

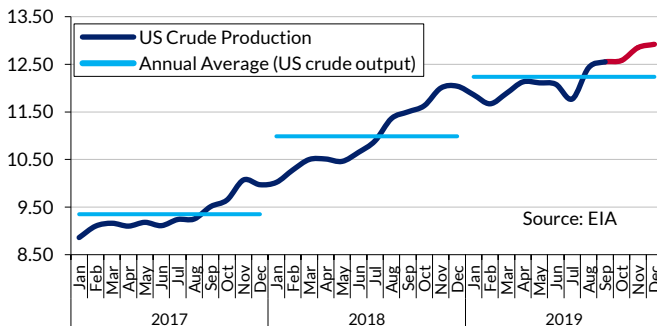
Q4 Potential

Weekly Tanker Market Report

At the time of writing this report, spot TCE earnings on most benchmark crude trades stood at or close to their highest level this year, after firming spectacularly over the past two weeks, in part on the back of the attacks on Saudi oil infrastructure. This week’s US sanctions on two Cosco subsidiaries added more fuel to the fire. The current strength in rates has been triggered by geopolitics; however, both demand and supply factors suggest tightening tanker supply/demand balance as we approach the 4th quarter of the year.

Weather related delays and disruptions traditionally offer seasonal support during the period to rates across all segments. For Suezmax and Aframax tankers, delays for passage through the Turkish Straits help to tighten tonnage availability and support earnings on regional trades. The 10-year average for both northbound and southbound delays for passing through the Straits stands at 10 days in Q4 versus 3.7 days in Q3. There are also fundamental factors. Global crude refining runs tend to increase in order to accommodate stronger demand during the winter season. This year, the approaching global sulphur cap on marine bunkers is anticipated to offer an additional boost to refining runs, with demand for distillates being the key driver. According the latest IEA monthly report, global crude refinery throughput is projected to average 83.7 million b/d in Q4 2019, up by 1.4 million b/d year-on year and up by 400,000 b/d quarter-on-quarter. While stronger demand from refineries is anticipated, the expectations are for substantial increases in crude production in the Atlantic Basin. US crude production is projected to average 12.78 million b/d in Q4, up by more than 0.5 million b/d versus the previous quarter (EIA). Pipeline capacity from the Permian Basin to the US Gulf is also expanding. 670,000 b/d Cactus II pipeline started initial operations, while 400,000 b/d Epic pipeline also commenced filling the line. Both lines are expected to ramp up throughput and export capabilities through the 4th quarter of the year. Furthermore,

Outlook for US Crude Oil Production
million b/d



900,000 b/d Gray Oak pipeline is projected to begin operations in Q4 2019. All of the above suggest strong potential for robust growth in US crude exports during the last three months of the year.

Meanwhile, across the Atlantic expectations are for sizeable increases in North Sea crude supply, following the start-up of the massive Johan Sverdrup oil field in Norway. Initial loading program shows 12 Aframax cargoes planned for October. Elsewhere, preliminary Urals loading program for October also shows a rebound in Russian crude exports

out of the Baltic. This indicates an increasing surplus of crude supply in Europe, with the Johan Sverdrup start-up and more US barrels being shipped into the region being the key drivers. As refinery crude runs in Europe could remain under pressure due to economic turbulence, surplus regional production - North Sea, Black Sea/Mediterranean, Baltic or West African barrels are likely to flow on an increasing basis long haul to the East, translating into higher demand for larger crude carriers.

While demand is projected to increase, there are also some positive indications on the tanker supply side. There are still 22 VLCC deliveries outstanding until the end of the year, but only 4 Suezmax and 9 Aframaxes/LR2 deliveries remaining. The market will also continue to benefit from scrubber retrofits taking place, with tonnage temporarily out of trading operations.

Spectacular spikes in tanker rates have a tendency of being short-lived. Only time will show how long the current strength in the market will last. However, with market fundamentals improving in the 4th quarter, there is indeed potential for rates and earnings to maintain at least some of the latest gains.

Crude Oil

Middle East

Another week where more disruption and uncertainty brought about a reversal of fortunes for Owners, just as Charterers were gaining back a measure of control, with a subdued start to the week. Initially levels had dropped into the low ws 60's for a voyage East, with further discounts likely. However, with a number of Charterers having to re-enter the market and source prompt replacements due to two subsidiaries of a major Chinese Owner being placed on the OFAC list, this then brought about a very quick reversal in fortunes. At print last done for AGulf/East had moved up to 270,000mt x ws 75, with once again muted interest to the West but likely to be around 280,000mt x ws 35/37,5 levels. Whether this withdrawal of tonnage from the market will affect the sector in the long run remains to be seen. An odd week where rates have ranged from low ws 80's to the East up to 130,000mt x ws 97.5. Prompt cargoes command premium rates, with a massive 90,000mt x ws 275 on subs for MEG/WCI off early October. For natural dates availability is easier, with 130 x ws 90 achievable. The West market remains competitive, with rates stuck at 140,000mt x ws 32.5 level. Aframaxes have endured a steadier week in terms of activity. Rates to the East are sitting at 80,000mt x ws 120 as the week draws to a close.

West Africa

In the early part of the week the Suezmax market was buoyed by force majeure being lifted in Bonny and early month stems needing to be covered. The majority of the week has been light on activity and levels softened to 130,000mt x ws 87.5 for UKCont-Med destinations. The week is ending with multiple cargoes in the market. With other Atlantic load areas currently being firm, we are likely to see rates in West Africa rising next week. A rather tumultuous week for the VLCCs here as like in the AGulf we saw it start with a rather sedated feel, with levels slowly coming off due to inactivity. This, however, quickly turned into a rather exciting buoyant scene, with levels now continuously on the up. Replacement business would be the initial driver for this. Yet, with these new levels being set, Owners should be able to secure additional premiums. Last done is 260,000mt x ws 82 for a voyage East.

Mediterranean

The Med Aframax market has remained buoyed this week, with a steady stream of cargoes from both the Med and Black Sea. Rates began the week at 80,000mt x ws 115 for X-Med and end at around the ws 140 level. Looking into next week, with a firming North Sea and Baltic market, we see the Med holding firm and expect rates to move up once again. There is the possibility that next CPC window 18-20 October could reach ws 150 levels by early next week. Suezmax tonnage has

seen plenty of enquiry for cargoes discharging in the East, with levels of \$3.6 million being paid to China. Rates for Black Sea to Med currently stand at 140,000mt by ws 92.5. However, with transit delays increasing and the continuing trend for tonnage ballasting to USGulf we are likely to see higher levels paid next week.

Caribbean

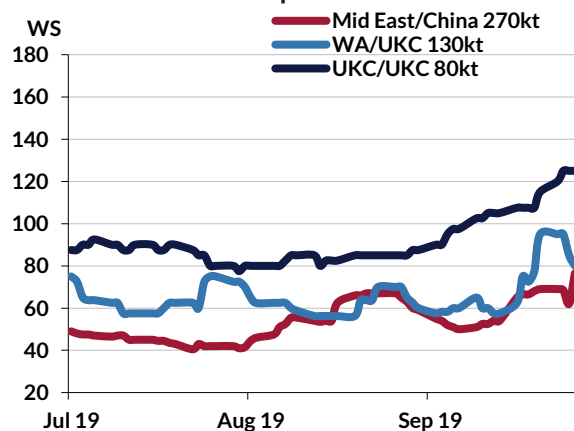
Following a similar trend across most areas, the start of the week gave some optimism to Aframax Charterers, as they were able to claw back some degree of control against a steady run of tonnage coming back into play. This though didn't last long as Owners' sentiment strengthened, with an increase in demand for upcoast runs and voyages transatlantic. Last done is 70,000mt x ws 145 for a generic Caribs/USGulf. VLCC availability was already very thin, combine this with some prompt replacement interest and it had the making of some very high levels being achieved. Owners didn't disappoint, with last done at a healthy \$9.5million from the US Gulf to China reported.

North Sea

This week has left Owners with smiles on their faces after the Baltic/UKCont reached the heady heights of 80,000mt x ws 130. At the moment, this market looks like it is in no mood to slow down as the programme gives further fuel to the fire. X-North Sea is also on the up, mainly on the back of Baltic fixing. However, looking

ahead a tight list leaves rates at ws 130+ levels. The way things are looking, there is more to come next week. We finally have a Suezmax market, with many vessels finding employment from the Baltic, with levels of \$4.65 million being paid for China discharge. VLCC interest mainly stays away from the spotlight, with smaller sizes taking preference. Yet, any naturally placed ships will be likely drawn to the US Gulf region as a far more viable and lucrative alternative. Rates are likely to be nearer to \$8.75million for a voyage North Sea to the Far East.

Crude Tanker Spot Rates



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

Clean Products

East

A uninspiring week for MRs in the AGulf. Activity looked promising to start the week, however, that soon dropped off and the week closed very quiet indeed. The softer LR1 market put pressure on the MRs and when the cargoes dried up, rates came off quickly. Last done UKCont is at \$1.3 million but could see further negative correction. X-AGulf tested a few times at \$200k and runs into the Red Sea at the \$500k mark. TC12 dropped steeply, with equivalent ws 112.5 on subs and, EAF not wanting to miss out on the action also corrected down to ws 137.5. With one open cargo remaining as we head into the weekend Owners look set for a pretty tough week ahead.

LRs have had a busier week overall but the lack of Saudi exports means no real improvements are possible and the best we have seen is a flattening of rates. LR2s are seeing the main ULSD action from the Red Sea. Due to a busier West market, ships are coming from the East, which is helping to bolster rates. 90,000mt ULSD AGulf/UKCont is around \$1.95 million and 75,000mt naphtha AGulf/Japan is steady at ws 95.

LR1s have been active but, with a fair amount of short haul voyages. Rates saw a steep decline, with week on West destinations reflecting the drop on East rates last week. 65,000mt jet AGulf/UKCont is now \$1.55 million, having bounced slightly mid-week from the low point. 55,000mt Naphtha AGulf/Japan is now ws 100 again having hit ws 95 previously. Rates should now remain flat for the week ahead.

Mediterranean

A more positive week all in all for the Owing fraternity, with momentum seen for the first time in a few weeks. Right from the off the lists pulled on Monday morning were balanced in comparison to cargo enquiry, which meant that by Tuesday when the prompt units at the front end were picked off, the list began to tighten and enabled Owners to push for more points. At the time of writing, X-Med is trading at the 30 x ws 110 mark, ws 10 points higher than rates on Monday morning, which shows the positivity that had been seen during week 39. Black Sea rates have by and large tracked the Med. 30 x ws 120 seen late in the week shows the positive correction that many Owners had been willing. It will be interesting to see if the momentum seen this week moves into next; however, if good activity levels persist, then there is no reason why Owners shouldn't start Monday on the front foot.

A general lack of enquiry throughout the week has forced Owners to look towards a far busier UKCont market for employment opportunity. That in turn has probably helped to keep rates in check across the board, as the tonnage lists continue to outweigh demand. Transatlantic voyages trade in line with TC2 at the 37 x ws 95 mark and a fresh test was seen for a Black Sea-WAF run at 37 x ws 107.5. However, a rather lacklustre week altogether in the Med region.

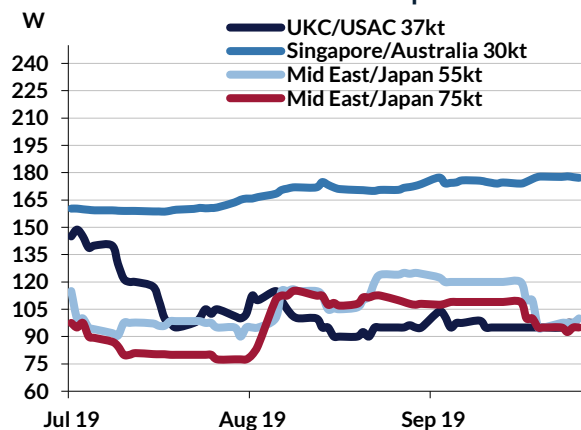
UK Continent

A busy week certainly in terms of cargo enquiry, which had given Owners belief that rates would firm accordingly. There was some brief success early in the week, after an initial standoff, and TC2 rose ws 2.5 points. Nothing to get really excited about but it broke a long flat period, in which rates had remained static for several weeks. Activity remained very healthy as we reached the midpoint of the week. However, with that it seems Owners resilience began to fade, rather inexplicably it has to be said. We end the week, with TC2 back to 37 x ws 95 after the busiest week for some time, which is rather disappointing. The oversupply of tonnage continues to be a major thorn in the side and weakness in other markets is doing little to help the situation. Yet, Owners should feel very disappointed that we end this week just as it began.

All in all, a rather steady week for Handies plying their trade in the North, as both Owners and Charterers seemed happy enough to repeat last done levels ex Baltic, resulting in 30 x ws 110 being paid numerous times. Better volumes have also been from the Continent. Owners have been able to capitalize as X-UKCont freight has moved up to 30 x ws 105. By the close of the week the tonnage list is now looking more balanced and, if the continued enquiry remains next week, further pushes on freight may be possible but for now steady heading into the weekend.

Ships remain well enough supplied to cover the occasional cargo that comes to market. As a result, rates continue to follow the sentiment of the Handies and keep their 22 x ws 140 benchmark for X-UKCont. Handies will ultimately dictate what happens on the Flexi moving into next week, as Owners will try and capitalise on any firming seen on the larger sizes.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

The wheels of motion continue to turn in the North, albeit at a subdued pace, with just a handful of cargoes this week keeping the region fairly well balanced. With ws 140 being the benchmark level that has been repeated, there are no signs that the week will close with any change. That said, the list is short and, with the Med strengthening, the trickle down of positive sentiment going into Autumn may not be too far behind.

The steady flow of activity seen at the end of week 38 laid the foundations for a long anticipated turnaround in the Med. Starting with a position list that hadn't seen much replenishment, it took just a handful of cargoes for both Black Sea and Med loads to come to the market for supply in the region to tighten. By mid-week some ws 25 points had been gained and Owners with units to fix were fully in the driving seat. Ending the week, with ws 160 from the Black Sea as the current benchmark, a slowdown in market cargoes is enabling those with cargo to take stock and consider when to enter the market. Tonnage is tight and as dates move forward, all eyes will be on Monday's list to see how much more ground can be made.

MR

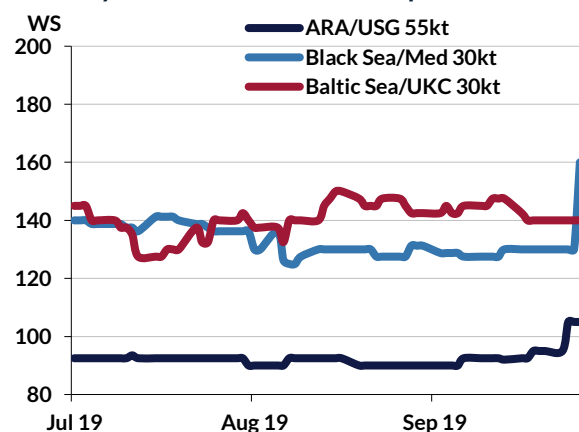
On the Continent this week it has taken until the last couple of days trading to see an MR move. With the position list now showing more units, the expectation is that the region will remain flat for now going in to week 40. The outlook in the Med on the other hand is slightly rosier. However, this is not due to a flurry of full size cargoes coming to the market, but due to the surrounding Handy market going from strength to strength.

Despite the list being well stocked with MR tonnage, should well approved Handy units get clipped away early next week, Owners will have a long awaited firm market to fall back on.

Panamax

The trend of firming markets this week has also been seen in the Panamax sector, where not only did Owners manage to break the ws 100 mark but managed to finish the week looking for further progression above ws 110. Further supporting Owners claims are the Caribs markets, which are keeping units on that side of the Atlantic unless somebody is ready to match daily returns that can be obtained locally. Furthermore, this statement may not be so much of a far-fetched scenario, as both the Continent and Med have witnessed a clear down in natural availability.

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	Sep 26th	Sep 19th	Last Month	FFA Q3 (Bal)
TD3C VLCC	AG-China	+6	75	69	60	76
TD20 Suezmax	WAF-UKC	+5	85	80	64	92
TD7 Aframax	N.Sea-UKC	+16	127	111	86	120

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

		wk on wk change	Sep 26th	Sep 19th	Last Month	FFA Q3 (Bal)
TD3C VLCC	AG-China	+9,000	49,750	40,750	34,250	76
TD20 Suezmax	WAF-UKC	+3,000	22,750	19,750	14,250	92
TD7 Aframax	N.Sea-UKC	+12,500	36,500	24,000	7,750	120

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Sep 26th	Sep 19th	Last Month	FFA Q3 (Bal)
TC1 LR2	AG-Japan	-4	94	98	108	
TC2 MR - west	UKC-USAC	+1	96	95	95	96
TC5 LR1	AG-Japan	+5	101	97	125	100
TC7 MR - east	Singapore-EC Aus	-1	177	178	173	174

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

		wk on wk change	Sep 26th	Sep 19th	Last Month	FFA Q3 (Bal)
TC1 LR2	AG-Japan	+500	12,000	11,500	17,000	
TC2 MR - west	UKC-USAC	+500	3,750	3,250	5,000	3,750
TC5 LR1	AG-Japan	+2,500	9,500	7,000	15,250	9,000
TC7 MR - east	Singapore-EC Aus	+1,250	14,250	13,000	14,250	13,750

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

ClearView Bunker Price (Rotterdam HSFO 380)	-3	370	373	300
ClearView Bunker Price (Fujairah 380 HSFO)	-45	401	446	382
ClearView Bunker Price (Singapore 380 HSFO)	-53	458	511	431
ClearView Bunker Price (Rotterdam LSMGO)	-19	576	595	545

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