WEEKLY TANKER REPORT

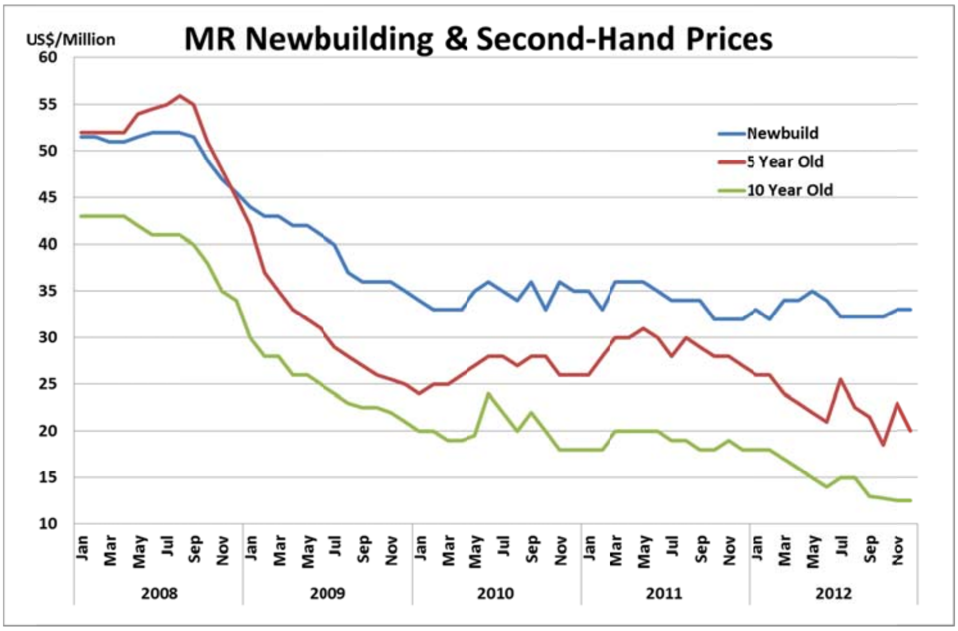
4th January 2013

KNOWING WHEN TO BUY!

Another consequence of poor freight rates and the oversupply situation is the impact on asset values. Preliminary analysis of sale and purchase activity for 2012 indicates that the number of second-hand tanker sales fell to the lowest level since 2009. Asset values fell steadily throughout last year bringing prices for some of the older tankers close to scrap levels (as lightweight prices remained relatively firm). Add to the mix the high bunker prices, particularly in the 1st quarter, and it was no surprise that several owners committed to scrap.

Of course, for every tanker sale there has to be a buyer. The general state of the tanker market last year did little to entice owners to make investment in either newbuilding or second-hand tonnage (with a few exceptions). However, there were some bargains to be ‘snapped up’ with some modern units sold at knock down prices. Several quality units were sold as a few owners were forced into the disposal of assets to keep the balance sheets ticking over. On the US front, two yard resales included two 46,800 dwt Jones Act tankers purchased by Crowley Maritime Corp. from Aker Philadelphia for a reported $90 million each.

Despite the general downturn in new orders, there has been growing interest in the MR sector and as a result over 70% of all confirmed tanker orders placed last year were for MRs. The momentum gained during the year culminated in 27 <u>confirmed</u> MR orders placed in the last two months alone. The popularity of this size of tanker has been emphasised in previous market reports. What we may also be witnessing is the bottoming out of newbuilding prices, which could also be another reason for the sudden surge in orders? Another incentive to entice owners to buy will be the added extras, which will now almost certainly be part of the standard specification. Demand for eco tankers appears to be the norm rather than the exception and we are aware that owners are looking to replace older tonnage with more “efficient” newbuildings. However, demand for eco ships could continue to force down tanker second-hand prices to even lower levels. Tankers less than 10 years old with some kind of retro-modification could become an option should the differential between the newbuild price and the second-hand price continue to widen. There are obviously some strong, cash rich shipowners ready to secure assets at the right price. As always, there will be a right time “to buy”, its just a question of knowing when.



CRUDE

Middle East

The Holiday period meant only spasmodic VLCC fixing, and there was never enough consistency to allow for any momentum to develop. The new year started with January fixture numbers lagging well behind the usual curve ,but Charterers then had to play 'catch up', and we are now moving through a busier patch. Availability initially swamped demand leading to some discounting, but the extra cargoes have allowed for the lost ground to be regained and rates currently stand at around WS 47.5 East and WS 28 to the West via the Cape. Suezmaxes saw little variation to a rather flat theme, but early availability was steadily chipped away, and a slightly finer balance allows for rates to be marked a tad higher at up to 130,000 by WS 77.5 East, though at no more than WS 40 for the popular West route. Aframaxes stayed stuck in an 80,000 by WS 90/92.5 rut to Singapore, and there's no good reason to call for any early change.

West Africa

A steady decline in fortunes for Suezmaxes, after all the pre-holiday tail-wagging. Charterers kept the enquiry flow to a minimum, and when they did push more into the marketplace, the increased competition pushed rates down to as low as 130,000 by WS 67.5 to all Atlantic destinations, with sub US$ 2.3 million seen for West Coast India. More pain on the cards for the near term, at least. VLCCs saw reasonable interest to the East on forward dates, but that merely allowed for ballasters from the region to compete, and equalise rates with AG/East earnings, so levels stayed at an average 260,000 by WS 46.5/47.5 to the East for the duration with US$ 3.75 million paid for West Coast India discharge, though any upward move from the Arabian Gulf will lead to an equal gain here too.

Mediterranean

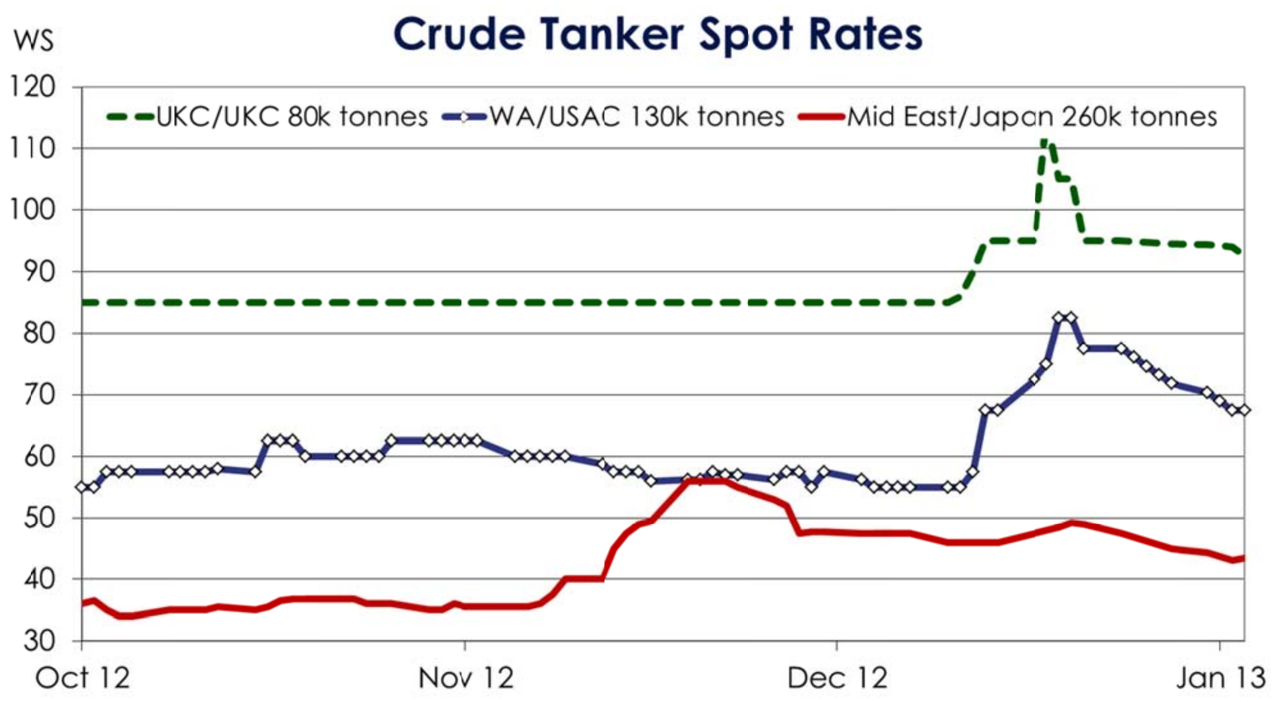
Suezmaxes followed the pattern set in West Africa, and rates slowly corroded upon only modest attention to no better than 140,000 by WS 70 for European options with US$2.8 million seen for a movement to Singapore, and it will take a little while for the soft trend to reverse. Aframaxes have moved onto the shiny new 2013 Worldscale, and have set a lower 80,000 by WS 80/82.5 cross med benchmark to start the year, and will stay there, or thereabouts, over the coming period.

Caribbean

Some bad weather helped to prop up Aframax rates, that would otherwise have fallen even further, given the weight of available tonnage. Rates fell off to 70,000 by WS 92.5 upcoast, but could easily have been down to WS 85. VLCCs got quietly picked off, and lists tightened, but dates then rolled forward once again, and Owners had to accept down to US$4.2 million to Singapore as a consequence, though some are now holding out for a few dollars more.

North Sea

Aframaxes played to the same tune as their cousins in the med, and have re-corrected lower once again to start the year at 80,000 by WS 90/92.5 (2013 scale) cross North Sea, and 100,000 by WS 87.5/90(also 2013 scale) from the Baltic, and it looks as if Charterers will remain in the driving seat for a while yet. Suezmaxes had a quiet time of it, and rate ideas to the states move down with West Africa - minus a bit - to 135,000 by around WS 57.5. VLCCs saw little initially, but reports circulate that around US$ 6 million was paid for a Hpoint/ South Korea run late week.



CLEAN PRODUCTS

MR's positive on both sides of Suez, but the LR's were not as strong.

East

LRs have seen a quiet start to the year so far but next week is expected to be busier with all markets back at work. Rates have dipped and the question really is where will they level out. 55,000 mt Naphtha Ag/Japan is W120 (2013 Worldscale) and 65,000 mt jet Ag/UKC is US$2.30 million. 75,000 mt Naphtha Ag/Japan is down to W95 (2013) and 80,000 mt Jet AG/UKC is at US$2.60 million.

Given it has been a 3 days week for most, the MRs have started 2013 in a positive manner. The change over to the new year's flat rates continues. Tc12 is WS 130 on the new flat rates, but we have not seen an awful lot of fresh activity. East Africa has been busy, but rates remain where they were, 35x215 on the old flats, which is the equivalent to WS 200 on 2013 flats, deals have been done at both these rates. US$ 1.8 million is general opinion on the Ag/UKC, with US$ 1.7 million being fixed loading ex WCI. The shorthauls continue to fix at a healthy level, with mid 300's being fixed for cross-AGs.

As expected a rather slow start to the year for the Far Eastern markets, New Year's holiday and holidays in Japan have inhibited fresh activity this week. Fundamentally things haven't changed for the MR sector from where they left off at the end of last year. The position lists for ships in North Asia are still fairly skeletal and Charterers can expect to pay US$ 500k for S Korea/ Singapore voyage. The LR2s and LR1s have come under pressure this week and for back haul voyages will pay around US$ 550-575k and US$ 500k respectively. Gasoil movements Far East / West have been largely absent this week as have transpacific Jet movements. Freight levels for Singapore into Australia are untested but most Owners who are interested in this type of business are willing 30 x WS 210 levels. The outlook for larger tonnage is grim with little positive news this week, MRs look more positive but in order to maintain current freight levels Owners will need to see more fresh cargoes next week.

Mediterranean

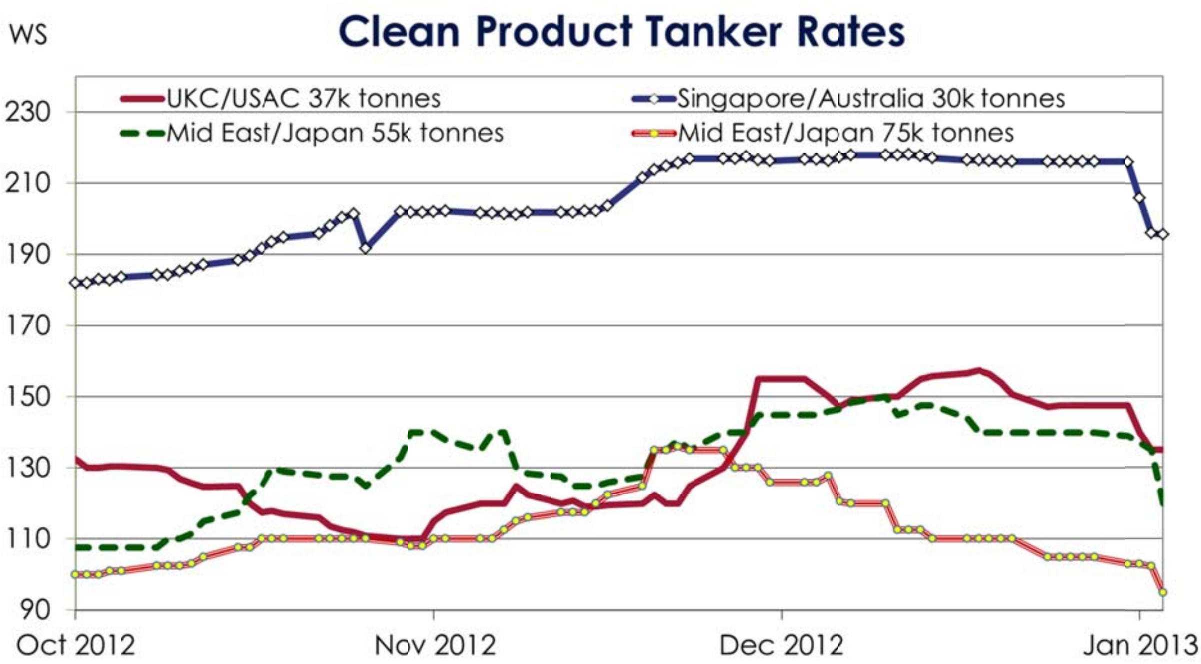
A short week and quite a slow one, spelling bad news for market rates. Some initial enquiry and a few replacements, but simply not enough to keep rates bouyant and the cross med market has traded down to 30 at WS170 on 2013 flats. Positions East Med were a little tighter on opening, so the Black Sea market while not active was initially firmer and yesterday 30x WS177.5 was put on subs for Naphtha ex Tuapse, however today it is considered softer 30x WS170 fixing 10-15 January. On the MR's, the UKC ta market has led the charge and today we consider med ta 37 x 165-170 lvls for ta discharge and + WS 15 points for West Africa. Heading East to the Red Sea, the market needs some testing but considered around US$ 1.0 lvls on an MR.

UK Continent

The short 3 day start to the New Year got off to a flying start for TC2, with a lot of cargoes to cover before 10th Jan. Freight prices quickly increased to WS 150 for cargoes before then and as Charterers start looking out to mid month, the latest we hear on subjects is 37 x 175 for TA and WS 190 to West Africa (basis 2013 flat rates). Baltic / cont liftings for ice were fixing 30x180 and for non ice 30x172.5 Flexi's were trading 22x240 for ice (230 non ice), on subjects at time of writing.
LR1's last done Cont/ta-wafr 60x125 but quiet and LR2's were seen arranged at 2.6m ARA / Japan.

Caribbean

An overtonnaged Caribbean and USG market has suffered a slide in rates at the beginning of 2013 as enquiry for backhaul distillate stems has subsided. TC14 has been trading 38 x WS 87.5-97.5 levels for MED-UKC discharge whilst TC3 is trading around 38 x 137.5. However, with the TC2 market heating tonnage should look to thin up states side as ballasters look to head back to the Continent.



DIRTY PRODUCTS

Handy

UKC: A new year has begun but no one appears to have told the Handy market in the Continent with reported activity almost non-existent. The market requires testing with a benchmark of 30 x WS 165 (2013) set, but more activity is required for trading conditions to start influencing rates. A larger tonnage list than at the end of 2012 provides greater freedom for charterers once the cargos begin to appear.

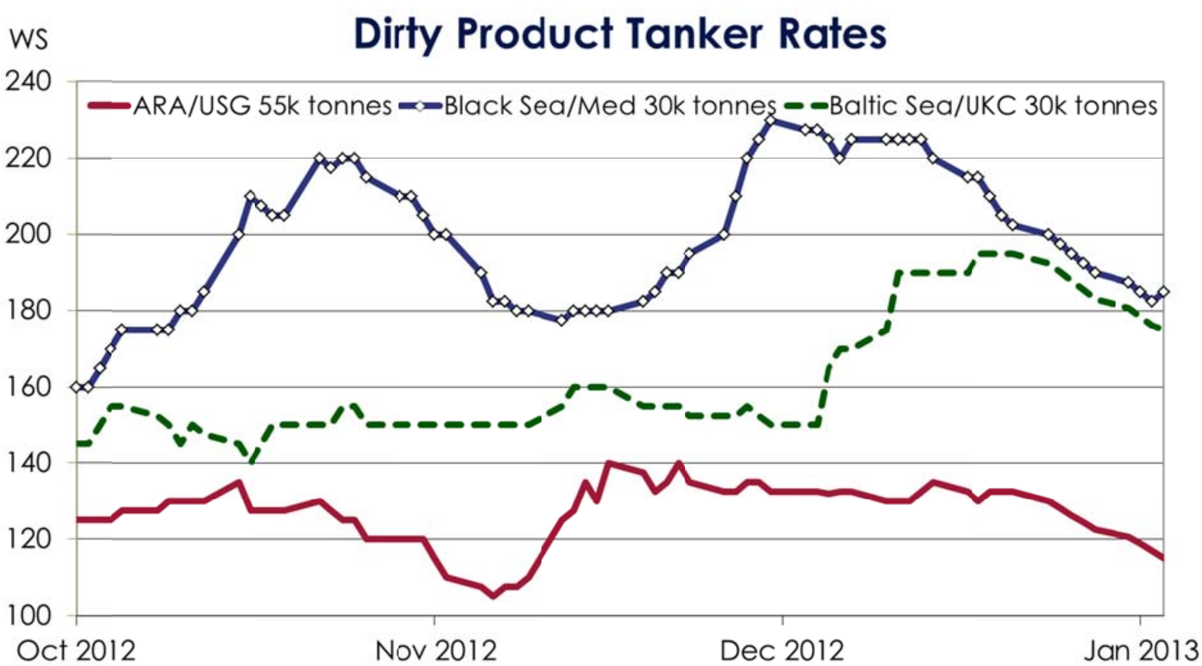
MED: In the Mediterranean the Russian festive period appears to have derailed Black Sea trading with cargo volume down. This has led to a negative pressure on rates as competition was hot - from the numerous central Med positioned tonnage - for the few market cargos. Charterers have been keen to keep rates suppressed with the few Black Sea voyages offered on an individual basis as tonnage is quietly clipped away. Rates are supressed and the region requires stimulating with fresh cargos.

MR

Ras Lanuf continues to be the goose that lays the golden eggs and singlehandedly keeps the 45kt market moving in the Med. A number of stems were quickly snapped up - and with such a glut of cargos it can be assumed tank tops can breathe easy again. Levels in the Med are 45 x WS 135-140 and with 4 cargos covered those that have waited it out may find themselves on firmer negotiating ground for future stems. If there are any. The Continent 45kt market is following a similar path to its Handy market with little reported activity; again private cargos have been clipped away and the 2013 conditions need to be tested to a greater extent.

Panamax

As was the case in most other markets, a similar trend also followed here; prolonged inactivity led to a build-up of tonnage on the position list however, where now we are converting the previous year's schedule to 2013 a procrastination type scenario developed. Eventually a few brave players tested the market although here is where Owners ought to look away, Where levels in the Caribbean Sea lost ground, parity is being sought from this side of the Atlantic.



Dirty Tanker Spot Market Developments - Spot Worldscale

			Jan 3rd	last week	last month	FFA Q1 13	FFA Q2 13	FFA Q3 13
TD3	VLCC	AG-Japan	43	48	48	43	40	37
TD5	Suezmax	WAF-USAC	65	76	55	61	57	54
TD7	Aframax	N.Sea-UKC	91	100	85	94	88	86
LQM Bunker Price (Fujairah 380 HSFO)			612.5	612.5	603.5			

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

			wk on wk change	Jan 3rd	last week	last month	FFA Q1 13	FFA Q2 13	FFA Q3 13
TD3	VLCC	AG-Japan	**-1,500**	22,500	24,000	24,500	22,500	18,500	14,250
TD5	Suezmax	WAF-USAC	**-3,750**	19,500	23,250	9,000	16,500	14,000	12,000
TD7	Aframax	N.Sea-UKC	**-4,000**	12,750	16,750	6,250	13,250	9,250	8,000

Clean Tanker Spot Market Developments - Spot Worldscale

			Jan 3rd	last week	last month	FFA Q1 13	FFA Q2 13	FFA Q3 13
TC1	LR2	AG-Japan	95	105	126			
TC2	MR - west	UKC-USAC	146	147	155	135	121	114
TC5	LR1	AG-Japan	124	139	143	106	103	107
TC7	MR - east	Singapore-EC Aus	195	216	217			
LQM Bunker Price (Rotterdam HSFO 380)			592.5	588.5	588.5			

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

			wk on wk change	Jan 3rd	last week	last month	FFA Q1 13	FFA Q2 13	FFA Q3 13
TC1	LR2	AG-Japan	**-4,000**	13,750	17,750	26,500			
TC2	MR - west	UKC-USAC	**+2,500**	15,000	12,500	14,250	12,250	9,500	8,000
TC5	LR1	AG-Japan	**-1,250**	19,500	20,750	22,000	13,750	13,000	14,500
TC7	MR - east	Singapore-EC Aus	**-3,500**	14,500	18,000	18,250			

(a) based on round voyage economics at 'market' speed (13 knots laden/12 knots ballast)
January 3rd rates are in terms of 2013 flatrates.

PAT/JCH/TP/JT/DJY/RA/SLT

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