WEEKLY TANKER REPORT

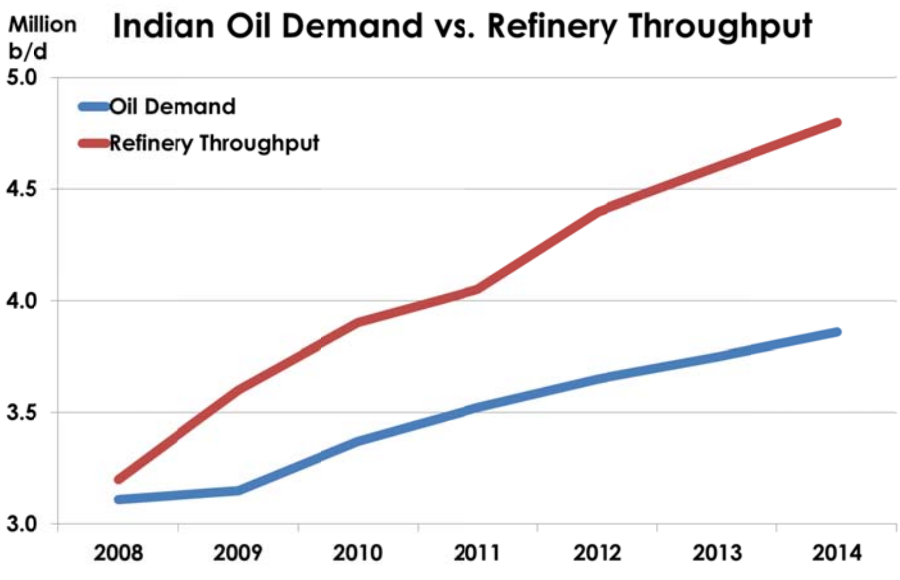
17th May 2013

AN INDIAN SUMMER

Over the past ten years, India's crude oil imports have more than doubled to accommodate the country's growing population and expanding economy. This has driven oil demand higher, but is also putting pressure on energy use and the environment.

In its latest medium-term report, the IEA estimates Indian demand will continue to grow by 0.1 million b/d in 2013 to 3.74 million b/d, albeit at a slower rate seen last year. The slowdown in growth this year is due largely to the Indian government dampening consumption through its subsidy cuts on fuels at the start of this year, followed by further retail subsidy cuts being implemented monthly. Despite the cut in subsidies, the IEA predicts sustained growth in Indian oil demand at around 0.12 million b/d p.a. for the next five years.

As the country has reduced its dependency on Iranian crude, imports from sources further afield have been boosted, most notably from West Africa. India has now surpassed the United States as Nigeria's single largest importer of sweet crude; now accounting for about 17% of the African nation's crude imports. The traditional tanker trades are slowly being re-routed to suit global demand and there is a heightened prospect for increased tonne miles for the tanker fleet.



In order to insulate India from supply disturbances and oil price volatility, the country is building significant crude storage facilities. The first stage of a strategic 135 million bbls crude storage project is currently being built. This first phase of the project is expected to be commissioned in April 2014 and will see three new facilities built in underground rock caverns at main coastal locations, adding 40 million bbls of storage.

India's refining sector has also seen incredible growth over the last decade, with it currently maintaining a substantial surplus of products to export after domestic consumption. The country's refining capacity at the end of 2012 was 4.4 million b/d, which is set to rise substantially in the next five years. Indian IOC's 300,000 b/d Paradip refinery on the East coast and Nagarjuna's 120,000 b/d Cuddalore refinery are expected to be operational by first quarter of 2014, with further refinery plans beyond this. In summary, Indian oil demand is forecast to rise at relatively strong levels but refinery expansions are expected to even exceed this over the next few years. This is a perfect scenario for tanker owners; more crude in **and** more products out.

CRUDE

Middle East

VLCC Charterers did their best to resist moving solidly onto June positions, and allow Owners to keep their rate-plate spinning. It sort of worked in that the market did edge off a couple of WS points to WS 38 East, though was maintained at an average WS 23 West via Cape. Present withholding, however, necessarily means a busier period is likely soon, and it is still possible that Owners will regain some advantage at that point. Suezmaxes had another very tough week. Availability swamps any spike in demand, and demand was largely absent late-week in any case. Rates shuffled down to 130,000 by WS 52.5 East, and stayed in the high WS 20's for back-hauls West. Aframaxes also suffered from not enough action to keep availability gainfully employed, and rates stayed bunkered at 80,000 in the low WS 70,s to Singapore, where they are likely to remain.

West Africa

No easier for Suezmax Owners here either. A slow start softened them up, so that a slightly busier mid-week patch had no positive effect, and a quiet end to the week, then cemented rates at bottom hugging levels of 130,000 by WS 52.5 US Gulf, WS 55 Europe - maximum. Serious pruning needs to be done to allow for their garden to grow. VLCCs had a slower week of it, and edged off a la the Arabian Gulf to 260,000 by WS 38 to the East, and a little over US$ 3 million for West Coast India, but will track higher again if the Middle East does swing back.

Mediterranean

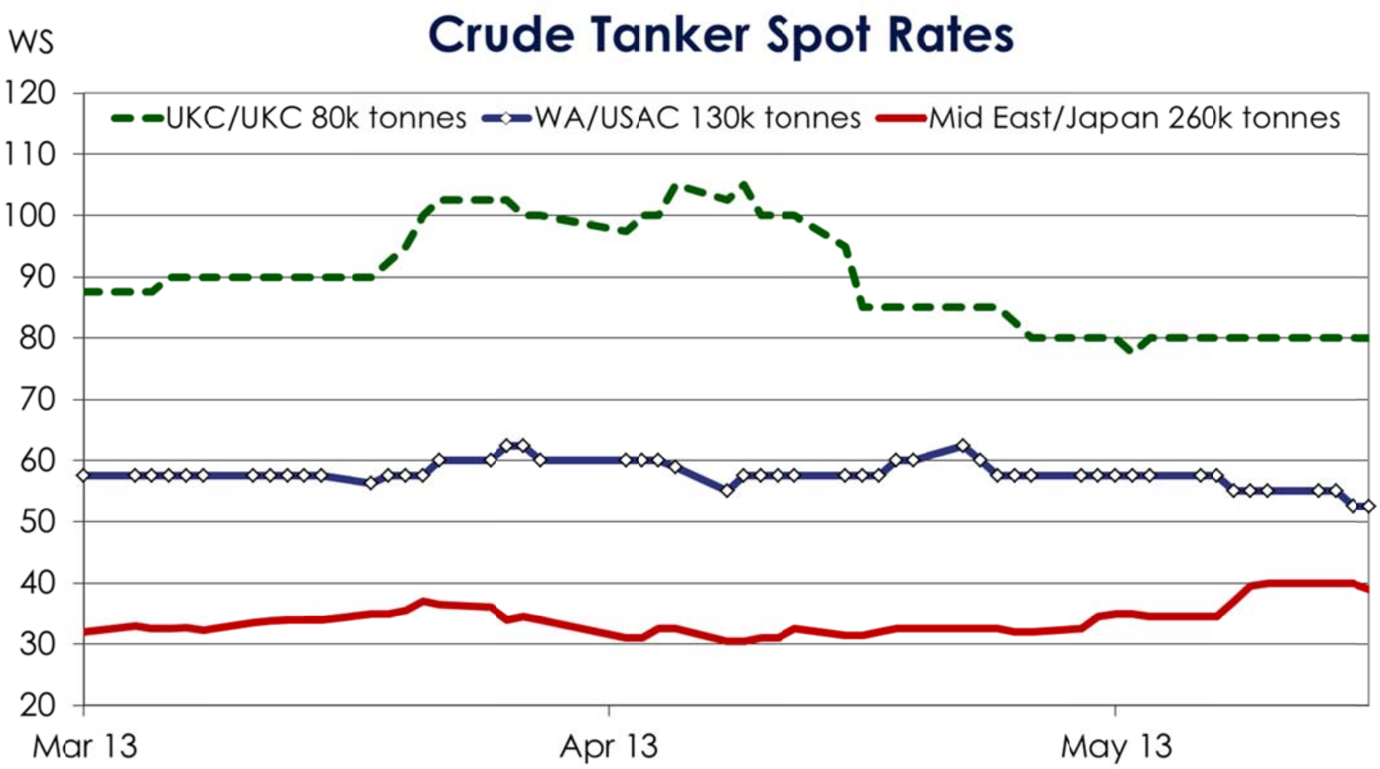
Aframax rates could hardly go lower than they hit last week, and the knowledge of that provoked a little extra shopping that in turn did raise prices a shade to 80,000 by WS 67.5/70 cross Med, but it is likely to be a short term rally, and the trough is likely to be revisited soon. Suezmaxes drifted aimlessly upon ever dwindling enquiry, and a more than healthy tonnage list. Rates eased to 140,000 by WS 55 - or less - from the Black Sea to Europe with around US$ 3.4 million asked for China runs.

Caribbean

A rare boost for Aframax Owners here, as lighterage disruption due to lack of ullage in the US Gulf, tightened availability, sending rates up to 70,000 by WS 117.5 upcoast.. not great, but a lot better than recent times. Unfortunately, stamina is normally wanting, and there are already signs of a rebalancing.. and then lower rates to come. VLCCs had a much quieter week and threatened to move off a little to US$3.6 million to Singapore, and US$ 3.2 million to West Coast India, though hard evidence is lacking at the present.

North Sea

There's always some Aframax fixing in this short-haul market, but this week ranks as one of the least productive. What was done showed little better than 80,000 by WS 82.5 Cross UKC and 100,000 by WS 57.5 from the Baltic, and Charterers should be able to retain control into next week. Suezmaxes saw an average amount of interest - which wasn't much - and reconfirmed the expected 135,000 by WS 50 level for transatlantic options. VLCCs got the odd knock with US$ 3.5 million seen for fuel oil to Singapore, and US$ 4.8 million reported for Crude Oil houndpoint to South Korea.



CLEAN PRODUCTS

By and large, it's all quiet on the Western front while the East markets remain flat

East

The MRs have been lacklustre on the whole this week, however a little increase in fixing, does give Owners a glimmer of hope. Rates remain pretty weak, with 35 x105-107.5 still the conference levels. East Africa is fixing at 35 x 167.2-170, which although weak, is still attractive to Owners, as the returns for this, make more sense than shorthauls in the AG, hence Owners are willing these levels. AG to the UKC remains untested and is continued to be assessed at US$ 1.55 Million. The shorthauls have been ticking over, certain dates charterers are squeezed 5-10k, but generally longer haul voyages are fixing around US$ 200,000. Looking to the near future, it will be a similar story, any gains Owners will be quite gradual, but they should be steps in the right direction.

LRs have seen a strange week with tonnage list numbers looking thinner yet with a distinct lack of long haul cargoes rates have dropped if anything. 55,000 mt Naphtha AG/Japan rests at W95 for now and 65,000 mt Jet AG/UKC around US$1.80 million. There is a feeling that rates may edge up next week though. 75,000 mt Naphtha has hit bottom at W80 and 90,000 mt Jet AG/UKC is at US$2.25 million. Once again Owner remains hopeful into June.

It has been a poor week for Owners in North Asia; lack of activity is taking its toll, as position lists swell freight levels move in the diametric opposite position. North Korea / Singapore markets have been quiet and freight rates for this voyage have dropped to US$ 500k for an MR and US$ 550k for an LR1/LR2. Correspondingly voyages for North Asia to Australia have also fallen in terms of freight levels with 30 x WS 170 being the last done fixture. In the early part of the week there was a good deal of interest in LR2s for Jet fuel moving west however, it transpired that it was a number of Charterers chasing the same barrels. At this time owners were willing US$ 2.525 mil however, the pressure from over tonnage have subsequently forced freight levels down and US$ 2.475 mil and it looks as though there is more downside left in this market going into next week.

In summary; the outlook for Owner in this region remains bleak, simply put: there are too many ships across all sectors in the region with not enough activity to keep them moving. We will see more freight reductions next week.

Mediterranean

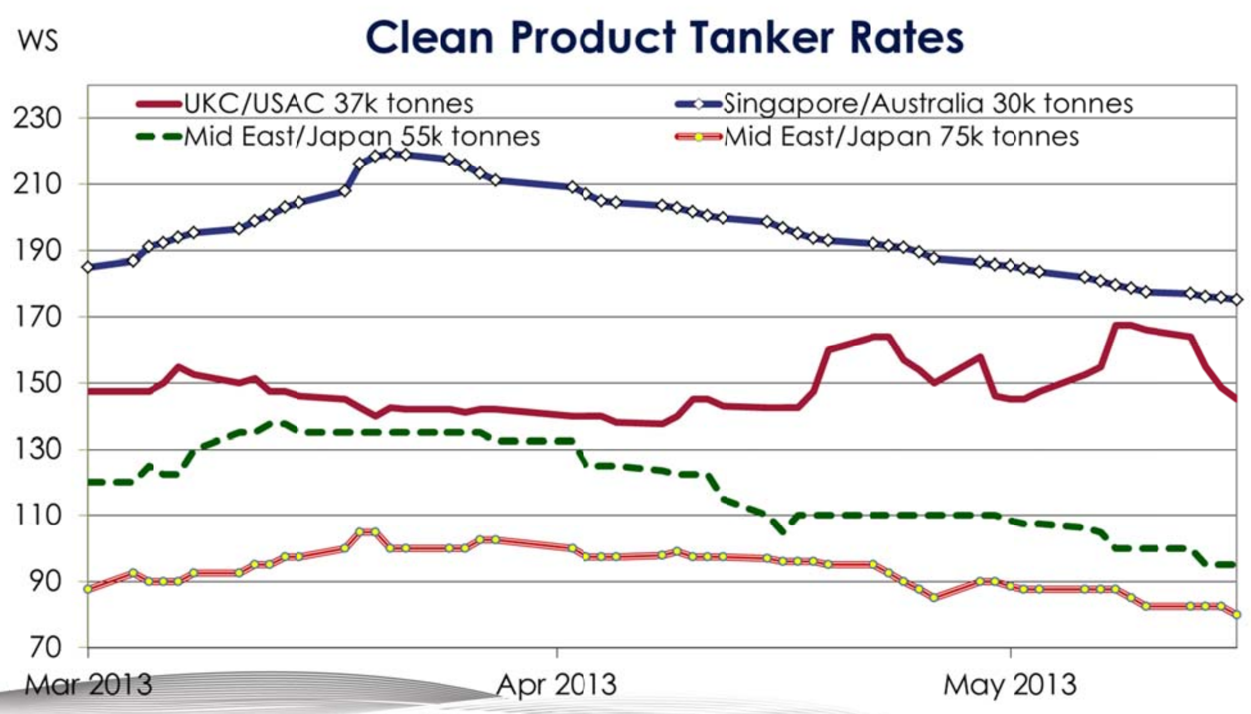
A surge of activity at the beginning of the week breathed some life into what was a faltering Mediterranean market, but it was short lived and has only served to keep rates in check for now. Handy's are fixing 30 x WS 137.5-140 for cross-med discharge and the same from the Black Sea. MR rates have softened through the week with TC2 quiet and for med loading stems, market now considered 37 x WS 140 TA / 150 WAFR. Movements East have not generally been a popular route option for Owners with the AG market in the doldrums, so Owners ideas have been a bit inflated and arranged around the US$ 1.05-1.1m level for Red Sea / US$ 1.15-1.3m AG.

UK Continent

The transatlantic market has taken a tumble this week. A lot less TC2 cargoes and a build up of tonnage caused rates to fall to WS 140 basis 37kt. MR's fixed US$ 2.2m to China ex ARA. Cross continent lifting's were quiter, trading 30 x120 on handies and 22x160 for flexi units. Lifting's to WAF were very quiet, although Owners still talking their usual + 10 point premium on the MR's. LR's enjoyed a steady week trading between WS 97.5-102.5 basis 60kt, and ideas to Far East at US$ 1.9-2m

Caribbean

There has been a firming of rates all round in the USG Caribbean market this week as tonnage has tightened on the back of a sustained period of decent enquiry. Reports of backhaul distillate stems on subs for 23-26 dates in the 38 x WS95+ levels and perhaps higher by the weeks end should see tonnage replenish states side. The TC3 Caribbean Sea – USAC market has also seen ideas firm on the back of wider market activity and some fixtures have been reported on subjects around 38 x 125-140 levels.



DIRTY PRODUCTS

Handy

UKC: Owners this week would view the end result as something of a success as where the tonnage lists were once burdened with spot ships, collective activity meant rates remained fairly flat once settling at the 30/140 mark. Never standing still for too long, this sector had shown a few green shoots of recovery. For these to flourish however those operating up here will be entirely dependent one the extent of the end May fixing program.

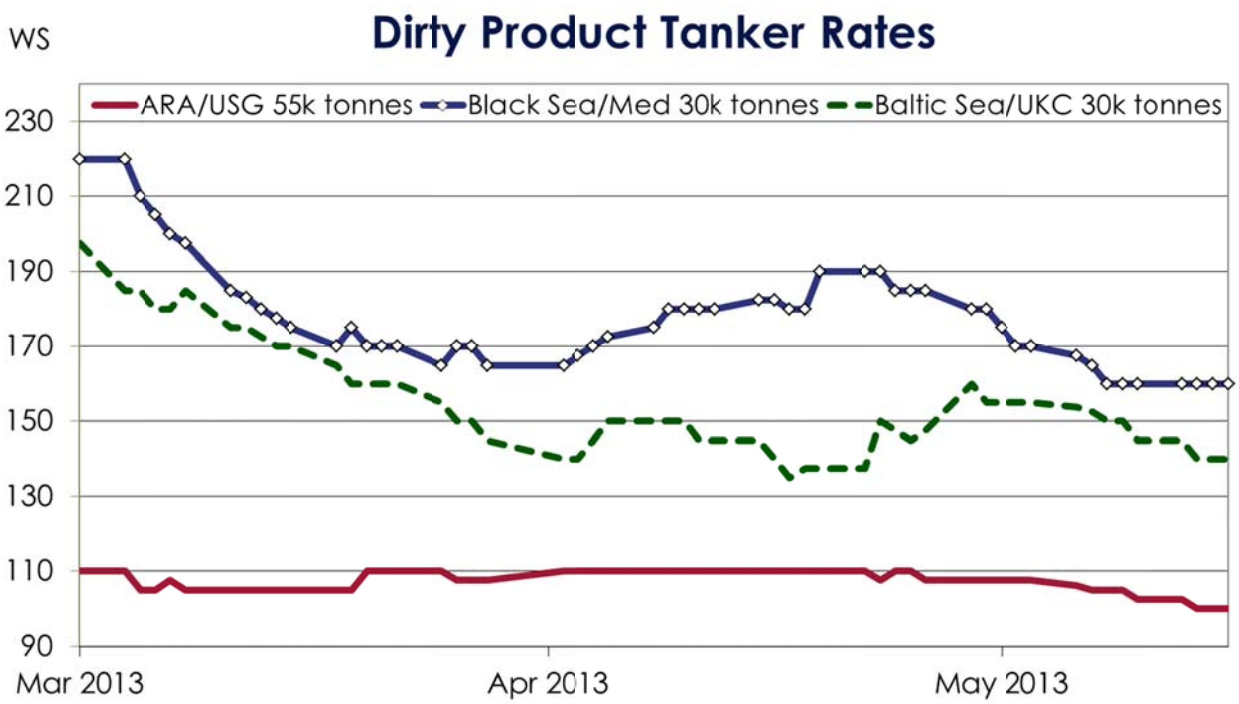
MED: Not quite in keeping with the continent, activity down here only suited charterer's purpose in re correcting freight rates to their benefit. Such decline had been kept within a 10 point boundary for Cross Med and Black Sea / Med alike, however neither region as of yet offer scope to revive aspiration of market revival.

MR

Not the most inspiring of weeks on record as neither the Med or Continent proves decisive on where the natural sized fixing levels should be gauged. Throw away options on what had been fixed combined with Owner preference for particular trade routes makes benchmarking an ever more touchier subject during slow weeks. Yet because of slow weeks such as these, a silver lining appears, whilst wide parameters of benchmarking is present Owners can capitalise.

Panamax

Drip fed enquiry offers little relief to a sector starved of consistent opportunity! For owners with tonnage on the lists, this week's objectives barely change¿ Find employment! Alas however negative pressure surmounts on rates where itineraries become clearer and the next fixing windows tonnage also comes into play.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk	May 16th	Last Week	Last Month	FFA Q2 13	FFA Q3 13	FFA Q4 13
TD3	VLCC	AG-Japan	**-2**	38	40	32	36	34	38
TD5	Suezmax	WAF-USAC	**-1**	54	55	62	53	51	54
TD7	Aframax	N.Sea-UKC	**+0**	80	80	85	79	79	87
LQM Bunker Price (Fujairah 380 HSFO)			**-26**	602.5	628	613			

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

			wk on wk	May 16th	Last Week	Last Month	FFA Q2 13	FFA Q3 13	FFA Q4 13
TD3	VLCC	AG-Japan	**-1,500**	15,750	17,250	6,250	12,750	10,250	16,250
TD5	Suezmax	WAF-USAC	**-250**	12,750	13,000	19,000	12,000	10,750	13,000
TD7	Aframax	N.Sea-UKC	**+250**	5,000	4,750	9,500	2,750	3,000	8,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk	May 16th	Last Week	Last Month	FFA Q2 13	FFA Q3 13	FFA Q4 13
TC1	LR2	AG-Japan	**-5**	80	85	96			
TC2	MR - west	UKC-USAC	**-25**	144	169	147	142	120	127
TC5	LR1	AG-Japan	**-4**	97	101	115	103	110	112
TC7	MR - east	Singapore-EC Aus	**-4**	175	179	194			
LQM Bunker Price (Rotterdam HSFO 380)			**-13**	586.5	599	578			

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

			wk on wk	May 16th	Last Week	Last Month	FFA Q2 13	FFA Q3 13	FFA Q4 13
TC1	LR2	AG-Japan	**-1,250**	11,250	12,500	17,750			
TC2	MR - west	UKC-USAC	**-5,000**	14,750	19,750	15,500	14,000	9,250	11,000
TC5	LR1	AG-Japan	**-500**	11,250	11,750	16,750	13,250	15,500	16,250
TC7	MR - east	Singapore-EC Aus	**+0**	14,250	14,250	17,500			

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

MC/JCH/TP/JT/slt

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