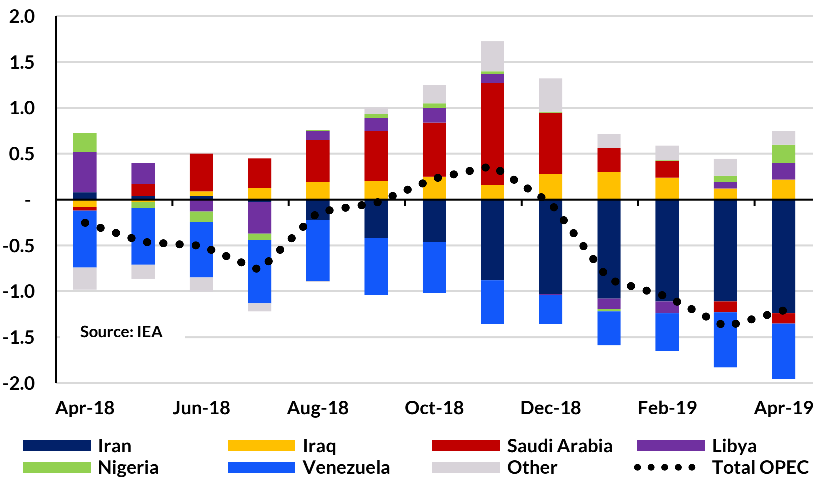
The Gathering Storm?
Weekly Tanker Market Report

Not in a long time has the geopolitical situation in many of the worlds largest crude providers been so precarious. At the time of writing, many are still trying to understand the rationale behind the sabotage of vessels at Fujairah and drone attacks on Saudi Arabian pumping stations. With supply concerns in Iran, Libya and Venezuela already causing headaches and continued uncertainty over Russian crude shipments via the Druzhba pipeline, could potential supply disruptions put further pressure on prices?

OPEC Crude Supply (YoY change Mbd)



The latest IEA monthly oil report has suggested that concerns about supply could be offset by other producers who have indicated that they are willing to replace lost barrels (particularly Iranian) now the US waiver program has ended. Iranian seaborne exports in April dropped over 500,000 b/d from the previous month to just over 1.2 million b/d, down over 1.75 million b/d from the same period last year. Latest IEA figures also show that Venezuela is now producing under 850,000 b/d, the lowest figure ever seen on any database recording such figures in the past 20 years. The large drops in production from Iran and Venezuela have briefly been offset by greater output coming from Nigeria and Libya, despite ongoing unrest. However, no coordinated effort has been made to replace Iranian barrels as of yet. Current IEA figures show that OPEC alone has 3.19 million b/d in spare capacity, of which 2.21 million b/d comes from Saudi Arabia. However, despite the turmoil that seems to be escalating globally, crude prices have remained relatively stable, with Brent around $73/bbl. The biggest issue here of course is that the spare supply currently available is located where most of the geopolitical tensions currently lie.

Alongside OPEC supply being tight, Non-OPEC production also fell 360,000 b/d in April to 63.6 million b/d. Despite this, Brazilian and US production increased. Brazil's production was up to record levels at 2.8 million b/d, with China being their main export partner. Estimates are placing their end of year production to hit 3.2 million b/d. Strong growth from the US will also be needed in the 2nd half of the year to ensure the market remains adequately supplied in the absence of any OPEC increases.

With supply issues coming from some of the OPECs largest producers and non-OPEC supply growth predicted to slow to 1.8 million b/d in Q2 2019, production concerns could continue to drive up prices throughout 2019. Backwardation in crude futures has increased significantly, with front month prices $3.40/bbl higher than for 6 months out according to current ICE Brent contracts. Potential supply disruptions could mean major importers such as China look further afield for crude if traditional routes become too expensive or disturbed. Iranian exports have clearly taken a huge hit but continue to be exported under the radar, global crude supply is predicted to slow, and demand has been estimated to grow at a faster pace than supply. All eyes will be on the next OPEC meeting which is scheduled for June. Regardless of the outcome, current tensions in the Middle East will do little to comfort market participants. As it stands, markets seem to be teetering on a knife edge.

Crude Oil

Middle East

With May VLCC cargoes being finalized, and fresh June programmes entering the marketplace, there was just enough volume to allow Owners to nudge rates a little higher. It remains a marginal gain; however, and Owners will need sustained, and concentrated, activity to engineer a more meaningful improvement next week. Currently, rates to the East operate at up to ws 41, with rare movements to the USGulf at little better than ws 18 via Cape. Suezmax availability continued to swamp modest demand and rates again stayed flatline at around ws 62.5 to the East and to ws 26 to the West. Aframaxes had hoped to continue last week's upward move but demand faltered and rates quickly retreated to 80,000mt by ws 112.5, with further slippage likely.

West Africa

Suezmaxes were further tested through the week, but Owners did manage to limit the damage to only fractional discounting to 130,000mt by ws 58 to Europe and to ws 55 to the USGulf but availability remains heavy, and those bottom markers could yet be scraped even lower, unless Charterers over-push cargoes next week. VLCC activity faded as the week progressed but the slight AGulf improvement rubbed off onto potential rate demands and the market is now marked in the low ws 40’s to the Far East, with $3.175 million the last seen for East Coast India discharge. Something a little stronger may be seen next week...perhaps.

Mediterranean

Aframaxes found themselves in a fighting retreat, as dates rolled onto more populous positions and enquiry slowed. Rates eased to 80,000mt by ws 97.5 X-Med and to ws 102.5 from the Black Sea, with lower threatened into next week. Suezmaxes kept on a slow bell and rates hardly moved at all. 140,000mt by ws 72.5 from the Black Sea to European destinations and to $2.75 million for runs to China - again. Little variance to that anticipated over the near term, at least.

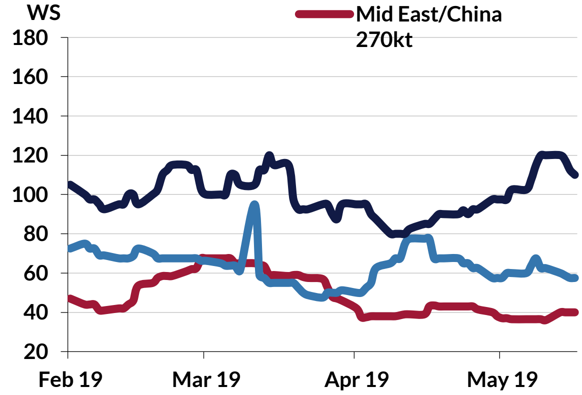
Caribbean

A good start to the week for Aframaxes, as solid action hit temporarily tight supply. Rates jumped to 70,000mt by ws 117.5 upcoast but later in the week short term fundamentals swung back in Charterers' favour somewhat and rates fell off towards ws 110, with perhaps further discounting now on the cards. VLCCs moved through a busy phase that exposed a thinner list, and rates jumped to $4.225 million from the USGulf to Singapore. Owners will be minded to consolidate into next week, whilst keeping their antennae tuned for opportunity to push higher too.

North Sea

As in the Med, Aframaxes here lost previous momentum and very thin late week enquiry dragged rates back down to 80,000mt by ws 102.5 X-UKCont and to 100,000mt by ws 75 from the Baltic. Further pressure anticipated over the coming period too. A little more VLCC interest than of late and, with the USGulf/Caribs firming, rate ideas for crude oil from Hound Point to South Korea gained to $4.5 million and will remain quite solid over the next phase also.

Crude Tanker Spot Rates



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

Clean Products

East

Its been a very active week for the MRs, with a lot ships going on subjects and a consistent flow of stem entering the market. EAF has seen a busy week of trading and rose to 35 x ws 157.5, with Owners looking to push this further. TC12 has been not as active but, with a few open stems, assess 35 x ws 130 levels is where it sits. X-AGulf of the natural window trades at $275k and stems into Rea Sea at $600k levels. Owners are trying hard to keep pushing this positive sentiment but, with a quiet end to the week (Copenhagen off) and what will be a quiet start to next week (Singapore off), this sentiment may go sideways going forward. There remains a healthy number of open cargoes. Yet, with a few ships failing their subjects and working week effectively going to commence from the 21st May, this will ease up some of the pressure that Owners have been able to apply on Charterers this week.

Mediterranean

A slower start to proceedings as week 20 saw rates slip to 30 x ws 135, with Black Sea negatively correcting in line with this to 30 x ws 145. However, this sentiment quickly evaporated once the Black Sea started pumping again. With Tuapse now back online, Wednesday saw an influx of Black Sea cargoes, which meant the majority of the front end was cleared out and this lead to Black Sea rates firming: 30 x ws 175 is currently on subs. Given that enquiry far outweighs tonnage, this market has legs and inevitably X-Med will then follow suit. A fresh positive test is likely to be seen close to the 30 x ws 160 mark and it would not be surprising for this sentiment to spill into next week, with Black Sea enquiry likely to be persistent still.

Rates by and large have been dictated by action in the UKCont this week and given the state of this market, it is a week to forget for Owners. 37 x ws 105 continues to be the rate seen for Med-transatlantic runs, in line with TC2. However, with the floor seeming to have been found, there is hope that come next week there is a potential for rates to improve on arb sentiment. East runs have held this week around the $850K mark, however, this is surprising given an LR1 heading to the AGulf is cheaper, so expect this to correct negatively. Surely things can only get better.

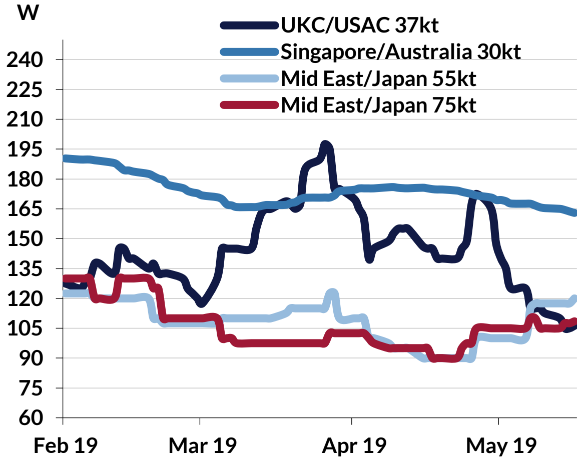
UK Continent

Owners have struggled in the sense that the falling rates from last week continued in the early part of this week. Attempts to put a wedge in the softening numbers and find the floor were seemingly futile. TC2 slipped from 37 x ws 115 to ws 105 rather quickly (seen by COB Tuesday). WAF enquiry was also slow early in the week, leaving this route ws 10-12.5 points in touch with transatlantic runs. Charterers took advantage of the lengthy tonnage list and by Wednesday there were quite a few ships going on subs and continued into Thursday. Whilst rates are yet to make any gains northwards, the general feeling is that we have finally found the floor and rates can hold until early next week, where there are some small but promising signs of improvement, namely the TC2 arbs widening and improving USGulf market helping to keep tonnage that way.

All in all, it has been a rather subdued week for Handies up in the north, as the combination of sluggish enquiry and weighty tonnage list has kept Charterers firmly in the driving seat here. Freight rates have traded sideways, with Baltic liftings holding the line at 30 x ws 110 and 30 x ws 100 for X-UKCont. With Primorsk volumes down 27% this month compared to last month, it was always going to be a difficult period for Owners. With bigger units (LRs) being preferred, there has been a fierce competition for natural Handy cargoes, which inevitably is the reasoning why levels have fallen. Other than bottoming out, there is little to get excited about here.

Finally to the Flexis, where the placid Handy market has stunted any rate movement in this sector and Owners having to look at intermediate sized cargoes to keep vessels moving. Rates continue to be dictated by the larger units, levelling out at 22 x ws 135 for X-UKCont. With the lack of market enquiry, we see very little opportunity for this number to be tested. Whilst the Handy market continues its sentiment, expect Flexis to remain in their shadow and pro-rate accordingly.

Clean Product Tanker Spot Rates



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Dirty Products

Handy

We have witnessed polar opposites this week from the DPP Handy sectors, where the north has struggled to get up and running, the Med has been way out in front in terms of the amount of enquiry seen. Initially, upon Monday's opening there was enough activity to tickle Owners taste buds in the north, but quickly things dried up. This has gradually let the amount of prompt tonnage increase in the region and come Monday, competition between Owners will be strong and as such, we expect a fresh test to follow.

The Med on the other hand has seen the busiest week for some time, in terms of the amount of enquiry. On Monday we were presented with a substantial position list and this got cleared down very quickly, and by the halfway point of this week, the amount of stems outweighed the amount of workable ships. This resulted in a ws +20 point gain from where rates were trading at the end of last week. This spike in activity levels has been driven by Black Sea (Tuapse) stems starting to flow again, with the added bonus of the usual flow of X-Med stems adding more fuel to the fire. Looking ahead, until trading patterns settle down from the Black Sea, we are likely going to witness another turbulent week ahead.

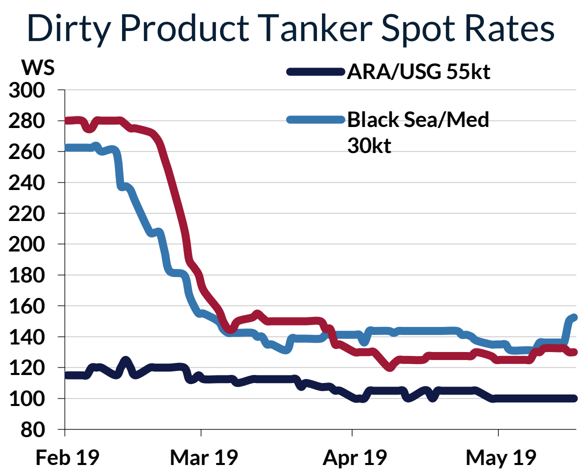
MR

In the north, we have waited all week for activity in the MR market to show signs of life, but Friday arrived and there is very little to talk of. In terms of tonnage, units are showing and come Monday we will report of prompt units in the region that are there to be tested, especially should cargoes arise which get them out of the region. With the Handy sector grinding to a halt in the region there remains a lack of a back stop or light at the end of the tunnel.

MRs in the Med have fared much better, with a steady flow of activity seen throughout the week. Closing the week with X-Med confirmed at ws 117.5, the positive sentiment will continue into week 21 as the fixing window moves into June. Expectation will be that incremental gain is likely to now follow as tonnage on these dates is now looking thin. Owners confidence has been supported by the spike in the Handy sector, which has seen units clipped away at pace, with MR tonnage being approached for replacement business.

Panamax

The number of natural units that have been building this side of the Atlantic has finally taken its toll upon the sector, as we report of a number of sub ws 100 fixtures being concluded. That said, when we tally up the amount of fixtures that have come to market this week, it is clear that it is significantly more then we have seen of late, but also only highlights the amount of units that were out of position/fixing windows. Looking forward, natural units remain in play for now but then a number have definitely been cut down from this week's trading.



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 16th	May 09th	Last Month	FFA Q2 (Bal)
TD3C	VLCC	AG-China	**+4**	41	37	39	44
TD20	Suezmax	WAF-UKC	**-5**	59	65	77	62
TD7	Aframax	N.Sea-UKC	**-11**	108	119	82	99

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

			wk on wk change	May 16th	May 09th	Last Month	FFA Q2 (Bal)
TD3C	VLCC	AG-China	**+3,750**	12,500	8,750	10,500	44
TD20	Suezmax	WAF-UKC	**-3,250**	7,000	10,250	16,250	62
TD7	Aframax	N.Sea-UKC	**-8,750**	19,500	28,250	1,250	99

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 16th	May 09th	Last Month	FFA Q2 (Bal)
TC1	LR2	AG-Japan	**+1**	108	107	95	
TC2	MR - west	UKC-USAC	**-9**	105	115	156	117
TC5	LR1	AG-Japan	**+0**	119	118	94	115
TC7	MR - east	Singapore-EC Aus	**-3**	163	166	175	166

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

			wk on wk change	May 16th	May 09th	Last Month	FFA Q2 (Bal)
TC1	LR2	AG-Japan	**+250**	16,250	16,000	11,750	
TC2	MR - west	UKC-USAC	**-2,000**	4,500	6,500	14,000	6,500
TC5	LR1	AG-Japan	**+0**	13,250	13,250	7,250	12,500
TC7	MR - east	Singapore-EC Aus	**-500**	13,000	13,500	14,750	13,500

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

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