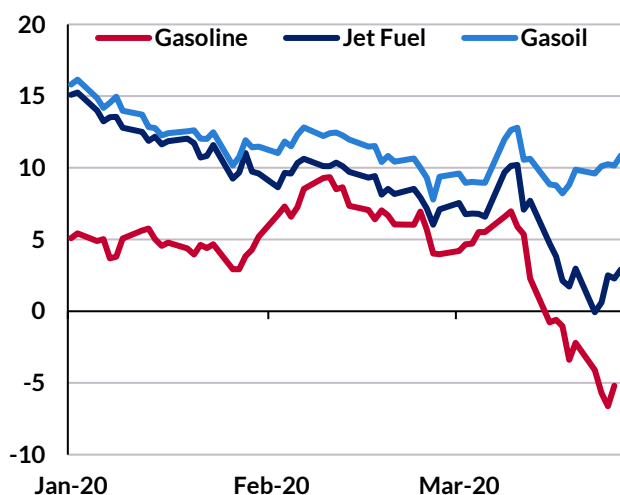


Damage Limitation Weekly Tanker Market Report

In one of the most uncertain peacetime periods ever witnessed, trying to make a call on the future direction of the market is a near impossible task. Almost every major economy has now implemented a lockdown as governments desperately fight to contain the virus. This of course, is having a major impact on refined product demand, forcing refineries to act by cutting run rates.

One of the few exceptions appears to be China, where refinery throughput is reported to be rising as the country scales back its containment measures. However, even within China, movement controls remain in place, most notably within the aviation sector where airlines are permitted to service each international route only once per week. With aviation being the most impacted transport mode, jet fuel was of course the first commodity to see significant demand destruction and is likely to see considerably more pain in the coming weeks. In the past week India has cancelled all domestic flights, Dubai airport has closed, and Singapore Airlines has cancelled 96% of its services through to April. The world's largest carrier, American Airlines has cut 75% of its international capacity until at least May, while most of short haul European flights have also been cancelled. These announcements are just the tip of the iceberg.

Asian Refining Margins (\$/bbl)



Refineries therefore must react. Globally refining margins for gasoline and jet fuel have fallen into negative territory at times this week. In most cases, margins have moved to levels not seen since the financial crisis more than 10 years ago. With the virus now entrenched in most parts of the world, these curbs look set to remain for some time and may become more stringent. Whilst much of the focus appears to have been on the West in recent weeks, a growing pandemic in Indonesia, Malaysia and Australia, which are collectively home to over 380 million people, threatens to further cripple product demand. Refineries will therefore have to react fast to keep up with the pace of demand destruction.

The rapidly evolving situation in the United States is even more troubling, where the volume of demand destruction will be unprecedented. The world's largest oil consumer, which consumed over 9.3 million b/d of gasoline alone last year, has already seen gasoline

demand slide 10% in the last week. More and more US refiners have announced run cuts, although some have had to defer maintenance to avoid the risks involved in having additional workers on site. It is also worth noting that the United States is one of Europe's biggest gasoline export markets, further impacting on the profitability of European plants. In particular, New York, which is the main gasoline import hub and the worst impacted area of the United States. Europe's other key gasoline export market, West Africa is also now having to impose lockdown measures which is likely to further crimp its import demand.

Gasoil has been the one bright spot for refiners as it remains supported by industrial demand and consumer stockpiling as prices fall. However, as stockpiling demand wanes and warmer weather reduces domestic heating demand, margins for this product are too likely to come under pressure. Although demand in China is expected to rebound, high stocks and high domestic output may do little for global gasoil margins.

Estimating how big the global demand contraction might be is a moving target. This week the IEA suggested that with 3 billion people in lockdown, world oil demand could fall by 20 million b/d, whilst some reports suggest that Chinese oil demand declined by 40% during the peak of the country's containment measures. If that percentage figure is applied to OECD Europe, the USA, Canada and Mexico, then demand could contract by over 15 million barrels per day. This of course excludes the rest of the world, but with total world oil demand of around 100 million b/d, a calculator is not required to estimate the potential demand hit. Indeed, early estimates of demand contracting by just a few million b/d over the coming months seem somewhat wishful thinking now.

Therefore, further refinery run cuts are inevitable, and if something is not done about crude supply, then so is floating storage. Refined products already on the water or coming out of refineries may also need to be floated in the coming weeks if product supply cannot be cut fast enough – watch this space.

Crude Oil

Middle East

VLCCs are back on the rollercoaster and after a soft opening to the week, the market then rode smartly higher once again into the second half. Heavy storage demand, and fixing, effectively underwrote the bottom line to reassure Owners and then port delays also washed in to provoke a more bullish attitude that propelled rates to the Far East to at least ws 130, with runs to the West marked at close to ws 100 via Cape. The Atlantic also busied, and firmed noticeably to add extra support and the whole complex is set to remain in firmer territory into next week. Suezmaxes were slow to the party but the gains on the larger size turned heads and Owners started to become more aggressive to pull rates up towards ws 170 to the East and to over ws 100 West, with more to come within short. The Aframax market has remained subdued for much of the week. With plentiful tonnage options available, rates slipped to 80x ws 125 for AGulf-East on Tuesday, however, a fresh flurry at the back end of the week sees rates on a firm heading into next week.

West Africa

Flat then busy and firmer - the common theme for larger sizes in all markets. Suezmaxes here eased into the week but activity increased and Owners beat the drum for higher marks. The market was still being made late week but rates are anticipated to move above ws 150 to Europe and to ws 170 to the Far East to set up a very solid platform for next week.

VLCCs enjoyed a concentrated pulse of enquiry and initially took the initiative from the usually leading AGulf market. Rates are now marked as around ws 130 to the Far East and look set to consolidate at the very least.

Mediterranean

No early fireworks for flatlined Aframax but many of the weaker links were taken care of and the week closed on a more optimistic/hopeful note as disport delays increased and Charterers began to show more interest. 80,000mt by ws 175 X-Med now and at up to ws 192.5 from the Black Sea but those will be the bottom markers from early next week. Suezmaxes also started slowly but in line with other load zones, then picked up significantly to 140,000mt by ws 150+ from the Black Sea to European destinations, and to \$6.5 million for runs to China.

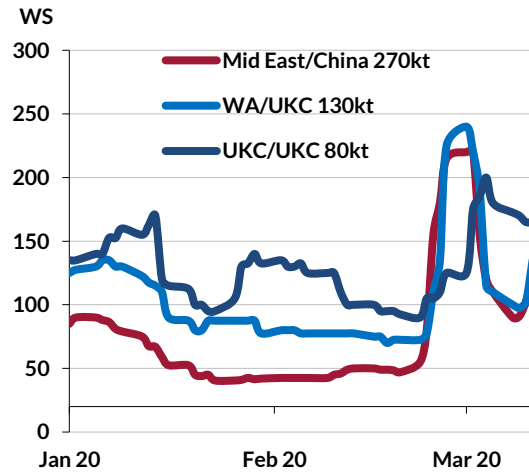
US Gulf/Latin America

Aframax flopped early in the week to 70,000mt by ws 140 upcoast and to ws 120 transatlantic and didn't get any relief thereafter. That said, with Suezmaxes and VLCCs pushing, there should be a turn in sentiment...if only Charterers come to play in numbers that is. VLCCs converted all the previous vague talk into solid fixing that spiked rates to as high as \$15.25 million from the USGulf to the Far East and the hunger remains with Charterers also booking tonnage for up to 6 months t/c-storage at, or close to, \$120,000 per day. No reverse anytime soon.

North Sea

More Aframax questions than cargoes left Owners rather frustrated, and the market at little better than 80,000mt by ws 160 X-UKCont and 100,000mt by ws 140 from the Baltic - not bad but a feeling that there 'should' be better levels to come. Next week may well provide the feedstock for another rate push though. VLCCs dipped to \$11.5 million to the Far East but then regained their footing as the USGulf ramped and Owners will now be looking at closer to \$15 million from any charter willing to take the plunge.

Crude Tanker Spot Rates



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

Clean Products

East

A very busy week for the MRs that has seen rates positively tested. The list continues to be extremely tight and offers huge opportunity for Owners to make great returns especially with bunker prices on their knees. Owners are looking to aggressively push rates, which should see TC12 likely test upwards of ws 170. Short haul voyages at 335k levels are also bringing great returns. EAF rose steadily during the week and, with 35 x ws 190 on subs next week, ws 200 will be achieved no doubt. Westbound stems have been very busy all week and \$1.775 million is on subs. However, as Owners look to push, stems yet to be covered are seeing offers of \$1.95 million. Owners will be looking forward to next week (even if they are continuing with the self-isolation of working from home) as the sentiment remains very much on their side.

LRs have also seen a very healthy volume. LR1s in particular saw a big surge in enquiry this week but, with tonnage lists fairly populated the rates really only stayed flat. But with lists clearer and cargoes still uncovered, rates may now start to see more of a push. 55,000mt naphtha AGulf/Japan is up at ws 165 and 65,000mt jet is slightly untested but rated at \$2.65 million. LR2s saw steady interest but in contrast the lists are very slim and rates have seen a slight firming. More may be on the horizon if anything like the usual Saudi volumes keep flowing. 75,000mt naphtha AGulf/Japan is at ws 170 and 90,000mt jet AGulf/UKCont is at \$3.85 million - \$4.0 million is on the cards soon though we predict.

Mediterranean

It's been a busy week in the Med Handy market, with the combination of a tight front end and a constant flow of cargo enquiry keeping sentiment positive. Black Sea/Med rates jumped to 30 x ws 240 at the start of the week, with this number being repeated multiple times throughout and as a result, we have seen X-Med rates follow suit. X-Med rates began the week around the 30 x ws 210-215 but, with certain cargoes requiring specific ships, rates have gradually increased with 30 x ws 220 the current level of fixing. With a few end/early dates still to be covered, Owners will be looking to push for more before this week is out.

Finally, we arrive at the MRs in the Mediterranean where a sporadic dusting of enquiry was seen in this topsy turvy market, which in the end has given a variation on fixing rates. The feeling was that we were in line for some further negative correction come the midpoint of the week but, with a spike in demand from the UKCont, rates were able once again to rebound and finish in a strong position come Friday. Owners will argue for ws180 and ws 200 for transatlantic and WAF, potentially a few points more also, but this is riding off the back of the UKCont and if demand slows there, expect a similar fate for Med Owners rapidly.

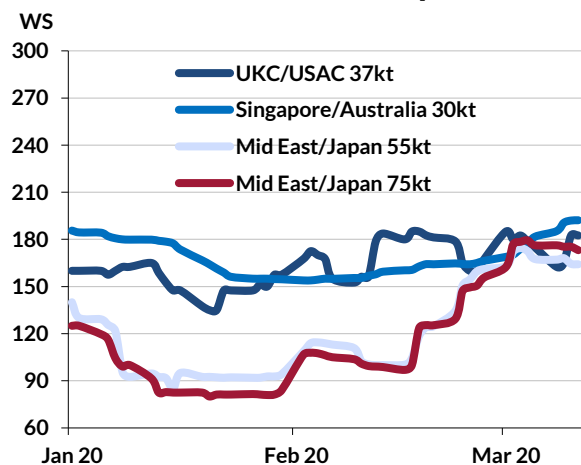
UK Continent

It's hard to put into a small paragraph just how extraordinary this week has been both from a shipping and a non-shipping perspective. Shipping wise the MRs began the week somewhat on the backfoot and the first couple of days saw a further softening of rates. However, at the midweek point, that all changed, and very dramatically. Cargo enquiry going transatlantic, WAF and unusually Far East gave Owners the springboard they needed to turn the market on its head. It may be that this reversal in fortunes is only going to be short lived as the world goes into lockdown but we end the week with Owners in a more positive position. TC2 is at 37 x ws 180 today and WAF at 37 x ws 200, which is a healthy improvement from the start of the week. The outlook, well that remains somewhat less positive, but for now at least Owners will be very satisfied with how this week went.

With a quiet start to the week, there was bound to be some negative correction on the cards for this Handy market as we slipped down to 30 x ws 192.5 ex Baltic and ws 182.5 respectively for X-UKCont by midweek. The second half of the week did offer a little more hope though as enquiry levels picked up and Owners managed to dig their heels in to hold onto the present fixing levels. As Friday appeared, a few stems seemed to be snapped up by larger tonnage, which looks like it's leaving a little gap for fixing opportunities for some of the prompt ships, but most likely we will have to wait till next week to see what, if any, affect this has on our present market.

It's been a quiet week in the Flexi market, with little activity to report in the way of fixtures. Throughout the week the tonnage list has looked tight for end month dates but a lack of cargo enquiry has meant Owners have been unable to capitalise. As a result, rates have been drawn from the UKCont Handy market, which after experiencing a drop in rates at the beginning of the week, has now stabilised. Today's call for a X-UKCont voyage is around the 22 x ws 245 mark.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

The sentiment in the North this week has turned the tide heavily in Owners favour as activity levels have steadily through the week picked off units and tightened the position list. The result of this is a ws 10 point gain in fixing levels from the same time in the previous week. This small gain has the potential to be a green shoot of what is to come as tonnage replenishment is likely to be limited for early trading next week. With this in mind, expect those with tonnage to market starting the week with an air of confidence about them as they hunt for further gains where possible.

The Mediterranean has somewhat followed the North during the course of the week's trading. The region has also firmed, resulting in trading levels ws 10 point higher than when the week started. The majority of fresh enquiry has been from the Black Sea region, which naturally tightened an already depleted East Mediterranean sector. Adding to this has been the need to factor in increasingly uncertain itineraries due to bad weather and restrictions with personnel in ports. Watch this space, however, as itineraries could firm over the weekend presenting fresh opportunities come Monday leaving us all with the need to assess how firm even marketed tonnage really is... watch this space...

MR

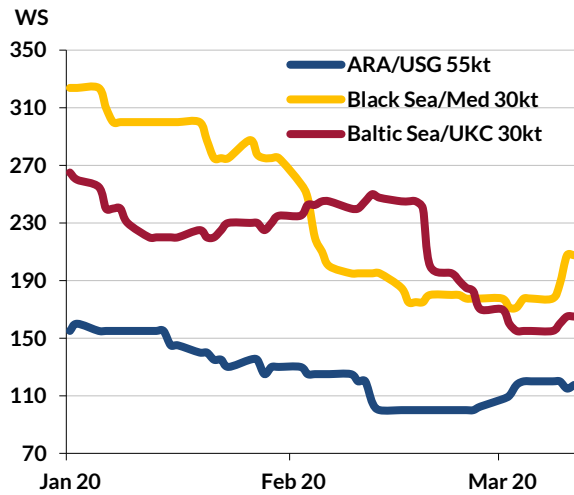
This week has materialised as expected on the MRs. The tightness in surrounding markets has continued to hold and as such we have seen similar returns on the MRs. In the North, the lack of available tonnage has left the market dominated by one unit fixing and failing early in the week and finally getting fully fixed at ws 135 ARA/MED. In the North we expect to see early next week trading X-Cont & Baltic/UKCont upwards of ws 135, if you can find a unit. With other vessels in the region, fully fixed Charterers will have to look forward to dates for a ballast unit.

In the Mediterranean, again our predictions last week have panned out. The pressure that has been maintained in the Aframax has held the market tight for MRs, with Black Sea/MED trading at ws 130-135 and X-Med trading ws 125-130 showing a slight contraction of the usual premiums between the two regions. Charterers will need to consider potential delays that might be encountered such as limitations of technical managers for STS operations and experienced pilots through the Turkish Straits, which could isolate supply of vessels across the Mediterranean and Black Sea. Look to next week with the possibility that usual end/beginning month demand could be disrupted as Charterers have been locking in storage plays on larger sizes potentially limiting demand for smaller vessels required for STS operations.

Panamax

With a display of opportunity for Owners to get their teeth into, most units in play this week were at least shown some sort of employment opportunity. The conundrum Owners faced is to send the ships East or West and at time of writing, both come with their own peril. US values have dropped amidst run cuts and barrels sat without homes, and in the East the same story presents but in a different fashion. What do you do with a Panamax when you open out there? Ballast back? Still, these are tomorrow's issues and gauging the rates being fixed at least, the short-term coin makes a lot of sense.

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 26th	Mar 19th	Last Month*	FFA Current Q
TD3C VLCC	AG-China	-17	113	130	48	114
TD20 Suezmax	WAF-UKC	+2	122	120	77	124
TD7 Aframax	N.Sea-UKC	-21	164	184	104	149

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

		wk on wk change	Mar 26th	Mar 19th	Last Month*	FFA Current Q
TD3C VLCC	AG-China	-22,000	123,500	145,500	30,250	123,750
TD20 Suezmax	WAF-UKC	+0	63,750	63,750	29,500	65,250
TD7 Aframax	N.Sea-UKC	-17,000	69,250	86,250	20,250	57,500

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Mar 26th	Mar 19th	Last Month*	FFA Current Q
TC1 LR2	AG-Japan	-6	173	179	99	
TC2 MR - west	UKC-USAC	+7	185	178	178	176
TC5 LR1	AG-Japan	-8	164	173	100	160
TC7 MR - east	Singapore-EC Aus	+16	192	176	158	183

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

		wk on wk change	Mar 26th	Mar 19th	Last Month*	FFA Current Q
TC1 LR2	AG-Japan	-2,750	52,250	55,000	18,000	
TC2 MR - west	UKC-USAC	+750	28,500	27,750	23,500	26,500
TC5 LR1	AG-Japan	-2,750	34,750	37,500	12,000	33,750
TC7 MR - east	Singapore-EC Aus	+2,750	26,500	23,750	15,250	24,750

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

ClearView Bunker Price (Rotterdam VLSFO)	+23	229	206	381
ClearView Bunker Price (Fujairah VLSFO)	+5	283	278	429
ClearView Bunker Price (Singapore VLSFO)	+11	271	260	449
ClearView Bunker Price (Rotterdam LSMGO)	+23	294	271	431

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