

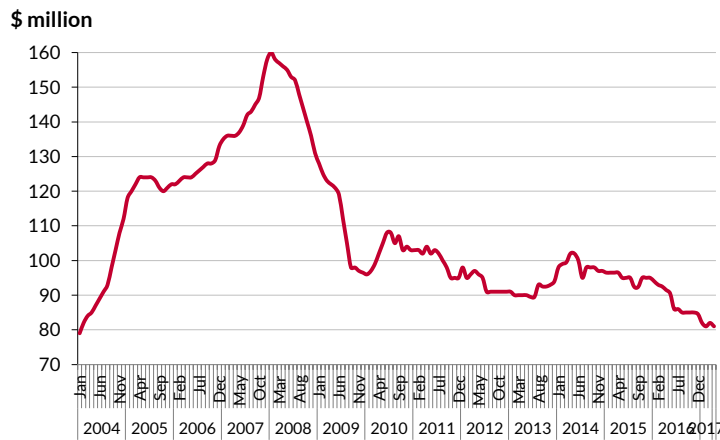
Too attractive to resist

Weekly Tanker Market Report

The lull in new tanker orders last year coupled with accelerating pace of deliveries reduced the size of the orderbook, raising hopes that the rapid growth in fleet size witnessed currently will come to an end in 2018/19. However, the dynamics of the newbuilding market are starting to change again this year, with a notable increase in shipowners' appetite for new VLCC tonnage. So far this year circa 30 VLCC orders have been confirmed (including the latest four firm orders from Capital Maritime) versus just 13 orders for the whole of 2016. Ordering activity in other tanker categories remains restricted, although some modest gains have been observed in the Aframax and LR2 sectors. Nevertheless, we understand that a number of owners (not just VLCC owners) are considering investment in new tonnage and are actively talking to shipyards.

The latest developments have been to a large extent driven by low asset values. Newbuild prices across all sectors declined last year on the back of the turmoil in the shipbuilding industry, which has been hit by a prolonged period of low ordering activity in a number of shipping sectors, including tankers. STX shipbuilding filed for a court led restructuring, whilst many leading shipyards are going through cost cutting, consolidation and restructuring. Depleted orderbooks combined with challenging financial conditions have forced shipbuilders to compete even harder, pushing prices lower and lower. As a result, this year tanker newbuild values reached their lowest levels since late 2003/early 2004.

Newbuild Prices - VLCC



The latest wave of new tanker orders has occurred against deteriorating trading conditions. Spot earnings in the product tanker market have been very weak for quite some time, frequently falling to or even below the level of fixed operating expenses. The crude tanker market has fared better, VLCCs in particular; yet, even here earnings so far this year have been notably lower relative to 2016. While returns in the market are being pressured, the orderbook is still far from being modest.

Paddy Rogers, the CEO of Euronav, spoke against the latest flurry of VLCC orders, suggesting that these orders are not needed by the market in current challenging conditions. However, newbuild prices appear to be too attractive to resist. Apart from low price levels, ordering a new tanker now offers an additional benefit – delayed delivery due to a lengthy construction period, which will enable the owner to take control of the asset once the current phase of rapid fleet growth is over and/or is approaching its end. Furthermore, owners making a decision to order will have the flexibility to have their tonnage prepared in a most efficient and practical way for the approaching key legislation: the Ballast Water Treatment Management convention, which will come into force in September this year and the 0.5% global sulphur cap for marine fuels, effective January 2020.

There is clearly some sound logic behind ordering a tanker now, which suggests that firmer interest in newbuild tonnage is unlikely to disappear anytime soon. However, access to new finance remains at highly restricted levels, while it is more challenging to advocate the case for new investment while returns in the industry are weak and/or are deteriorating. As such, only those with strong financial muscle are likely to be in a position to capitalise on the current set of circumstances.

Crude Oil

Middle East

VLCC initially continued to compress lower, but then enjoyed increased bargain hunting attention that recreated enough momentum to make good the lost ground and in the end, move rates into slightly higher territory over last week's close - bottom markers of ws 60 to the East now, with modern units looking for mid ws 60's and low/mid ws 30's the marks to the West. Owners will be hoping for the traditionally active end month phase to allow for further improvement next week. Suezmaxes posted no positive change over the week as a weaker West African scene persuaded Owners to remain in situ and compete for more limited local demand. Rates eased to around ws 80 to the East and to under ws 40 to the West accordingly. Aframaxes stayed rather flat over the period, within a ws 110/115 range to Singapore and are likely to remain rangebound well into next week too.

West Africa

Eastern ballasters- refugees - from the East served to thicken VLCC position lists sufficiently to allow Charterers to take things easier and to draw rates incrementally lower to ws 70 USGulf and ws 75 to Europe before a late week busier phase halted the slide. Now Owners will be hoping for activity to continue into next week and from there to re-take at least some of the lost ground. VLCCs towed a steady line through the week with no rate change despite the AGulf undulations, though higher levels will be asked for if the

AG/East market does ramp further. Currently rates again stand at around ws 62.5 to the Far East with \$2.75 million the last seen for a run to East Coast India.

Mediterranean

The holiday delayed start to the week here allowed for some catch-up to create extra market noise on Aframaxes and for Owners to successfully shift rates moderately higher to 80,000 by ws 110 X-Med and perhaps even higher before Charterers once again resist pushing cargoes. Suezmaxes kept to a reasonable fixing pace, but ballasters from the North Sea began to impact and rates fell off to 140,000 by ws 82.5 to European destinations and to \$2.9 million for runs to China. Owners need some support from West Africa to help the cause.

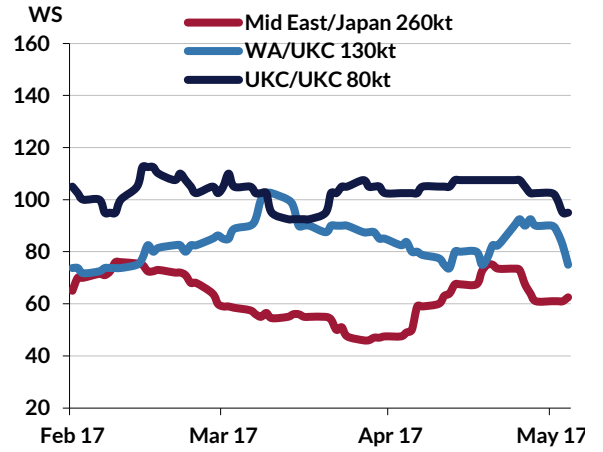
Caribbean

Aframaxes were hard to pin down this week - down/up and probably down again as a reasonable balance was occasionally punctuated by premiums paid for 'special needs'. Rates - at time of writing - are around 70,000 by ws 120 upcoast, but could well be ws 110 by Monday! VLCCs quietened over the week, but Owners eye a finer balance and haven't yet been tempted to accept lower than \$4.25 million to Singapore, or \$3.5 million to West Coast India and that should remain the case over the near term.

North Sea

The active Mediterranean Aframax market was not replicated here and Owners had to repeat accept rates of 80,000 by ws 95/100 X-UKCont and to 100,000 by ws 65 from the Baltic. Too many early vessels remain on the lists to call for any immediate relief. VLCCs were steadily picked off by invigorated traders with up to \$3.75 million payable for fuel oil to Singapore, though by the week's end the demand and economics, had tailed somewhat.

Crude Tanker Spot Rates



Clean Products

East

LRs have had a forceful week, with rates moving quickly upwards. LR2 rates moved some 20 points in the week, with 75,000 mt naphtha AG/Japan at ws 110 now. West rates are yet to be properly tested, but no Owners are willing below \$1.60 million, some \$300k higher than last week. LR1s are also firm, with 55,000 mt naphtha AG/Japan now trading at ws 117.5, but 65,000 mt jet AG/UKCont is probably only \$1.10 million for now. Next week will see this continue, we believe, with rates further rising but, with Ramadan approaching, it could prove to be a short-lived spike.

Its been a quiet week on the MRs - unsurprising, given the activity seen on the LRs and in particular on the LR2s. The MRs had a busy Monday and Tuesday and lots of shorthaul cargoes went on subs - albeit at disappointing rates for Owners. Shorthaul has dropped to \$147.5k for the X-Gulf and a disappointing \$475k on subs Kuwait/Suez indicates how soft these runs really are. Runs East are being traded at ws 122.5, although we are not seeing as much being moved at the moment. West runs are down at the \$850k - unsurprising given how cheap LR2s were at the beginning of the week. However, given the fact that the LR2s are currently moving, Owners are excitedly hoping that these stems may be split (possible given the fact that they are mostly AG loads) to give a boost to longhaul in the new week. EAF has been traded numerous times at ws 135, but there is every possibility that this could be cut further given the fact that there

are still EAF players ballasting up and waiting for the next batch of GO cargoes headed in that direction to emerge. Next week should see more action - there are definitely cargoes yet to be quoted for mid-month dates.

Mediterranean

Similarly, this week in the Mediterranean Handies have struggled for employment and with this, rates have fallen. The dream of numbers starting with a 2 will be a distant memory now as we fell, with every fixture taken out. As we come to a close of play, 30 x ws 160 is seen on for X-Med and ws 170 ex Black Sea. Good levels of cargoes have entered the market in the second half of the week but, as tonnage still outweighs them, expect this market to remain under pressure.

Enquiry levels have been low in the Mediterranean for MRs this week as market correction has primarily come from the falling UKCont market. A light scattering on enquiry has been quickly taken out by tonnage but lack of Brazil and transatlantic voyages has taken its toll Owners options. Expect this sector to remain under pressure unless enquiry can pick back up.

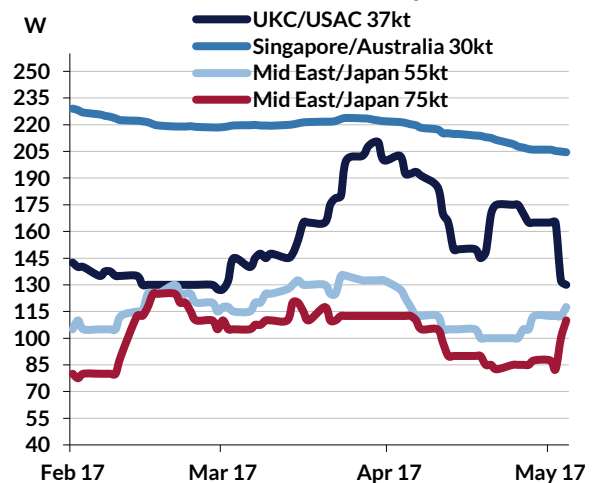
UK Continent

Owners will be scratching their heads in what went wrong with the MR sector this week as rates nosedived throughout. With options for Charterers plentiful on Monday, rates were under pressure from the start as by the halfway mark we held at 37 x ws 130 for transatlantic. As the close of the week emerges, rates took a further slide to now ws 120 on subs for TC2 runs and a number of cargoes still to be covered to press further. Despite the full selection of WAF/Baltic/Transatlantic/ East cargoes coming to light through the week, quantities of these were just too low and, partnered with a weak States seen, this market was always going to struggle to hold on. Looking ahead, Owners will be hoping we have hit the bottom for now but, with options still out there, they will do well to dig heels in.

As the excuse of ice class requirement began to fall on deaf ears of Charterers, natural correction was always on the cards for the Handies in the Continent. We began with numbers holding at 30 x ws 155 but, with slow numbers of stems and a bountiful tonnage list, rates declined with each fixture. We arrive on Friday with 30 x ws 130 on subs ex Baltic and a fresh test for X-UKCont is needed to show the levels here. Owners will keep on attempting to rebuff further decline but, with prompt ships still available, they may have a tough task ahead.

Finally, to the Flexis where little market enquiry has kept true market strength in the dark to many. A falling handy sector has meant that we have seen market correction here to be competitive as we see now 22 x ws 170 on subs for X-UKCont. Expect this sector to continue to be affected by the 30kt rates, whether for the negative or positive, as COA stems dominate fixings.

Clean Product Tanker Spot Rates



Dirty Products

Handy

Overall a steady week in the Continent, with a few positions keen to get down to the Mediterranean provided Charterers' some competitive rates for voyages of a longer nature, whilst Owners wanting to stay in the region benefited from the list slowly tightening. Despite the region not exactly flooded with fresh enquiry, Owners did manage to gain some increment week on week. At time of writing the market looks firm at ws 150. This said, the weekend maybe coming a touch too early for Owners which is currently causing momentum to stall.

With the extending break causing this week to be a shortened one, the position list in the Mediterranean looked plentiful on Tuesday. Owners in play felt slightly nervous as ws 145 levels from the Black Sea looked to be tested. A change of fortune, however, was seen as we hit midweek mark, aided by delays in the Turkish Straits creeping up to 4.5 days; subsequently, causing Charterers to enter the market a little earlier than usual. Eventually, some Owners managed to find opportunity to press, achieving slight increments to the ws 150 levels previously considered as a conference rate. Come Monday, all eyes will be on the Strait delays once again for guidance as to where this market heads in the short term. .

MR

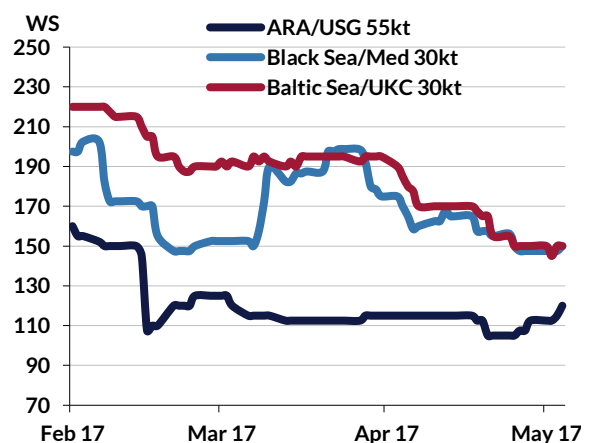
This market has not fared well in terms of activity levels seen in both its surrounding markets. This has been due to Owners with prompt / early tonnage

having had their arms twisted into taking part cargo stems to minimise idle time where possible. This said, next week the North will continue to look tighter on tonnage, unlike the Mediterranean, where itineraries that are likely to firm up in the coming days will continue to restock an already plush tonnage list.

Panamax

This sector has been driven by fixing dates and respective availability when trying to cover stems. Focusing on this side of the Atlantic, enquiry has slowed from what we have seen in recent weeks. However, that is no real surprise as where ws 120 had been put on subjects, and little natural tonnage over to rely on, Charterers have been seeking alternate sized units where possible. With this in mind we turn to the US markets where conditions had been fairly active with numerous units being fixed on. In turn, this is leaving us here in Europe with fewer ballast candidates to move this way. Looking ahead into next week, we can expect Owners to continue trying to emulate the higher end of fixing ranges, especially where we ask units opening states side to come this way.

Dirty Product Tanker Spot Rates



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 4th	Apr 27th	Apr 20th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	-2	61	63	76	46	62
TD20	Suezmax	WAF-UKC	-16	76	92	81	87	80
TD7	Aframax	N.Sea-UKC	-4	96	100	108	105	114

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

			wk on wk change	May 4th	Apr 27th	Apr 20th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	-1,750	24,250	26,000	36,250	13,250	24,750
TD20	Suezmax	WAF-UKC	-6,500	14,750	21,250	15,750	19,250	16,750
TD7	Aframax	N.Sea-UKC	-4,500	7,000	11,500	16,750	14,750	20,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 4th	Apr 27th	Apr 20th	Last Month	FFA Q3
TC1	LR2	AG-Japan	+25	110	85	85	113	
TC2	MR - west	UKC-USAC	-39	130	169	168	206	135
TC5	LR1	AG-Japan	+9	113	104	100	133	121
TC7	MR - east	Singapore-EC Aus	-1	205	206	213	222	

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

			wk on wk change	May 4th	Apr 27th	Apr 20th	Last Month	FFA Q3
TC1	LR2	AG-Japan	+6,000	11,000	5,000	5,250	12,500	
TC2	MR - west	UKC-USAC	-5,500	7,750	13,250	13,000	19,250	8,500
TC5	LR1	AG-Japan	+1,500	8,000	6,500	5,750	11,000	9,000
TC7	MR - east	Singapore-EC Aus	-250	9,500	9,750	10,500	12,000	

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

ClearView Bunker Price (Rotterdam HSFO 380)	-9	273	281	291	282
ClearView Bunker Price (Fujairah 380 HSFO)	-4	298	301	313	300
ClearView Bunker Price (Singapore 380 HSFO)	-3	302	304	313	300
ClearView Bunker Price (Rotterdam LSMGO)	-22	421	442	458	446

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