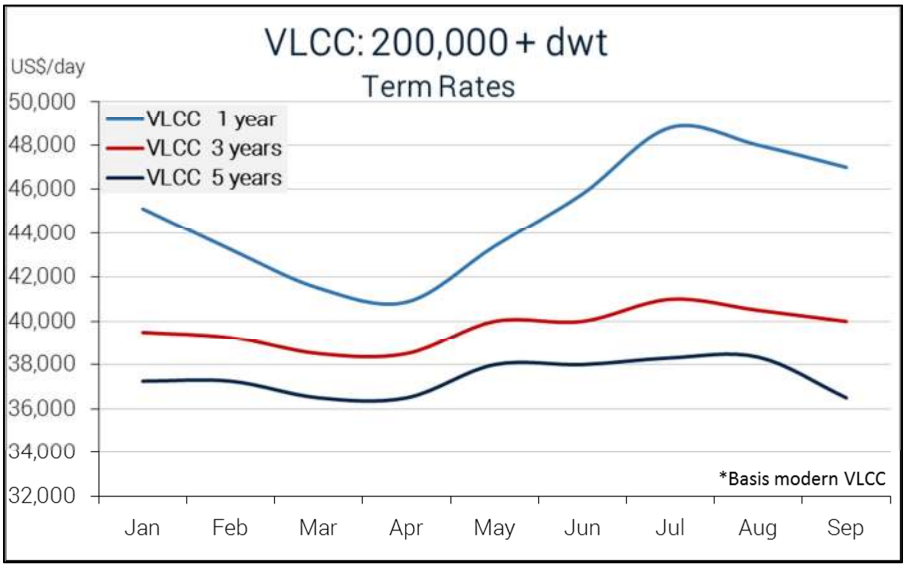
WEEKLY TANKER REPORT

11th September 2015

KEEP CALM, WE STILL HAVE OIL

The past year has been filled with surprises, starting with the oil price plummeting by over 50% to under $50 per barrel, and the fear of a possible "Grexit". Most recently, the great fluctuations in the financial markets have resulted in volatility across the globe, leaving various sectors shaken. More than ever what lies ahead is a critical question. August was dominated by instability in the financial markets with China being the epicentre, although many argue that the Shanghai stock exchange was mature and simply due for a downwards correction after a prolonged period of substantial growth. Nonetheless, the global market looks back at August with a negative view and the shipping industry was no exception.



However, the outlook is more optimistic as positive economic updates have been presented, showing solid growth figures from the industrial countries, mostly driven by the US economy being on the rise. Despite the downslope in August, sentiment appears intact and optimism still dominates as cheap bunkers are likely to limit any downside potential. The expectations are that the oil price will average at around $59 per barrel in 2016 according to the latest monthly EIA forecast. Record high world crude production supports trade. Demand also remains strong as low oil prices typically stimulate growth in private consumption. At the same time, a persistent oversupply necessitates storage. Approximately 7% of the current VLCC fleet is presently not actively trading, with the vast majority of these units engaged in storage (Iranian and non-Iranian crude, fuel oil). The VLCC spot market experienced a downwards correction in August, however rates have recently recovered and are now beginning to stabilise.

Nevertheless, one question remains unanswered: was August just a blip? Gibson data shows that 1-year TC (timecharter) VLCCs experienced a minor correction falling from $48,000/day in August down to $47,000/day in September and with an annual average of $45,000/day, well above the mean of past years. Furthermore, the 5-year TC is currently being traded at circa $36,500/day. This signifies that the outlook for the tanker market remains bullish, with earnings still being highly attractive. Irrespective of market fluctuations, this year appears to be a great year for most tankers with rates being well above previous years. The fact that China is moving away from a substantial growth phase will certainly affect the industry to some extent. China's new stance will have most impact on the dry bulk segment since the country imported 66% of the world's seaborne volume of iron ore, 34% of metallurgical coal and exported 22% of finished steel traded volumes in 2014.

However, the impact is not as dramatic for tankers as high crude oil production is the key demand driver. Bottom line is that these record volumes of crude must be transported or put in storage and eventually used by the end consumer regardless of short-term market fluctuations. Barring any major economic event, demand is still growing and the fact that Iranian sanctions are expected to be lifted combined with OPEC's reluctance to reduce its daily production contributes towards appealing rates into next year. Yet, the weight of new vessel supply will begin to take effect in the latter stages of 2016 and into 2017. In the long term, reduced investments in oil exploration from non-OPEC countries observed currently may strengthen OPEC's power, translating into an even stronger crude trade out of the Middle East.

CRUDE

Middle East

VLCC Owners carried on the good work and rode the market a little higher to touch the WS 50 mark to the East but as the week progressed, the cargo-flow faltered, and there was a degree of re-settling by the week's end to lead rates back to where they began - WS 48-ish East, and to around WS 27 to the West, via Cape. Charterers will try to extend their more cautious approach as October programmes come into sight, and 'consolidation' is probably the best case scenario now for Owners. Suezmaxes stirred from their recent lethargy and a relatively active week pushed rates higher to a peak WS 70 East, and to WS 35 West with Basrah heavy lifts still commanding premiums over that. Again, a quieter spell beckons. Aframaxes suffered from a distinct lack of enquiry with Appec in Singapore impacting rates, and slid off to 80,000 by WS 85 to Singapore, and with no quick recovery.

West Africa

Suezmaxes huffed and puffed their way to a higher rate ledge, but gradually ran out of steam to crumple back again to 130,000 by WS 52.5 to the US Gulf, and little above WS 55 for European options. Good availability persists and it will take sustained attention next week to turn the tide once again. VLCCs held up well as Charterers were forced to move upon ballast time considerations, and a reasonably solid Arabian Gulf scene. Rates inflated to close on WS 50 to the East with up to US$4.85 million seen for a Nigeria/East Coast India. If the Arabian Gulf settles further, then some discounting will migrate.

Mediterranean

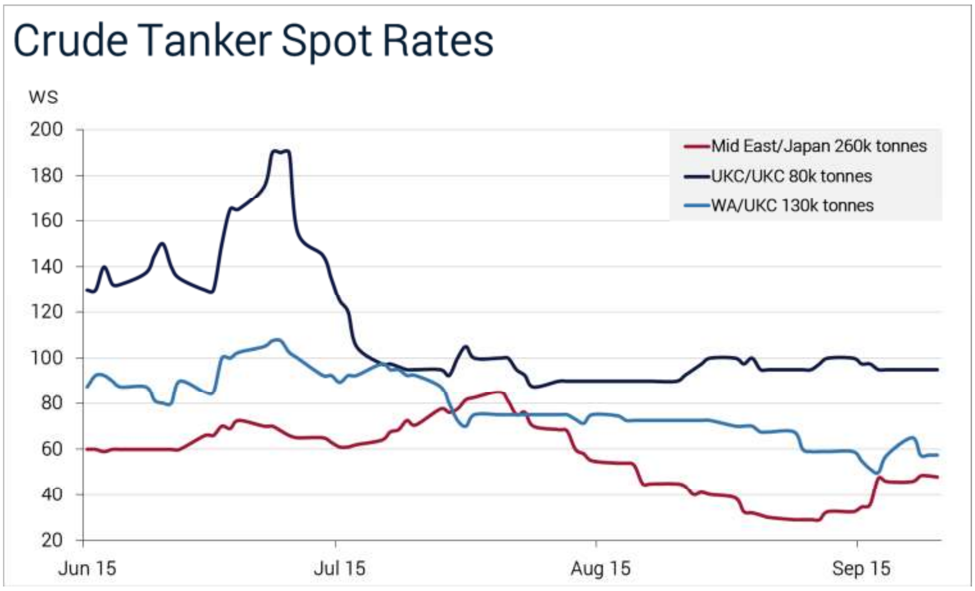
An initial uptick in Aframax activity only served to add minor fat to rates and Owners had to become satisfied with a WS 77.5/80 range Cross Mediterranean into the close. Little early change likely either. Suezmaxes merely shuffled sideways upon only spasmodic enquiry, and good availability - 140,000 by WS 60/62.5 is the range for Black Sea to European destinations and around US$3.6 million to China, the market needs a motor.

Caribbean

Aframaxes came back from the long weekend in bullish mode, and enough noise was then created to see gains to 70,000 by WS 105 up coast before that noise abated, and rates started to retreat back somewhat. Charterers will try to keep things slow for a while now. VLCCs continued to operate within a wide band with those units 'left behind' willing to engage at substantially less than the default US$5 million to Singapore, with US$3.85 million seen for West Coast India.

North Sea

Little material change for Aframaxes here, but what change there was to the downside. Rates operate now at 80,000 by WS 90/95 cross UK Continent, and 100,000 by WS 65/67.5 ex Baltic with the potential of further deterioration. VLCCs were more keenly courted for fuel oil 'arb' runs to Singapore with up to US$4.4 million proposed, though few deals were actually concluded. A rare crude movement was also seen from Hound Point to South Korea at a reported US$5.85 million level.



CLEAN PRODUCTS

East

MRs have seen a steady decline this week not helped by Appec taking traders away from their desks followed by a holiday in Singapore today. Middle East refinery turnarounds have further hampered markets. 35,000 mt naphtha Arabian Gulf /Japan is down to WS 130 with 40,000 mt jet Arabian Gulf/UK Continent now at US$1.675 million. Shorter hauls have also seen the squeeze with 40 cpp Arabian Gulf / Gizan now below US$700k and Jubail/Jebel Ali down to US$275,000. Rates may well have seen the worst of it now with everybody back to work Monday.

LRs have fought all week to find a bottom and may at last be there. 75,000 mt naphtha Arabian Gulf/Japan has slumped to WS 85, about half what it was only a few weeks ago. 90,000 mt jet Arabian Gulf /UK Continent is now hovering around US$2.40 million. 55,000 mt naphtha Arabian Gulf / Japan has drifted further off in sympathy to WS 110 with 65,000 mt jet Arabian Gulf /Japan now at US$2.1 million. There may be small changes to come but there is a hope starting to build we have now seen the worst of the fall.

Mediterranean

Throughout the week Owners have managed to adopt the policy of 'hold the line' as Cross Mediterranean freight rates have held steady at 30 x WS 130-135 level. In turn Charterers have met Owners with little resistance and both parties have been content fixing at current levels. The consistent flow of handy inquiry has continued to chip away at the tonnage list. With a balanced feel in the market and the fixing window comfortably making its way to end of second decade stems, expect limited variance to rates for the time being.

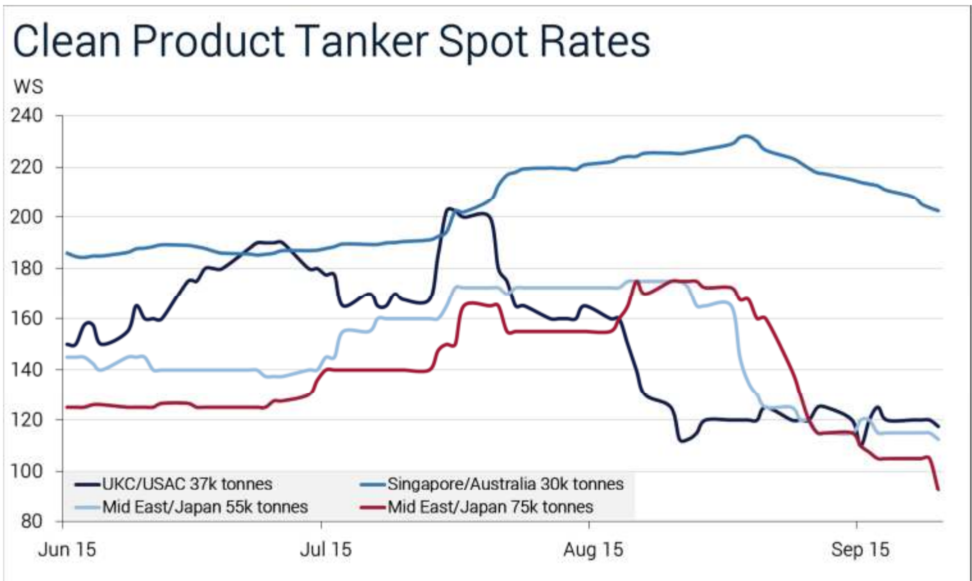
MRs considered 37 x WS 105-110 levels for transatlantic, while East runs remain at about US$850,000 to the Red Sea basis Central Mediterranean load (+ US$100,000 for the Arabian Gulf).

UK Continent

As we come to the conclusion of Week 37, the buildup of pressure on Owners over the past couple of weeks has finally produced results as we arrive to Friday with reports of 37 x WS 110 on subjects. A healthy tonnage list on Monday for Charterers to choose from was always going to be problematic for Owners to repeat last done, but it was not until Wednesday that the rates were affected dropping to WS 120 and as the week concluded further correction occurred. An improving backhaul market in the States will give Owners a slight break in fortune, but unless we see inquiry pick up they will have a fight upon their hands to balance this market.

In the Handy sector trading has remained composed with vessels being clipped away continually around the WS 140 mark. Minor ups and downs have occurred on some fixtures, but the sentiment has prevailed and as we look ahead into the upcoming week it seems hard to see what other trend will appear at present.

The Flexis similarly have operated sideways with 22 x WS 172.5 remaining the accepted market. Continual COA fixtures along with a handful of market cargoes has kept tonnage ticking over resulting in relatively placid trading. Owners will be keen to pick up the next batch of dates early next week as tonnage completes their short haul voyages and open dates come flying around the corner



DIRTY PRODUCTS

Handy

Well it's safe to say this week never really took off from where we finished a week ago in the Continent. Enquiry has slowed down and the position list is rebuilding day by day. At the time of writing the market remains stable at 30 x WS 142.5 for standard Cross Continent voyages and sentiment looks like it will remain well balanced as we roll into Week 38. In comparison to surrounding markets in terms or rates and activity the Continent is in a league of its own for now.

As levels continue to be under pressure activity is noticeably low for a time of year which historically should be on the rise. Cross Mediterranean slipped 2.5 points during the back end of this week, where most market analysts expected a surge of cargoes with the majority of big hitters in Genoa next week. This is more than likely to come into play Monday morning, so those Charterers who have been given a head start from their traders may want to secure a well-positioned ship before the 'hoi polloi' follow suit.

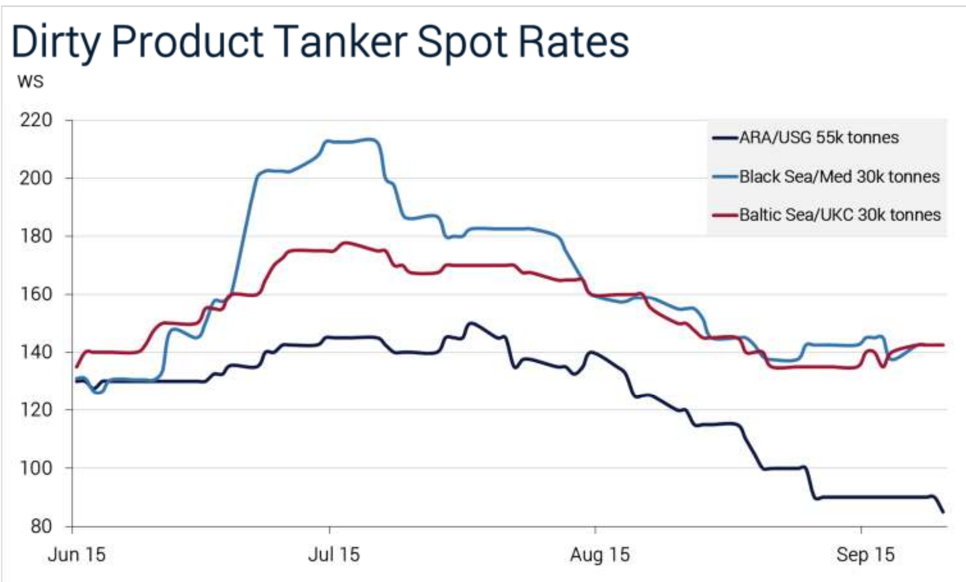
MR

As the week comes to a close, naturally positioned MR's in the Continent are thin on the ground and that isn't down to a feast of full size stem cargoes. Owners have been faced with the on-going battle of "should I, shouldn't I" take a small size stem or risk the long wait for a full size cargo. As it stands the majority of natural MR's Owners have covered their tonnage on smaller cargoes leaving the Continent very tight for the next 45kt stem.

As the handy market seems to have taken a hand off the throttle, Mediterranean full stems are still proving hard to come by. Owners are feeling the pressure even more than usual to try and compete with the numbers Handies are prepared to do. In these situations Charters and Owners alike are using their relationships to the best of their ability to keep under wraps and secure the business quietly. However, some would argue the market still needs an honest test.

Panamax

Keeping the trend from the beginning of this week the Panamax market has seen minimal activity; reports suggesting Owners are being very flexible on rates and some willing to take smaller size stems just to capture the business and keep their vessels ticking over. However, as we come to the end the week, it is beginning to look a different story and the Panamax market may be kicking back into life with a handful of fresh stems reported. Although rates are some of the lowest we've seen, Owners will be relieved as opportunities are arising to get their vessels moving. Should cargoes seen today in the market get secured, we will be looking at this sector in a different light next week and with this in mind the fixing window will be well and truly shifted and more than likely rates too.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sept 10th	Last Week	Last Month	FFA Q4
TD3	VLCC	AG-Japan	**+3**	49	46	40	62
TD20	Suezmax	WAF-UKC	**+7**	58	51	73	83
TD7	Aframax	N.Sea-UKC	**-1**	94	96	96	112

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

			wk on wk change	Sept 10th	Last Week	Last Month	FFA Q4
TD3	VLCC	AG-Japan	**+6,250**	55,000	48,750	37,500	76,000
TD20	Suezmax	WAF-UKC	**+6,000**	28,750	22,750	39,000	48,000
TD7	Aframax	N.Sea-UKC	**-500**	27,500	28,000	31,000	41,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sept 10th	Last Week	Last Month	FFA Q4
TC1	LR2	AG-Japan	**-13**	93	105	175	
TC2	MR - west	UKC-USAC	**-5**	115	120	118	135
TC5	LR1	AG-Japan	**-5**	111	116	168	110
TC7	MR - east	Singapore-EC Aus	**-10**	203	213	226	

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

			wk on wk change	Sept 10th	Last Week	Last Month	FFA Q4
TC1	LR2	AG-Japan	**-4,750**	29,000	33,750	63,500	
TC2	MR - west	UKC-USAC	**-750**	16,500	17,250	17,000	21,000
TC5	LR1	AG-Japan	**-1,000**	26,250	27,250	43,000	25,500
TC7	MR - east	Singapore-EC Aus	**-1,000**	29,500	30,500	33,000	

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

LQM Bunker Price (Rotterdam HSFO 380)	**-20**	228	248	256
LQM Bunker Price (Fujairah 380 HSFO)	**-18**	230	248	278
LQM Bunker Price (Singapore 380 HSFO)	**-26**	233	259	260
LQM Bunker Price (Rotterdam 0.1% LSFO)	**-15**	433	448	453

GFH/JH/DJ/OD/DT/BC

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