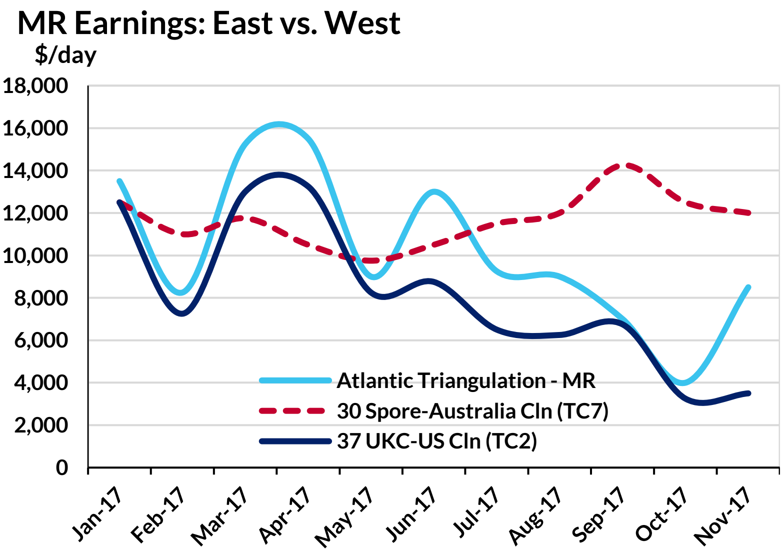
Asian Products Push
Weekly Tanker Market Report

Product tankers trading in the Far East are having a better second half of 2017 relative to the first half, and on average, have outperformed the Atlantic markets. Whilst earnings in the West have generally had a difficult second half (despite some firming this week), the Far East market has been the consistent performer, gradually firming into Q3 and only easing marginally into the first half of Q4. Part of the strength has followed typical seasonal trends. However, this year the market received an extra boost from the aftermath of hurricane Harvey, with demand emerging late summer/early autumn to fill shorts on the West Coast of North and South America. Whilst this demand has now faded, the product markets may still be feeling a longer lasting impact in terms of thinner tonnage lists from displaced vessels, stronger refining margins and higher trading demand, particularly from North Asia.



Increased activity from China has been a key support factor in recent weeks and looks set to continue to underpin the markets for the balance of the year. Earlier in the month the Chinese government issued an additional 5 million tonnes of product export quota to the state-owned refiners to use by year end. This, coupled with good margins, has encouraged refineries across China to boost runs and push more product into the export market. Whilst the independent refineries have not been granted the same export rights, they have positioned themselves to fill the gap left behind by the state-owned refiners who have less restrictive access to the external markets. All of this points to higher export demand emanating from North Asia for the balance of the year. The country's ban of >10ppm diesel in ships and tractors has also forced some players clear storage and boost exports of the higher sulphur grade. Elsewhere in the region, strong demand for naphtha from the petrochemical sector is driving trading of the light distillate across the region. Tighter supplies and firmer LPG prices are making naphtha more appealing to petrochemical producers, cracking margins have also been firm of late, even with some recent softening. Whilst this is supporting flows from the Middle East and Europe, further trading opportunities have been created within the region.

Moving into 2018, Chinese product export quotas may need to be raised further. The Chinese government has raised crude import quotas for independent refiners by 55% to 2.85 million b/d. Whilst undoubtedly part of this increase in import quota will supply domestic markets, there is scope for further increases in refined product exports. New refineries coming online will also boost Chinese refining capacity. PetroChina's Anning refinery (260,000 b/d) in Yunnan is now supplying regional demand, whilst CNOOC's Huizhou Phase 2 (200,000 b/d) plant is in start-up mode. Aside from these plants, limited regional expansions are scheduled for 2018. However, higher regional refinery runs from recently commissioned and existing plants will continue to support products trade across the region, even if the growth is slower than in recent years.

Crude Oil

Middle East

VLCC Owners had their patience sternly tested as November enquiry became quickly finalised and December programmes were still awaited. Rates edged lower from the top end of the recent range to slide into the high ws 60's West with levels to the West dipping to sub ws 25. The expectation of busier times to come prevented further damage, but it will need concentrated attention from early next week to recreate momentum and give any chance for the market to rebound. Suezmaxes moved through a welcome active phase with demand to the West particularly apparent. Rates responded accordingly to move into the high ws 40's West and to ws 87.5 to the East, but that seems to be a high tide mark just for the time being. Aframaxes slid lower, as expected, on thin enquiry and heavier availability. Rates now stand at 80,000mt by ws 115 to Singapore and are likely to move lower over the next fixing phase too.

West Africa

Suezmaxes eased off through the first half of the week, but then resistance mounted in the low ws 70's and Owners then began to believe in a pre-Thanksgiving shopping spree to come, that would provide support, and Charterers had to then fight a little harder and eventually give back some ground. 130,000mt by ws 75 to USGulf and ws 80 to UKCont now and if the predictions prove correct then further upward shift next week. VLCCs drifted sideways on only modest attention as eyes turned towards the driving AGulf fortunes which remained unresolved by the week's end. 260,000mt by ws 70 to the Far East remains 'conference', but with a temporary nod to the downside and a flatline $3.375 million the last seen to East Coast India.

Mediterranean

Aframaxes incrementally regained lost ground, and then late week started to look for something a little more meaningful as Turkish Straits delays increased, and Black Sea needs swelled. 80,000mt by ws 115/120 from the Black Sea and ws 105/110 X-Med now, and a potential step change higher in the air for next week. Suezmaxes kept busy enough, but it needed even more to tighten supply and rates remained pegged at no better than 140,000mt by ws 90 from the Black Sea to European destinations with around $3 million available for runs to China. A push in West Africa - if it happens - would help, but with a lag factor due to the good availability.

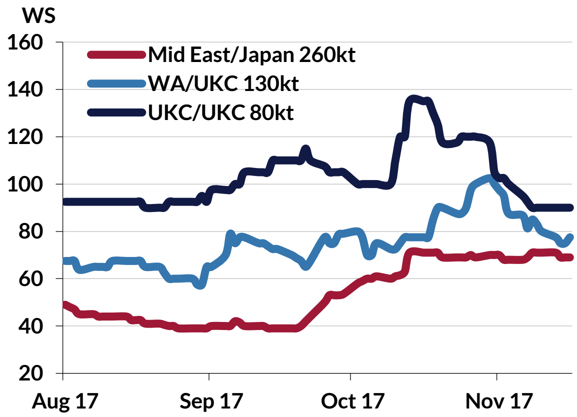
Caribbean

A very uninspiring week for Aframaxes here. Dotted line demand and easy supply meant Owners defending a shaky 70,000mt by ws 100 mark upcoast and only hopes of a pre-holiday rush to fix providing any degree of near term optimism. VLCCs ticked over at reasonably comfortable numbers - $4.5 million from the Caribs to Singapore and around $4 million to West Coast India, but forward strength will be tempered by dilution from Eastern ballasters unless the AGulf turns upwards soon.

North Sea

Aframaxes have done a bit better for themselves this week, but it's only been a marginal improvement to 80,000mt by ws 90 X-UKCont and to 100,000mt by ws 70 from the Baltic, but Owners are now attempting to use these new levels as a springboard for something better for next week, particularly if the Mediterranean does shift higher. VLCC 'arb' economics for traders weren't attractive and although tonnage was tight, a lower $3.65 million had to be accepted for fuel oil to Singapore with $5.275 million 'on subs' for crude oil from Hound Point to South Korea.

Crude Tanker Spot Rates



Clean Products

East

Frustrating week for Owners of the larger tonnage in the Gulf. LR2s have been relatively inactive - bobbing along at the last done 75 x ws 122.5 levels for naphtha, and around the $1.85 million levels for the westbound stems. The LR2s are due a busy week next week, and therefore Owners can take some solace from the fact that rates have remained flat and avoided any softening from an inactive week. The LR1s have been much more active than the larger size, but Owners have failed to capitalise on an active market - rates have remained truly glued to the last done floor - $1.3 million is the rate to head West ex AGulf, and TC5 has been repeatedly put on subs at the ws 125 benchmark. Given that the list is now pretty thin until the 30th, more cargoes next week could make this market interesting. However, given the level of action seen this week, the LR1s could easily slip into an inactive week as we have seen many times before – The opinion is that the LR1s will be flat.

After a flying start, the activity on the MRs has tailed off with rates flattening out after a mid-week spike. The tonnage is now tight off the front, but enough tonnage remains to cover any outstanding. With no more shorthaul competition from the LR1s, the MR rates have been able to push back up above $200 to $210k after a lull during Bahri week and a $275k for a prompt replacement may push natural window rates up a tad next week. TC12 has increased to ws 182.5, but remains slightly unpopular amongst Owners. With a few outstanding TC12 cargoes, this could push further in the new week. After seeing a market high of $520k, Red Sea runs came off slightly to $500k, but this was considered slightly sub market, rates should finish the week at the $515k levels. Heading West has remained steady, but unpopular, with the larger tonnage taking preference. EAF runs have also been steady, but with most of the cargoes put on subs at the start of the week, it has not been a well-tested end, although Owners are talking ws 220 levels going into the new week. A lot of outstanding cargoes remain at the end of the week, and if we see the emergence of more in the new week, we could see a nice push.

Mediterranean

As we entered week 46, the tonnage list was grim reading for Owners with around 14 prompt Handies available. However, cargo enquiry began to flow which in turn enabled Owners to hold onto 30 x ws 135 for X-Med. As prompt tonnage began to be fixed away and enquiry persisted, Owners were able to snatch a few more points and at the time of writing, X-Med rates are trading at 30 x ws 150 with potential for further gains to be seen, as tonnage remains tight, especially around EMed. Black Sea rates have followed suit with 30 x ws 165 currently on subs and with enquiry still there to be covered. Heading into next week, a lack of naphtha suitable ships across the board may also provide leverage for Owner’s to be bullish.

MR’s in the Med have been tight with a market quote for a Skikda-Brazil run struggling to find cover ultimately fixing 37 x ws 200. Rates in NWE were strong throughout the week which meant that Med/transatlantic runs were trading around the 37 x ws 137.5 and Med/Red Sea-AGulf rates starting to pick up also. A similar story as in the North, however, with the general sentiment looking a little less rosy with the weekend on the horizon as enquiry has slowed whilst Charterers hold off from adding further cargoes to the list.

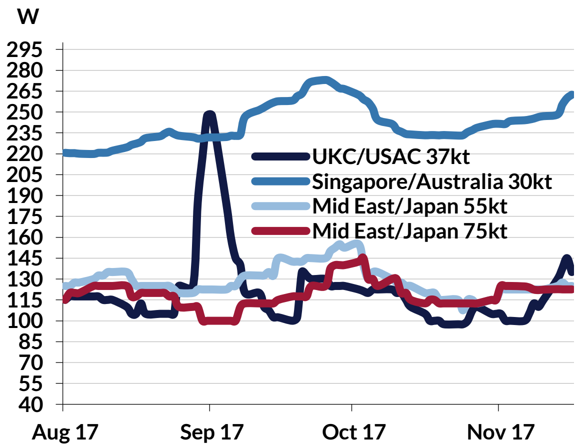
UK Continent

With a strengthened States market keeping ballast tonnage away from the continent, MR Owners on Monday morning were walking into the office with a spring in their step with the belief that the market would improve. On Monday and Tuesday, we saw improvements peaking up towards 37 x ws 150 for a replacement cargo, and belief this would be just the start for further gains on the TC2 market as the tightened Mediterranean market was also adding fuel to the fire. But as the halfway point of the week arrived, Owners who were holding back to profit on improved rates started to see enquiry slow, and the tonnage list improve on the back of a few failures. Coming to the close of the week, we see the market correct itself negatively with 37 x ws 132.5 (last cargo chems) on subjects with further question marks over whether this will remain the number. Restocking of the tonnage list will remain slow with the States market continuing to remain strong, but Owners will need to see fresh enquiry for end month lifting to be able to maintain any positivity.

The Handy market in NWE finally managed to pull itself out of the rut, it has been stuck in from fixing at unseasonably low levels. There were good levels of fresh enquiry early in the week and with tonnage lists looking better for Owners, rates began to climb (helped somewhat by an improving MR market too). A tight tonnage list by mid-week sees Baltic/UKCont peak 30 x ws 150 on subs with Owners holding out for 5 points more, whilst X-UKCont reached 30 x ws 145 and Owners looking for similar gains. However, by late Thursday Owner's bullish tendencies forced Charterers to hold back to prevent further rate gains. At the time of writing the sentiment feels a little more flat with eyes now looking to next week before paying more than last.

Flexi enquiry has been generally a little better this week. This has coincided with larger tonnage experiencing a better week of trading although ultimately enquiry has not been mirrored in the number of fixtures as Charterers have tended to down scale cargoes onto intermediate tonnage. A fresh test X-UKCont sees 22 x ws 175 put on, with Baltic/UKCont runs likely to be another 5 points above this. A short supply of available ships and better action on the Handies leaves Owners bullish although ultimately the market has traded flat with the positivity needing to be sustained for a longer period before serious rate gains can be achieved.

Clean Product Tanker Spot Rates



Dirty Products

Handy

North West Europe had a slow start in terms of activity levels this week, but as the week progressed things began to change. At the time of writing this has been a positive week for Owners in the North with rates holding around the ws 190 level. There have been a few bumps along the way as a number of units fixed and failed while on subjects, therefore the key to this market's fate will be Monday mornings fresh tonnage list.

The Med market has seen one of its busiest weeks since the end of summer. As soon as the lights were turned on in the office Monday morning, activity started to come thick and fast. The gas pedal was not lifted off the floor until the firm tonnage in the region was depleted. As far as fixing levels go rates increased steadily fixture on fixture, finishing with a peak of ws 200 being fixed from the Black Sea. The driving force behind these gains in the region has mainly been the bad weather which has had influence throughout the Med with the lengthening Turkish Straits delays earlier on in the week and STS operations around Malta put on hold until things cleared up. The sentiment in the region is likely to continue into next week with tonnage availability being key as coverage for November stems wind up.

MR

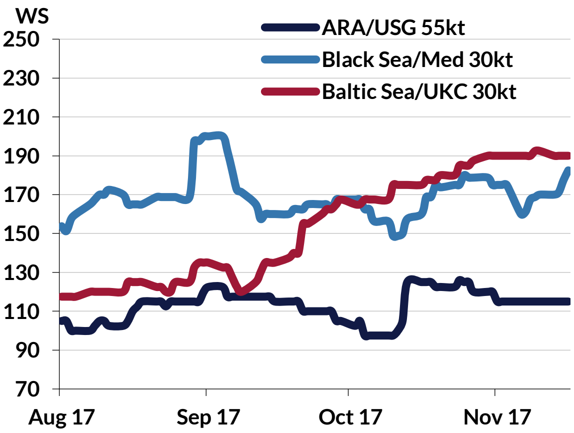
A very static week in the continent in terms of MR activity, but with naturally placed units still lacking it was hardly a surprise. We did witness one of the two Owners in play find themselves on subjects to head down to the Med, but this was short lived and it was back to square one rather all too quickly, much to Owners dismay. We head into next week with the market in need of an honest test as nearby regions will continue to be scanned for tonnage, but with the Med market performing well it is highly unlikely Owners will relocate for less than last done.

Like a bullet out of a gun, activity in the Med came out firing for the duration this week as Owners did not have to wait long to find employment. Charterers who were slow out the traps quickly found themselves out of options as the fixing window moved toward end month at a rapid pace. Those who head into the weekend with enquiry still outstanding will hope to see a kinder position list come Monday morning or else face another uphill battle to find coverage.

Panamax

The week's activity within this sector has been busy enough to fix away the majority of the firm tonnage heading to our shores. As far as fixing levels go rates have continued to float between the ws 115-112.5 level. Drawing to a close this week, there are still some reports of outstanding stems in the wings, but as of yet have not been brought to centre stage, but potentially have fixed away on bigger sizes. Looking towards next week, the remaining workable tonnage pretty much depends on how the US markets finish trading today. Steadily vessels on the other side of the pond continue to get clipped away, and if this is this a pre-Thanksgiving rush it may be too early to say, but the reality is there could be a shortage of potential ballasters to show come Monday morning.

Dirty Product Tanker Spot Rates



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 16th	Nov 9th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	**-2**	69	71	65	76
TD20	Suezmax	WAF-UKC	**-7**	76	83	77	88
TD7	Aframax	N.Sea-UKC	**+2**	92	90	125	102

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

			wk on wk change	Nov 16th	Nov 9th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	**-500**	24,250	24,750	23,000	30,000
TD20	Suezmax	WAF-UKC	**-2,250**	11,500	13,750	13,000	16,000
TD7	Aframax	N.Sea-UKC	**+1,500**	-1,250	-2,750	24,250	6,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 16th	Nov 9th	Last Month	FFA Q3
TC1	LR2	AG-Japan	**+1**	123	122	115	
TC2	MR - west	UKC-USAC	**+34**	144	110	119	146
TC5	LR1	AG-Japan	**+2**	126	125	126	129
TC7	MR - east	Singapore-EC Aus	**+21**	262	241	234	

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

			wk on wk change	Nov 16th	Nov 9th	Last Month	FFA Q3
TC1	LR2	AG-Japan	**+250**	10,750	10,500	11,500	
TC2	MR - west	UKC-USAC	**+4,750**	7,500	2,750	4,750	7,750
TC5	LR1	AG-Japan	**+500**	7,750	7,250	8,750	8,250
TC7	MR - east	Singapore-EC Aus	**+1,750**	13,500	11,750	12,000	

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

ClearView Bunker Price (Rotterdam HSFO 380	**-10**	351	361	321
ClearView Bunker Price (Fujairah 380 HSFO)	**-16**	368	384	334
ClearView Bunker Price (Singapore 380 HSFO)	**-10**	375	384	340
ClearView Bunker Price (Rotterdam LSMGO)	**-5**	534	539	498

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