Long Term Vision

Weekly Tanker Market Report

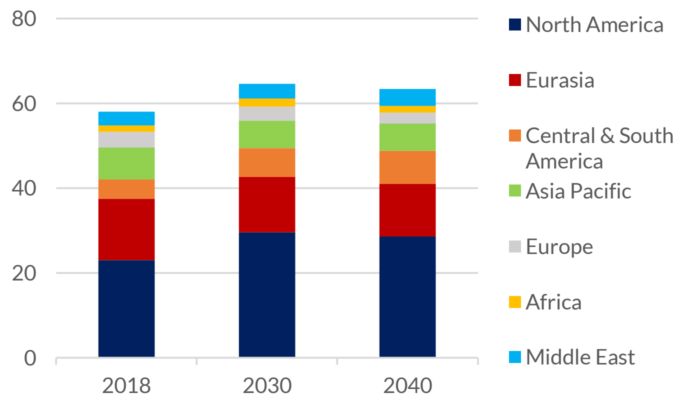
The IEA has recently released its long-term view of the energy markets. The agency presented different scenarios and cautioned that its outlook does not provide a forecast of what will happen; instead it offers several scenarios that explore different possible futures, depending on certain assumptions at government, industry and consumer level. The central case, referred to as the Stated Policies Scenario, incorporates today's specific policy announcements; however, it does not include future policies that are needed to be fully aligned with the Paris Agreement.

In this scenario, the IEA expects global oil demand to grow at a healthy rate of around 1 million b/d per annum through to 2025; however, the gains in consumption are expected to slow down dramatically thereafter, with just marginal growth projected beyond 2030, up by 0.1 million per annum through to 2040. Global gasoline demand will continue to grow modestly over the next decade but beyond 2030 it is anticipated to decline, down by 2 million b/d by 2040. Demand for diesel will see stronger growth through to 2025 but it is likely to remain virtually flat thereafter. Bigger gains are expected in demand for naphtha and jet fuel both in the medium and long term, driven by demand from the petrochemical and the aviation sectors. The IEA also expects stark differences to emerge in regional oil demand patterns. Demand in the advanced economies in North America, Europe and OECD Asia is expected to decline notably over the forecast period, while consumption in developing countries will continue to grow, although growth rates in some key countries also will slow down dramatically. In the long term, the biggest source of demand growth will be in the Middle East and India, with the expansion of the petrochemical sector in the Middle East fuelling regional consumption. In contrast, demand in China is likely to plateau in the 2030s, largely due to the widespread adoption of electric cars.

On the supply side, the IEA revised up its outlook for tight oil production in the US, despite concerns about slowing growth in output and the ongoing decline in rig count. By 2030, total US oil production is expected to reach 21.7 million b/d, up by 6.2 million b/d from 2018 levels. Gains are also expected in Brazil and Guyana. Beyond 2030, US output is likely to decline, but this will be largely offset by further increases in Latin America. Elsewhere, non-OPEC oil supply in Europe, Eurasia and Asia Pacific is anticipated to fall by 4.4 million b/d between 2018 and 2024.

Non-OPEC oil production (mb/d)
Stated Policies Scenario

Source: IEA



Major changes in the global refining industry are also expected. Some 15 million b/d of new refining capacity is projected to come online by 2040, mainly in Asia and in the Middle East, while refining runs in these two regions are anticipated to increase by over 10 million b/d, intensifying pressure on older plants to remain competitive. Most notably, refining runs in Europe could decline by 1.7 million b/d over the forecast period. In contrast, the combination of rising refining capacity and declining production in Asia is likely to translate into a substantial 10 million b/d increase in regional crude imports over the forecast period. These import requirements are expected to be met increasingly long haul from North and South America, although crude trade from the Middle East is likely to remain remarkably stable, in part due to the ongoing trend of Middle East producers investing in the upstream assets in Asia.

All in all, the latest IEA long term report suggests that the global oil markets are likely to be transformed over the next two decades, if all of the announced government policies are implemented. Yet, despite an anticipated dramatic decline in world oil demand growth, the picture is the opposite for crude tanker trade, with robust growth in tonne miles expected both in the medium and long term.

GIBSON SHIPBROKERS

Crude Oil

Middle East

A game of two halves...VLCCs started slowly and remained one paced into the midweek with rates falling off some 10 pct upon Charterers' disciplined approach. Early dates remained tight, however, and some interest on those positions then forced premiums and as extra interest hit the market, Owners on forward requirements levered rates successfully into the high ws 90's to the East with mid/high ws 50's asked for runs to the West. Further significant gains will require even more serious attention, however, given seemingly adequate upcoming availability. Suezmaxes enjoyed steady demand to hold rates to the East at no less than ws 140 and ws 60 to the West and for the time being there isn't enough push, or pull, to call for any big change to that over the near term. Aframaxes slowed a little but some discharge optionality allowed for rates to Singapore be broadly maintained at close to 80,000 by ws 175 but Owners will need an increase in activity next week to hold the line.

West Africa

Suezmaxes got quickly into their stride as Charterers became more active and rates pushed to 130,000 by ws 140 to Europe and ws 135 to the US Gulf but although enquiry remained circulating late week, Owners were more minded to consolidate and profit take than hold out for higher marks. If it continues busy next week, then another attempt may then be made however. VLCCs - as in the AGulf, started on the back-foot with down to 260,000 by ws 85 seen to the Far East, but then also took heart from the turnaround in the Middle East and Owners pushed their fixing ideas towards ws 100 - even a little over that. A reasonably solid outlook over the coming period.

Mediterranean

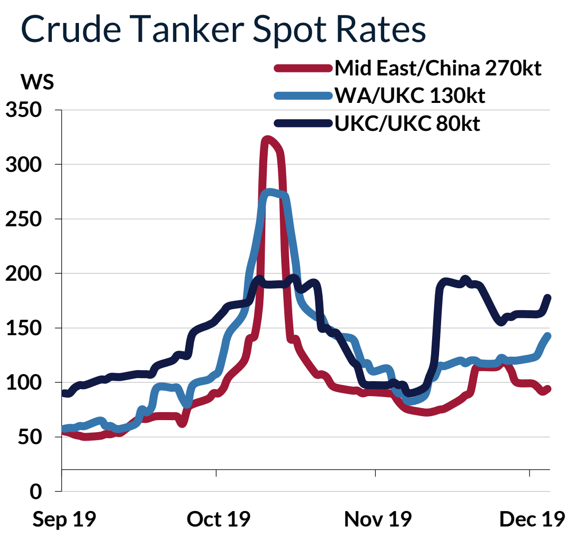
A socially disrupted week with London Industry events interrupting the Aframax cargo flow. Owners had to gradually back pedal through the week with 80,000 by ws 177.5 X-Med and ws 195 from the Black Sea the current bottom marks but further slippage possible until sustained interest returns. Suezmaxes held up well but needed just a little more to make a serious breakout. 140,000 by ws 145 from the Black Sea to European destinations and over $6 million for runs to China are very healthy numbers nonetheless.

US Gulf/Latin America

Aframaxes came back from the holiday hoping for Charterers to quickly play catch-up to help them re-establish the 70,0000 by ws 195 upcoast highs of last week. There was no big rush, but there was enough shown to keep to close to those levels for most of the week, but there was a little easing potential into the weekend. Naturally positioned VLCCs remain very tight here and although forward rates had slipped a little, ballasters from the East have recalibrated higher as the AGulf recovered and any lost ground should now be restored. Rates from the US Gulf to Singapore will push towards $10.5 million accordingly.

North Sea

Short term fundamentals moved more noticeably in Aframax Owners' favour and a finer balance is drawing rates to 80,000 by ws 190 X-UKCont and to 100,000 by ws 155 from the Baltic. Ice season is looming too, and there is a positive mood building for the run in to the holidays. VLCC interest picked up and 'last done' levels of $10 million for crude oil to China look set to be left behind on the next deals concluded as contenders are being increasingly sourced from the improving AGulf zone.



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

Clean Products

East

It was a very quiet start to the week and at close of play on Monday it looked like we could see the head of steam from the week before ease right off. However, the cargo taps were turned on to full bore and the MRs stole the limelight across all sizes for most of the remaining week. Rates took a little time to positively correct, but Owners will be pleased over all with how the week closed. TC12 is on subs at 35 x ws180 and EAFR on subs at 35 x ws 182.5. Both of these rates could very easily see further rises next week. X-AG took a healthy rise and at $250k for a Jub/Jeb, short cargoes are back to looking attractive. UKC needs a fresh test next week but should sit around the $1.55-1.6m level. With round about 15 stems uncovered and a very tight front end, next week should be busy and see rates tested further.

Mediterranean

Following the heights of the market seen last week, it was always going to be difficult for Owners on Monday morning to keep the momentum going and as predicted, the market has fallen almost as fast as it rose originally. We first saw the BSea market soften on Monday with 30 x ws 295 paid a couple of times which in turn sent X-Med on a negative trajectory and at the time of writing, 30 x ws 235 is the going rate for a vanilla X-Med stem. Owners will be desperate to stem further losses but given the slower level of enquiry (in part due to the Xmas parties this week), rates remain under pressure and it wouldn't be surprising to see less than last. A fresh negative test is likely ex BSea but with an influx of gasoil cargoes seen towards the end of the week, this may give Owners hope to ask for more than the general +10 premium on X-Med.

Week 50 will likely see Owners start on the back foot with fixing window tonnage looking healthy…

A quiet week all in all on the MR front in the Mediterranean with little to report. A negative sentiment started proceedings on Monday morning with Med-Transatlantic softening to 37 x ws 160 and WAF runs quickly followed suit as rates broke the 200 mark. Although cargoes are on the thin side, the saving grace for Owners may be the relatively tight tonnage list which should give Owners a tad of stability. If an influx of cargoes, are seen on Monday morning then Owners will be quietly positive in hoping to build some momentum.

UK Continent

With the various Christmas parties happening in London, it was always going to be a disjointed week for MRs up in the North. Once fresh positions lists were drawn up on Monday it did reveal a healthy amount of units available to charterers mainly due to the quiet end to last week and partnered with ballasters preferring European shores, it was always going to be a formality that there was going to be a negative correction on freight. TC2 softened to 37 x ws 165 and WAF even though the busier of the two markets corrected to 37 x ws 190. That being said, Owners have done a good job of steadying the ship and with the bottom of the market being reached, there does feel that there could be some improvements heading into next week, all to play for here.

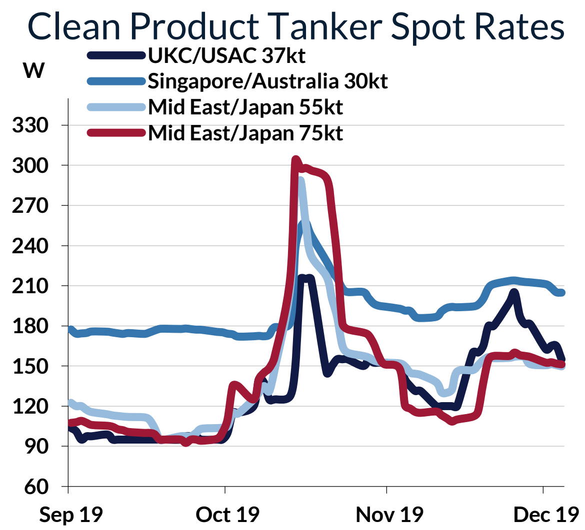
It was always going to be an uphill struggle for Handy Owners to try and maintain the rates seen from last week as enquiry was initially slow and battling a tonnage list which was much better supplied. Baltic liftings did soften to 30 x ws 185 and the Continent, even though much quieter this week, trades at the 30 x ws 175 level.

Just like the MRs though there does feel some potential/optimism quietly growing within the Owners camp as the tonnage list now appears much thinner compared to the start of the week. In reality, fresh stems will need to be quoted early next week if any improvements are to be made here.

Flexi - It's been a quiet week overall in the Flexi market with little activity to report with most fixtures being done away from prying eyes as COAs have kept units on the move. With the Handy market softening over the course of this week, rate ideas for the Flexis will now be around the 22 x ws 220 mark X-UKC.

LRs

LRs in general have been incredibly quiet for this time of year. LR2s have literally seen only a handful of stems but have been spoilt by a serious lack of Owners. This is only exacerbated by the continual dirtying up of LR2s in the West with dirty Aframaxes demanding some \$2.0 million more than LR2s for East runs. But more volume is surely coming in the last 10 days of December and this could see LR2 rates firm up. LR1s have finally seen a push of stems in the last 24 hrs after a horribly quiet 10 days. The list isn't that long and with 8-10 stems quoting, Owners are pushing rates again after the discounting mid-week. 75,000 mt Naphtha AG/Japan remains around w150 with 55,000 mt also at parity but likely to see a rise on next done. 90,000 mt jet AG/UKC is still holding at \$2.925 million and could even nudge \$3.0 million again if a few more stems come in. 65,000 mt Jet AG/UKC is already back at \$2.0 million and more is likely in the coming days.



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Dirty Products

Handy

The North this week has seen varying activity levels with the market getting off to a sluggish start then picking up by mid Wednesday. With industry festivities taking place it became all too easy to blame this reason for a lack of activity but by the end of the week, we report of a number of fresh cargoes being fixed both for regional runs and also to go further afield. Rate levels have held for the majority of the week and we finish with Owners in a strong position, dates moving forward and units on subs. With the list short and an expectation of next week getting back to 'normal' we could be reporting of a ws 300 market before too long.

As with it's Northern counterpart the Med also suffered from a sputtering engine as there was a feeling things didn't really get going until mid-week. However with the majority of questions being asked off market levels held firm as Owners saw activity and their positions ticking over. Delays going into the Black Sea created an uptick in fortunes with the more prompt units picking up some replacement business. With dates are moving swiftly on and ending the week with units on subs, there's definitely potential for confident Owners to push come week 50.

MR

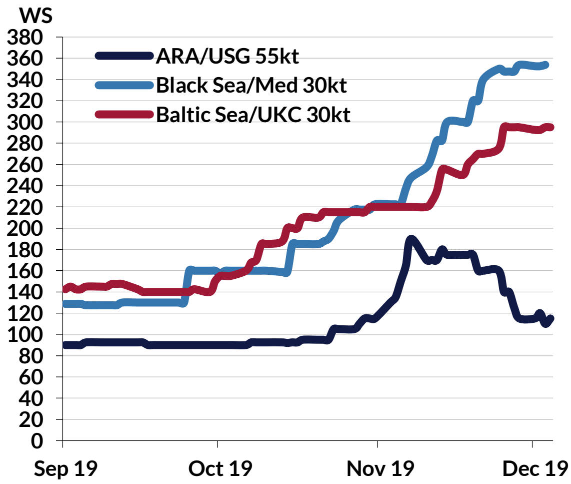
Continent Handies taking a breather from recent firm trend, MR Owners found it difficult to push increments, where in actual fact it's been a mixed bag for Owners with a variety of numbers being seen. This, however, is to be expected as with the long haul numbers pinched somewhat by surrounding sector Owners have had to concede the position they face.

In the Med however proceedings have been far more regular with Charterers looking out for units and wasting no time in booking coverage. And yet with another week of a solid fixing pattern developing, it's safe to say that the for forward trend looks unaltered / favouring Owners.

Panamax

Due a positive correction where natural availability has thinned, a combination of increment in the US and numerous stems off of a narrow date range saw Owners push levels up into the mid 160's. Levels were then replicated from other zones which meant we have now established validity to where we trade and have achieved a greater degree of parity with earnings against the US market. The significance of this is that going forward, it will become highly likely that ballast tonnage is needed, and with the increments seen, Charterers can secure tonnage without fear of benchmarks aligning out of kilter.

Dirty Product Tanker Spot Rates



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Dec 5th	Nov 28th	Last Month	FFA Dec
TD3C	VLCC	AG-China	**-16**	94	109	81	97
TD20	Suezmax	WAF-UKC	**+18**	138	120	91	144
TD7	Aframax	N.Sea-UKC	**+16**	176	161	96	163

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

			wk on wk change	Dec 5th	Nov 28th	Last Month	FFA Dec
TD3C	VLCC	AG-China	**-17,750**	77,000	94,750	61,000	97
TD20	Suezmax	WAF-UKC	**+9,750**	55,500	45,750	30,000	144
TD7	Aframax	N.Sea-UKC	**+12,000**	71,500	59,500	12,500	163

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Dec 5th	Nov 28th	Last Month	FFA Dec
TC1	LR2	AG-Japan	**-6**	151	158	116	
TC2	MR - west	UKC-USAC	**-25**	158	182	133	171
TC5	LR1	AG-Japan	**-7**	150	156	144	143
TC7	MR - east	Singapore-EC Aus	**-8**	205	213	187	221

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

			wk on wk change	Dec 5th	Nov 28th	Last Month	FFA Dec
TC1	LR2	AG-Japan	**-2,250**	23,250	25,500	22,500	
TC2	MR - west	UKC-USAC	**-4,500**	17,500	22,000	12,750	20,000
TC5	LR1	AG-Japan	**-2,000**	24,500	26,500	22,250	23,000
TC7	MR - east	Singapore-EC Aus	**-1,000**	22,250	23,250	18,250	24,750

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

ClearView Bunker Price (Rotterdam HSFO 380)	**+0**	251	251	258
ClearView Bunker Price (Fujairah 380 HSFO)	**+15**	268	253	303
ClearView Bunker Price (Singapore 380 HSFO)	**-6**	323	328	366
ClearView Bunker Price (Rotterdam LSMGO)	**-15**	553	567	560

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