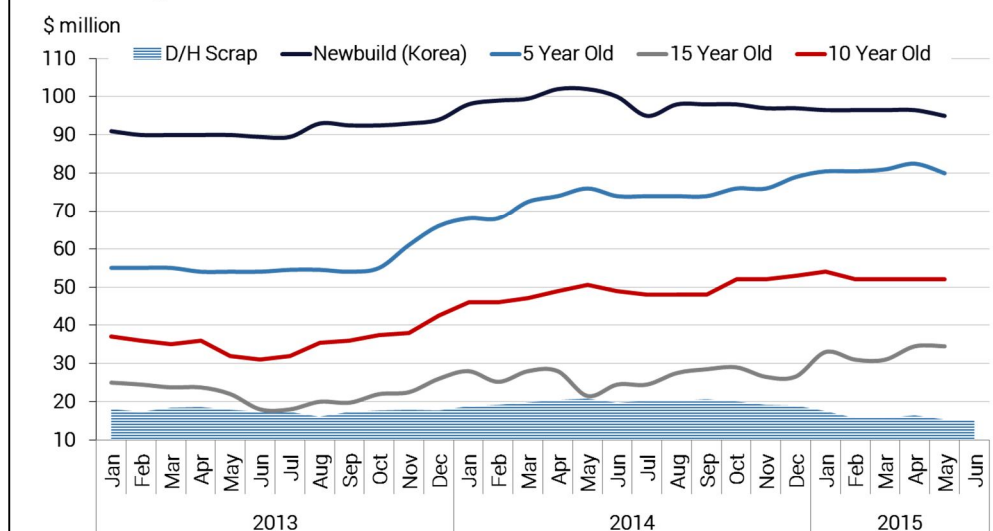


SUMMER SALES START EARLY!

In our weekly report dated 17th April we highlighted the highest 1st quarter tanker newbuilding activity since 2007. So far 2nd quarter tanker activity is showing a more tentative approach although still very robust in terms of numbers. However, this aside newbuilding prices across all sectors have been softening with the fall off in orders from other sectors, particularly dry cargo. Again the emphasis remains focused towards the crude sector with Suezmaxes still very much in vogue. Orders for VLCCs placed this year have ranged between \$90-100 million in price with some owners paying an additional premium for higher specifications. The price for a newbuild VLCC has fallen by around 5% since last June to around \$95 million today, considerably lower than the \$160 million price quoted in January 2008. With shipyards forward orderbooks shrinking, pressure remains on builders to further lower their prices with empty slots still available for 2017.

VLCC Prices

Newbuilding, Secondhand & Demolition



In contrast, second-hand prices have not risen as fast for product carriers but remain firm for crude tankers, particularly for the 15 year old units and despite falling lightweight prices. The recent strength of the crude tanker market has added around \$7 million to the value of second-hand VLCCs since the start of the year. Another interesting purchase has been Shinyo International's investment in two 12

year old VLCCs at \$43 each. Interest in Suezmax and Aframax sales has been heating up all year, but so have the values. At the other end of the spectrum, there has been a considerable amount of yard re-sale activity since the start of the year, particularly demand for product tankers, with numerous pre-delivery sales of both LR1s and LR2s at just below newbuilding price. In February Prime Marine sold four 5 year old LR1s to Hafnia Tankers and appear to have used the proceeds to buy four yard re-sales from STX at a "reported \$53.5 million" each. Euronav's policy of not adding supply to the markets has seen the recent acquisition of four VLCCs for \$96 million apiece which has stirred the market. Euronav's policy is to only add existing vessels to their fleet and not to order new ships. With this particular deal Euronav have the benefit of an early delivery profile with the first ship due in September.

The summer period is usually a quiet time for tanker ordering on the basis on softening freight rates. With OPECs recent decision not to step in and make any 'correction' to current crude production output and given pressure on shipyards to lower newbuilding prices, it could be interesting to see if a new wave of investment will be forthcoming. There are certainly a large number of keen market watchers looking for investment opportunities either on newbuild or second-hand and we don't see an immediate end to some more large deals through the remainder of 2015.

Middle East

A handful of late June VLCC fixtures propelled the month's final total to the busiest seen over the past 12 months, and the squeeze on availability bolstered Owners' ambitions for the first wave of the July programme. The result was that rates pushed higher again to end into the low ws 70s East, and high ws 30s to the West, via Cape with well into the ws 40s asked for Suez canal transits to Europe. The pace may slow somewhat, and may well consolidate, rather than push, but it will take an elongated spell, and solid discipline from Charterers to make any serious dent in Owners' present confidence. Suezmaxes heard the beat of West African drums, and responded positively to that and to good levels of local enquiry with further reinforcement coming from burgeoning Aframaxes. Rates breached the ws 100 mark to the East and through the low/mid ws 50s to the West, but have settled back a fraction on a quieter end to the week. Aframaxes had already made their upward move, but added extra value this week on continued heavy attention, and tight availability. Rates operate now at 80,000 by ws 155 to Singapore, and should hold there over the short term.

West Africa

Suezmaxes initially stole the show as Charterers shopped in heavy enough numbers to drive rates to 130,000 by ws 100 for Europe, and to the mid/high ws 90s to the USGulf. The excitement is now dying down a little as Owners seem more interested in booking close to those peak numbers, rather than pushing for further glory, and Charterers are starting to respond by holding back from forward fixing. VLCCs hung onto the running coat-tails of the AGulf, but then found enough concentrated enquiry to run a bit faster of their own accord. Rates jumped to as high as ws 75 for shorter East options and to ws 72.5 to China, with an improved \$6.4 million paid to East Coast India also. Further strong moves are unlikely, but it will be the Middle Eastern scene that eventually dictates.

Mediterranean

Aframaxes generally maintained last week's closing levels at an average 80 x ws 130/135 cross Med, but enquiry is a little more sparse now, and there could be some softening into next week. Suezmaxes, on the other hand, started strongly, and end equally so - good volumes, and support from other zones, meant rates zipped upwards to 140,000 by ws 125 from the Black Sea to European options with up to ws 132.5 paid cross Med also. Eastern movements proved popular too, and up to \$4.75 million was seen for a run to Indonesia, with further, similar deals still possible.

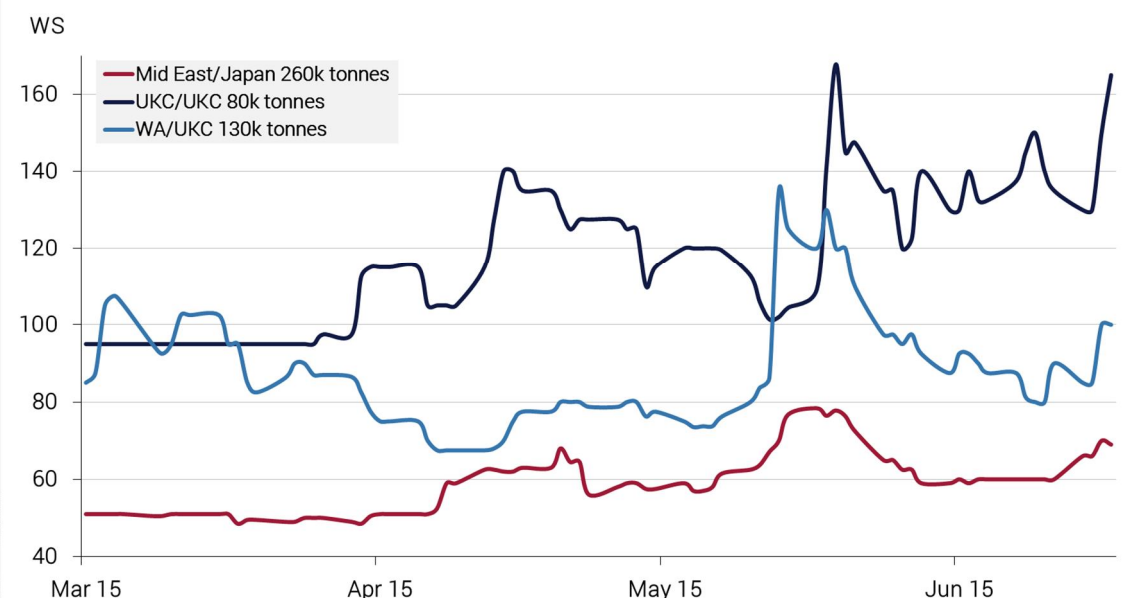
Caribbean

Bad weather shook up the Aframax scene here for a while mid-week, and the consequent disruption played sufficiently to Owners' favour to allow rates to move up towards 70,000 by ws 165 upcoast, though the severity of the storm wasn't quite as bad as anticipated, and there was a slightly deflationary feeling at the weeks close. VLCCs move through a slower patch, and although there's no collapse in near sight, there might be some gentle discounting to \$7.1 million Singapore, \$6.1 million West Coast India seen over the coming week.

North Sea

A noticeable break-out into clear blue water for Aframaxes as strong volumes, and hesitant supply, forced rates to 80,000 by ws 170 cross UKCont and to 100,000 by ws 140 from the Baltic. Charterers tried to back into Suezmax alternatives which in turn led to one deal being concluded there at 130,000 by ws 149.5 X-UKCont, but with rates for longer runs X-West Africa also ramping, there were few further units willing to help out, and the concentration remained on the smaller size. VLCCs found more friends than of late with Hound Point barrels being taken to South Korea again at around \$7.55 million. The fuel oil 'Arb' to Singapore was deemed 'shut' but eventually some interest at up to \$6.25 million was seen, though the success of subject-confirmation at that price remains debatable.

Crude Tanker Spot Rates



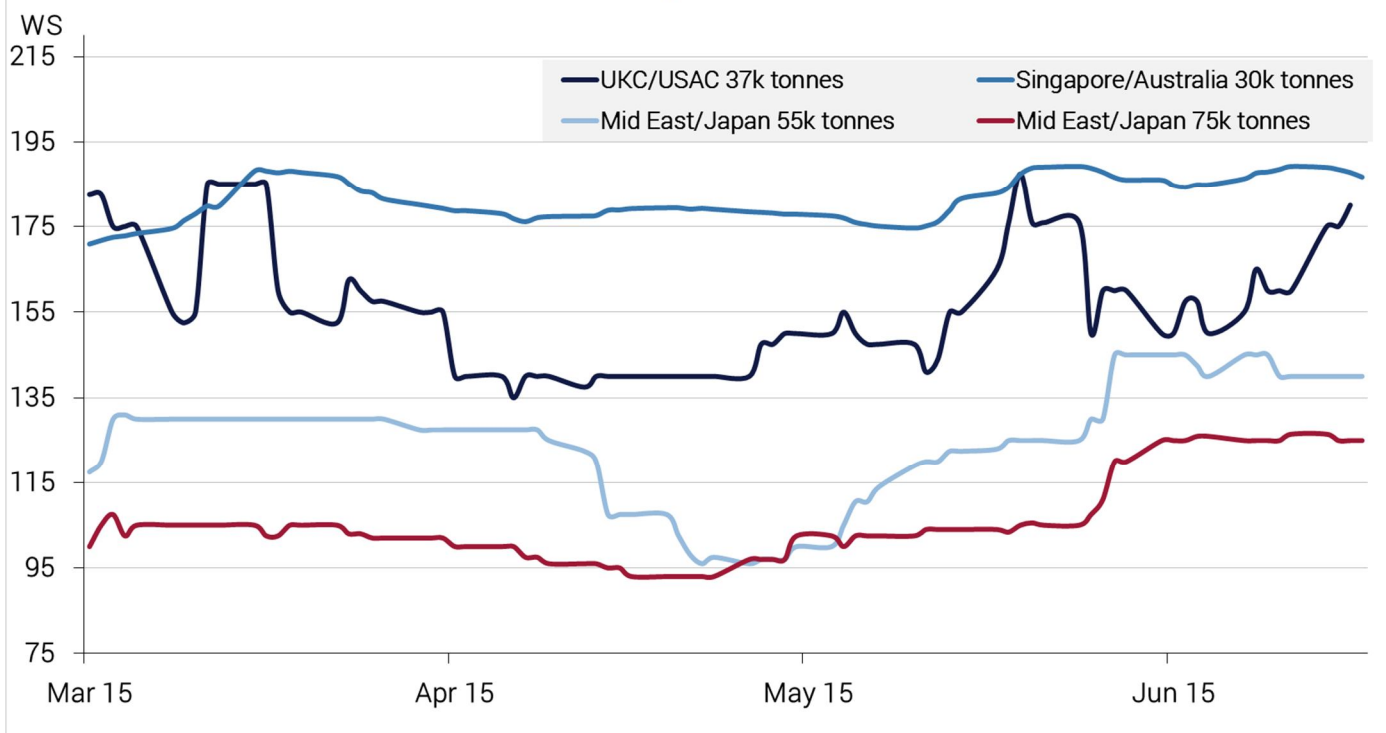
CLEAN PRODUCTS

East

The LR2s have seen a decent week with generally good activity. The LR2s have seen a steady turnover of fixing but not to any huge extent to move freight one way or the other. 75kt Nap AG/Japan is now at a conference rate of ws 125 and 90kt Jet, while having seen a quieter week, is assessed at the \$2.85 million area, some prompter ships remain with those Owners now a fraction nervous that they have may have missed the window as laycans are now edging towards mid July. The LR1s have had a good time of it but there are some signs that there is gentle softening in some areas. Today we see \$2.6 million is on subjects for 60kt alk Sikka/USAC which would put AG/UKCont in the \$2.3-2.35 million range. 55kt Nap for AG/Japan is now at ws 140; representing a 5 point drop from last week. The list does have a decent amount of supply on it so we might have a little more softening if cargoes don't appear in the early part of next week. MRs have had a flying start to the week with the already tight position list, tightening up further on the prompt position, with very little available tonnage over the next 7 days. TC12 remains around the ws 140-145 mark, East Africa firmed to a high of ws 200, but less has gone on subjects at the time writing, with ws 192.5 being

agreed. AG to the UKCont is fixing at \$1.7 million and looks stable. The cross-AG market continues to fix at high \$300,000s with Red Sea fixing \$850-900,000. However quietness has crept into the market with the commencement of Ramadan and Owners are looking to hold onto the higher rates as best possible into next week. Overall the theme has remained unchanged this week in the Far East. For the North Asia MRs the week started with fairly tight list for June dates, and Korea/Australia has crept up 2.5 points to 35 x ws 160. But we have seen a few ships fail towards the end of the week and so things remain flat. In Singapore, the list is balanced the activity levels have remained constant, and thanks to a strong AG/WCI market rates have remained buoyant and Korea/Australia is fixing at 30 x ws 185 with a steady outlook for now. The LR2s have had a busy week in North Asia with late running ships enabling Owners to gain some leverage for pushing rates up. The tonnage list is thinning out and rates for Korea/UKCont have crept up to \$2.9 million levels. For shorter voyages into Singapore rates have surprisingly held steady at \$675,000.

Clean Product Tanker Spot Rates



DIRTY PRODUCTS

Handy

Week 25 on the Handies, where does one begin? This week in the North shows yet further increment with conditions playing further into Owner's hands. Through a combination of a tight availability and longhaul activity, tonnage looks set to remain sparse given the amount of units also without firm discharge orders. On occasion this has even forced Charterers to seek coverage on alternate sizes or checking for flexibility on laydays. Down in the Med and BSea we can report volatility to an ever greater extent compared with the North, as come Friday Cob we find last done levels continue to be questioned. In this region too we find a distinct lack of available tonnage and that are firm on Itinerary are realising the value of what they have. Next week will prove interesting as there are a number of outstanding cargoes with a number of Owners expecting to receive discharge orders over the weekend, with the question being asked how much more legs has this market got?

MR

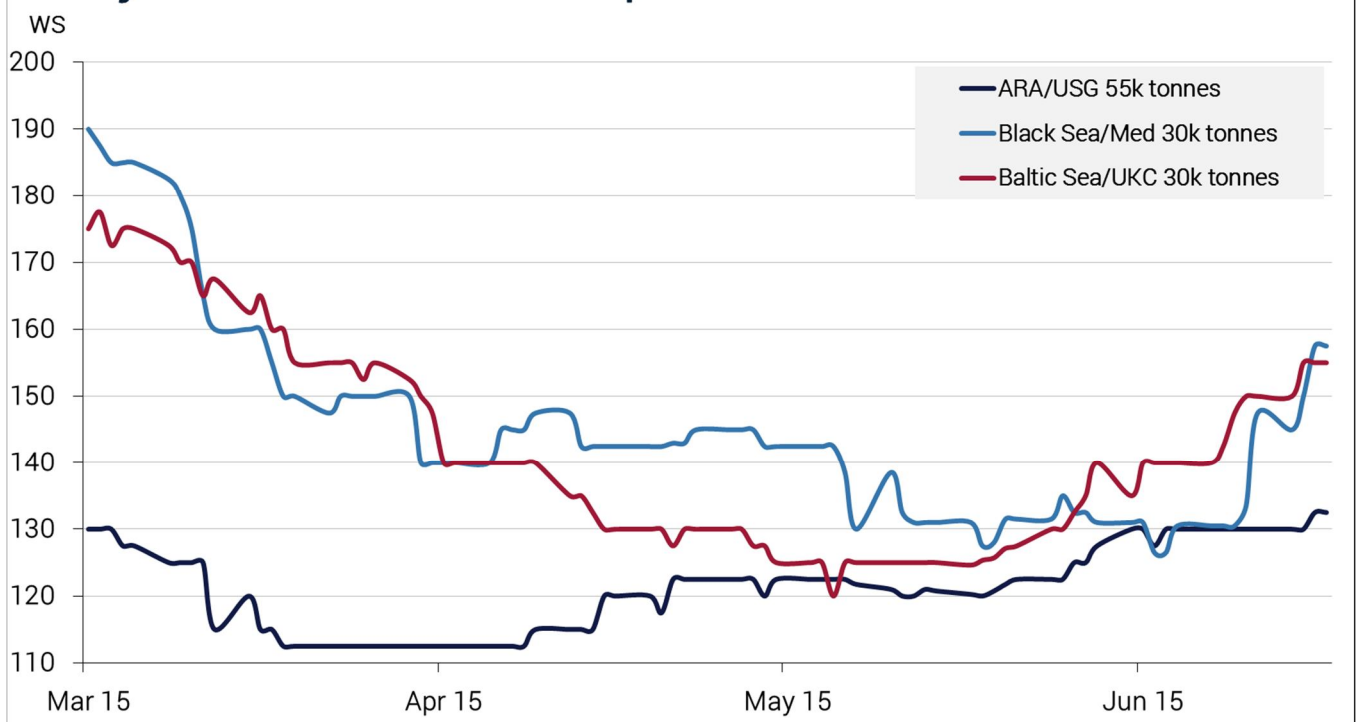
With surrounding markets supplying the bulk of enquiry, MR's in the Continent have been absorbed by smaller stems, keeping 45kt cargoes firm due to the lack of available tonnage to pick from. This is a similar story for the Mediterranean and due to the lack of alternative options Owners have done a very good job of raising the worldscale bar on last done

fixtures. This has been one of the main catalysts aiding the Handy market where Owners have an opportunity to build on last done levels knowing few alternative options are available. Further to this Charterers are doing their best to try and fix stems quickly as the length of options slowly dwindles, enabling Owners to make the most of the forward window.

Panamax

As Owners reflect on this market, perhaps a few will feel they have let a chance slip! Options have remained limited for Charterers and rates have bounced around the 55 x ws 130-5 region having seen a dusting of cargoes. Pushing ahead, with a Caribbean market which is continuing to remain firm, and ballast tonnage will be looking to achieve North of last done rates, and the potential for this to become a reality increases. Charterers will do well to keep an eye open slightly further ahead than usual for options for coverage of stems at competitive levels.

Dirty Product Tanker Spot Rates



Dirty Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Jun 18th	Last Week	Last Month	FFA Q3
TD3	VLCC AG-Japan	+9	70	61	76	61
TD20	Suezmax WAF-UKC	+21	101	80	118	86
TD7	Aframax N.Sea-UKC	+21	166	145	145	111

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

		wk on wk change	Jun 18th	Last Week	Last Month	FFA Q3
TD3	VLCC AG-Japan	+15,750	79,000	63,250	87,250	62,750
TD20	Suezmax WAF-UKC	+16,750	56,250	39,500	67,250	48,750
TD7	Aframax N.Sea-UKC	+17,250	82,250	65,000	61,750	37,750

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Jun 18th	Last Week	Last Month	FFA Q3
TC1	LR2 AG-Japan	+0	125	125	105	
TC2	MR - west UKC-USAC	+18	177	159	176	161
TC5	LR1 AG-Japan	+1	142	141	125	131
TC7	MR - east Singapore-EC Aus	-2	187	189	189	

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

		wk on wk change	Jun 18th	Last Week	Last Month	FFA Q3
TC1	LR2 AG-Japan	+250	36,000	35,750	28,250	
TC2	MR - west UKC-USAC	+4,500	28,000	23,500	27,000	23,750
TC5	LR1 AG-Japan	+500	31,250	30,750	25,250	27,500
TC7	MR - east Singapore-EC Aus	-250	22,000	22,250	22,500	

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

LQM Bunker Price (Rotterdam HSFO 380)	-10	330	340	336	
LQM Bunker Price (Fujairah 380 HSFO)	-7	353	360	368	
LQM Bunker Price (Singapore 380 HSFO)	-4	361	365	363	
LQM Bunker Price (Rotterdam 0.1% LSFO)	-18	565	583	578	

PAT/JH/JW/DP/LHT

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