WEEKLY TANKER REPORT

GIBSON SHIPPING ENERGY

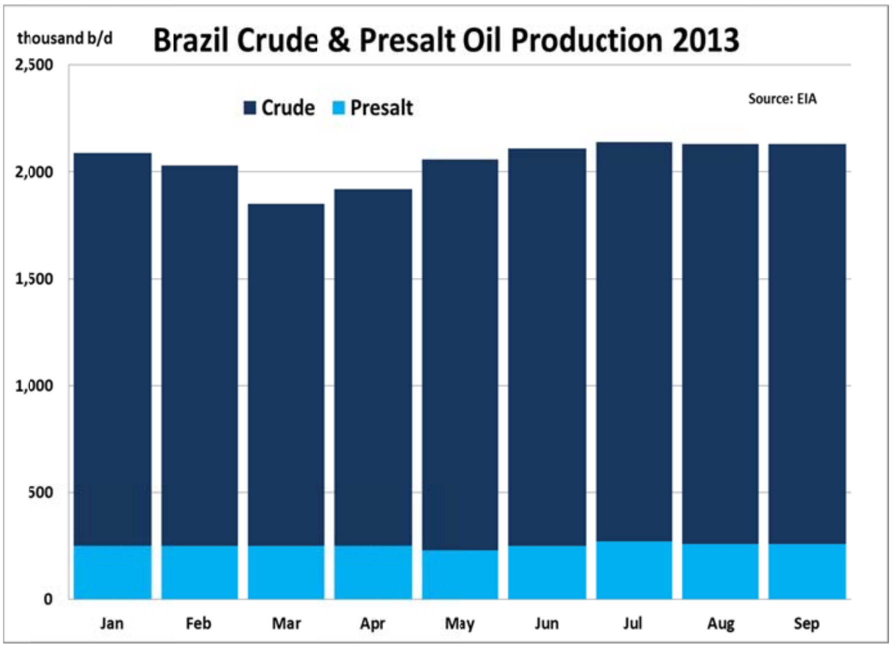
22nd November 2013

BRAZIL, THE PERFECT BLEND!

Next June, the eyes of much of the globe will be watching Brazil as it hosts the 20th FIFA World Cup. Brazil will very much welcome the attention, but perhaps what is more important for the nation will be the influx of tourism which will bring in much needed currency. In October, Brazil posted its first deficit for some time based on $22.8 billion in exports and $23.0 billion in imports, which included an 82% surge in imports of oil. Part of the problem is that Brazilian imports are picking up too quickly. Exchange rates have made foreign goods more attractive, and Brazil has been importing more of its oil and clean product as the local currency (Real) has fallen in value against other currencies. October also happened to be the Brazil's refinery maintenance programme, which impacted on domestic product supplies.

Of course the nation has long held the ambition to be a global oil producer and exporter of crude oil and petroleum products. The country continues to make huge investment in the upstream oil sector since achieving net crude export status in 2007. Production averaged 2.15 million b/d in 2012 and is forecast to reach 5 million b/d by 2020 with vast offshore reserves to back up this ambition. Most of Brazil's crude is heavy with high acidity and sells into the market at a discount as an incentive to the refiners that can process these crudes, such as importing nations like China. However, Brazil's refineries are designed to refine light sweet crudes, which have to be imported to meet growing domestic demand. Brazil's consumption reached 2.8 million b/d in 2012, while domestic refining capacity was 2.0 million b/d.

So Brazil offers a perfect balance for the tanker market, relying on both imports of light sweet crude, with Suezmax cargoes from Nigeria amongst the main suppliers, and clean products to 'top up' the shortfall in domestic production. At the same time exports of heavy crude on VLCCs to China and other Far East destinations, plus support for Suezmax and Aframax cargoes destined for the US Gulf provide triangulation. Brazil will continue to give strong support to the tanker market as this disparity between imports and exports remains in place. The fact that the nation lacks any significant domestic tanker carrier capacity means greater dependency on the spot and timecharter markets. The build-up to the World Cup finals is likely to put even more strain on the domestic refinery industry, but the long term prospects for oil trade in and out of Brazil is a promising factor for tanker owners.



Middle East

VLCC Charterers couldn't muster up the patience to continue to hold back, and then paid the price for their impatience as Owners demanded, and received, rates of up to ws 65 to the East and ws 39 to the West Via Cape - another new high for the year. Roughly half the December programme has now been covered, and if Charterers repeat the incontinent pattern of fixing that they enacted for the second half November, then they will get punished once again. News today of a serious incident in the key Chinese port of Quingdao will further complicate strategy. Suezmaxes spent the week consolidating the late gains of last week, but although active, were not quite active enough to force a break-out from 130,000 by ws 80 East and around ws 45 to the West. While VLCCs continue to rumble, there's still a chance though. Aframaxes hit bottom, and then rebounded somewhat to 80,000 by ws 85 to Singapore - mainly on the back of the larger sizes continuing to solidify.

West Africa

Suezmax availability built up during the first half of the week so that when enquiry did eventually pick up, Charterers found little difficulty in keeping rates boxed in to no more than 130,000 by ws 57.5 US Gulf and sub ws 60 to Europe. Owners will hope that a pre-Thanksgiving rush ensues next week, but then again, U.S. imports from the region are becoming a rarity in any case. VLCCs couldn't help but remain firm given proceedings in the Arabian Gulf, and Owners successfully equalised earnings to end at around 260,000 by ws 62.5 to the China, with a higher US$ 5.45 million seen for West Coast India discharge.

Mediterranean

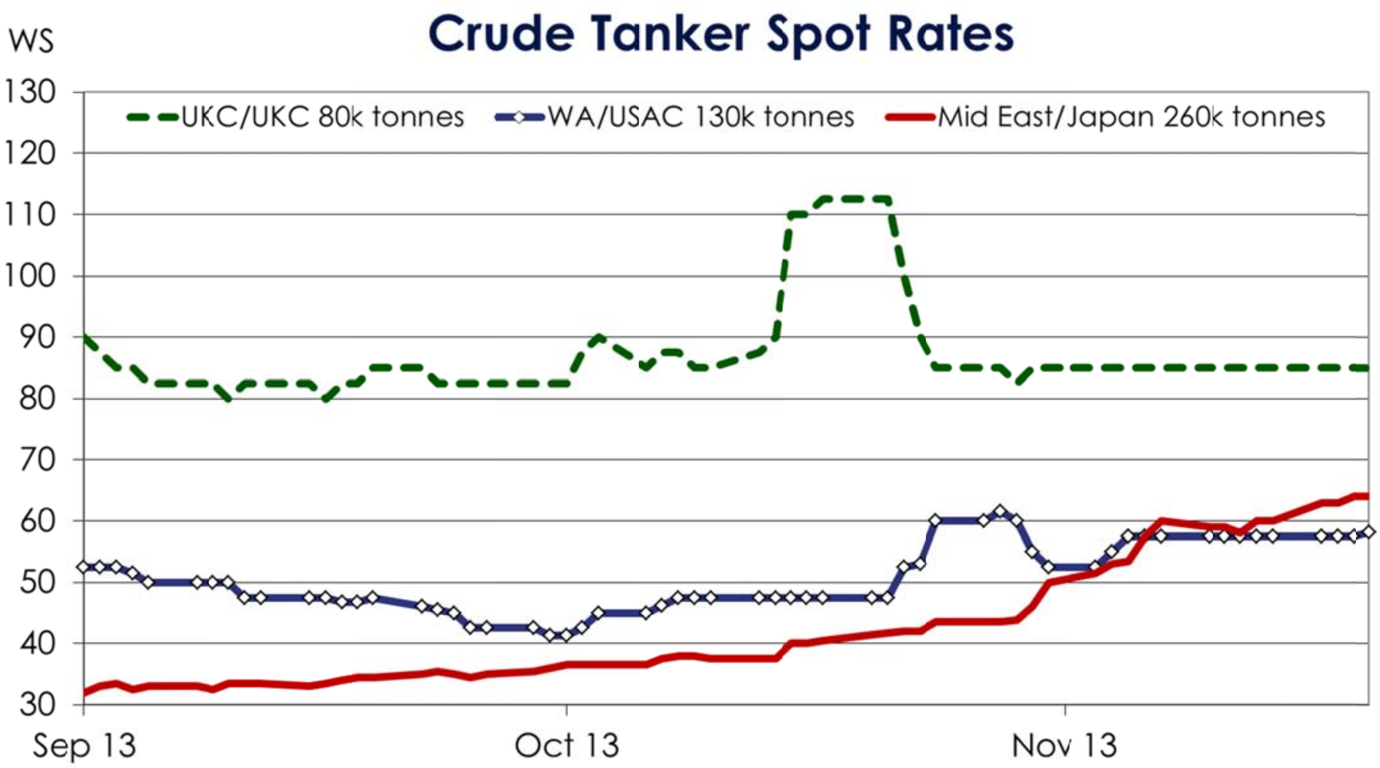
Significant Libyan barrels failed to materialise, and the previously bullish sentiment amongst Aframax Owners was punctured accordingly. Rates crumpled back to as low as 80,000 by ws 65 cross med, and look set to remain bottom hugging for a while yet. Suezmaxes started to see more activity, but as in West Africa, there was more than enough tonnage to soak it up with no pressure upon rates that remained at 140,000 by ws 60/62.5 from the Black Sea to European options and US$ 2.75 million paid for a run from Arzew to Thailand.

Caribbean

VLCCs stepped up another impressive gear, leaping the best part of a million US$ to usd5.9 million to Singapore, and close to US$ 5.5 million for West Coast India. Much higher may not be seen, but there'll be no early retreat. Aframaxes saw slightly more favourable conditions that allowed rates to inflate slightly to just above 70,000 by ws 100 upcoast, and further gains may be seen if a busy lead up to the holiday ensues.

North Sea

Suezmaxes saw much more interest than of late, but guess what? -yes, rates remained unmoved at 135,000 by ws 52.5 transatlantic as availability was never really challenged. Aframaxes had opportunities to shine, but never grasped them, so rates remained within an 80,000 by ws 85/87.5 range cross UK Cont, and 100,000 by ws 60/62.5 from the Baltic. With extra fuel oil interest apparent, however, there is still potential for gain over the coming period. VLCCs stay very thin on the ground, and US$ 6.5 million was again reported for a run to South Korea, with Owners looking for around US$5.5 million for fuel oil to Singapore.



CLEAN PRODUCTS

East

A fairly depressing week for the LRs with rates falling even a touch further from already disastrous returns. 55,000 mt Naphtha AG/Japan is trading at w90 and 65,000 mt Jet AG/UKC has dropped down to Usd1.70 million. 75,000 mt Naphtha AG/Japan is at w68 and 90,000 mt Jet AG/UKC is at US$2.10 million. These rates are making single figure returns and so there is little more these rates can give.

MR's have suffered this week with not enough activity and long tonnage weighing down heavily. Tc12 has fallen with ws 102.5, but there is very little volume on this route. East Africa is fixing at ws 137.5 and looks pretty soft. AG to the UKC has fallen to US$ 1.25 Million as some Owners are willing West to try and take advantage of the firm USG market. Due to the burgeoning position list and upturn for the MR is going to take some time and present lows look set to stay for a while.

Another quiet week for the MRs in North Asia sees rates edge slowly downward. In a similar vein to last week, we have seen the occasional fixture get done at high levels - but only as the consequence of a replacement requirement for a late-running vessel. Otherwise, the gradual arrival of new tonnage to the position list, coupled with less enquiry from Charterers, has seen the going rate for S.Korea/ Singapore MR slip to US$ 450K levels. MRs around Singapore are ticking over, with a decent amount of short haul business reported in the market - as a consequence though, ships are re-appearing on the list just as quickly as they are cleared and so the market is steady MR Singapore/Australia is unchanged from last week, and still fixing between ws 165-170 levels basis 30kt. On a slightly sourer note, the bigger ships continue to struggle this week - the LR1s hold no fixing premium over their smaller counterparts and, in some cases, will compete for the MR stems and be cheaper. S.Korea/Singapore for the LR1s is now date dependent, last done was US$ 475K, but off the right date's US$ 450K levels is easily achievable. The situation on the LR2s is no better, and last done for S.Korea/ Singapore was US$ 475K, meaning that only US$ 25K separates the three sizes for this backhaul run this speaks volumes for the LR market and Owners will hope things can pick up before Christmas.

Mediterranean

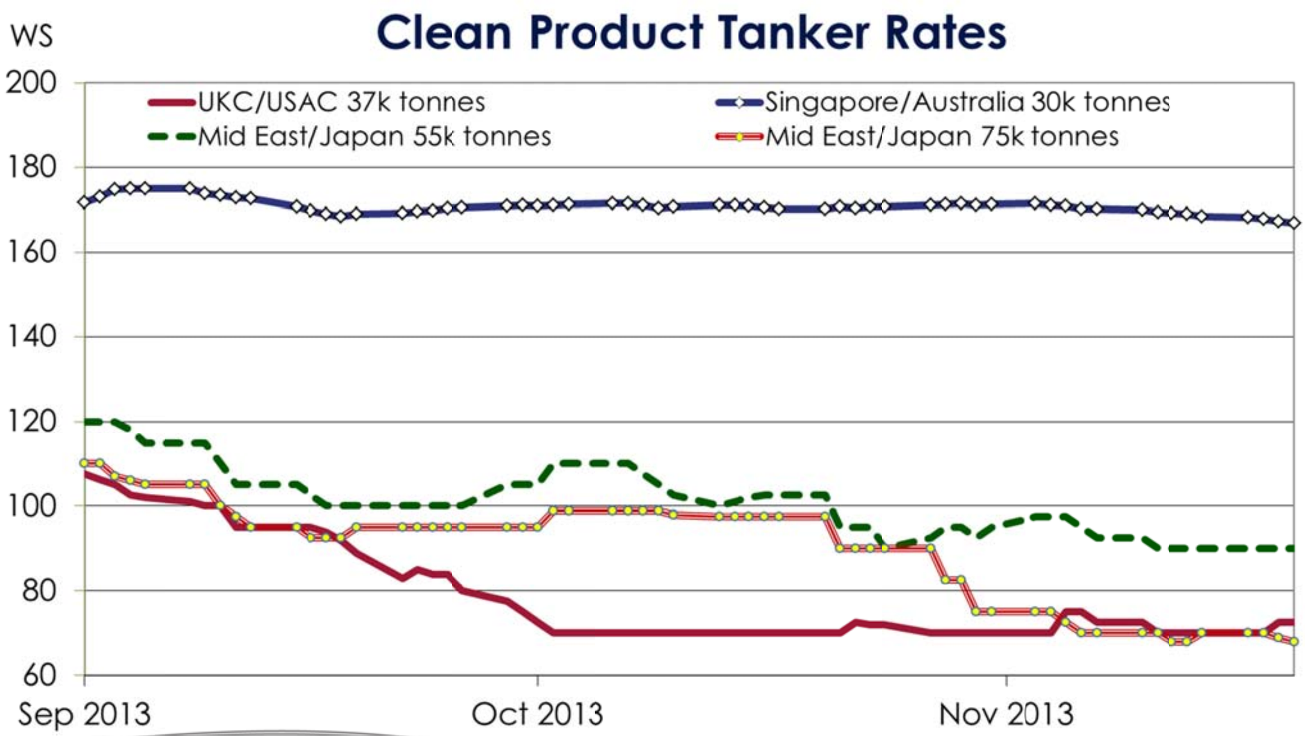
A firming market owing to improved enquiry and persistent weather delays over west and central Mediterranean. Tightness in available tonnage in the West Mediterranean allowed Owners to push rates upwards and the market has been fixing 30 x ws 135 most of the week, but it looks to be creeping up to 30 x ws 137.5-140 level today. The East Med and Black Sea have been quieter and levels fixed a bit softer with handys from the Black Sea confirmed 30 x ws 125-130 level, although today would consider it closer to 30 x ws 132.5-135. Action packed on the MR units with a number of quoted cargo's and 37 x ws 75-80 is on subjects for transatlantic discharge and whilst last done to West Africa was 37 x ws 110 on a last palms unit we would consider the market closer to 37 x ws 130-140. Not much enquiry for eastbound discharge but there is also very little appetite for owners to reposition with the East markets are horror show, as such owners ideas are spread but arranged around US$ 1.15-1.45m for AG discharge.

UK Continent

There has been steady activity throughout the week on the Continent, and this coupled with numerous ballasters chasing the strong USG market, resulted in rates for tc2 improving to WS 80 basis 37kt (on subjects at time of writing). Continent/West Africa has been arranged anywhere between 37x135-145 this week. Handies have remained flat at WS 115 basis 30kt and the flexis are also unchanged at 22 x 150. LR1's fixed 60 x 110 to West Africa, and LR2's trading 80 x ws 90.

Caribbean

After a sustained period of firming, TC14 has cooled off slightly and levelled out with WS 137.5 reported on subs. Ballasters have populated the tonnage lists alongside a quieter second half of week, with some LRs picking up the forward stems already. Caribbean Sea up remains untested but Owners ideas are around WS 125 levels.



DIRTY PRODUCTS

Handy

Handys were the poorer cousin of the market in the Continent as a competitive Panamax market cast a shadow over smaller stems. Activity was largely absent until a small end week rally is appearing to create employment for units in a stagnating market. Despite a perceived tightness in positions, the absence of activity facilitated erosion in last done numbers leading to 30 x ws 135 XCont. Expect rates to plateau at this level.

The Med market has followed a similar trajectory to the Cont with a quiet market leading to a steady fall in rates as a negative sentiment prevails. Ppt units remain and the Xmed slide is unlikely to halt, especially if the voyage is of a sufficient length. Forecast bad weather may lead to uncertain itineraries in the central Med and possible late runners for units subsequently fixed on; this is slightly clutching at straws with most Owners having plenty of tonnage options. Next week's market will begin flat and largely depressed...hopefully winters variables can invigorate things!

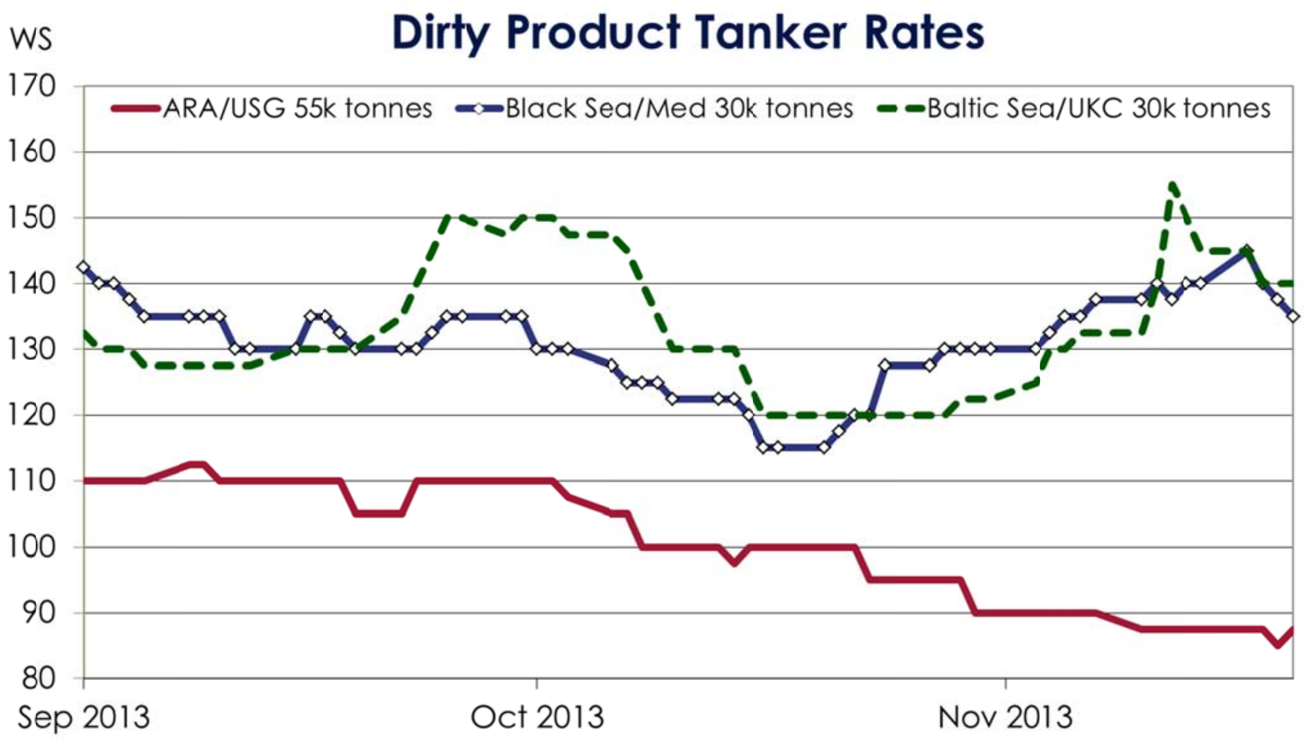
MR

Something of a role reversal with in the in the sector, as the fixture report notes the Continent seeing the lion's share of activity. Come Friday COB tonnage looks very thin on the ground and with this in mind, charterers are grateful for larger tonnage keeping levels pinned, where levels have generally not exceeded 45/112.5. This said Caution will need to be adopted from a chartering perspective, as date/position depending owners may find ability to force rates in a favourable direction.

Shifting focus now onto the Med, those operating in this region have endured a week of mediocrity, sporadic activity and last done levels that reflect a similar trend to that of the Handies.

Panamax

Owners, despite seeing yet further value wiped from the sector, will by now be somewhat pleased in the way the week draws to a close. From an analytical point of view, Monday's position lists were placed with yet more additional units, with any one following in general agreement of this being a huge factor attributable to recent market lows. Come Friday however, part cargo activity and a pickup in trans-Atlantic business places just a few units now in need of opportunity, with rates bouncing back up ever so slightly.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 21st	Last Week	Last Month	FFA Q4 13
TD3	VLCC	AG-Japan	**+3**	64	61	43	58
TD5	Suezmax	WAF-USAC	**+0**	58	58	54	64
TD7	Aframax	N.Sea-UKC	**+2**	86	84	90	89

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

			wk on wk change	Nov 21st	Last Week	Last Month	FFA Q4 13
TD3	VLCC	AG-Japan	**+4,250**	51,000	46,750	22,000	43,250
TD5	Suezmax	WAF-USAC	**-750**	15,250	16,000	12,750	20,000
TD7	Aframax	N.Sea-UKC	**+1,250**	8,500	7,250	11,250	10,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 21st	Last Week	Last Month	FFA Q4 13
TC1	LR2	AG-Japan	**+0**	68	68	90	
TC2	MR - west	UKC-USAC	**+0**	71	71	72	85
TC5	LR1	AG-Japan	**-1**	89	90	94	91
TC7	MR - east	Singapore-EC Aus	**-1**	167	168	171	

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

			wk on wk change	Nov 21st	Last Week	Last Month	FFA Q4 13
TC1	LR2	AG-Japan	**+250**	5,500	5,250	15,250	
TC2	MR - west	UKC-USAC	**+0**	-1,000	-1,000	-1,000	2,250
TC5	LR1	AG-Japan	**-250**	8,250	8,500	10,000	9,250
TC7	MR - east	Singapore-EC Aus	**-250**	12,500	12,750	13,250	

(a) based on round voyage economics at 'market' speed (13 knots laden/12 knots ballast)

LQM Bunker Price (Rotterdam HSFO 380)	**+0**	577.5	577.5	584.5
LQM Bunker Price (Fujairah 380 HSFO)	**-2**	620.5	622.5	617.5
LQM Bunker Price (Singapore 380 HSFO)	**+5**	606	601	609

PAT/JCH/TP/JT/slk

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