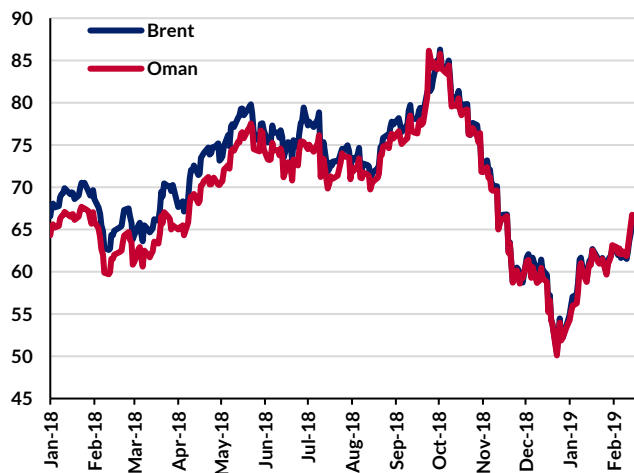


Catch 22

Weekly Tanker Market Report

After falling to \$50/bbl in late December, Brent and heavy sour Oman crude prices have recovered to over \$67/bbl. OPEC's decision in December to cut production by almost 800,000 b/d for an initial period of six months seems to have had the desired effect of lifting flailing crude prices, which traded at \$85/bbl in October. Although prices are still considerably lower compared to those recent highs, it is so far an encouraging sign. IEA numbers released last week showed a decrease in OPEC production of just under 1.2 million b/d from October levels, an overcut of almost 400,000 b/d due to over compliance from producers such as Saudi Arabia. When taking 'non-OPEC' production cuts into consideration, the total cut for January totalled over 1.3 million b/d.

Brent vs Oman Crude Prices (\$/bbl)



The actual cut in production has been larger than many analysts expected, leading to cautious belief that crude prices could continue to rise in 2019. Production cuts and US sanctions, coupled with the escalating crisis in Venezuela all are helping to support sour grade prices. Shortage of heavy grade crudes coming out of the Middle East and Venezuela have already seen Oman crude surpass the price of Brent, with a tighter sour market forcing refiners to look towards Atlantic basin crudes to plug the gap.

The world has managed to absorb certain geopolitical uncertainties surrounding crude production and demand throughout 2018 to now, however, recent events and indications

from producers and refiners may be a bridge too far. Last week Saudi Arabia's energy minister stated that production would fall below 10 million b/d in March, more than 500,000 b/d below the target it had initially agreed to. When this is considered with surprising news that last week US crude inventories fell by almost 1 million barrels instead of the 2.7-million-barrel build predicted, crude prices have shown their sensitivities to market fundamentals.

Pressure on supply at the back of 2019 could potentially also affect prices. As 2.6 million b/d of new refinery capacity coming online will drive extra demand for crude. Furthermore, refineries pushing hard to produce middle distillates ready for IMO 2020 are expected to produce a large build of light end products to chase anticipated strong middle distillate margins. Any overhang in supply of light ends could mean refinery throughput will have to ease in order to dwindle stocks. However, potentially bullish distillate margins could mean that refineries may not plan cuts anytime soon. US refiners have already stated they will not slow down refining due to current generous diesel and jet cracks, even though gasoline stocks sit at record highs. Current US Gulf Coast ULSD has a \$27/bbl premium over WTI, compared to a \$7/bbl gasoline premium. This, plus new refining capacity, means that global refinery runs in Q3 2018 are predicted to surge to 84 million b/d.

Aside from the obvious increase in bunker prices, higher prices could of course have negative consequences for oil demand growth. Such a move would have a bearish impact on the tanker market in the long run. However, uncertainty over whether enough compliant fuel oil will be produced in time for 2020 and new refineries coming online should see a strong rebound in crude runs, supporting tanker demand in the short term. This could cause refineries to push even harder should substantial margins be offered. Indeed, a catch 22.

Crude Oil

Middle East

VLCCs initially built upon the previous week's gain as Charterers busied, and Atlantic alternatives-maintained attraction, however from mid-week things began to slow and Owners quickly moved into consolidation mode. Rates to the East peaked in the high ws 50's for modern units with high ws 20's asked for runs to the West. Next week will be I.P. week in London and that may well prevent the next fixing phase from re-engendering momentum.

Suezmaxes kept to a slow bell and rates edged a little lower to 130,000mt by ws 70 East and ws 32.5 West as a consequence. With easy availability into far sight, it's hard to call for a positive move next week either. Aframax had already bottomed but hopes of re-inflation faded as the week progressed and the market remained at a sticky 80,000mt by ws 87.5 level to Singapore throughout with another tough week in prospect.

West Africa

A defensive week for already pressurised Suezmax Owners to endure and it seems the pain will only get sharper next week too. 130,000mt by ws 65 to the US Gulf, and to ws 67.5 to Europe for now, and a serious clear-out needed to promote fresh rate-growth. VLCCs quickly equalised with higher AGulf numbers to ws 57.5 to the Far East but will likewise make little further progress unless/until the middle East picks up the pace again - or the wider Atlantic scene moves to fresh highs.

Mediterranean

Aframaxes managed little better than 80,000mt by ws 90 X-Med for most of the week but by the close Owners' resistance had built up sufficiently to allow for the prospect of some degree of claw-back next week, although anything very significant looks

unlikely for now. Suezmaxes just about held their previous marks at down to 140,000mt by ws 80 from the Black Sea to European destinations, though to a little lower to China at around \$3.2 million. Seasonal fog is returning to the area and could be a positive if it persists, but that is a story for another day.

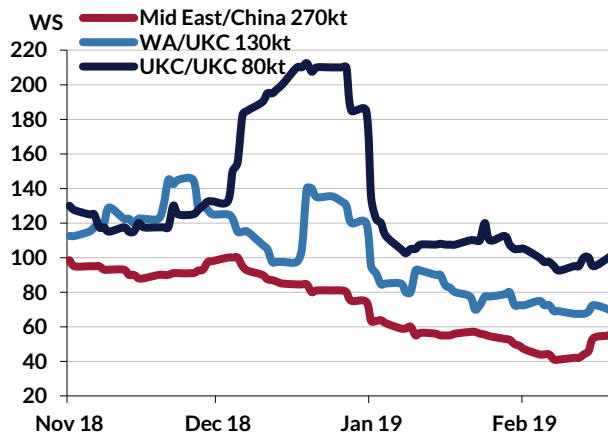
Caribbean

Aframaxes motored along nicely as transatlantic interest at up to 70,000mt by ws 150 complemented reasonable local demand at up to 70,000mt by ws 160 upcoast. Fog, again, was a support on top of the activity. VLCCs maintained at or very close to, their recent highs at up to \$6.05 million from the US Gulf to Singapore with older units willing around \$5.5 million from problematic Venezuela to West Coast India, however demand was a good deal less than of late as the market awaited April needs. Perhaps busier next week.

North Sea

A determined week's work for Aframax which did yield some benefit, but still to a very modest level. 80,000mt by ws 110+ now X-UK Cont and to 100,000 by ws 110 also from the Baltic, with Trans-Atlantic interest still in vogue, and at up to ws 100. It could improve further over the near term too. VLCC's saw little meaningful action but \$4.45 million was reported for Fuel Oil from Rotterdam to Singapore whilst Owners asked, at least, for close to \$6 million for Crude Oil to South Korea, but few Charterers were able to engage.

Crude Tanker Spot Rates



*All rates displayed in graphs in terms of WS100 at the time.

Clean Products

East

With the lack of activity for the LR2s the inevitable rate correction was seen with a vengeance. TC1 came off to 75 x ws 110 and cargoes westbound have been very untested but asses around the \$2.3 million level. The LR1s although more active, have not seen enough enquiry to hold rates and there was a slight correction seen. TC5 soften to 55 x ws 107.5 however, I think it would be very hard to repeat this as Owners pushing for ws 115 so a fair assessment is around the ws 110 - 112.5 mark. UKC saw a fresh test at \$1.65 million, which seems to be holding for now.

With no open cargoes for the LR2s it could be another hard week for Owners, but the LR1 tonnage list is slightly better in comparison and there is sentiment push from Owner to see rates improve however, with the MRs tight, competitive rates for MR short haul stems could be on the books.

As the LR2s have started to slip away towards the back end of the week, the MRs continue to keep their heads above the water. The Red Sea is deserted on tonnage - Charterers with Red Sea loading cargoes yet to cover are forcing their traders to find flex on dates where possible. AG/West could do with a fresh test - \$1.35 million a fair assessment, but given that 2's are slipping away, it's pretty clear that Charterers will look to stem up where possible. TC12 will sit at 35 x 120 - but same rules apply here in terms of scale economies. EAFR trades flat at 35 x 155 - with SAFR options easily traded.

Short haul will struggle next week - the quiet cargo grid for LR2s has left too many ships prompt, and they will start to battle it out with the LR1 stragglers to tide themselves over until the next window. \$230k is a fair assessment but will come under more pressure next week.

Given the state of the Red Sea, this run will be popular - \$500k could also see a negative correction.

Mediterranean

A busy start to the Week with a number of lighterage cargoes at Malta, gave Owners the opportunity to test the real strength in this market. With the Black Sea runs from last week demanding a 30+ point premium on X-Med, it was only a matter of time to see whether the Med runs pulled up, or Black Sea fall down. Thankfully for the Owning fraternity, these STS Malta lifting let rates improve to a more comfortable 30 x ws 170 mark (and in certain cases 175) now with the Black Sea finally settling around the ws 190 mark. As the close of the week arrives, Charterers seem to have slowed enquiry, as some say poor weather slowing STS operations in Malta being the main reason, but with tonnage only being taken out of the market for a short period, we can expect on Monday morning a fresh glut of available vessels for Charterers to pick at. Enquiry levels early next week will be pivotal in whether rates manage to keep where they are today.

On the MRs little to discuss with East runs on the slow side as well as the WAFR enquiry being limited. Some employment opportunities have been found, similarly with the handies, with STS off larger tonnage in Malta, but inherently this sector's strength has been guided by the UKC. Med-Trans - Atlantic runs trade in line with TC2 at around the 37 x ws 135 mark whilst fresh test for an Izmit-AG run at lumpsum \$825k was seen towards the back end of the week. With I.P week around the corner, expect some tonnage to be clipped out behind closed doors, which will help Charterers continue the feeling of a quieter pressured market moving on.

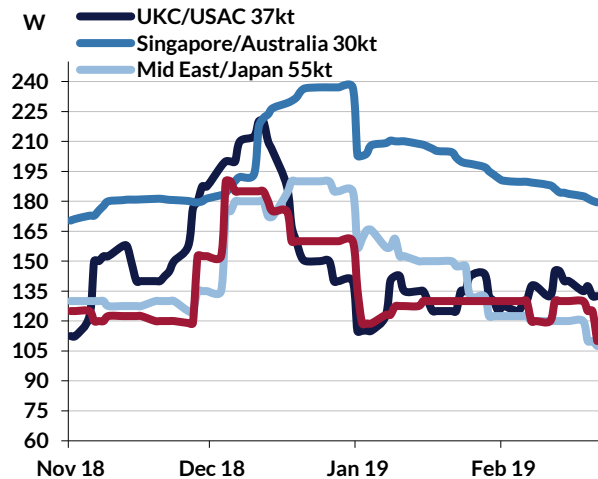
UK Continent

Not the most thrilling Week for MRs up in the North as the combination of drip-fed enquiry and a healthy amount of units both on the front end of the list and for natural fixing dates has kept Charterers firmly in the driving seat here. Last done for a vanilla TC2 run is 37 x ws 135 but less has been achieved on vessels with last palm cargo history as 37 x ws 122.5 was placed on subjects today. Frustratingly for Owners ice cargoes also softened this Week too as 40 x ws 150 was placed on subs for Baltic/UKC with hidden ice tonnage being the catalyst for this. Looking head TC2 looks pressured with another wobble expected next week unless volumes begin to improve, especially whilst WAFR remains quiet.

A pretty dismal week for the handies unfortunately. The writing was on the wall early doors with the LR preference for recent Baltic programme liftings leaving a plethora of tonnage knocking around in NWE. Rates are a little unsettled by the end of the week; 30 x ws 155 seems to be holding for certain ice port liftings although a 30 x ws 135 on Thursday leaving charterers ideas well below. Arguably the Baltic market is now split for 30 x ws 155 ice ports and 30 x ws 135 for non-ice, but next week looks to be quiet too so these numbers are likely to come under further pressure. X-UKC lands itself 30 x ws 130-125 and has had relatively good enquiry to keep this in check, as well as UKC/Med 30 x ws 125.

With the handy market being quiet so too has the Flexis. Not a huge amount of action in the public domains this week apart from a market quote stem. Rates are therefore forced in to tracking the handy sentiment meaning the flexi rate benchmark for X-UKC is 22 x ws 170-175. No fireworks expected on the horizon and potential for further losses if the handies continue to trade as they are currently doing so.

Clean Product Tanker Spot Rates



*All rates displayed in graphs in terms of WS100 at the time

Dirty Products

Handy

This week the NWE and the Mediterranean market has taken a tumble in fixing levels being concluded where the amount of tonnage has outweighed enquiry seen this week. It is easy to say that where week 7 had finished, the writing may have been on the wall for the way this week was heading. With that said the NWE region has not really been tested due to the little activity seen, therefore a new benchmark level is still to be established. The Med on the other hand has witnessed systematically negative rate corrections between fixtures, leaving us today with approximately a 20 point gap from where the week started. The current soft sentiment in both regions is going to roll into next week and in addition IP Week starting Monday potentially could provide more turmoil.

MR

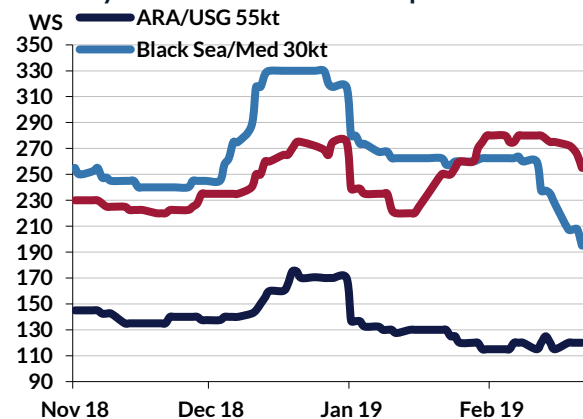
This week has been a very quiet one for the MR's both in the North and the Med regions. We saw little to no fresh full-size activity in the market and this has resulted in tonnage building. As a result, fixing levels are facing downward pressure which is going to continue into the coming week.

These units continue to build towards the top of the tonnage lists and come Monday we expect some sharp negotiations as owners will be looking to minimise any further idle time where possible.

Panamax

This sector has struggled to build momentum this week as enquiry levels from both sides of the Atlantic have been very limited with only a couple of units managing to find employment. This has not been enough to make a dent in the natural tonnage that is being marketed over here. Therefore, in conclusion, the next round of enquiry may quickly become hot property for Owners, so watch this space.

Dirty Product Tanker Spot Rates



*All rates displayed in graphs in terms of WS100 at the time

Dirty Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Feb 21st	Feb 14th	Last Month	FFA Q1 (Bal)
TD3C VLCC	AG-China	+11	58	47	55	52
TD20 Suezmax	WAF-UKC	-1	68	68	75	62
TD7 Aframax	N.Sea-UKC	+14	114	100	111	103

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

		wk on wk change	Feb 21st	Feb 14th	Last Month	FFA Q1 (Bal)
TD3C VLCC	AG-China	+11,500	29,750	18,250	29,250	22,750
TD20 Suezmax	WAF-UKC	-750	16,000	16,750	22,250	13,250
TD7 Aframax	N.Sea-UKC	+10,000	25,000	15,000	25,750	17,500

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Feb 21st	Feb 14th	Last Month	FFA Q1 (Bal)
TC1 LR2	AG-Japan	-8	113	120	130	
TC2 MR - west	UKC-USAC	-6	134	140	136	134
TC5 LR1	AG-Japan	-4	109	113	140	110
TC7 MR - east	Singapore-EC Aus	-10	179	189	199	

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

		wk on wk change	Feb 21st	Feb 14th	Last Month	FFA Q1 (Bal)
TC1 LR2	AG-Japan	-6,500	17,250	23,750	27,000	
TC2 MR - west	UKC-USAC	-1,500	10,750	12,250	12,500	11,000
TC5 LR1	AG-Japan	-1,250	10,250	11,500	19,250	10,500
TC7 MR - east	Singapore-EC Aus	-750	18,500	19,250	22,000	

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

ClearView Bunker Price (Rotterdam HSFO 380)	+9	410	401	365
ClearView Bunker Price (Fujairah 380 HSFO)	+12	430	418	383
ClearView Bunker Price (Singapore 380 HSFO)	-3	428	431	406
ClearView Bunker Price (Rotterdam LSMGO)	+2	581	579	528

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