WEEKLY
TANKER REPORT

14th February 2014

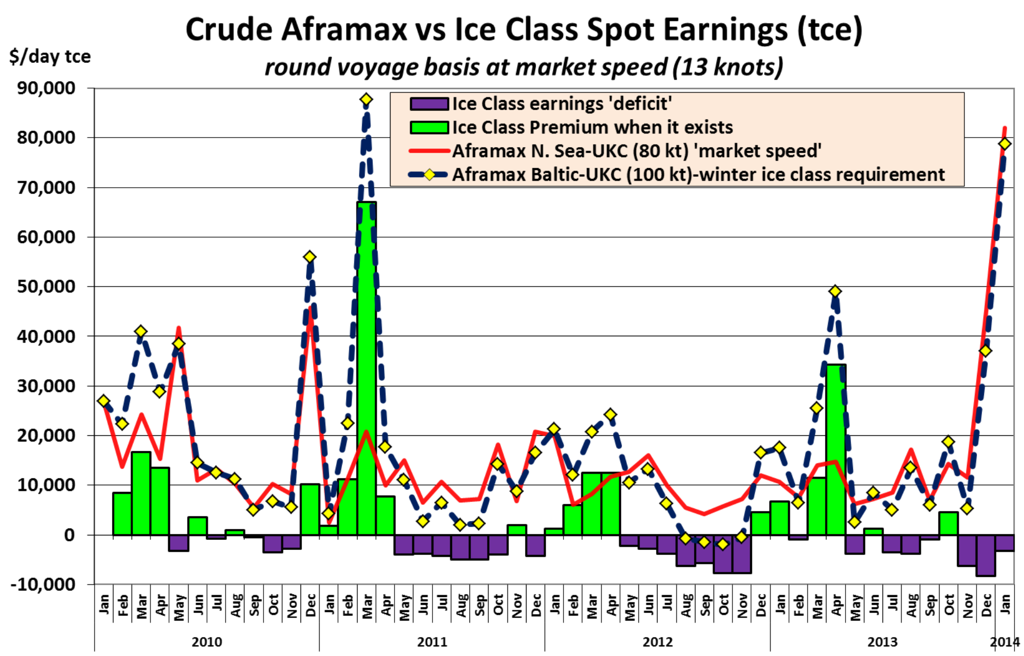
AFRAMAX PROSPECTS

Winter is a hopeful period for crude tankers, providing some respite from the current poor market fundamentals and this year (so far) has proven to be no exception. The pre-Christmas rush and severe weather delays in the UK Continent and Mediterranean forced Aframax rates up by 100% in December 2013, returning around $80,000/day. The strong end to 2013 provided the necessary boost to take the annual average earnings to their highest level since 2010. Earnings soon jumped again, to $110,000/day in January 2014, as severe weather delays conjoined with a release of Libyan barrels, limiting tonnage availability.

Despite rates having since collapsed, we still have a few winter months ahead. As shown in the graph below, the spikes and the premium for ice class tonnage on the Baltic to UK Continent route, over cross-UK Continent trade, historically are most evident in March and April. Therefore, we can expect further spikes in rates to occur, leading to an overall strong Q1. Aframaxes in the Mediterranean face a more uncertain future. Although the El Sharara field in Libya has recently restarted, boosting the country's production to 500,000 b/d, the latest reports indicate further disruptions to the country's crude supply and exports.

In the longer term, there are some mixed signs in terms of fundamentals. The Aframax fleet currently stands at 669 vessels, and at present just 3% of the existing fleet (or 25 ships) are on order. There is the matter of heavy new ordering in the LR2 sector, which could in turn lead to migration over to the dirty trade. However, this is unlikely considering the expectations of the upturn in the clean tanker market due to rising refining capacity in the Middle East and India.

Therefore, for Aframaxes there is a high possibility of tightening fleet supply in the next few years. However, concerns remain over the demand side. Crude production in the North Sea is in decline and the US requirement to import crude continues to fall, translating into less Aframax trade from Latin America. Russia is investing in some expansion of refining capacity and aims to send more and more domestic crude to the East, including overland shipments. So, for Aframaxes the question remains whether the expected tightening in supply will be sufficient to offest weakening demand?



CRUDE

Middle East

A bonus week for VLCCs. A particularly - and rather unexpectedly - voluminous February programme was steadily fixed out, and that layered over a market that was already on 'the up'. The result was a more substantial gain to as high as WS 67.5 East and WS 36 to the West. Not yet up to the peaks of January, but welcome for Owners none the less. The problem is how to keep the plate spinning when the smaller sizes here, and in the Atlantic, continue to wallow...and unless they do also pick up, VLCCs will have to be capped, and then ease off once again. Suezmaxes are already cheaper USD/tonne at around 130,000 by WS 60 East and WS 30 West, with no early turnaround in sight. Aframaxes also failed to spark, and have retreated to 80,000 by sub WS 100 to Singapore with further softening on the cards.

West Africa

Suezmaxes continued upon their downward path, but eventually reached a well enough tested bottom at 130,000 by WS 50 to the States, and WS 52.5 to Europe. Now there, the only way should be up, but Charterers were in no hurry late-week to give Owners the building blocks, and any rash of bargain hunting will have to wait until later next week. VLCCs initially moved up smartly to 260,000 by WS 60/62.5 to the East to align with the improved Agulf sector, but as dates rolled forward, refugees from a quiet North Sea became competitive and for those positions WS 57.5 was available, with USD 4.2 million paid to West Coast India on once such unit.

Mediterranean

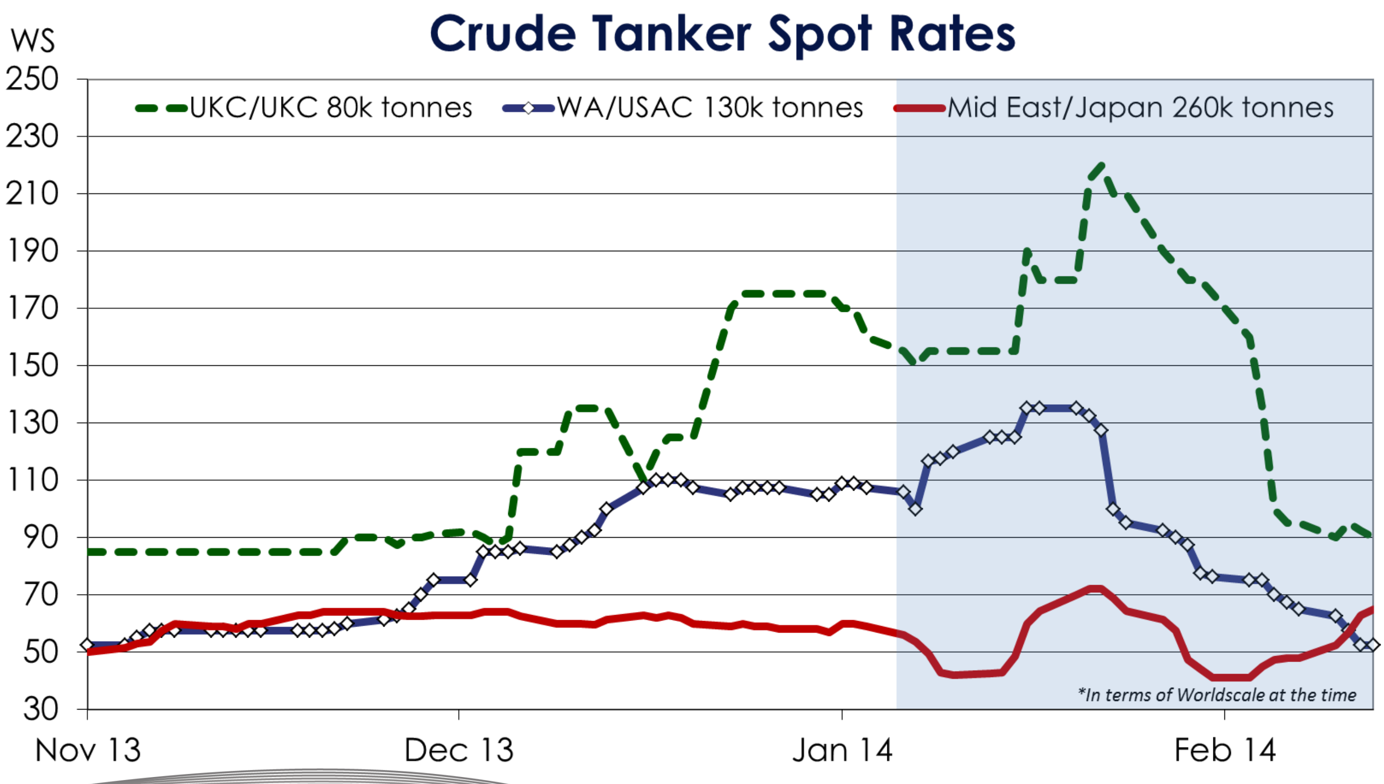
No relief for Suezmaxes here either. Just too many ships. Rates from the Black Sea moved off to around 140,000 by WS 57.5 to Europe with levels to Singapore touching USD 3 million. The balance is now slightly less skewed, but there remains a good deal of work to do before any significant gains will be seen. Aframaxes merely remained in the muddy hole that they fell into last week, and the further reduced flow of Libyan barrels just added to the malaise. Another week of disappointment beckons.

Caribbean

Aframaxes trod on another rotten floorboard to dump themselves to below 70,000 by WS 100 upcoast with little chance of a rebound anytime soon. VLCCs had a quiet week of it - again - but Owners showed enough resilience, and faith in the upcoming March programme, to keep rates at USD 5 million to Singapore and close to USD 4.5 million to West Coast India.

North Sea

Aframaxes here failed to buck the general trend in 'class'. Weak, and perhaps weaker still? Rates compressed lower to 80,000 by WS 87.5 cross UKC and down to 100,000 by WS 77.5 from the Baltic. Suezmaxes found little transatlantic, but would have equalised with West Africa at about 135,000 by WS 50. There was, however, a flurry of fuel oil interest to Singapore which took care of a handful of units at down to USD 2.7 million. VLCCs found very little to play with, and rate ideas slumped to the USD 4.75 million level to Singapore as a consequence.



CLEAN PRODUCTS

Steady in the East whilst the West misfires.

East

LR1s have had a busy week with rates moving fairly swiftly up. By contract Lr2s have seen rates remain pretty flat even with steady interest. 55,000 mt Naphtha Ag/Japan has moved up 10 points to w105 and should hit w110 pretty soon. 65,000 mt Jet Ag/Ukc has also seen a rise of some Usd100k to Usd1.70 million. 75,000 mt Naphtha Ag/Japan has remained around w77.5 and struggled to really make any headway. 90,000 mt Jet Ag/Ukc is also still hovering just below Usd2.0 million with not quite enough business to push it over that threshold.

MRs have been steady this week, but have not seen the rises owners were hoping for at the beginning of the week. TC12 remains around WS 100 for Japan, but with Singapore seeing a slight clear out and Lr1s up to 105, could this mean TC12 rises. East Africa remains at WS 137.5 - 140 and looks quite stable. West bound movements have increased, with USD 1.275Mill on subs at the time of writing, this has been bought, as tonnage is not keen to reposition west bound, hence the premium. Owners will be pushing to repeat these levels. The short haul market has not been as active as we have seen of late. Cross-Ag are fixing between 170 - 190 depending on the voyage. Looking towards the near future, the list is not excessively long, so an injection of enquiry, could see it firm, but exactly the same was said at the beginning of this week and we remain in pretty much the same position at its close.

North Asia has been an area of interest this week for clean tankers. On Wednesday, we saw a decent amount of enquiry which left the MR and LR1 position list looking very tight up until the end of the month. Some cargoes remained outstanding until today as charterers were holding back from fixing, not seeing the kind of numbers they would have liked from owners, but it is clear that the market is on the move. South Korea/Singapore on an MR should realistically now fix at USD 420K. LR1s in North Asia are also tighter and, date-dependent, should fix at around USD 470K for South Korea/Singapore. LR2s are the quietest size and should currently fix at USD 490K levels. Singapore has also been busier than we have seen recent weeks, and the raft of tonnage that had thwarted the prompt position for so long has been largely cleared by short haul business , which is unlikely to ignite the market but will at least keep the tonnage moving and the list healthy. Last done for an MR Singapore/Australia was 35kt x WS 145, and this market may have potential of firming next week with the arrival of fresh enquiry.

Mediterranean

Another week to forget in the Mediterranean and Black Sea handy market as the list remains populated with well approved prompt tonnage whilst weather delays are having little detrimental impact on liquidity. Rates have come off to around 30 x WS 145 across the board, reportedly less has been done, and with IP week in London approaching the outlook is soft. MRs are also suffering a torrid time, we count at least ten on Med/Gibraltar positions before the twentieth, and with the TC2 market correcting to around 37 x WS 120 this week we expect MRs out of the med to trade in line. For West Africa the premium remains around WS 10-15 points whilst for heading East of Suez there is still not much joy to be head, and owner dependant.

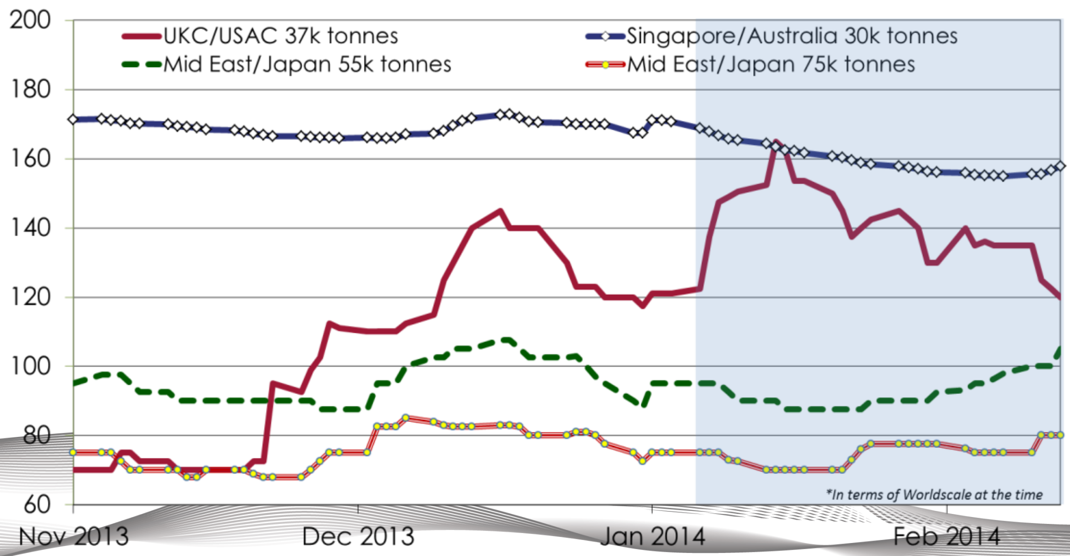
UK Continent

The continent has lacked drive this week, this coupled with an over-crowded tonnage list sent fixing levels south, TC2 finishes the week at WS 120 levels, although cheaper is on subs for specific voyages. West Africa discharge still manages to hold a 10-15ppt premium over TC2, but IP week lurking just around the corner is the biggest worry of all. LR1s have seen more enquiry towards the end of this week, although an over supply of vessels leaves the market weak, 60 x 115 deemed market today although less is there on certain vessel I'm sure. LR2s are holding steady with some numbers loading ex med reported at USD 2.7m to Japan. Handies and flexis have traded sideways again, holding at 30x197.5 for ice cargoes and 30x180 for non-ice, while 22kt remains flat at WS 210.

Caribbean

TC14 showed signs of strengthening this week, with tonnage starting to tighten and a slight increase of activity across the board. Rates saw an upturn to around WS 82.5-85, although owners will be pushing for more. A sustained increase in cargo activity may put more upward pressure on rates, however with stockpiling in the USG any upturn is more likely to be tonnage driven. Caribbean up to the USAC traded sideways at WS 105-110, trades to South America are fetching 38 x WS 150 and cross Caribbean is fixing around USD 550-600k.

Clean Product Tanker Rates



DIRTY PRODUCTS

Handy

The Handysize market has proved a bit of a depressing experience for owners this week; they were forced to watch from the side-lines as an inevitable rate correction occurred in the Mediterranean and to a lesser extent Continent markets. Market fundamentals reversed with cargo volume decreasing to the extent owners began chasing employment as rates slid on the back of a growing tonnage list. Ice premiums in the Baltic and Bsea did not escape the pressure either as idle units allowed charterer's to incite a bit of competition for employment. The Continent market is slowing, a -20 point drop for XUKC is a stark illustration of this and with backwardation kicking in trading wise long term the picture is uncertain.

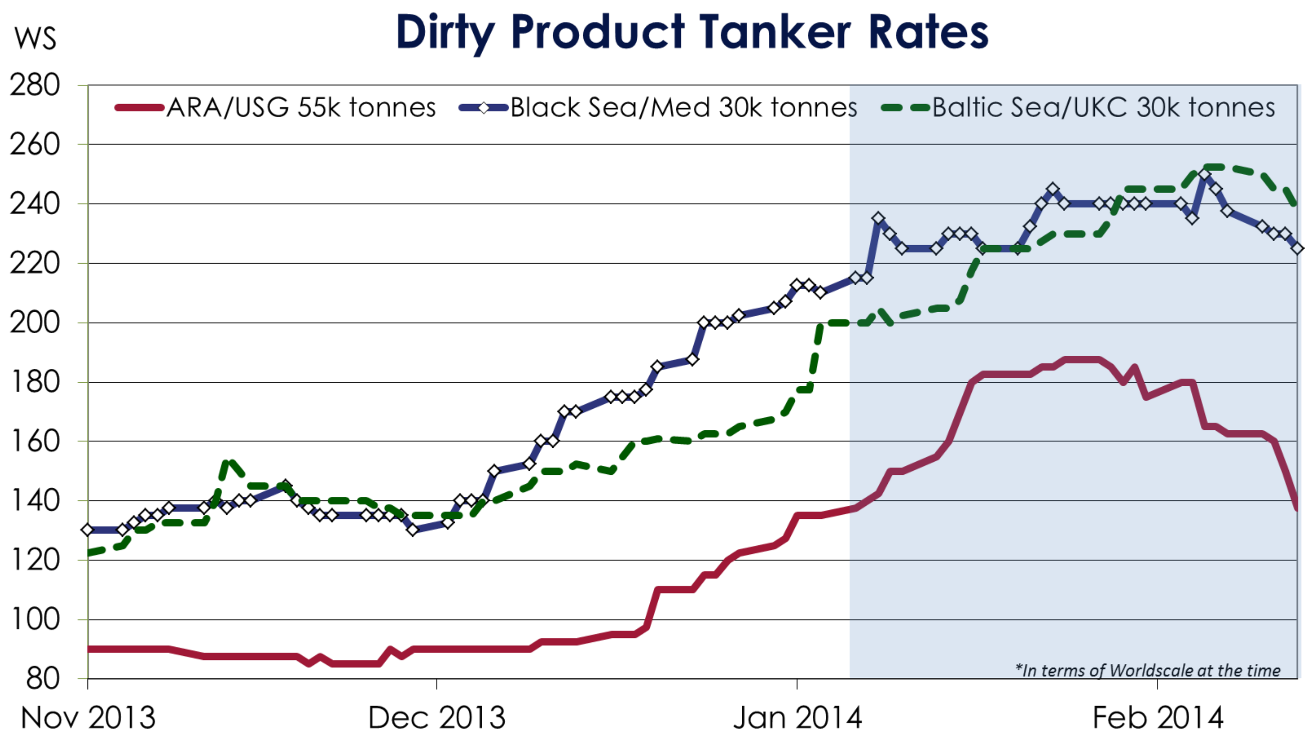
In the Mediterranean the arb East is currently shut which suggests for those with programme stems to move, product will remain more localised and thus Handys should find greater employment opportunities. Unfortunately, poor receiver demand is driving this market and this requires a rebalance before an increase in shipping activity will occur.

MR

Regression towards a more balanced market begins to take hold in this sector, as higher numbers within benchmarked range become more of an anomaly. Those following will have noticed that demand has drastically dropped off, allowing tonnage to accrue in both the Mediterranean and the Continent. This said, Charterers have been taking advantage of an Aframax market that once provided MR owners with momentum to build daily returns, thus inflicting prolonged spells of quietness. Going forward this sector will once again have a market floor largely dictated by the performance of a part cargo Handy market.

Panamax

Looming negative influence from U.S markets provides Charterers with more opportunity to sharpen freight rates, and nowhere more noticeable than fixtures being reported ex Mediterranean. In this Sector, owners also have to contend with a representative dollar per ton offered by surrounding markets, forcing owners to accept larger than envisaged reductions. Distressed tonnage sat Spot has also been an attributable factor, although this can also explain why we haven't yet seen numbers below 140 from the North. Trend next week is likely to be entirely driven by the activity levels we see.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Feb 13th	Last Week	Last Month	FFA Q1 14
TD3	VLCC	AG-Japan	**+16**	64	48	59	56
TD5	Suezmax	WAF-USAC	**-15**	52	67	133	63
TD7	Aframax	N.Sea-UKC	**-7**	92	99	176	102

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

			wk on wk change	Feb 13th	Last Week	Last Month	FFA Q1 14
TD3	VLCC	AG-Japan	**+21,000**	45,750	24,750	38,750	35,000
TD5	Suezmax	WAF-USAC	**-10,250**	7,750	18,000	63,750	14,750
TD7	Aframax	N.Sea-UKC	**-5,750**	9,000	14,750	70,750	16,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Feb 13th	Last Week	Last Month	FFA Q1 14
TC1	LR2	AG-Japan	**+4**	80	76	70	
TC2	MR - west	UKC-USAC	**-16**	120	136	158	126
TC5	LR1	AG-Japan	**+8**	104	96	87	106
TC7	MR - east	Singapore-EC Aus	**-1**	158	159	163	

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

			wk on wk change	Feb 13th	Last Week	Last Month	FFA Q1 14
TC1	LR2	AG-Japan	**+2,000**	8,750	6,750	1,500	
TC2	MR - west	UKC-USAC	**-3,500**	8,000	11,500	16,250	9,000
TC5	LR1	AG-Japan	**+2,500**	11,250	8,750	6,000	11,750
TC7	MR - east	Singapore-EC Aus	**+0**	9,750	9,750	11,000	

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

LQM Bunker Price (Rotterdam HSFO 380)	**+7**	580.5	573.5	560.5
LQM Bunker Price (Fujairah 380 HSFO)	**-4**	610.5	614.5	622.5
LQM Bunker Price (Singapore 380 HSFO)	**+4**	612	608	599

MJC/JCH/DH/AS/JW/DP/ey

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