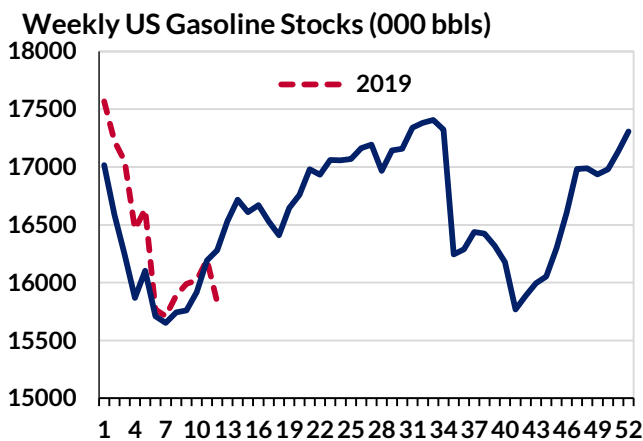


## Driving Force? Weekly Tanker Market Report

Over the past few weeks, MRs trading out of Europe have continued to outperform expectations. In recent years, such volatility has typically been driven by erratic buying from West Africa, or stronger demand in Latin America. Volumes destined for the United States have rarely been a driver of volatility, generally ticking over at a steady and predictable pace. However, a combination of both anticipated and unanticipated events has temporarily shifted the dynamic in the Atlantic product tanker market.

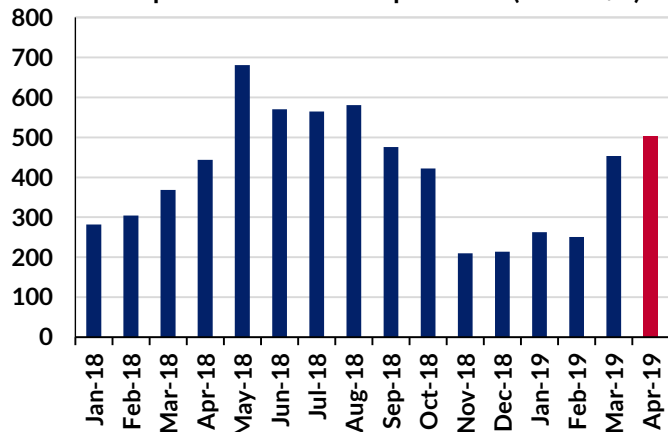


Although US refinery maintenance season had already been factored into most forecasts, the support given by unplanned outages to the US gasoline market was not. Crude runs in March were down 0.5 million b/d YOY as refinery upsets significantly impacted crude runs. Last week, refinery utilisation in the United States dropped at a time when seasonally it should be rising as maintenance programmes conclude ahead of driving season. At the same time, US gasoline stocks fell by nearly 3 million barrels to the lowest level seen this year. Added to this, flooding in the Midwest impacted on the production of ethanol (which makes up 10%

of the US gasoline pool), whilst closures of the Houston ship channel disrupted refinery operations, causing a tighter gasoline supply/demand balance to emerge. Combined, these factors supported US gasoline prices, incentivising traders to increase import volumes, with wider arbitrages justifying higher freight levels. Further price support has been found from the switch to more expensive summer grades, whilst gasoline demand in the US is looking stronger than anticipated, underpinning firm buying activity in a tighter market.

Short term distortions in tonnage supply have of course played a role, however, a stronger European product tanker market has attracted more vessels into the region, easing tonnage supply for the weeks ahead, which has already taken some heat out of the market. Another risk factor for demand for product tankers loading out of Europe is that demand for shipments to Latin America (excluding Venezuela) is likely to ease following the end of US maintenance season.

US CPP Imports from NW Europe & Med (000 bbl/d)



Looking forward, two opposing forces need to be considered. US refinery runs are expected to increase over the coming weeks as maintenance programmes conclude and unplanned outages ease, increasing domestic product supply. However, whilst driving season is no longer a major driver of product tanker demand, higher import volumes are likely to emerge in line with seasonal trends. Yet, over the past few years, this alone has not been enough to generate any meaningful volatility in freight rates. Therefore, if we are to see the current level of volatility maintained, other demand drivers, such as from West Africa or Latin America will need to emerge. With elections now settled in Nigeria, this is far from guaranteed.

# Crude Oil

## Middle East

Another week of merely drip-fed VLCC enquiry and the cumulative effect of that, and ongoing heavy availability, has been to re-correct the market to a sharply lower mark. Modern units are now at down to ws 45 to the Far East, with little better than ws 20 asked to the West. Fixing will now move into the second half of April, and unless Charterers over concentrate their interest, rates will continue under pressure. Suezmaxes tracked sideways, and then lower, on tepid enquiry, and easy tonnage. Rates slipped to around ws 65 to the East, and to ws 40 to the West, with no early sign of recovery. Aframaxes stalled after last week's upward flick, and are now tracking back towards 80,000mt by ws 100 to Singapore once again.

## West Africa

Suezmaxes had already suffered their 'big drop' last week and this week failed to re-inflate despite a reasonable amount of undercover bargain hunting. Availability remains too weighty, and further serious attention will be needed next week to provoke any significantly positive move. VLCCs eventually found previously absent Far Eastern interest but almost wished they hadn't! With the AGulf in retreat, Owners had to equalise, and rates fell off to under ws 45 to the Far East, with a lower \$2.95 million paid for a Nigeria to East Coast India run too. No short term recovery likely, as it seems.

## Mediterranean

Aframaxes fought a defensive retreat through the week to end at a desperate 80,000mt by ws 80 level X-Med, and little better than ws 90 from the Black Sea too. It will take something out of the ordinary to pull the market noticeably higher over the next fixing phase too. Suezmaxes saw modest volume but never enough to prune the queue of willing candidates and the sentiment breaking West Africa collapse. Rates eased off to 140,000mt by ws 60 from the Black Sea to European destinations with runs to China at down to \$2.6 million.

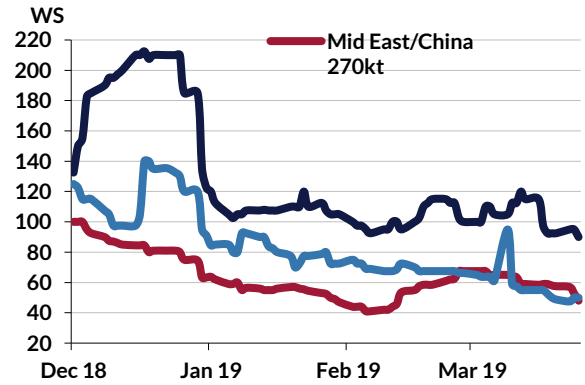
## Caribbean

The HSC mopping up operation slowly led to a degree of normal service resuming in the area and Aframaxes solidified at just under ws 100 on 70,000mt upcoast, and similar values for transatlantic runs too. It will need a bit more in order for any meaningful gain, however. VLCCs continued relatively slow and rate demands slipped to no better than \$4.5 million from the USGulf to Singapore, and could well go even lower until busier times return.

## North Sea

Aframaxes found bottom at around 80,000mt by ws 90 X-UKCont and 100,000mt by ws 65 from the Baltic, but that was about the best that could be said. Activity did pick up slightly before the close, and there will be some hope, at least, that a degree of improvement may be engineered next week. VLCCs found only spasmodic enquiry - \$5.4 million was paid for crude oil from Hound Point to South Korea but little else and fuel oil from Rotterdam to Singapore would move at under \$4 million, if there were any takers.

## Crude Tanker Spot Rates



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

## Clean Products

### East

Tough old week for Owners, as the Charterers took firm hold of the market and achieved better than last done levels. With the number of fresh stems entering at a slow pace, the tonnage list became unbalanced and it was it only going to be a matter of time before levels corrected. Further woes for Owners were a LR1 market also lacking activity, meaning that short haul stems had a natural ceiling and were having to compete with not only their own size of ships, but also the larger ones too. X-AGulf slid down to \$225k and although cargoes in to the Red Sea were tested at \$600k, we feel next week further negative correction will be seen. EAF remain a desired cargo and unsurprisingly was hot property when quoted, a drop to 35 x ws 165 is where the week closes. TC12 hasn't seen a huge amount of action and hovers at 35 x ws 125 level, with UKCont rated at \$1.4 million. A few fresh stems quoted this morning does give a little hope for Owners, especially as they are off the middle of the natural fixing window, but a few more will be needed early next week to help get the ball rolling, or it could be another long week for Owners.

LR1s have not taken off this week as many predicted / hoped. Rates have also not been tested with a real dearth of long hauls. Finally, Westbound has been fixed with a \$100k discount off last week, but TC5 is still really yet to be set. 55,000mt naphtha AGulf/Japan is now rated at ws 110 and 65,000mt jet AGulf/UKCont is \$1.775 million. LR2s have been busier than LR1s, with a steady stream but not enough to match the ambitions of Owners. In real terms rates have stayed flat with 75,000mt naphtha AGulf/Japan at ws 102.5 and 90,000mt jet

AGulf/UKCont at \$2.0 million. Next week will surely see more LR1 stems but may just confirm the lower levels. LR2s have hit their base and more stems could see a slight rise next week.

### Mediterranean

With a glut of enquiry hitting the shores of the Mediterranean on Monday, Owners saw opportunity to press on rates, and great success was seen with this. Almost with every fixture seen we saw improvements as 30 x ws 175 became a distant memory as X-Med rates shot past ws 250, and at the time of writing, we reach ws 265 and any further gains ahead is a question very few can answer. High levels of X-Med stems, especially ex EMed, partnered with good numbers ex Black Sea, gave Owners the upper hand and those who held out reaped the rewards. Pushing ahead, with a handful of stems still looking for coverage before the 5th April, expect many opportunities for Owners to continue their bullish ideas, with Charterers rolling with the punches to gain coverage.

MRs plying their trade in the Mediterranean saw continued good fortunes at the start of the week, with rates in the UKCont picking up and limited tonnage for Charterers to pick from. Transatlantic managed to pull up to 37 x ws 190 partnered with a fresh test to the AGulf, hitting heights of \$1.05 million, but as the UKCont began to splutter nearing the close of the week, with pressure of additional ballasters from the States and a slower cargo output, Charterers will be looking to test these rates in similar fashion on the next stem. Owners will look to dig in and hold onto rates as much as they can, but with the cracks showing in their defence, expect further corrections to be seen.

## UK Continent

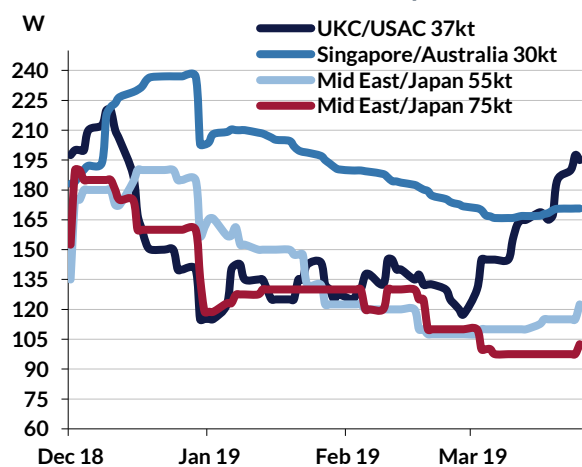
For the most part, week 11 has been positive for Owners. Rates kicked off in similar fashion to where they finished last week, with tonnage still tight and plenty of cargoes left to cover, Owners were successful in their bullish approach, TC2 kicked up to 37 x ws 190 quite quickly and peaked on a few fixtures 37 x ws 195. WAF demand has been almost non-existent this week, but the odd cargo pegs the premium at ws +10 points over TC2 and tracking its ups and downs closely. The last of the ice-season saw 40 x ws 200 confirmed, whilst China bound cargoes were indicated around the lumpsum \$ 1.65 million mark. This is where the positivity ends. However, Thursday evening saw TC2 slip (perhaps unnecessarily) to 37 x ws 175 on 2 fixtures and ultimately flop the market on its head. Friday has left the market licking its wounds, with little in the way of outstanding cargoes and a fixing window moving into where tonnage is well supplied. In essence, what goes up, must come down and as it stands that looks to be the flavour next week.

Another good week passes by on the Handies in NWE, the consistent demand from 30kt clips on the Baltic programme continues to keep the tonnage list tight and therefore rates remain firm. Gains made this week have been a little more gradual than last week, with Baltic/UKCont pushing up from 30 x ws 200 to 30 x ws 207.5, by the weeks end, most Owners are trying to hold for 30 x ws 210 on Friday. With this in mind, the X-UKCont market has followed in the same footsteps, 30 x ws 180 was seen but quickly improved upon both with 30 x ws 185 confirmed and 30 x ws 190 waiting to get lifted by COB today - the strong Med market has meant the rates have not been

spoilt by ballasters. 2nd decade Baltic cargoes are expected to be worked early next week, meaning this market should be strong from Monday morning.

A good week for the Handies means rates on the Flexis have been positive; 22 x ws 230 was lifted for a N.Spain/UKCont cargo and, with the Handies continuing to hold their ground up to the week there is genuine possibility of more being put on subs. Unfortunately, for Owners there hasn't been enough Flexi enquiry for the players to see the full potential of this sector, but provided the Handies continue in their current form Flexi rates will stay well above the 22 x ws 200 mark, with a good chance of improving over last done if dates permit.

## Clean Product Tanker Spot Rates



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

# Dirty Products

## Handy

Following on from a quiet end to week 12, this week has not managed to inspire any aspirations in the region. Where fresh activity continues to be thin, tonnage has started to stack up in the region. At the time of writing, we can count on one hand the number of stems that have come to market this week. This has resulted in a drop of ws 17.5 points from last week. Come Monday, the tonnage list is only going to be added to, with more prompt units in the region - a significant upturn in enquiry is needed to change the soft sentiment in the North.

The Mediterranean on the other hand, has steadily turned over tonnage. Charterers have done a good job of drip feeding fresh enquiry into the market throughout the week, sustaining a balance of supply and demand. With that said, there is still enough tonnage around and come Monday, the position list should be healthily replenished. Adding to this, the Black Sea is yet to return to the volumes of enquiry we have seen in the past. Next week is set to be another flat week unless the cargo taps are opened up a little.

## MR

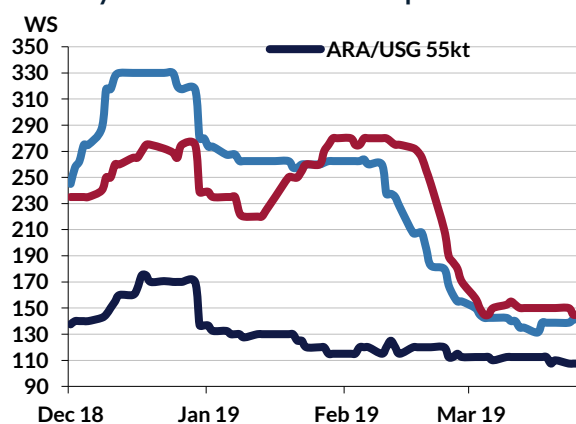
In the North, the MR sector has seen a mix of fixing and failing and we finish with little natural tonnage in place. Beyond these units, ballasters are the next viable option and these Owners are likely to look for a premium over the current level of ws 110 for X-Cont. Going in to next week, unless additional units show closer to the region, activity levels will remain where they are.

The Med has continued to see a steady trickle of enquiry, with units being picked off, keeping the region balanced for now. Some units have taken a closer look at Handy stems and while that sector is soft, employment is key with rates hovering around the ws 110-112.5 level. Looking ahead, units are on the horizon so expect to see some replenishment to the list next week, albeit perhaps not necessarily the best approved.

## Panamax

Quite an interesting week in the Panamax sector as numerous deals help alleviate front end units from becoming prompt. Furthermore, where the surrounding Aframax markets trade at such low levels, Panamaxes have actually found a floor, with numbers hovering around ws 105. We do however, run out of positives from here on in. Until the surrounding Aframax markets pick up, we are likely to continue losing cargoes to larger units.

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	Mar 28th	Mar 21st	Last Month	FFA Q1 (Bal)
TD3C VLCC	AG-China	-10	47	58	67	48
TD20 Suezmax	WAF-UKC	+1	50	49	67	50
TD7 Aframax	N.Sea-UKC	-6	88	94	103	87

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

		wk on wk change	Mar 28th	Mar 21st	Last Month	FFA Q1 (Bal)
TD3C VLCC	AG-China	-10,500	18,000	28,500	40,500	19,000
TD20 Suezmax	WAF-UKC	-3,750	2,500	6,250	15,750	2,500
TD7 Aframax	N.Sea-UKC	-5,250	5,750	11,000	17,250	5,000

### Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Mar 28th	Mar 21st	Last Month	FFA Q1 (Bal)
TC1 LR2	AG-Japan	+3	103	99	103	
TC2 MR - west	UKC-USAC	+25	192	168	121	186
TC5 LR1	AG-Japan	-3	112	115	110	113
TC7 MR - east	Singapore-EC Aus	+2	172	170	173	

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

		wk on wk change	Mar 28th	Mar 21st	Last Month	FFA Q1 (Bal)
TC1 LR2	AG-Japan	+0	12,500	12,500	14,750	
TC2 MR - west	UKC-USAC	+4,750	22,250	17,500	8,250	21,250
TC5 LR1	AG-Japan	-500	11,000	11,500	10,500	11,500
TC7 MR - east	Singapore-EC Aus	-2,000	14,750	16,750	15,000	

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

ClearView Bunker Price (Rotterdam HSFO 380)	-5	405	409	406
ClearView Bunker Price (Fujairah 380 HSFO)	-9	426	435	428
ClearView Bunker Price (Singapore 380 HSFO)	-6	427	433	425
ClearView Bunker Price (Rotterdam LSMGO)	-2	578	580	589

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