WEEKLY TANKER REPORT

GIBSON
SHIPPING ENERGY

29th May 2015

REFLECTIONS OF OUR TANKER SEMINAR

Last week Gibson Shipbrokers held a time charter seminar aiming to discuss the opportunities and threats facing the tanker industry. We were very fortunate to have John Ridgway CEO of BP Shipping and Paddy Rodgers CEO of Euronav on our panel who gave us an insight into their views on the current market and some thoughts going forward. This seminar was prefaced with an excellent market presentation by Svetlana Kourmpeti, one of our senior analysts.

The last time we held a similar event, some four years ago, the market was very depressed and even this time last year there would have been a very different sentiment pervading. Whilst owners are clearly delighted with the recent change in their fortunes, there is a general feeling of relief more than anything else. Many tanker owners are also involved in the dry cargo market, where things remain extremely dire so the champagne remains on ice. Owners are also well aware that the drop in oil price has provided a major stimulant in terms of trade, whilst also having a very positive effect on bunker costs and subsequent TCE earnings.

As we said in our weekly report of the 10th April, the changes in 12 months have been dramatic. VLCC rates for 12 months t/c are up from $22,000/day to at least $45,000/day today. There was general agreement at the seminar that the tanker chartering market looked likely to enjoy a healthy period until the end of 2015. We asked the assembled company for their views on the TD3 average for the rest of 2015 and opinions ranged widely between $40,000/day up to $86,000/day. The sentiment was largely positive, with earnings expected to remain well above the average of 2014. On spot LR2 earnings for Middle East Gulf/Japan (TC1), predictions ranged between $22,000/day to $28,000/day and the view on Brent crude prices was $55/bbl to $70/bbl.

What does the near future hold? The supply of oil looks to be exceeding demand and this scenario cannot go on unabated. So far to date, record levels of crude production have not only encouraged trade to existing and new markets but also facilitated storage both on land and at sea. Excluding the Iranian fleet, our figures currently show approximately 34 million bbls afloat - 14 VLCCs and 2 ULCCs. This is in spite of the contango not being in play. The crude tanker fleet is essentially modern and, with around 100 VLCCs currently on order, this equates to around 15.5% of the existing fleet and needs monitoring. In the Suezmax sector there are some 75 ships on order, equating to around 16% of the current fleet. Confidence is therefore more focused on the short term in the crude sector, which is reflected in the newbuilding market where prices have been cooling somewhat whilst second hand and resales have found a more steady footing, highlighted by VLCC newbuilding prices of around $95 million vs. in excess of $100 million for a resale.

There is certainly more confidence for the product tanker market in 2016. In Europe, refiners are expected to come under renewed pressure as new refineries in the Middle East reach capacity. At the same time closures and capacity reductions in Japan will lend further support to product trade in the East. All these factors combined point to longer haul product trade as Middle East refiners fight for market share. However, the question still remains as to how much of an impact these new refineries will have on crude trade as OPEC continues to defend its share of the market.

Middle East

VLCC Charterers continued to patiently reel the market back in from 'very high', to merely 'high' territory so that rates now stand in the low ws 60s East and mid 30s West, via cape with further slippage possible, unless cargoes are again pushed a little over-eagerly. Owners can only hope. Suezmaxes towed a reasonably steady line but erred a little to the South late week on thin fresh interest to lead rates to 130,000 by ws 87.5 East and around ws 45 to the West. Aframaxes bubbled along nicely with added support from the inter-Eastern market too. Rates to Singapore moved higher to around 80,000 by ws 135, and that should hold good through next week too.

West Africa

'Recalibration' was the watchword here for both sizes...Suezmax availability looked weightier by the day, and Charterers are therefore reluctant to shop in numbers until prices take a more significant hit. As it is, levels have fallen from last week with 130,000 by ws 87.5/90 USGulf, and ws 90/95 UKCont the current mark but Owners will do well to keep those pegged through next week. VLCCs weren't over busy but a handful of deals were concluded at rates that had to move lower to equalise with the softer Middle Eastern scene. A lower 260,000 by ws 67 was paid to China, and that will be discounted if the AG market slips further.

Mediterranean

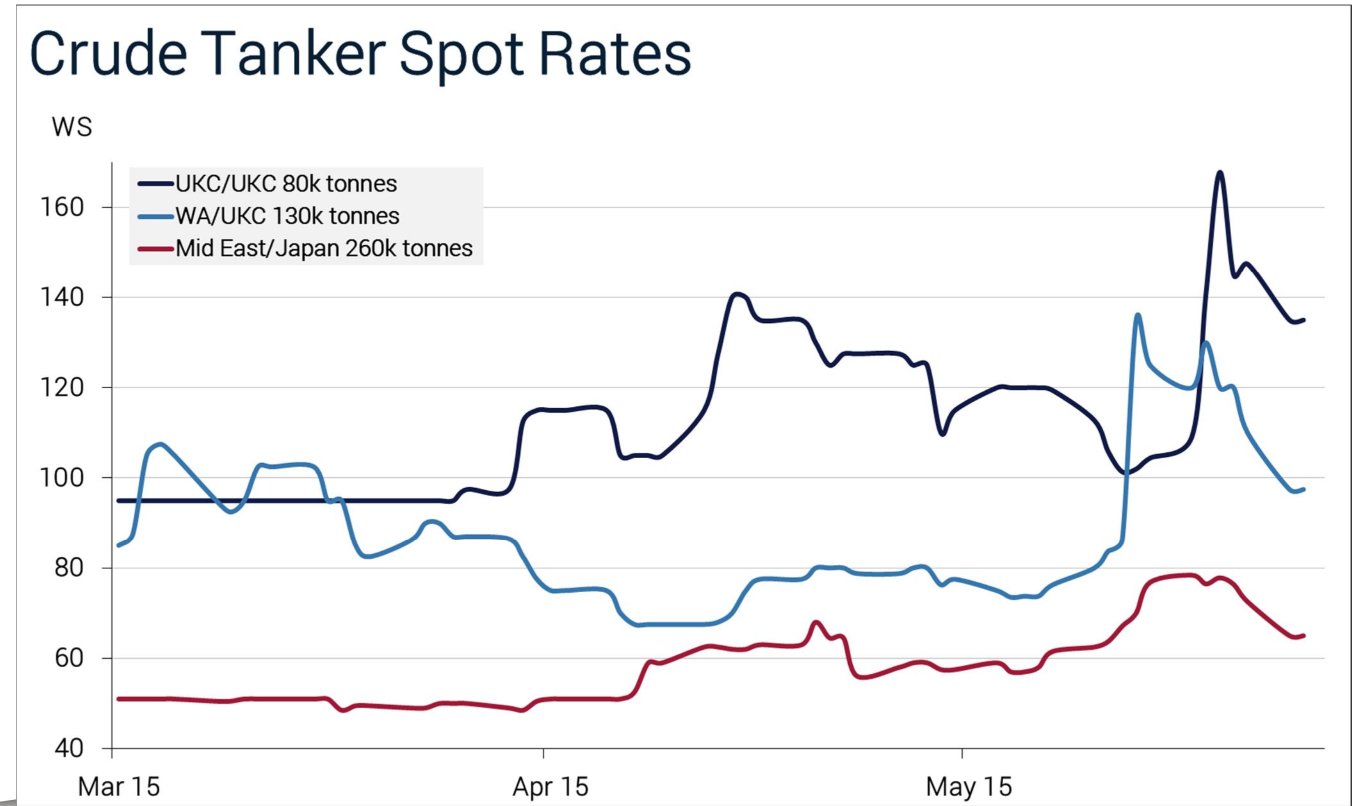
Aframaxes initially wobbled, but then regained a lot of the lost ground as Charterers kept active, and the reasonably fine balance persisted. Rates stabilised at around 80,000 by ws 140 cross Med but Owners will need more of the same to hold that line for much longer. Suezmaxes fell off hand in hand with West African retreat but made a stand at 140,000 by ws 100 from the Black Sea to Europe with a not unhealthy $3.6 million being asked for Med runs to Singapore.

Caribbean

VLCCs continue to operate within their own ring-fenced bubble and prospective Charterers will again find it hard to engineer enough competition to drag rates back from $7.5 million to Singapore and close to $6.25 million to West Coast India. Aframaxes hoped for better attention, but the lack of activity, and 'easy' tonnage list started to erode rates to 70,000 by ws 115 upcoast with even lower on the cards.

North Sea

Aframaxes slipped again but then found some footing at 80,000 by ws 120 cross UKCont and 100,000 by ws 92.5 ex -Baltic as Charterers prioritised safe itineraries over temptation to hard-ball rates lower. Suezmaxes stayed in demand for fuel oil runs to Singapore with up to $3.95 million paid. There was occasional interest elsewhere also with ws 77.5 seen to the US Gulf, and a rare cross NSea run moving at ws 110. VLCCs remain in short supply, and although cargoes are few, Caribbean alternatives prop levels to Singapore at a steady $6 million.



CLEAN PRODUCTS

East

LRs have seen a meteoric rise this week with levels hitting highs not seen since 2008. 55,000 mt Naphtha AG/Japan is now ws 145, with 65,000 Jet AG/UKCont paying $2.55 million. 75,000 mt Naphtha AG/Japan is up at ws 120 and 90,000 mt Jet AG/UKCont is untested but near $2.90 million. Rates are likely to stay firm for the next few weeks with tonnage tight throughout June.

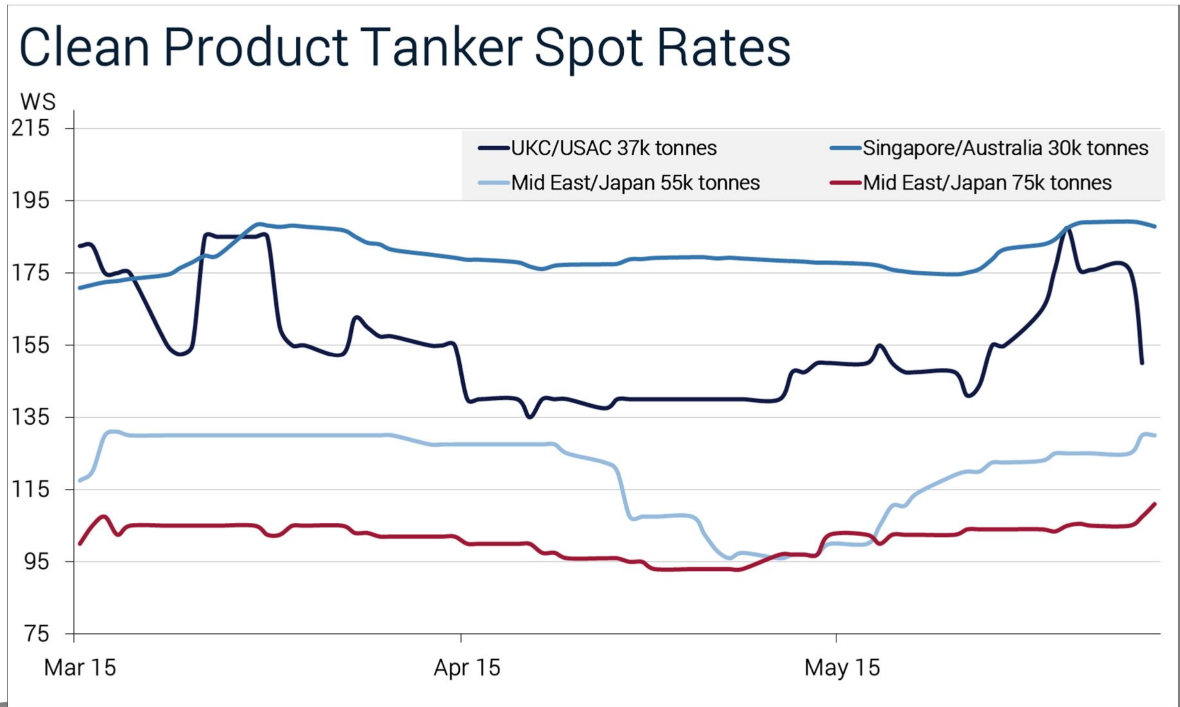
MRs this week have been disappointingly flat. Most days Owners have been expecting everyday to be the day that MRs follow the lead of the larger ships and firm. Thus far this hasn't been the case, but indicators remain the same and Owners continue to be optimistic. TC12 hovers around ws 122.5 to 125 and these levels seem to repeatable. Worth noting TC12 is very rarely the leading route in a firming market. East Africa is assessed at ws 160 basis 35,000 mt, this is the main route Owners will be hoping to see improvements on. AG to the UKCont has been on subjects at in excess of $1.6 million, but this failed, the present deals are on subjects at $1.5 million levels, but we await these levels to be confirmed, as the larger sizes continue to prove a more attractive option. Cross-AGs runs are fixing around $240,000 for Jubail/Jebel Ali, however with LRs so tight, there is an expectation the larger stems will be split up, particularly the shorthauls and MRs will be utilised, which is main reason for Owners expectations for firming rates. AG-WCI to the Red Sea is edging up slowly, with $625,000 on subjects that is $50,000 improvement over the week. Looking to next week, Owners are holding their breath, crossing their fingers and impatiently waiting for the MRs to join the firming markets. The Far East CPP market has remained quiet this week, and things feel slightly softer than before. The MRs in North Asia have been quiet on the cargo volume side and there are enough available ships to compete with one another - 35kt x ws 155 is on subjects for Korea/Australia and unprecedented rumours of $480,000 on subjects for Korea/Singapore are flying around, no smoke without fire as they say, but last fixed remains at $510,000. The MRs in Singapore also remain stable, and 30 kt x ws 185 is the established level for Singapore/Australia. The Far East LR market has been somewhat overshadowed this week by the red-hot AG market - and market levels have been disappointing. The LR2s have seen some activity, but not enough to keep up Owners confidence, Korea/Singapore should fix at around $625,000. The LR1s have been quiet too, and most Owners will not consider the backhaul voyage, when they can lock in much better returns fixing forward for cargoes X-AG - even so, Korea/Singapore is currently reported on subjects at $525,000 for the LR1s.

Mediterranean

A solid week of enquiry in the Mediterranean and the market has firmed up with early June cargoes now paying 30 kt x ws 155-160 level. Ship positions have remained tight against the cargo base, particularly true for the Black Sea where there is the some upside. On the MRs, there haven't been a great deal of 37 kt clips to note but the market has danced to the tune of the UKCont with Med Transatlantic now considered 37 x ws 165 and West Africa 37 x ws 180 levels. Movements East on MRs have been limited, the route is Owner dependent and considered around $1-1.05 million level plus $100k to the AG.

UK Continent

An active start to a short week, and the relatively long MR list quickly thinned once 37 x ws 150 went on subjects. Rates have gradually firmed over the week, with fixing levels now back up to 37 x ws 160. West Africa maintains the usual 15-20 point premium. Handies and Flexis have had a slower week lacking volume, and we could start to see rates soften - for now they trade sideways 30 x ws 190 and 22 x ws 200. LR1s have enjoyed a more active week with prompt tonnage being cleared away and rates have stabilised at 60 x ws 125 UKCont/WAfr. LR2s continue to see activity, with the list once again tightening and rates firming, Med/Japan see limited availability until mid June, rates $2.7 million levels.



DIRTY PRODUCTS

Handy

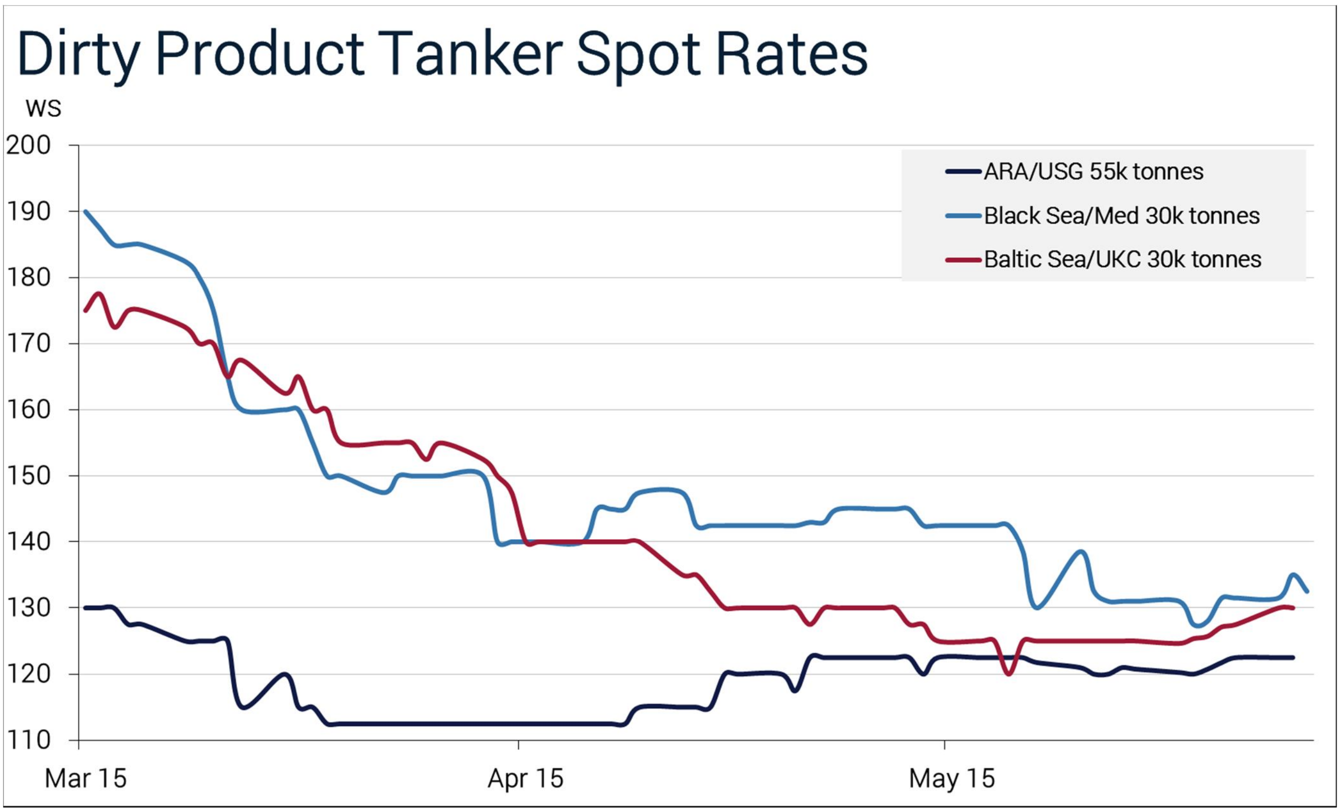
Handies in the North can report a story of success this week where activity has left the market desperately short of tonnage with in the first five days of June. Levels as a result firmed throughout the week where at the time of writing Owners are beginning to wonder if more is there to be had beyond the ws 135 level. As we close the week, fixing date progression is likely to cap further aspiration immediately upon our return on Monday, and where there is little room for argument that the North is defiantly the more desirable trading zone for a handy, Owners will have to contend with units ballasting up from Gibraltar.
The Med this week has been a rather more troublesome region in which to maximise on potential earnings as competition combined with a downturn in the pace of activity saw the gains made from the week previous being wiped away. A glass half full or a glass half empty? Levels have been softer, but the region needs an injection of activity to prevent Charterers from chipping further chipping away at last done.

MR

A familiar story reflects in the North this week where ships certain on itinerary found opportunity presenting of both a full and part cargo nature. Generally however despite limited availability of tonnage Owners were not able to force level too far beyond last done, fearful that Charterers would seek alternate cover. This said, there still appears to be opportunity for Owners to test levels over the next few fixtures. In the Med, a similar run of form saw the same conditions currently plaguing the Handies also impact this sector. Where part cargo value gradually eroded, the consequences of missing full stem intensified, and as a result the mind set of "take what's on offer and look to the next deal" quickly developed.

Panamax

Week on week it will be Owners who sit the happier party as levels jumped to unseen heights, although mainly where date sensitivity saw Charterers with limited options. Never the less, such prevailing strength is hard to argue, meaning any ballast unit now sought will be looking to bridge the disparity between earnings in the US compared with Europe.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 28th	Last Week	Last Month	FFA Q3
TD3	VLCC	AG-Japan	**-12**	65	76	60	52
TD20	Suezmax	WAF-UKC	**-22**	96	118	79	75
TD7	Aframax	N.Sea-UKC	**-24**	121	145	111	101

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

			wk on wk change	May 28th	Last Week	Last Month	FFA Q3
TD3	VLCC	AG-Japan	**-20,000**	67,250	87,250	61,500	45,500
TD20	Suezmax	WAF-UKC	**-16,000**	51,250	67,250	37,250	48,250
TD7	Aframax	N.Sea-UKC	**-18,000**	43,750	61,750	40,500	26,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 28th	Last Week	Last Month	FFA Q3
TC1	LR2	AG-Japan	**+15**	120	105	97	
TC2	MR - west	UKC-USAC	**-16**	160	176	145	136
TC5	LR1	AG-Japan	**+17**	142	125	99	124
TC7	MR - east	Singapore-EC Aus	**-2**	187	189	178	

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

			wk on wk change	May 28th	Last Week	Last Month	FFA Q3
TC1	LR2	AG-Japan	**+6,750**	35,000	28,250	25,250	
TC2	MR - west	UKC-USAC	**-3,250**	23,750	27,000	19,750	17,750
TC5	LR1	AG-Japan	**+5,000**	30,250	25,250	17,000	24,000
TC7	MR - east	Singapore-EC Aus	**-500**	22,000	22,500	20,250	

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

LQM Bunker Price (Rotterdam HSFO 380)	**-13**	323	336	343
LQM Bunker Price (Fujairah 380 HSFO)	**+10**	378	368	358
LQM Bunker Price (Singapore 380 HSFO)	**+1**	364	363	364
LQM Bunker Price (Rotterdam 0.1% LSFO)	**-23**	555	578	573

MJFR/JH/JD/DP/LHT

Produced by Gibson Consultancy and Research

Visit Gibson's website at www.gibson.co.uk for latest market information

E.A. GIBSON SHIPBROKERS LTD., AUDREY HOUSE, 16-20 ELY PLACE, LONDON EC1P 1HP

Switchboard Telephone: (UK) 020 7667 1000 (International) +44 20 7667 1000

E-MAIL: tanker@eagibson.co.uk TELEX: 94012383 GTKR G FACSIMILE No: 020 7831 8762 BIMCOM E-MAIL: 19086135