WEEKLY
TANKER REPORT

20th December 2013

AN ASTONISHING YEARS END FOR CRUDE TANKERS

Looking back over 2013, a very weak year for the crude sector appears to be ending on a fantastic high for these owners; this doesn't disguise the fact that for most of the year, earnings generally remained in the doldrums. VLCC earnings at 'market speed' for Middle East-Japan (TD3) achieved around $55,000/day in November, but were at their lowest in February at only $1,500/day. A similar picture can also be said for Suezmax earnings, although on several occasions throughout the year, returns in the WAF-US trade have been above TD3. The clean products markets in both the East and West have experienced huge volatility throughout 2013. However, triangulation on the benchmark UKC-USAC (TC2) route with US Gulf export volumes have offered owners the best returns (if you can get the business).

Whilst the fleet didn't increase in size dramatically, the over-tonnage problems that have beset some parts of the tanker market are not going to disappear anytime soon. Initiatives such as slow steaming and the ordering of eco ships became the norm, as opposed to the exception. On the supply side, tanker ordering began the year slowly but picked up pace as the year progressed. Clearly there has been a major influx of MR and LR2 orders, which initially were at the expense of orders for the crude carriers. The most interesting play in this sector has been the huge investment taken by US listed Scorpio Tankers, who placed nearly 20% of all tanker orders (in terms of numbers) in 2013. With newbuilding prices beginning to slowly edge up (for all types of ship), a third of all the tanker orders were placed in the last quarter. In terms of new deliveries, 31 VLCCs and 27 Suezmaxes entered service. Tanker demolition is up on last year's total, at 12.3 million dwt, and includes 22 VLCCs, of which the youngest was just 14 years of age. In April, Indian lightweight prices for tankers peaked around $455/lwt, but have only eased to levels around $440/lwt today. Sales of second-hand tonnage have remained steady throughout the year, but asset values for the crude carriers declined throughout until an uptick in prices in the final quarter. Second-hand prices for MRs and LR2s began to firm much earlier.

Politics, as always, continued to influence the tanker market. The loss of Libyan barrels had a severe impact on X-Med rates, while the change of leadership in Iran heralded an olive branch to the West, resulting in some constructive dialogue to resolve the impasse. Even though Iranian crude production plummeted, India and China became an invaluable customer for those barrels which could be exported. Perhaps the largest talking point, in terms of crude production, was the rapid rise of US and Canadian output, which almost entirely accounted for the sharp rise in Non-Opec output. As a result, crude imports to the US slumped, with West African Suezmax barrels being particularly hard hit. Fortunately, demand from the Far-East refiners has supported this sector, providing the crude tanker fleet with extra tonne miles and more importantly, employment.

The table overleaf shows some of the fundamental developments affecting the tanker industry over the past twelve months.

		December 2012		December 2013		2013	
Rates	(TCEs at 'market speed')	WS	TCE/day	WS	TCE/day	WS Low	WS High
VLCC	Middle East - Japan	47	$23,250	63	$52,250	30	64
Suezmax	West Africa - USAC	67	$17,750	110	$55,500	41	110
Aframax	North Sea - UKCont	95	$12,000	123	$37,750	78	135
LR2	Middle East - Japan	115	$22,000	80	$11,000	68	110
LR1	Middle East - Japan	145	$22,500	106	$13,750	75	140
MR	UKCont - USAC	150	$14,750	139	$13,500	70	195

Single Hull vs. Double Hull	End 2012		End 2013	
	S.Hull	D.Hull	S.Hull	D.Hull
VLCC	16	605	5	619
Suezmax	4	466	1	474
Aframax/LR2	23	899	14	908
Panamax/LR1	14	419	10	422
Handy/MR	117	1,716	87	1,779

NB: Almost all of the remaining S/H tankers are not actively trading in conventional tanker markets.

Tanker Orderbook (25,000 dwt+) excluding options	54.6 M dwt (448 vsls)	61.7 M dwt (587 vsls)	
New Deliveries (25,000 dwt+)	30.7 M dwt (214 vsls)	20.9 M dwt (168 vsls)	
Brent Oil Price (ICE Close) low/High	$111.11/bbl (31st Dec)	$110.29/bbl (19th Dec)	$97.69 / $118.9
Bunkers 380cst Fujairah / Rotterdam	$591 / $600 tonne	$613 / $585 tonne	(19th Dec)
World Oil Production (November)	89.4 M b/d (+1.8%)	90.1 M b/d (+0.8%)	
OPEC crude production	31.2 M b/d (+1.6%)	29.7 M b/d (-4.8%)	
Non OPEC -inc OPEC NGL & Biofuels	58.2 M b/d (+1.9%)	60.4 M b/d (+3.8%)	
World Oil Demand	90.5 M b/d (Q4)	92.0 M b/d (+1.7%)	
Tankers Demolished (25,000 dwt+)	12.0 M dwt	12.3 M dwt	
Lwt price - China / India	$395 / $420	$340 / $440	
VLCC's sold for scrap number /dwt	14 vessels / 3.8 M	22 vessels / 6.4 M dwt	
US$:£1	$1.615 (31st Dec)	$1.636 (19th Dec)	

Best wishes for a happy Christmas and a prosperous New Year to all our clients and friends, from the Tanker Department, thank you for your support during 2013.

Middle East

VLCC Charterers retained impressive discipline, and continued to merely drip feed fresh enquiry into the marketplace in their elongated effort to turn sentiment - and the market. Owners, equally impressively, bit their lips, and held their ground, so that rates generally remained unchanged through the week, averaging low ws 60,s to the East and around ws 38 to the West via Cape. With availability looking plentiful enough, Charterers will plan to continue with their agenda over the Holiday period.. and Owners will have to find new reserves to keep up their resistance. Suezmaxes started to reap some extra benefit from an initially active scene, and some tonnage absconding to the Atlantic, so that rates moved up to 130,000 by ws 90 East and ws 55 to the West, but by the week's end things had slowed somewhat, and the gains could come under some pressure once again next week. Aframaxes kept quite busy, and busy enough to raise rates a little to 80,000 by ws 120 to Singapore, but further progress looks unlikely in the near term, at least.

West Africa

Suezmax Owners kept the party going - or more accurately, Charterers kept the Suezmax party going, and Owners enjoyed the dance. Rates pushed to as high as 130,000 by ws 115 to Europe and ws 110 to US Gulf as a result. Late-week, however, there was little left to fix, and Charterers started to come to their senses and realise that there was little advantage in moving even further ahead. Cue an easing of the market over the Holiday period.
VLCCs saw far less by comparison as players kept waiting for 'something' to happen in the middle East. Nothing much did, so rates changed little on what little that was concluded.260,000 by ws 59 was seen to the East, and a lower US$4.5 million paid to West Coast India, indicating a definite softening of sentiment beginning to creep in.

Mediterranean

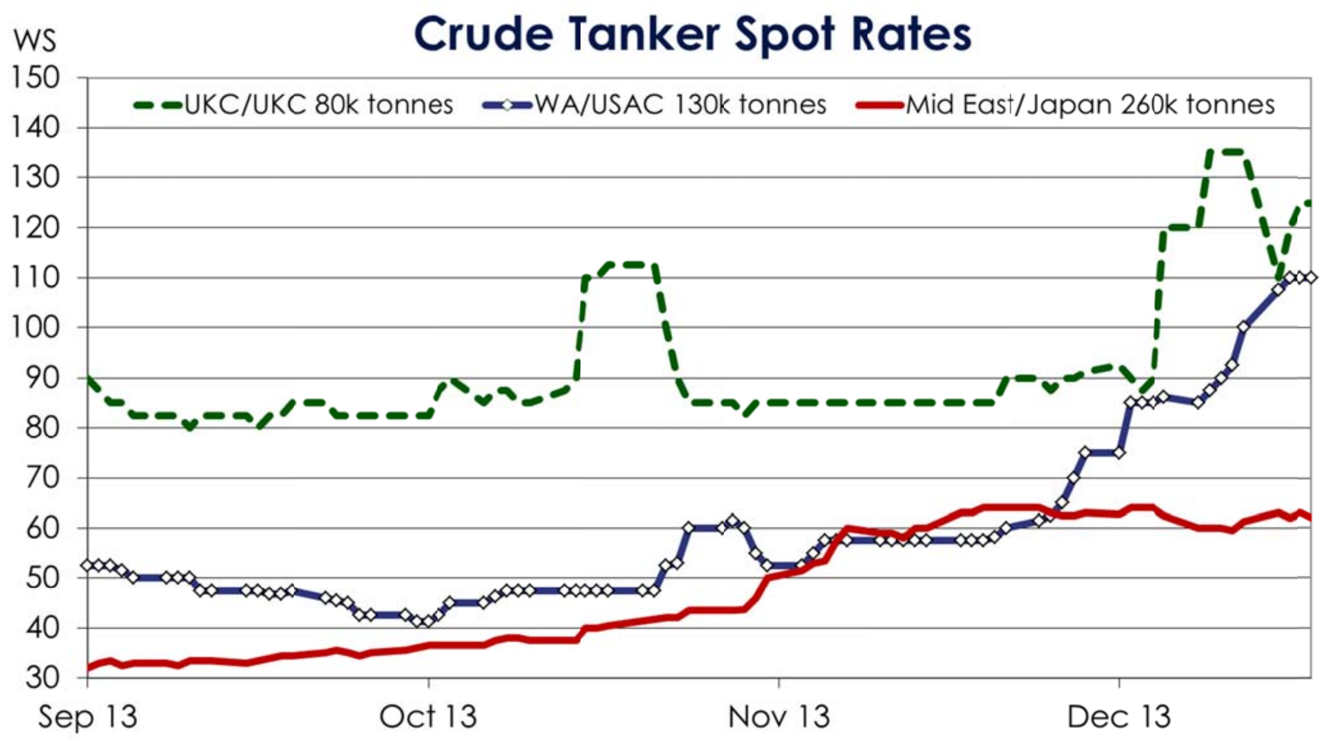
Aframaxes started by consolidating their higher position, but later in the week, and as tonnage thinned, found even more attention, and that enabled rates to jump to 80,000 by ws 155 cross Med, and no weakening conditions seem in sight for the short term....unless the holidays provide a firebreak, of course. Suezmaxes took heart from West Africa, and also strong volumes. Rates took a noticeable upward step to as high as 140,000 by ws 125 from Black Sea to Europe, with a solid US$4.2 million seen from West Med to Thailand, and US$ 4.9 million from the Black Sea to South Korea also. A quieter spell beckons now, and most players will spend the next few days ensuring that what they have already fixed, performs.

Caribbean

Late to the party, but eventually Aframaxes popped to as high as 70,000 by ws 175 upcoast on strong enquiry, and tight availability. More fun to be had before the New Year too. Suezmaxes found plenty to feed off, and also saw strong rates of up to 130,000 by ws 130 upcoast, but have probably now peaked. VLCCs stayed on the slow side, however, and just started to soften a touch to US$5.6 million to Singapore with just over US$5 million asked for West Coast India runs.

North Sea

Aframaxes held last week's gain here, rather than push on. Rates stayed within an 80,000 by ws 125/130 range cross UKC with 100,000 from the Baltic continuing to hover at around ws 100 for UK Cont and ws 85 to the Med - or Transatlantic. Still tight though, and premiums remain possible. Suezmaxes only needed to hang on to the coat-tails of West Africa and the Med in order to score, and as high as 135,000 by ws 140 was seen for a shortish movement to East Coast Canada as a result. VLCCs found very little though as traders couldn't make the fuel oil 'Arb' work at freight numbers competitive with those elsewhere available to Owners. US$5.1 million is the asking price to Singapore, but that's too high for now.



CLEAN PRODUCTS

East

Lr1s have been very steady throughout. With not a great deal of activity this week. Lr2s have been particularly sluggish with TC1 rated at 75x75 and US$ 1,975 Mill to UKC, but with little activity Charterers will be aiming to better these. The LR1s have are weak, but they are not as overtonnaged as the 2's, hence not feeling as much pressure. TC5 is 55x95 to Japan and UKC is US$ 1.75 Million.

MRs have had a mixed week with the long haul rates softening, but there has been steady amount of fixing and the tonnage list is quite thin. TC12 has fallen to Ws 120, East Africa is down over 10 points to ws 165-167.5 and UKC has been fixed at US$ 1,325 mill and other ships are willing less, so could be below US$ 1.3 when next tested. Next week is clearly going to be disjointed, due the holidays, but there isn't abundance of tonnage around, so next year rates should start with rates at similar level to present.

The North Asia CPP market has remained fairly quiet this week, for all sizes of product carrier. Enquiry levels are low, and as a result, rates continue to drag their heels. MRs are still fixing at around US$ 410-420K for South Korea/ Singapore, LR1s are fixing at a fraction below US$ 450K and LR2s continue to fix at US$ 475K which is really rock bottom levels for this backhaul route. Unfortunately for Owners, this market does not look like picking up before the year is out and since the Jet arbitrage is still shut, some ships are `trapped' in the area which gives the market less chance of recovery. MRs around Singapore have also come off a touch this week, and are looking a bit softer in in comparison to the two previous weeks Singapore/ Australia for a MR will now pay a shade below ws170 bss 30kt and looks to be gently softening over this quieter festive period.

Mediterranean

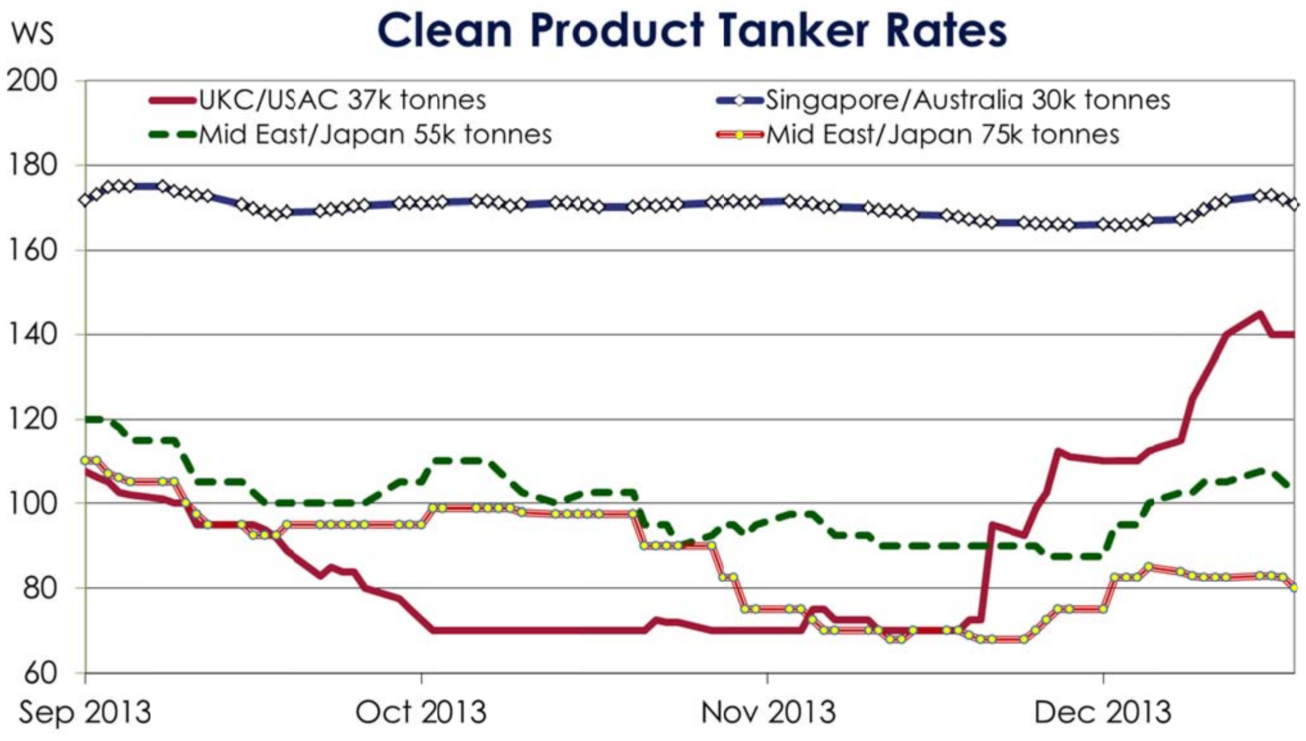
A super busy start to the week in the Med with and with the sound of sleigh bells ringing enquiry lurched into action! Rate wise, eagerness for owners to cover their fleet has suppressed any desire to push rates upwards and the market has found equilibrium at around 30 x 167.5-170 at the time of writing for cross med and Black Sea loads. The list is looking on the tight side but with most stems covered now up until the New Year we will have to wait for the dust to settle to ascertain tonnage liquidity.

UK Continent

As anticipated the pre-christmas rush arrived early but only lasted until mid-week, thus TC2 was able to remain stable level at ws 140 basis 37kt UMS. West Africa has traded at a premium with ws 162.5 on subjects at time of writing. LRs have enjoyed a steady flow of enquiry with 60 x 122.5 the conference rate for longhaul options to West Africa, additional discharge options to the Red Sea were arranged around US$ 1.55-165 m. A disappointing end for the handies as there has been slim pickings, with liftings ex Baltics on the handies 30 x 175 and flexis running cross Continent 22 x 200.

Caribbean

TC14 has been buoyed by some more consistent end month enquiry this week leading to a small spike in rates up to WS 115 at time of writing. As the tonnage list in the Gulf starts to thin, Owners expect rates to increase further next week to better reflect the increase in activity, and the TC2 vs TC14 sea-saw looks set to possibly swing again. Rates for Caribbean Sea up to the USAC have been softening slightly this week to WS 110-112.5 while USG to Brazil cargoes have remained steady.



DIRTY PRODUCTS

Handy

Rates have continued to flourish as Charterers clear their desks for the Christmas period. The continent although not quite so volatile compared against the Med, Still notes a gain week on week. This said, with fluctuations seen either side of the 30/160 mark Owners are realising that there will comes to the time where ships need to be fixed leading up to the break, with those stems left to cover perhaps able to take advantage. Slightly more Owner aggression was evident from the Baltic this week owing to the ballast required from the Continent, however here, market gains are being put down to date sensitivity.

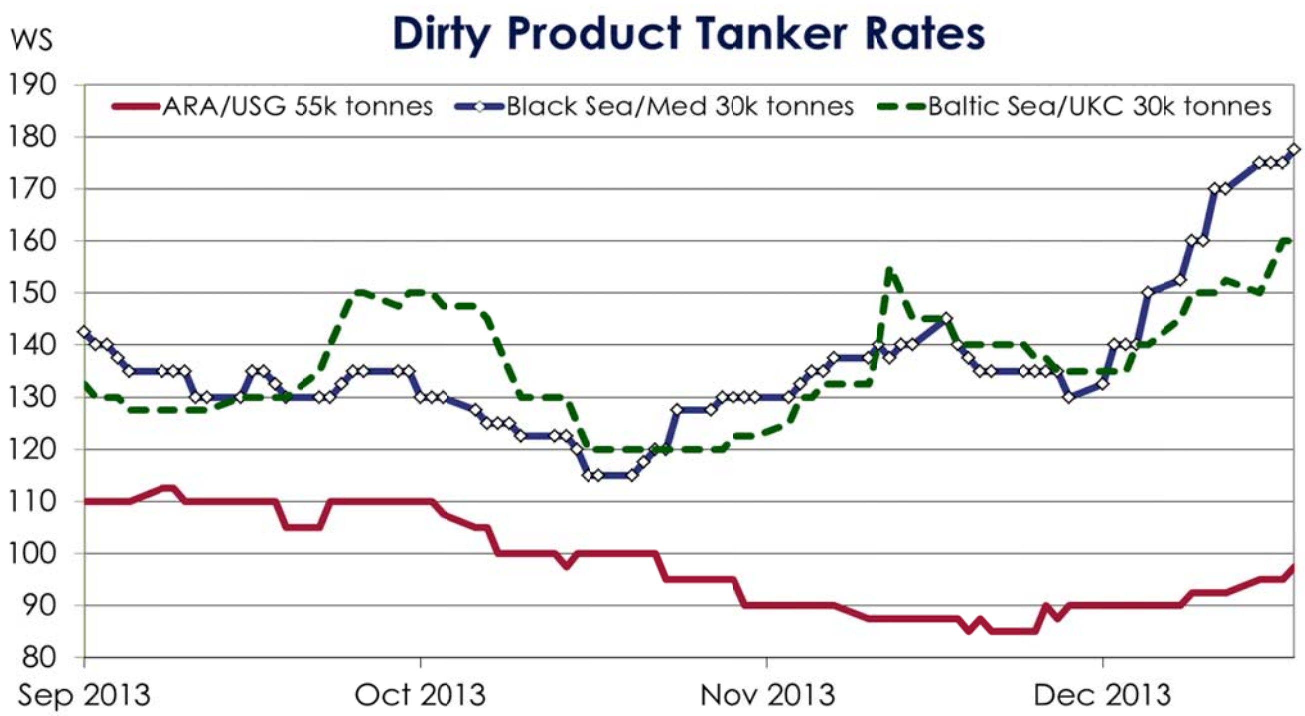
At time of writing in the, We hear reports of ships being on subs above 30x200 for Cross Med voyages, which for those following will agree, are of some of the highest we have seen for a notable period. Date coverage in this region has also found necessity to lengthen, as booking up to two weeks in advance is seen. With this, any freshly circulated tonnage (firm on itinerary), hasn't had to wait long for employment opportunity. And so, upon close of Week 51, with X Med having increased, we could yet see further hikes to numbers from the Black Sea applied.

MR

With the strong handy market, Part cargo employment again buoys MR owner's rate ideas, which in turn, equates to improved daily returns when looking at full cargo employment in the Med. Shifting attention to the North for a while now generic benchmarking has become redundant for this region owing to the lack of available tonnage, Owners will be very anxious to gain confirmation that the high numbers being reported are in fact correct.

Panamax

With the Caribbean market shooting through the roof for both 50kt and 70 kt movements, the opportunities to achieve last done rates this side the Atlantic have been removed! Very limited tonnage in natural positions, has finally put enthuses on securing ballast tonnage Ex U.S, bringing with it vastly inflated ideas of fixing. Keeping a close eye on the Caribbean Sea market as this will be the best indicator for where this market could head over the next couple of weeks.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Dec 19th	Last Week	Last Month	FFA Q1 14
TD3	VLCC	AG-Japan	**+2**	63	61	64	48
TD5	Suezmax	WAF-USAC	**+19**	110	91	58	76
TD7	Aframax	N.Sea-UKC	**-8**	123	131	86	95

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

			wk on wk change	Dec 19th	Last Week	Last Month	FFA Q1 14
TD3	VLCC	AG-Japan	**+2,250**	50,000	47,750	51,000	29,250
TD5	Suezmax	WAF-USAC	**+13,750**	52,250	38,500	15,250	28,500
TD7	Aframax	N.Sea-UKC	**-5,500**	36,750	42,250	8,500	14,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Dec 19th	Last Week	Last Month	FFA Q1 14
TC1	LR2	AG-Japan	**-3**	80	82.5	68	
TC2	MR - west	UKC-USAC	**+3**	139	136	71	117
TC5	LR1	AG-Japan	**+1**	106	105	89	102
TC7	MR - east	Singapore-EC Aus	**+0**	171	171	167	

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

			wk on wk change	Dec 19th	Last Week	Last Month	FFA Q1 14
TC1	LR2	AG-Japan	**-1,000**	11,000	12,000	5,500	
TC2	MR - west	UKC-USAC	**+750**	13,500	12,750	-1,000	8,750
TC5	LR1	AG-Japan	**+0**	13,750	13,750	8,250	12,750
TC7	MR - east	Singapore-EC Aus	**+250**	13,500	13,250	12,500	

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

LQM Bunker Price (Rotterdam HSFO 380)	**-2**	584.5	586.5	577.5
LQM Bunker Price (Fujairah 380 HSFO)	**+7**	612.5	605.5	620.5
LQM Bunker Price (Singapore 380 HSFO)	**-6**	599	605	606

PAT/JCH/TP/JT/slk

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