WEEKLY TANKER REPORT

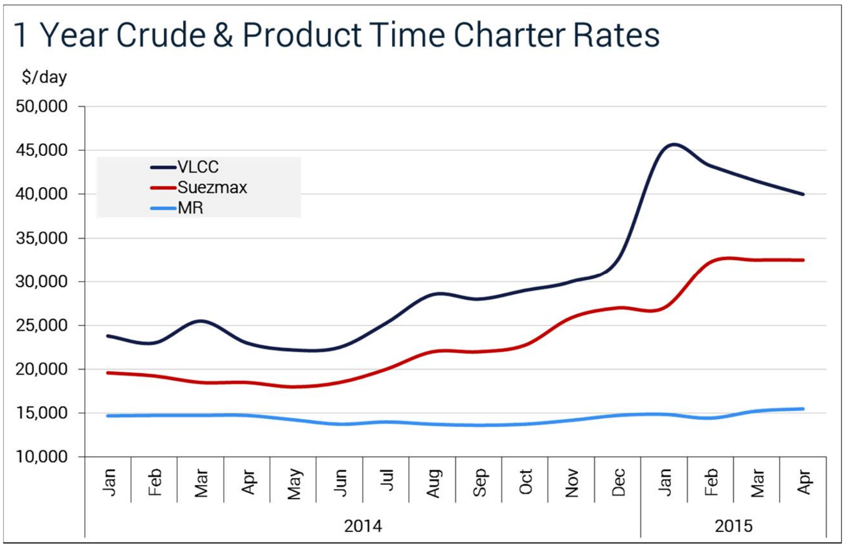
GIBSON SHIPPING ENERGY

10th April 2015

WHAT A DIFFERENCE A YEAR MAKES!

2015 has started very well for tanker owners with spot and t/c returns that take things to a new level in comparison to 2014, particularly in the crude sector. With the first quarter is now behind us it will be interesting to see what the spring and summer has in store for tankers in what is typically a quieter period in the chartering market. Moreover, we have now entered a period of relative stand-off in the timecharter sector where the charterers feel that terms rates may weaken whilst owners are in no mood to revise their rate ideas in the short term. Taking account of the recent strength in the market owners remain bullish.

At this time last year the Brent crude was at close to $110 a barrel compared to around $57 today. This massive drop has stimulated a lot of activity in terms of the stockpiling of cheap crude, particularly in China where imports in 2014 were up some 10%. Saudi oil production reached a record high of 10.3 million b/d in March and with higher production also reported for Iraq and Libya and the potential for more Iranian production, the tanker market can indeed continue to be optimistic. Bunker prices have also fallen dramatically over the corresponding period from around $600/tonne down to $320/tonne (basis Fujairah 380cst) which has been highly beneficial for owners/charterers who for the most part have continued operate a conservative policy with regards to steaming speeds.



Timecharter rates for a modern VLCC today for 12 months are in the region of $40,000/day in our matrix compared to $23,000/day at the same time last year with rates pushed up by the level of enquiry and fixing in the early stages of 2015 in anticipation of a contango play. The Suezmax and Aframax markets have also faired equally well, with 12 month timecharter rates moving up from $18,500 to $32,500/day and from $12,000 to $23,000/day respectively. MR rates by comparison have not fared so well with a 47,000 dwt vessel moving up from $14,700 to just $15,500/day.

In addition another positive, particularly in the crude sector is that tonnage supply is currently under control in the short term. For example, although in the VLCC sector there are 100 units on order, only 19 are scheduled for delivery over the remainder of this year. However 58 deliveries are scheduled for 2016. Similarly, in the Suezmax sector there are 10 conventional units due to deliver over 2015 with another 28 in 2016. The scenario in the clean MR sector (40-55,000 dwt) is somewhat different with 112 due for delivery over the remainder of 2015 and a further 83 in 2016.

The dynamics in the crude tanker market next year are likely to change once again. Here, apart from rising deliveries, owners also need to prepare for lower crude flows out of the Middle East Gulf due to refinery developments in the region. At the same time this will lend support to clean tanker earnings owing to further increases in long haul product trade.

Middle East

VLCC Charterers' previous witholding policy may well have kept the market under control while it lasted, but the longer they held back, the more likely it became that a concentrated, busier patch would develop, and the dam did indeed break after the Easter holidays and the consequent momentum propelled rates to an impressively higher ws 65 to the East and low ws 30s to the West with Owners in the mood to press for more before the April programme is exhausted. No such fun and games for Suezmaxes that had to exist in a much more pedestrian scene. Good availability, and only modest enquiry kept rate within a ws 75/80 bracket to the East and low ws 30s for popular West runs. Aframaxes also suffered from slack demand and 'easy' tonnage. 80,000 by ws 105 is now the mark to Singapore, and little early change is anticipated.

West Africa

A relative collapse in sentiment - and rate - for Suezmaxes on a swollen tonnage list and mean spirited Charterers. Rates fell off sharply to 130,000 by ws 62.5 USGulf, ws 67.5 Europe and will stay there for a while unless Charterers decide to bargain hunt too eagerly on forward dates. VLCCs strode forward in lock-step with the Middle Eastern gains with up to ws 65 seen for Eastern movements and $4.75 million paid to West Coast India. Things will continue to bubble until the AGulf cools.

Mediterranean

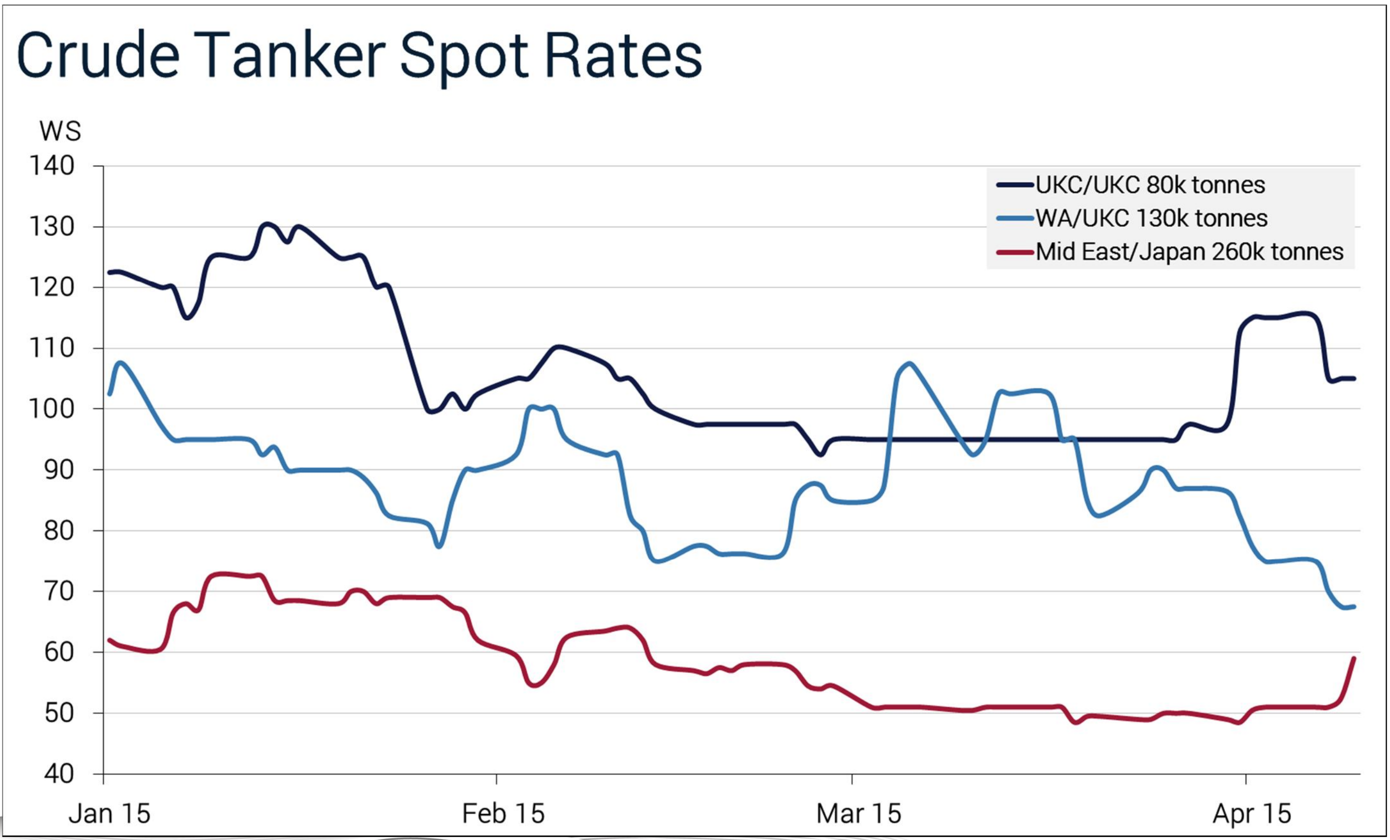
Aframaxes had a soft start to the week, easing by some 10 pct, but conditions started to get a little better for Owners later on to rally rates at close to 80,000 by ws 100 X-Med, though it's more about consolidation now, rather than further upward ambition. Suezmaxes drifted rather aimlessly for the most part, and upcoming Russian holidays didn't help either. Rates fell to 140,000 by ws 70+ from the Black Sea to European destinations with down to $3.5 million concluded for China discharge.

Caribbean

Aframaxes waved goodbye to the recent super-good times, although the lower 70,000 by ws 150 upcoast level still yields very acceptable returns. The bad news for Owners is that they will probably struggle to hang onto that level, and further downward correction is likely. VLCCs found very few friends and rates moved lower to $5.4 million from USGulf to Singapore, and a little under $5 million from the Caribs to West Coast India. The West African revival may help prop up sentiment moving forward, however.

North Sea

A little more spice for Aframaxes here....not that hot, but warmer nonetheless, and a late week replacement deal upped the ante for Charterers. Rates inflated modestly to 80,000 by ws 105/107.5 X-North Sea and to 100,000 by ws 97.5/100 from the Baltic with a bit more to come, perhaps. There was fuel oil 'Arb' interest on the larger sizes to Singapore, but VLCCs were effectively precluded by the lack of availability on the fixing window. Suezmaxes were then approached, and rate ideas operated at around $3.5 million for such runs.



CLEAN PRODUCTS

East

LRs have seen a gentle decline this week although LR1s are still close to parity with the LR2s. 55,000 mt Naphtha AG/Japan has slipped to ws 125 and 65,000 mt Jet AG/UKC is now $2.25 million. These rates are expected to fall further though as we see a lack of long haul voyages due to the weak LR2s. 75,000 mt Naphtha AG/Japan has dropped to ws 96 and 90,000 mt Jet AG/UKC to $2.375m. We expect both to fall further next week. On the whole MRs remain tight. But there are some early signs that they are now cooling off. TC12 finally has moved up, considering other routes reacted to the tightness a while ago, it is not usual for TC12 to be less volatile than other routes. East Africa was confirmed at ws 190 this week, but deals at less have been done, with ws 185 on subs and also ws 182.5 going on subs. This is indicative of Owners mentality, willing last done, but may well do 2.5 points less to get the business. West bound voyages have been seen in excess of $1.7 million on subs twice, however both failed and this route is assessed at high $1.6's to $1.7 million, but with a weaker LR market, the larger ships will always prove a more attractive proposition, where increasing stem size is possible. The shorthauls have been fixing at $385,000 for Jubail/Jebel Ali and Iraq at $400,000. Iraq aside, the higher levels being acheived for X-AG's will attract the LR1s and LR2s and thus we will likely see rates squeezed. Activity levels has calmed towards the weeks close and sentiment is one of calm rather than the bullishness of recent times and we could see rates chipped away at. For the most part, it has been another fairly quiet week in North Asia and rates have generally softened across the board. For the MRs, longhaul rates have held up better than the backhaul routes – $490,000 is currently on subs for Korea/Singapore, yet 35 kt x ws 150 is the going rate for North Asia/Australia. The MRs in Singapore are steady – the strong AG market has helped draw some tonnage away and stop freight rates softening, and 30 kt x ws 175 is the current established level for Singapore/Australia. LR1s and LR2s are also slowing up in the Far East – LR1 Korea/Singapore should now be achievable at below $600,000 and for the LR2s, $650,000 is on subs at the time of writing. If this quiet spell continues we can expect further softening next week.

Mediterranean

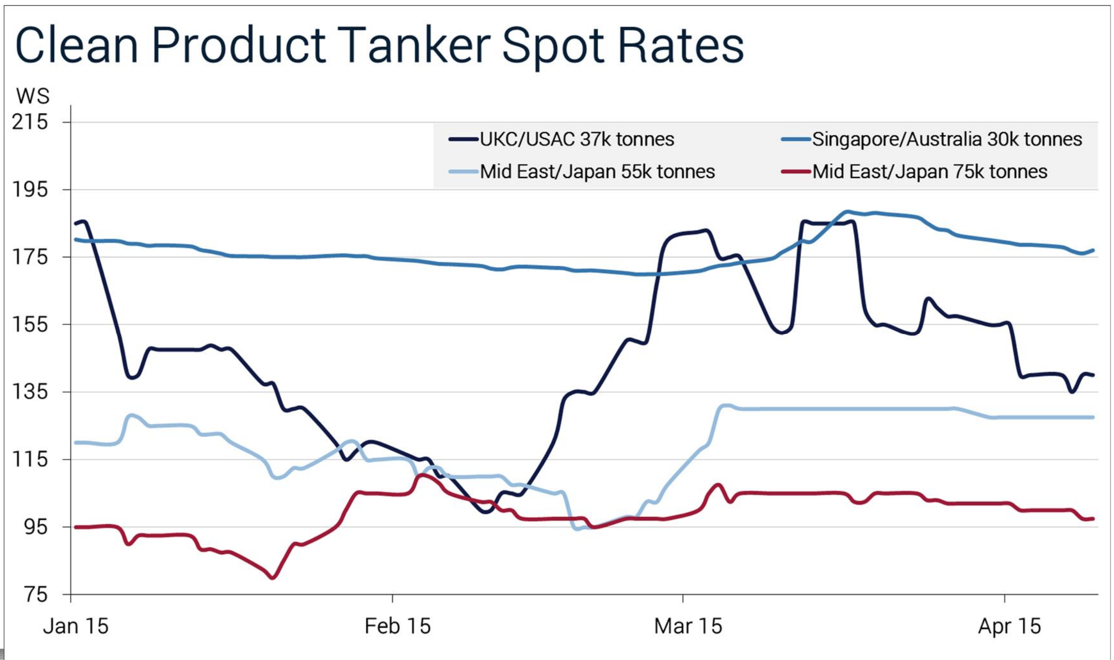
A steady start to week 15 in the Mediterranean culminated in a post Easter fixing bonanza with 30 x ws 245-250 on subjects. A large number of cargoes in the 13-15th window that had been left until after the Easter break, resulted in a rapidly tightening list and Italian cabotage requirements were the first to really push the market fixing mid-week 30 x ws 225 + 10 Italy. At the close, the list remains very tight but it isn't clear for how long the market will hold at these dizzy heights. MR requirements have been relatively slow in the Mediterranean, but at the levels handys are now trading, most will hapilly fix shorthaul certainly given TC2 has been fixing around 37 x ws 140. MRs are in short-supply for Med loading up to the 20th so it is likely that MR cargoes will carry a premium over UKC fixtures. MRs fixed this week $1.05 million level to Red Sea/ $1.15 million to the AG ($1.07 million on last palm).

UK Continent

A very quiet start to the week following the Easter break from Flexis up to LR2s, although Owners were able to keep rates buoyed at 37 x ws 140 levels. More cargoes filtered into the market as the week went on and the list has tightened although rates trade sideways. Cont/WAfr holds 15-20 prompt premium on TC2 at 37 x ws 155-160. A similar picture on the shorthaul, 30 x ws 192.5 / 22 x ws 192.5 market X-Baltic and lists are fairly tight off the prompt window. LR1s have been particularly quiet this week, with limited fresh enquiry forcing Owners to soften their ideas as the tonnage list grows - 60 x ws 135-140 levels although could soften further next week. LR2s tick over with system Naptha moving East, rates slipping slightly to $2.75 million Med/Japan.

Caribbean

The USG market bounced back in the 2nd half of the trading week buoyed by consistent inquiry and slight forward fixing. Open trading 'Arbs' back to Europe will ensure longer haul employment and delay unit turn around. TC14 responded in kind with 38 x ws 90 on subs and all X-USG routes receiving positive corrections; the market looks set to enter next week in a healthy state.



Handy

Prompt tonnage and limited activity sums up the Continent market this week, with Owners working hard to clear down vessels from position lists in order to slow this recent negative trend. Naturally, rates have steadily been tested and we emphasise 'steadily', as Owners have not been given a chance to recover due to lack of cargo opportunity. As the week comes to an end the market leans further towards Charterers favour, much to Owner's dismay. What we must bear in mind is behind the scenes legitimate transactions will have been fixed in order to keep deals hidden from the market. Owners can at least report a marginally better position from where they started the week.

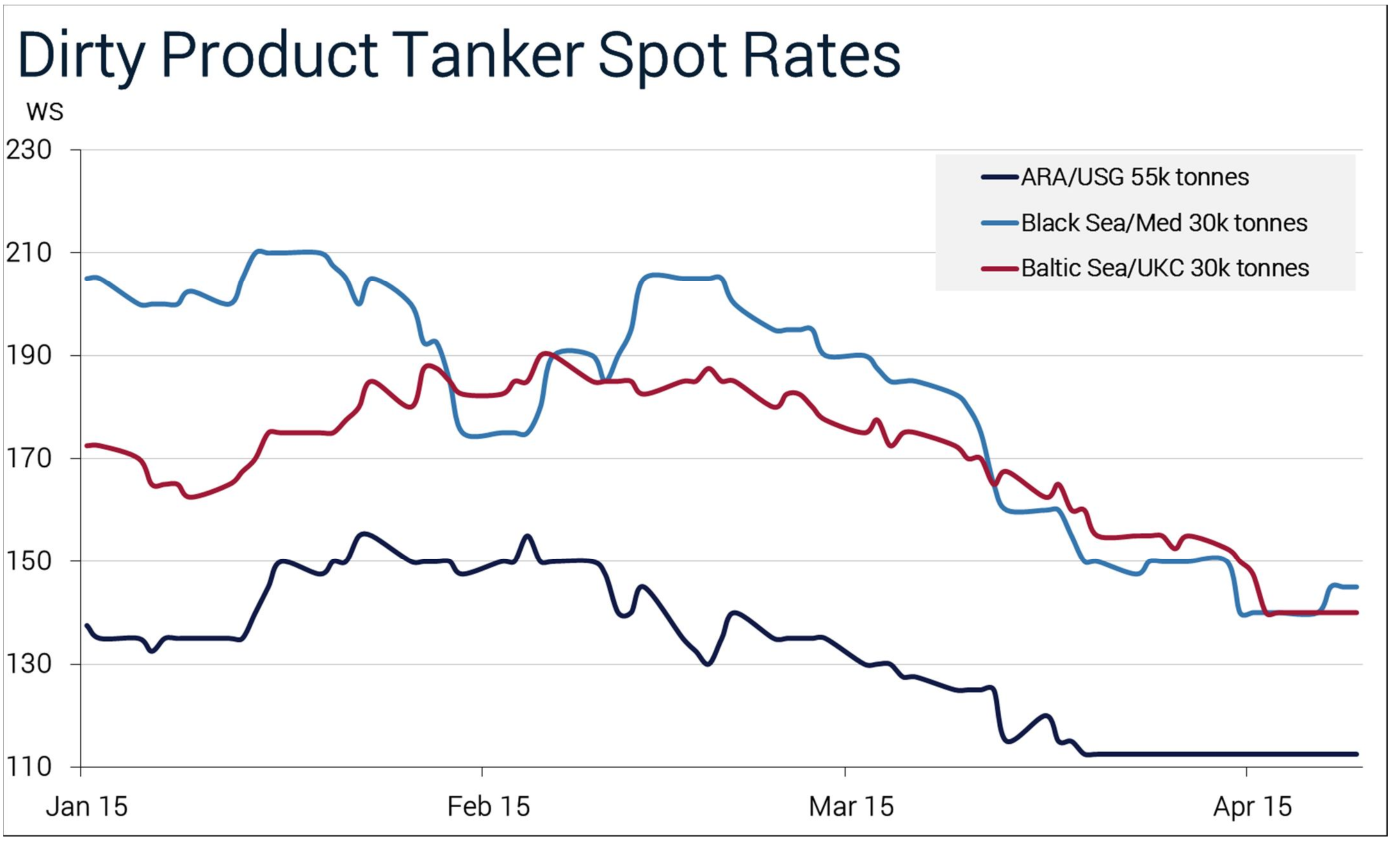
The Mediterranean market mojo had a tiny bit more juice this week with a handful of well spread 30 kt cargoes, allowing tonnage to be gobbled up and keep positions well balanced. The general feeling amongst Owners and Charterers is we have hit the bottom of this sector and although we may see repeat levels to begin with, Owners will now be looking to build from here. Don't be surprised if the forecast graph index begins to point upwards even if it's only a gradual incline.

MR

Surrounding markets have weighed down rates for MR voyages in the continent, but had there been more tonnage within the region, levels could have weakened further. As things stand however, should activity on the Handies pick up next week then we could start to see Owners having some negotiating power in holding value to freight rates. The Mediterranean has had an oversupply of MR tonnage, a trait that has been consistent to this market for some time. The good news however, with more consistent cargo activity on the Handies Owners at least have a more viable backup plan.

Panamax

A week full of disruptions, we look at tonnage in Continent/Mediterranean and naturally positioned tonnage we can now report looking a lot tighter. As a consequence we have seen relatively flat market in terms of rates although towards the end of the week we have now began to see a firming of sentiment. The other side of the Atlantic, levels have remained stable and as the week comes to an end albeit with a slight slump, Charterers will however be keen to notice reports of few units have fixed for backhaul, thus repopulating our lists further ahead.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 9th	Last Week	Last Month	FFA Q1 15
TD3	VLCC	AG-Japan	**+9**	59	50	52	45
TD20	Suezmax	WAF-UKC	**-21**	68	89	108	68
TD7	Aframax	N.Sea-UKC	**+14**	109	95	95	95

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

			wk on wk change	Apr 9th	Last Week	Last Month	FFA Q1 15
TD3	VLCC	AG-Japan	**+17,000**	64,000	47,000	48,250	39,750
TD20	Suezmax	WAF-UKC	**-15,500**	31,500	47,000	61,000	35,500
TD7	Aframax	N.Sea-UKC	**+11,500**	35,250	23,750	22,500	23,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 9th	Last Week	Last Month	FFA Q1 15
TC1	LR2	AG-Japan	**-4**	98	102	103	
TC2	MR - west	UKC-USAC	**-17**	136	152	172	95
TC5	LR1	AG-Japan	**-3**	126	129	124	112
TC7	MR - east	Singapore-EC Aus	**-6**	177	183	173	

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

			wk on wk change	Apr 9th	Last Week	Last Month	FFA Q1 15
TC1	LR2	AG-Japan	**-1,000**	27,250	28,250	27,500	
TC2	MR - west	UKC-USAC	**-3,500**	19,000	22,500	26,500	9,250
TC5	LR1	AG-Japan	**-250**	27,250	27,500	25,000	22,250
TC7	MR - east	Singapore-EC Aus	**-500**	21,500	22,000	19,750	

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

LQM Bunker Price (Rotterdam HSFO 380)	**-13**	295	308	318
LQM Bunker Price (Fujairah 380 HSFO)	**-21**	320	340	363
LQM Bunker Price (Singapore 380 HSFO)	**-17**	320	336	344
LQM Bunker Price (Rotterdam 0.1% LSFO)	**-10**	513	523	563

MR/JH/JD/DP/LHT

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E.A. GIBSON SHIPBROKERS LTD., AUDREY HOUSE, 16-20 ELY PLACE, LONDON EC1P 1HP

Switchboard Telephone: (UK) 020 7667 1000 (International) +44 20 7667 1000

E-MAIL: tanker@eagibson.co.uk TELEX: 94012383 GTKR G FACSIMILE No: 020 7831 8762 BIMCOM E-MAIL: 19086135