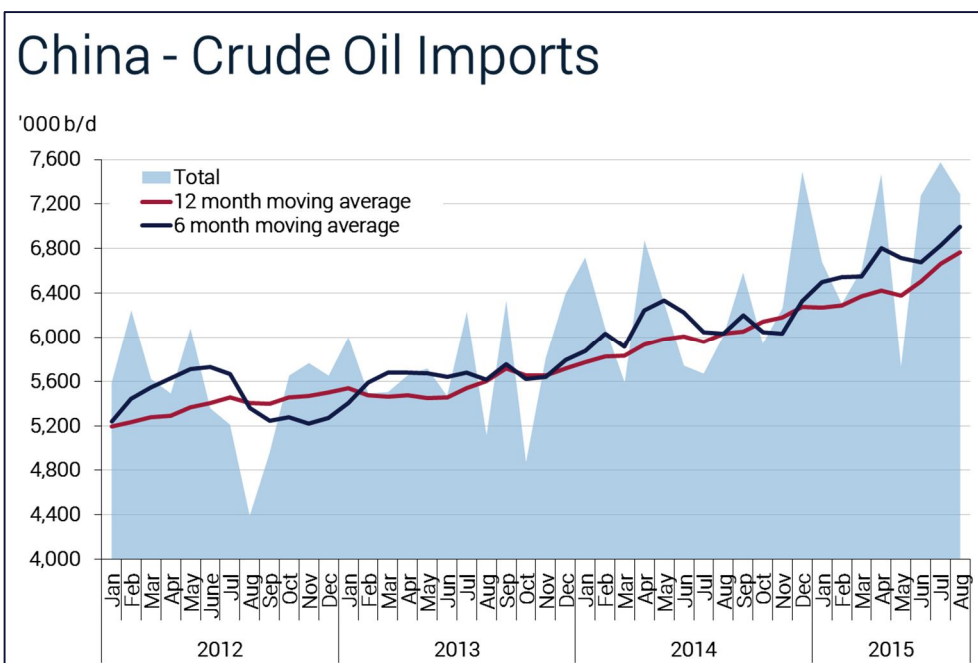


4th September 2015

CHINA CRISIS?

The financial headlines of recent weeks have been dominated by economic events in China and concerns that the current crisis is more than a temporary blip before normal service is resumed. Certainly Chinese manufacturers have lost their appetite for commodities which has impacted heavily on demand for coal, iron ore and copper with an obvious impact on the dry cargo market. Some Chinese policymakers call the slowdown "the new normal" and that they have overseen the smooth transition in annual growth from 10 per cent to a still impressive 7 per cent. However the Beijing government chooses to resolve the present crisis, any resolution will have far reaching repercussions on the rest of the world. Someone once said "When America sneezes the whole world catches a cold". Now China is sneezing and everyone is catching a cold but perhaps the crude oil tanker market is immune to the fallout – at least for now?



China has taken advantage of the low crude oil prices to fill both their strategic reserve as well as commercial inventories. Crude oil imports to China hit a record 7.6 million b/d in July and are anticipated to remain at elevated levels into second-half of 2015 despite the slowdown in economic growth. The People's Republic is continuing to build vast storage caverns to house the expanded strategic

petroleum reserve (SPR) which will continue to support crude imports and thus VLCC trade. July's record crude imports coincided with the opening of the new 15 million barrel SPR at Huangdao. Two additional SPR sites located at Huizhou and Jinzhou with a combined capacity of over 50 million barrels are scheduled for 2015 commissioning. Another 8 million barrel facility at Hainan is also due to commence filling now. As yet it is unknown if the new SPR at Tianjin is closed as a result of the explosion 13th August. Between March-May the facility had been taking around 60,000 b/d but was due to ramp up intake prior to the explosion.

It appears that the only limitation on Chinese crude imports is the ability of the government to raise the capacity of the SPR which tends to be filled as soon as the facilities are created. The latest available statistics estimate oil reserves are currently around 30 days cover (including commercial owned stocks) and the Beijing government's aim is for the SPR to hold 100 days cover by 2020. China is now the world's largest crude importer and as long as the oil price remains attractive, it will continue filling reserves. This week China has lent \$5 billion to Venezuela in oil backed loan to secure continuity of supply. Also, the Beijing government will be eagerly waiting to step up imports of Iranian crude once sanctions are finally lifted next year.

Middle East

There were signs at the end of last week that the VLCC market was due some inflation from recent lowpoints, but even Owners hadn't seriously believed that by today they would have achieved a 50 percent Worldscales increase to the East....and all they had to do was ask for it!! The rapid gain came not so much from a sudden lack of availability, but more due to Charterers step-changing their previously easy fixing pace to a gallop which lent the market a temporarily unstoppable momentum. Now, however, with rates almost equalising those of the still soggy Suezmax sector, a more solid ceiling is hovering into sight, and Owners main mission over the coming week will be to consolidate, rather than push for further glory. Rates now stand at ws 45/47.5 East and into the mid ws 20s West. Suezmaxes, as stated, remained very much on the backfoot on good availability, limited enquiry, and no realistic ballast opportunities. Rates stay in the very low ws 50s East and mid/high ws 20s to the West accordingly. Aframaxes failed to push on from 80,000 by ws 95 to Singapore despite reasonable attention and the upcoming Appec displacement is likely to prevent any near term break-out.

West Africa

Grim got even grimmer for Suezmax Owners here as demand fell well short of fat supply and rates remained anchored at little above 130,000 by ws 50 for all Atlantic options. A slightly finer balance has now been created, however, and there are signs that Owners may make some limited headway over the coming week. VLCCs, that are usually closely pegged to the prevalent AG/East market, have recently enjoyed a much wider differential over that zone as Owners demanded insurance against rates

rising over the longer voyage duration to the East. Rates this week did creep up a bit towards ws 46 to China and mid 3 million's to West Coast India, but the previous differential has now evaporated, and normal service has been resumed, indicating that Owners have less faith in much further AG/East gain.

Mediterranean

No material change for Aframax fortunes over the period with 80,000 by ws 72.5 representing the effective bottom marker X-Med. There has been an uptick in activity, though early vessels remain to be sucked up before anything meaningful can come of it. Suezmaxes lumbered along under a heavy burden of availability and scant demand. Again, that demand has gently picked up, but yet again, the header tank of tonnage needs bleeding more noticeably before rates can be engineered much higher than 140,000 by ws 62.5 for Black Sea/Europe runs, and around \$3.5 million to China.

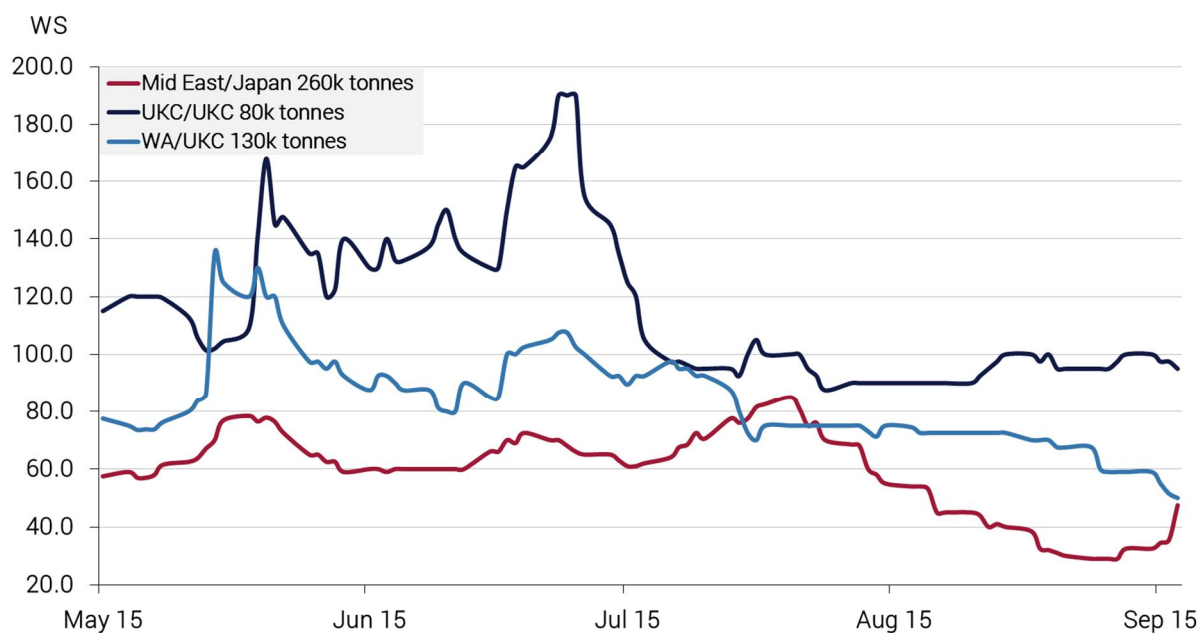
Caribbean

Just enough market noise to energise Aframax up a handy 20 percent to close on 70,000 by ws 100 upcoast, but with a long holiday weekend upon us, rates are now likely to flatline for a while. VLCCs had a very slow week of it and enough early mouths to feed to reduce asking levels to \$4.75 million to Singapore, and to around \$3.75 million to West Coast India. Perhaps a busier week to come.

North Sea

Deja-vu for Aframax across the North Sea and Baltic zones. 80,000 by ws 97.5 again for X-UKCont, and 100,000 by ws 70 - again for those ex-Baltic. Nothing to worry Charterers in the near term either. Larger sizes saw very little too, and traders struggled to nail down fuel oil 'arb' deals on VLCCs to Singapore at the \$4.3 million asked, though some did try.

Crude Tanker Spot Rates



CLEAN PRODUCTS

East

There was a generous amount of activity in the MR market towards the beginning of the week, however, as APPEC got into full swing the intensity eased a little. Post the negative correction that affected the MRs last week, the market has found its feet and has moved forwards. Rates have remained steady as the week comes to a close. AG/Japan is currently trading at 35 x ws 140 and AG/E Afr has found its natural groove at ws 185. AG/RSea fights on at \$725k and given that APPEC has just begun, we assess that these levels will hold as we go into next week.

LRs saw another tough week with rates falling quickly in particular on the LR2s. They had seen very little activity and needed to be tested. 75,000 mt naphtha AG/Japan has finally found its level at ws 105 and 90,000 mt jet AG/UKCont at \$2.65 million. There may be further damage in the next week but the major correction has now happened. LR1s have been fairly steady having seen their decline the week before. But rates are still under a little pressure due to LR2 weakness. 55,000 mt naphtha AG/Japan is at ws 115 and 65,000 mt jet AG/UKCont remains at \$2.2 million.

Mediterranean

As week 36 draws to a close, Owners won't be too disheartened at the level of volumes/enquiry they have seen throughout this short working week. The X-Med handy market started the week in a slow fashion, but as the week progressed enquiry levels picked up and Owners began to build some momentum. With the tonnage list continually being chipped away at, rates were able to hold steady at 30 x ws 130 for X-Med and 30 x ws 135 for Black Sea liftings.

A quieter week for MRs plying their trade in the Mediterranean and movements West have been limited with Transatlantic rates currently trading at 35 x ws 125. Similarly, we see no change on Red Sea discharge as rates hold firm at \$850k and \$950k for the AG.

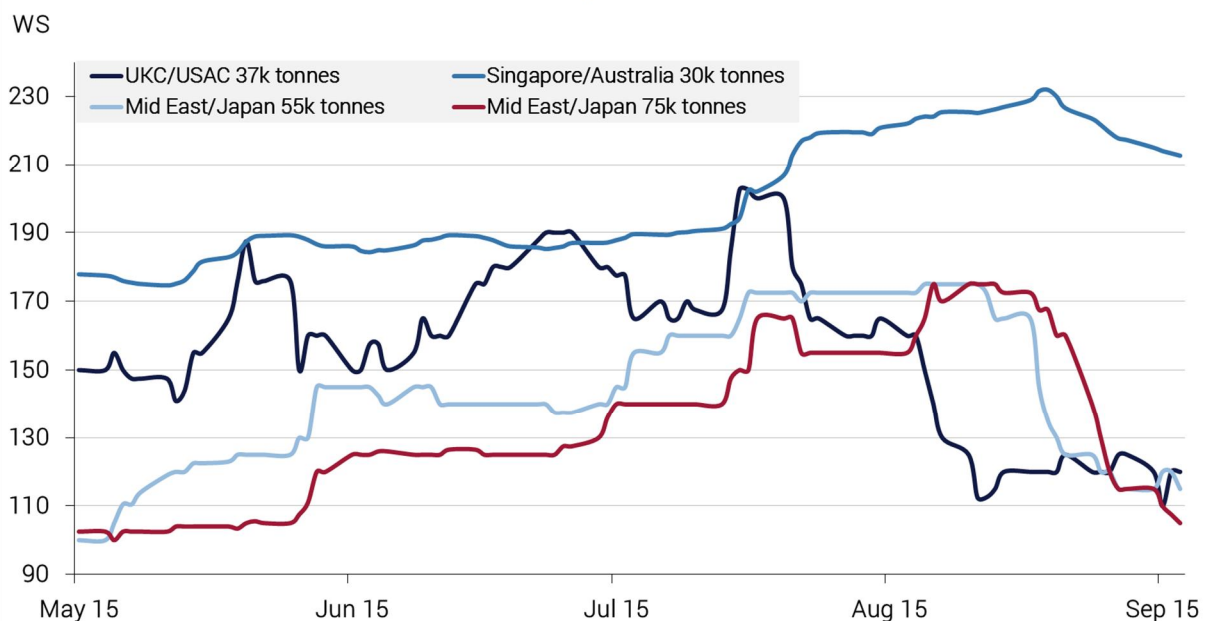
UK Continent

As the final bank holiday week comes to a close we find this MR sector continuing to trade sideways at the balanced 37 x ws 125 mark. On Tuesday opportunities appeared for negative correction, but thanks to a glut of inquiry rates held on tight and have since remained level. Ballast tonnage from the USAC will continue to offer options to Charterers and with an appropriate lead time on a cargo we expect to see this market to continue on its present trend.

The Handy market has been under pressure for the past week and as we arrive at Friday cracks become gaps and we find 5 points shaved off from the beginning of the week. Enquiry has remained minimal throughout the week and when Monday's tonnage lists are produced we could see further chances for Charterers to continue to press negatively - a delicately balanced sector.

The Flexi market has finally shown its true colours, we see a minor correction in fixing levels down towards 22 x ws 175. With such a small owning fraternity, we find ourselves always with opportunities for correction in market levels, but presently these have not appeared for them. Expect this market to continue to trade sideways with the present good amount of inquiry, whether through COA or market cargoes.

Clean Product Tanker Spot Rates



DIRTY PRODUCTS

Handy

This week has witnessed an increase in activity which has caused a drawdown of tonnage to occur within the Continent. Day by day, rates have also firmed and Charterers options have become reduced. Sentiment in the region is shifting in the Owner's favour and the fixing window has moved forward as a consequence. Next week with a little more enquiry we should see Owners retaining the upper hand.

In the Mediterranean we have seen a steady level of activity although with a populated tonnage list this enquiry still didn't prove to be enough in order to keep all happy. Come the closing stages of the week reports of 33 x ws 125 out of the Black Sea confirmed this.

MR

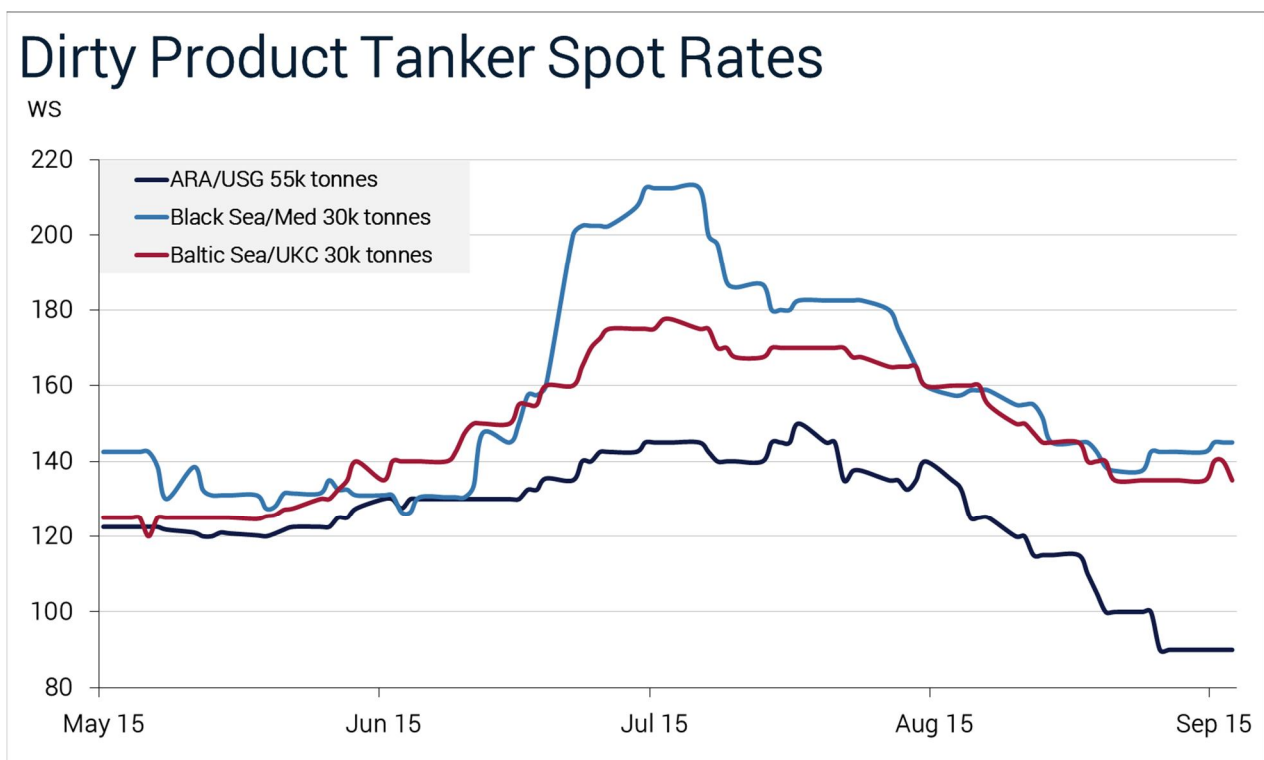
The Continent seemed to reflect a game of cat and mouse as Owners teetered on the edge of opting to take part cargo employment.

Generally however, some were proved right in holding back, where full sized opportunity eventually presented. Fixing levels however did prove a little disappointing as the effects of prolonged activity begun to show.

In the Mediterranean Owners were shown opportunity in slightly greater frequency although with a Handy market that is looking a little overtonnaged, the stakes became much higher in losing out on full sized business. Charterers therefore were able to secure tonnage with minimal resistance.

Panamax

Hindered by inactivity owners are being forced to look at un-natural sized opportunity, or in some cases take short haul moves in order to avoid idle time. Furthermore, this sector is witnessing the same effects out in the States, and with a US holiday on Monday beckoning, Owners of naturally placed tonnage in Europe will be nervously looking on gauging what influx tonnage could opt to head this way rather than sitting spot.



Dirty Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Sept 3rd	Last Week	Last Month	FFA Q4
TD3	VLCC AG-Japan	+16	46	30	46	61
TD20	Suezmax WAF-UKC	-8	51	59	72	81
TD7	Aframax N.Sea-UKC	-0	96	96	90	111

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

		wk on wk change	Sept 3rd	Last Week	Last Month	FFA Q4
TD3	VLCC AG-Japan	+23,000	48,750	25,750	47,500	72,750
TD20	Suezmax WAF-UKC	-8,000	22,750	30,750	38,250	45,000
TD7	Aframax N.Sea-UKC	-1,500	28,000	29,500	26,000	39,750

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Sept 3rd	Last Week	Last Month	FFA Q4
TC1	LR2 AG-Japan	-10	105	115	175	
TC2	MR - west UKC-USAC	-0	120	121	130	142
TC5	LR1 AG-Japan	-0	116	117	176	116
TC7	MR - east Singapore-EC Aus	-5	213	218	225	

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

		wk on wk change	Sept 3rd	Last Week	Last Month	FFA Q4
TC1	LR2 AG-Japan	-6,250	33,750	40,000	63,500	
TC2	MR - west UKC-USAC	-1,250	17,250	18,500	19,500	22,000
TC5	LR1 AG-Japan	-1,250	27,250	28,500	45,500	27,000
TC7	MR - east Singapore-EC Aus	-2,500	30,500	33,000	32,500	

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

LQM Bunker Price (Rotterdam HSFO 380)	+40	248	208	255	
LQM Bunker Price (Fujairah 380 HSFO)	+33	248	215	273	
LQM Bunker Price (Singapore 380 HSFO)	+49	259	210	265	
LQM Bunker Price (Rotterdam 0.1% LSFO)	+25	448	423	447	

PAT/JH/DLT/DAJ/BRC/LHT

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