has been confirmed by at least 15 countries. The news has supported prices, with Brent rising to its highest level this year owing to speculation over a possible outcome of the meeting. Earlier this week the Russian energy minister indicated that only a framework and not concrete commitments will be the focus of the upcoming gathering. No one really knows what will happen, but if it is an output freeze deal and not a cut, this is likely to have a limited impact on the oil market. Although US crude output is falling, global production is at or close to record high levels. Argus Media commented that freezing output at highly elevated levels “is not a serious response to an oversupplied market”. Perhaps the biggest challenge here is being posed by Iran. Iranian authorities stated that the country will attend the meeting, yet at the same time they have been very clear that Iran will continue its effort to increase domestic crude production and exports.



Back in January, when nuclear sanctions were lifted, authorities in Tehran claimed that the country’s crude output will increase by 0.5 million b/d within weeks and by another 0.5 million b/d in the following six months. The reality now is somewhat different. The IEA puts an estimate of Iranian crude production at 3.3 million b/d in March, up by 0.3 million b/d from January. The volume of Iranian crude/condensate in floating storage also remains at highly elevated levels. In fact, the number of VLCCs used for storage of Iranian barrels increased modestly by the end of March, relative to January estimates. Despite these developments, Iranian crude production is still expected to continue to rise throughout 2016, although the pace of growth could be limited. In this scenario, even if a production freeze agreement is reached in Doha, the world will still see more barrels added to the market, on top of already bulging inventories. For the tanker markets this means more demand. The same also means that delays and inefficiencies the industry is facing now are unlikely to fade overnight.

Crude Oil

Middle East

Strong April VLCC volumes, but this time not quite enough to create the super-tight conditions that allowed for last month's spike. Rates did, however move up some 10 ws points to the East to ws 70 with demands to the West into the low ws 40s. May programmes will be in hand early next week and Owners will hope that Charterers move quickly, and in sufficient numbers, to add further strength, but if they don't then the market will be in danger of slipping a gear. Suezmaxes lost more of their previous steam and the minimum rates of last week became the maximum levels this week - ws 95 to the East, and ws 57.5 to the West. no big moves likely in the short term. Aframaxes saw less than of late and rates quickly responded by going negative to 80,000 by ws 110 to Singapore, though the feeling is that we are not at, or very near to, bottom markers.

West Africa

Suezmaxes managed to convert the upward anticipation into reality as Charterers moved through a busy midweek spell, and although the week ended on a quieter note, Owners will still demand up to ws 90 for USGulf, and to ws 95 to Europe for a while yet. VLCCs started the week at ws 60 to the East, but finished at around ws 70, broadly mirroring the increases seen in the AGulf. If that zone continues to solidify, then additional premiums here will be sought, though ballasters from the presently slow Caribbean will compromise somewhat.

Mediterranean

No rays of sunshine for Aframaxes here - just a slow grind through the week at unchanging low ws 80s Cross-Med and although a degree of balance had been reached by the close, fresh 'meat' will be on Charterers' table again early next week. Suezmaxes heard the noise in West Africa, and that strengthened sentiment to raise rate demands towards 140,000 by ws 90 to European destinations with runs to China at, or a little below, $4 million. May programmes are now coming out, and there could yet be further modest gains.

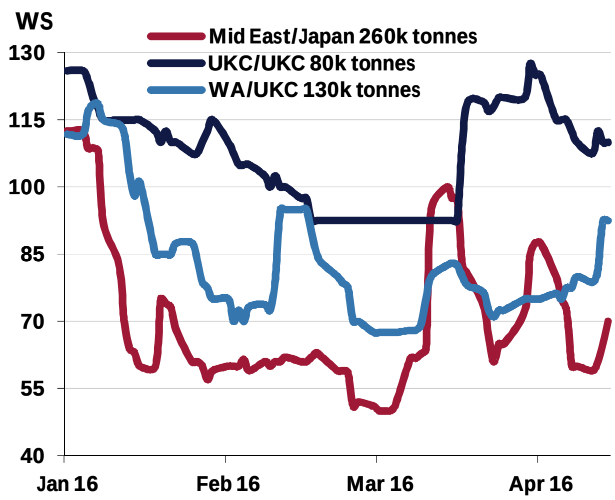
Caribbean

A lot of bobbing and weaving in the Aframax sector but all within a fairly tight ws 92.5/100 range upcoast and until a more significant catalyst develops, it will probably be the same very short term factors that influence the variation within the same rate range. VLCCs found little but improved West African alternatives helped to secure the bottom line at $5.2 million to Singapore and $4.2 million to West Coast India. Forward lists look thick enough to handcuff the market similarly.

North Sea

A slow-ish week for Aframaxes gradually eroded rates to 80,000 by ws 115 Cross-North Sea, and to 100,000 by ws 77.5 from the baltic but the end month programme is about to come into play and Owners will resist further falls until those demands become more clear. Little of note on the larger sizes where the fuel oil 'arb' to Singapore only occasionally worked at around $4.8 million but later closer to $4.3 million was required to secure interest and Owners were reluctant to then engage.

Crude Tanker Spot Rates



GIBSON SHIPBROKERS

Clean Products

East

Week 15 has been one which Owners will be keen to forget - the continued pressure exerted on the market from the soft LRs has again negatively tested rates. To address the short-hauls first, the cross-Gulf runs have lost almost $50k this week, and are now rated at $170k. Runs into the Red Sea, which had been sitting firm at the $400k mark have also dropped off to the $385k level - although this was immediately deemed a one-off rate by astounded Owners. Long haul rates have also been tested - naphtha runs to Japan have dropped off the ws 102.5 level, and runs West have fallen below the $1 million bar to $900k. The only run that has managed not to soften is the gasoil runs down to EAfr, which have sat firm at ws 132.5. The good news going into the new week is that the tonnage list isn't too oppressive, and many of the prompt tonnage is last veg or fosfa, which comparatively improves the potential trading options for last CPP vessels. The situation remains however whereby MR Owners are waiting for an LR stimulus in order to see real improvement.

LRs have seen a very poor week with rates coming back down to last autumn's lows. 75,000 mt naphtha AG/Japan is hovering around ws 85 but 90,000mt Jet AG/UKC is now down at $1.75 million. LR1s have also seen similar declines with 55,000mt naphtha AG/Japan now at ws 90 and 65,000 mt jet AG/UKC down at $1.325 million. Next week may well be busier but it will take more than that to move rates back up any real amount and we expect it to be at least two weeks before things are really on the up again.

Mediterranean

Owners will clock week 15 down as a great success as we see consistent improvements on last done rates being achieved across the 5 days. High levels of Black Sea voyages partnered with equally high demand from the East Med have driven rates up and as we come to a close, we see 30 x ws 200 and 30 x ws 190 for Black Sea and cross Med respectively. West Med runs initially slacked behind, but as the week developed and tonnage was drawn eastwards, rates caught up and now we see an even playing field across the sea. Expect to see ballast tonnage heading towards Gibraltar quickly snapped up as Charterers aim to keep a grip of this sector. Looking ahead we wonder for how long we can expect to see this sentiment, and judging by outstanding cargoes, stability could be found shortly.

MRs experienced a mixed week in the Mediterranean, as tonnage has been tight, but enquiry hasn't come in vast amounts. Rates for Red Sea discharge (Jeddah) remain unchanged $750k basis central Med load and TA rates have pushed up to 37 x ws 130. Looking ahead a number of ballast units will now be heading up to Gibraltar from West Africa which could be the saving grace Charterers require.

UK Continent

After weeks of suppression, finally we see some positivity for Owners as rates begin to climb. Numbers increased near on 30 points to 37 x ws 130 over the week as even though demand for WAf runs slowed, TC2 picked up and tonnage became sparse. With delays continuing in ARA for discharging, replacements were not an uncommon sight, which only added fuel to the fire. Looking ahead, tonnage remains in demand with a number of stems outstanding, which in turn should keep levels where they are presently. With the States market slumping at 38 x ws 90, the potential for fresh ballast tonnage over the weekend improves, and with this so will options for Charterers. All eyes will be focused on the Atlantic horizon.

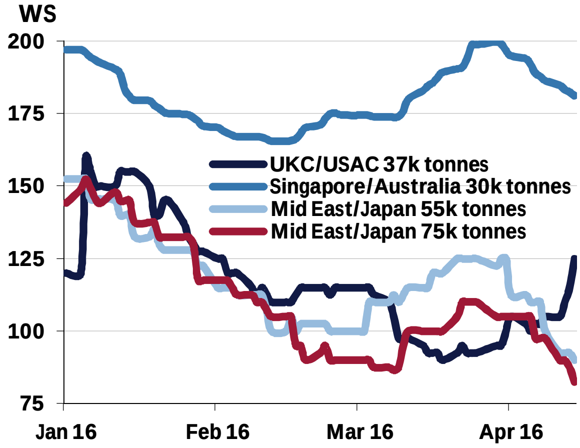
The Handy market despite not quite being as exciting as their larger cousins, did see an improvement and as we come to the close of play 30 x ws 120 is seen in front of us. Owners will be hoping for afurther overspill from the MR sector to aid employment as again we see tonnage tied up awaiting discharge in ARA. Vessels finding themselves opening in the Southern regions of the Continent will be quickly tempted for the ballast to the Med as we see rates here balloon. Tonnage turnover will be the key factor if Charterers alike are to keep a lid on this market.

Flexis continue their placid jog through the week with little rise or dips looking ahead. Enquiry has paired comfortably with tonnage which continues the 22 x ws 140 trend without much of a hiccup. Owners will be hoping the hustle from other sizes will spark some life into this sector, but with high levels of COA activity, expect this to be at a slow pace.

LRs

Week 15 began at a slow pace for LRs in the West with minimal fresh inquiry. However, Owners could see potential to claw back some lost ground as the tonnage list was less populated paired with some uncertainty on a number of those vessels.
ARA/WAf levels were sitting around the ws 90 mark and a slight concern was the slowdown in gasoline demand to WAf. However, reformate stems to the East alongside a few gasoline stems moving TA have enabled Owners to push levels up to 60 x ws 102.5 for ARA/WAf and with the Med looking tight for LR1s, levels should begin to improve on the $1.35 million recently achieved for a Med/Spore. A few ballasters on the horizon from WAf will provide options for Charterers for end/early, but overall LR1 Owners can be more positive looking forwards.
LR2 Owners saw a handful of naphtha stems enter the frame this week from the Baltic, Continent and Mediterranean. A couple of vessels in good positions led to a Skikda/Japan run going on subs at $1.875 million and a similar stem on subs ex Black Sea has fetched $2.075 million. Owners have been rating an ex Baltic run to Japan at $2.275 million and we have seen a fresh test for an ARA/Red Sea trip carrying USLD as $1.15 million is on subs respectively. Looking ahead, rates should remain steady with potential to improve as the tonnage list is thinning and a few stems remain outstanding.

Clean Product Tanker Spot Rates



Dirty Products

Handy

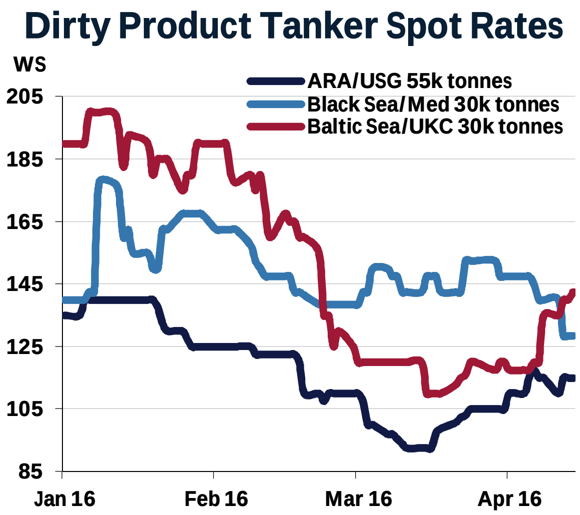
The volume of concluded fixtures indicates a lack of market momentum compared to last week's burst of activity. Despite this tonnage in the region remains limited to pick from, Owners in play have been confident in their position managing to maintain ws 140 levels throughout. Heading into next week there is a strong possibility of Charterer's pushing for negative correction if the volume of enquiry does not improve.
Due to the oversupply in this week's tonnage list we have seen a negative downturn the in rates early on in the week. But from then on in, rates have remained steady ending the week with cross Med trading in the ws 120 levels. With the majority of the concluded fixtures reported having multiple discharge options. Owners will be hoping it will be enough to make a dent on the list as we commence next week, opening up for positive correction but this remains to be seen come the opening bell Monday.

MR

The dawn of this week presented us with tonnage lists looking like two worlds apart. With limited tonnage in the north, leaving the few Owners to cherry pick from cargoes that were available keeping the region firm. The contrast comes when we turn to the Med, as starting this week with a number of vessels opening up towards the top of the tonnage list has seen this region decrease in fixing levels. The themes in both regions are likely to remain unchanged as we move into next week, or at least until the split in tonnage becomes more balanced.

Panamax

The general feeling in this market this week is one of subdued activity from both sides of the Atlantic, as the levels of enquiry seen has not managed to develop the market sentiment. Looking ahead into next week this feeling is likely to be unchanged, with Owners committing to the ballasting this way and the ever looming tonnage due to be opening in natural position are all going to play a role until enquiry levels pick up.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 7th	Apr 7th	Last Month	FFA Q2
TD3	VLCC	AG-Japan	**+6**	68	62	71	63
TD20	Suezmax	WAF-UKC	**+17**	93	77	75	86
TD7	Aframax	N.Sea-UKC	**-4**	110	114	93	115

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

			wk on wk change	Apr 7th	Apr 7th	Last Month	FFA Q2
TD3	VLCC	AG-Japan	**+6,000**	59,000	53,000	63,750	52,250
TD20	Suezmax	WAF-UKC	**+8,250**	39,250	31,000	29,750	34,750
TD7	Aframax	N.Sea-UKC	**-3,750**	32,000	35,750	18,750	35,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 7th	Apr 7th	Last Month	FFA Q2
TC1	LR2	AG-Japan	**-15**	83	98	95	
TC2	MR - west	UKC-USAC	**+16**	120	104	97	129
TC5	LR1	AG-Japan	**-14**	91	105	112	99
TC7	MR - east	Singapore-EC Aus	**-7**	181	188	180	

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

			wk on wk change	Apr 7th	Apr 7th	Last Month	FFA Q2
TC1	LR2	AG-Japan	**-5,000**	16,250	21,250	20,750	
TC2	MR - west	UKC-USAC	**+2,500**	14,250	11,750	10,250	16,000
TC5	LR1	AG-Japan	**-3,750**	12,750	16,500	18,250	14,250
TC7	MR - east	Singapore-EC Aus	**-1,500**	17,000	18,500	16,500	

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

LQM Bunker Price (Rotterdam HSFO 380)	**+20**	178	158	169
LQM Bunker Price (Fujairah 380 HSFO)	**+10**	191	181	180
LQM Bunker Price (Singapore 380 HSFO)	**+15**	198	183	177
LQM Bunker Price (Rotterdam 0.1% LSFO)	**+26**	353	327	343

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