WEEKLY TANKER REPORT

18th January 2013

SUPPLY SLOWDOWN, BEFORE SHOWDOWN

The total number of tankers that entered the market in 2012 was significantly less than in 2011, and this year total deliveries are expected to stabilise at around the 2012 level. Nevertheless, this still means that tanker supply will continue to rise and the market will inevitably continue to suffer from the effects of the previously swollen orderbook.

Of the 318 new tankers (25,000+ dwt) originally scheduled to enter service in 2012, just 215 tankers were actually delivered. The majority of the remaining 103 vessels (32% of the original orderbook) will slip into 2013 deliveries, although it is likely some will never materialise at all.

Breaking the 2012 deliveries down further by size, only 54% of originally scheduled MR deliveries actually appeared, while LR1/Panamax deliveries were just 63%. For larger sizes, delivery rates were higher, but typically only 70-80% of what was scheduled. These 'in-built' delays (and cancellations) are a general feature of today's market.

To forecast this trend into 2013, our research exercises a range; a maximum number accounting for the delay case, and a minimum number representing a combined delay and cancellation case. What we found was the delivery profile of product vessels below 80,000 dwt will increase in 2013. LR1 and MR deliveries are estimated to increase to around 20, and between 75-90 vessels respectively. This increase has come on the back of the rise in orders seen over the last 18 months, especially in the MR market. In contrast, the delivery profile for crude tankers is expected to decline; VLCC deliveries are expected to slow to between 35-40 vessels in 2013, in comparison to 49 delivered in 2012. Suezmax deliveries are expected to be in the range of 35-45 this year, while Aframax/LR2s are forecast to be around 25. Thus, in total, tanker deliveries in 2013 are forecast to be in the range 190-220, compared with 215 last year, but the main message for this year is "more product tankers, less crude tankers".

As the 2015 phase-out of single-hull tankers draws ever closer, scrapping is anticipated to trend upwards from last year, greatest in the product tanker markets where owners are already building up MR fleets and also potentially looking to acquire new tonnage with an 'eco' label. Despite the increase in deliveries in these sectors, scrapping will hopefully have an impact in slowing the supply growth. At this stage, any improvement in tanker fundamentals is likely to be limited; but the prospects for 2013 don't look to be worse than 2012 levels.

Historical and Forecast Deliveries

	2011	2012	2013
VLCC	60	49	35-40
Suezmax	44	47	35-45
Aframax/LR2	59	43	25
LR1/Panamax	29	15	20
MR	90	61	75-90
Total	**282**	**215**	**190-220**

CRUDE

Middle East

From 'disappointing', to positively 'nasty' for VLCC Owners this week. Modest enquiry, and ongoing plentiful availability forced a noticeable retreat by the weeks' end, and the market bumped down to lows of around WS 38 East, and WS 23 West - upon the belatedly adopted 2013 Worldscale. Charterers to remain in the driving seat next week. Suezmaxes had a relatively better time of it, however, as pockets of tightness opened up some opportunities to push rates very slightly higher to 130,000 by WS 72.5 East, and high WS 30,s West, though there will be no significant rate spike over the coming period. Aframaxes more or less stayed unchanged. Enquiry was reasonably healthy, but there was always competition, and rates stayed stuck at down to 80,000 by WS 80 to Singapore with little change forecast.

West Africa

No positive turnaround for Suezmaxes here, and the only effect of a mid-week flurry of fixing was a fight to an even lower rate band of 130,000 by WS 55/57.5 for all Atlantic destinations. Maybe activity will pick up a tad next week, but don't bet on much improvement resulting. VLCCs kept to an exclusively Eastern diet, and continued to be hog-tied to Arabian Gulf fortunes, so rates moved into the very low WS 40,s for China, and down to US$ 3.425 million for West Coast India discharge. Again, no discernible change likely over the near term.

Mediterranean

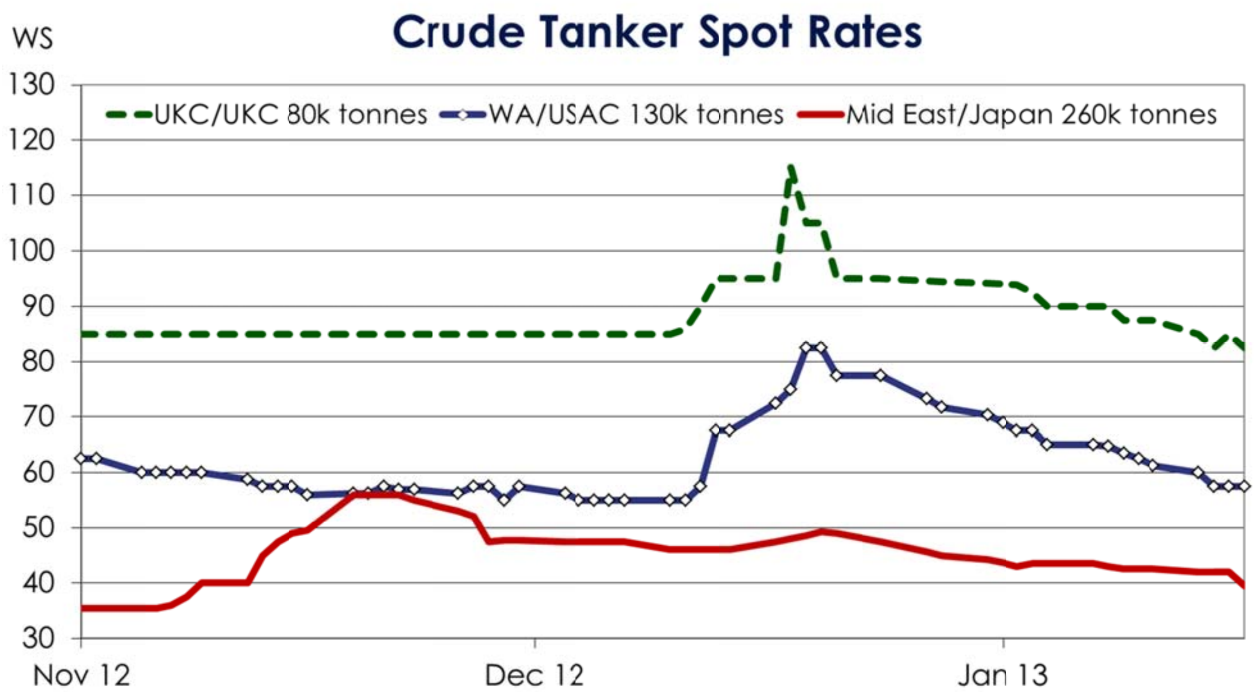
No cavalry in the form of extended Turkish straits delays for either, size and the hope for significant disruption remains just hope. Aframaxes bobbed along, but ended up a little lower in the water by the weeks' end at 80,000 by WS 72.5/75 level for cross Med, where they will stay for a while. Suezmaxes also saw moderate attention, but it was never enough to challenge the wall of available tonnage, and rates settled at down to 140,000 by WS 57.5 from Black Sea/Europe runs with WS 50 paid for States discharge. Eastern destinations remained a popular alternative and US$ 2.5 million was 'conference' for the Med/Singapore route.

Caribbean

Some early week fog gave Aframax Owners hope, but that quickly dissipated, and once again 70,000 by WS 85 upcoast was about the best that could be managed. Another chance next week but only if the weather turns. VLCCs have become tight upon early positions, and eventually that converted into a higher US$4.45 million for Singapore, but as dates roll forward, less resistance is likely.

North Sea

Back to a tediously steady Aframax rate line again - 80,000 by WS 82.5/85 for cross UK Cont, and 100,000 by WS 70/72.5 from the Baltic and no good reason to call for much variance in the short term, at least. Suezmaxes found steady demand for fuel oil movements from Baltic to Singapore, and rates operated at around usd3.1 million for such runs. VLCCs saw less than last week, but US$5.6 million was reported for the show case Houndpoint/South Korea route.



CLEAN PRODUCTS

A slow week both sides of Suez.

East

LRs have had a tough week with rates falling across the board. Activity levels have been reasonable but the surfeit of tonnage has meant falls were impossible to halt. 55,000 mt Naphtha AG/Japan is now at W105 and 65,000 mt Jet AG/UKC rates at US$1.85 million. 75,000 mt Naphtha AG/Japan is down to W82.5 and 90,000 mt Jet AG/UKC seems to have settled at US$2.30 million. LR2s may have seen the worst of it but LR1s look likely to see further falls.

The MR market has been robust throughout this week and if it was not for the soft LR1 market, it would of made gains. TC12 market has hovered around 125 levels and a touch more is on subs at present. East Africa remains busy and has settled at WS 195 levels. AG to the UK Continent is still quite untested, but with January dates particularly tight, it is assessed at US$ 1.7 Million levels. Cross AG markets are coming under pressure from the LR1s and this has seen rates weaken, with Kwt/UAE fixing at US$ 260,000 and Charterers pushing for less on the shorter voyages. However with such a weak Lr1 market and those vessels competing for MR shorthaul cargoes, it is expected that MRs will suffer in the coming weeks.

It has been another poor week for LR1 and LR2 Owners in the AG/West Coast India region where rates have dropped in huge tranches throughout the week. The Far Eastern markets have not escaped unscathed and as a result is weaker across the board as well. MRs have proved most resilient to freight erosion however, even here back haul cargoes from Korea/Singapore rates have fallen to US$ 480-490k region. LR1s are almost at parity and Owners with ships in position almost unanimously assess this market at US$ 500k Level. LR2s have had an active week all, albeit at diminishing rates, which has cleared out a chunk of tonnage fixing levels this week were US$ 525k. Singapore/Australia runs have been mostly covered by contract or hushed up, current market levels are 30 x WS 190 levels. Transpacific cargoes have been quiet of late and here too freight rates have felt the pressure with MR Owners indicating US$ 1.45 m for S Korea /San Fran/Rosarito range.

Mediterranean

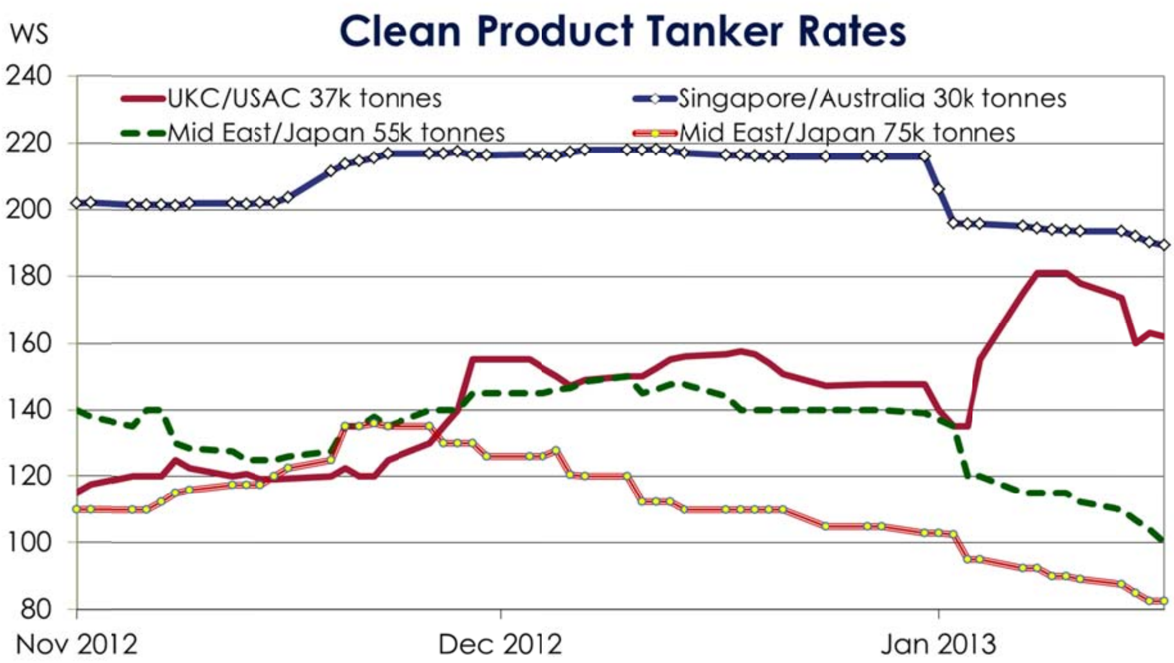
Again the Med has ticked over this week with a balanced flow of cargo enquiry. Workable tonnage is being kept tight by disrupted vessel itineraries, in particular the west and central Med. Despite a lot of forward fixing, the market has, in large traded sideways with Cross Med stems fixing around 30 x WS170 levels and the Black Sea exports broadly inline, but looking as though it could trade WS 2.5-5 points given the end month enquiry. For the MRs, a retraction in the TC2 market and quiet enquiry for long haul stems ex Med has seen levels fixing around 37 x 160 for TA/WS 170-175 for West Africa - and the general outlook looks soft.

UK Continent

A fairly quiet week on the Continent. Although a clear ARB was visible for TC2 trade, there was a distinct lack of cargoes, which resulted in freight prices falling to WS 160 basis 37kt, on subjects at time of writing. Movements to West Africa were quiet too, we saw handies fixing between 33 x 187.5-190 for gasoil cargoes. Baltic / Cont trade was paying 30 x 170-175 for non-ice and 180-185 for ice class tonnage. Flexi's were arranged at WS 235-245 basis 22kt for ice / non ice. We saw Lr1's confirmed around WS 145 basis 60kt for ta and West Africa discharge. Lr2 ideas were 2.675-2.7m UKC/Japan.

Caribbean

The USG/Caribbean Sea back haul market continued to firm upwards this week with 38 x WS 110-115 reported fixing levels earlier in the week. Local tonnage has thinned given the recent strong TC2 market and combined with UKC-MED market demand for Gasoil – this has been the major driver. For Caribbean Sea up Owners ideas remain around 38 x 135 but are largely untested whilst cross Caribbean Sea activity looks soft.



DIRTY PRODUCTS

Handy

UKC: We appear to be over the New Year hiatus and the Handy market is gathering momentum, particularly in the Mediterranean. The region has benefited from a growth in XMed trade bolstering the previous weeks Black Sea activity; this sustained period of trading has reshuffled tonnage and led to much of the region gaining employment. With weather badly affecting STS operations and tonnage shifting from Malta to Cyprus to ensure minimal disruption to lightering all the pieces of the puzzle are in place for tight market conditions when beginning month cargos enter the market. Rates have risen in the region by 5-7.5 points since Monday and a bullish forecast is predicted by many Owners. Watch out for itineraries and late runners with weather expected to play havoc with opening dates.

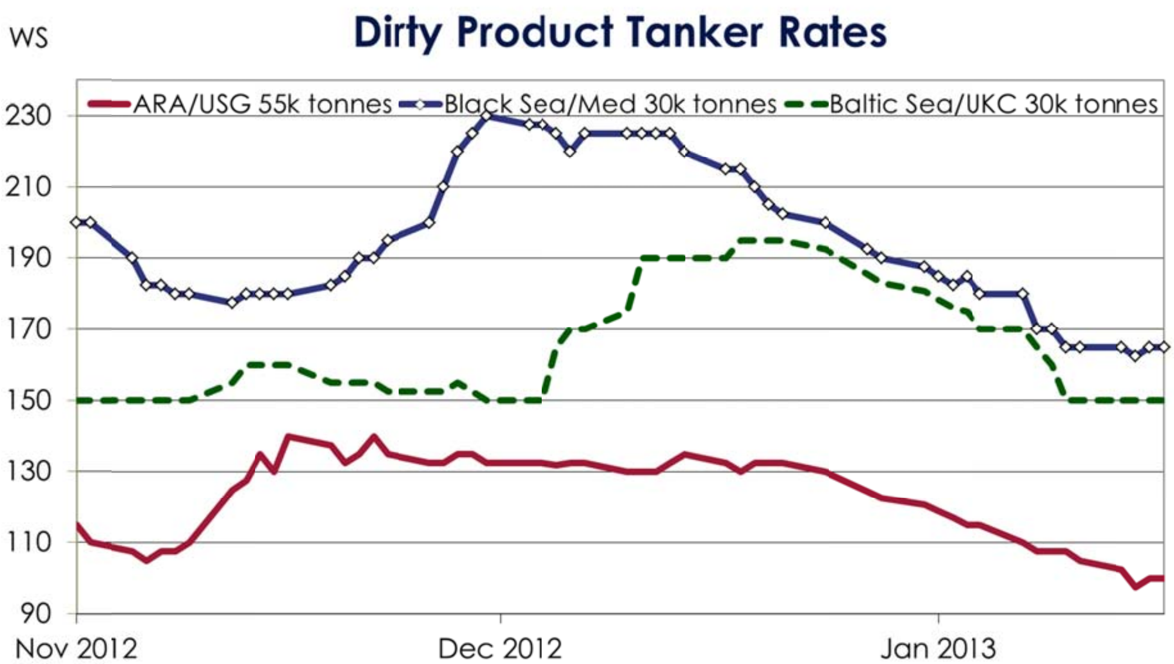
MED: The Continent trails the Med but there is life in the old dog as trade has increased in volume with rates slowly following with the typical lag. With most ice class vessels gaining employment, next week is expected to bring with it a rate increase especially if natural positions are poor. Activity has been sufficient for north of 30 x WS 150 to be broken in the new week.

MR

This week in the Continent, Owners with ice-classed tonnage have been able to enjoy the benefits of little to none equally hulled Panamaxs. With 3-4 vessels being clipped away for ice business, we face a slimmer tonnage list heading into Monday and Owners with ice tonnage available only waiting to make the most of this opportunity. Down in the Mediterranean, Ras Lanuf hasn't been as active as usual, but with many vessels from last week discharging STS Malta, and with poor weather about, next week can anticipate itineraries slipping. A couple of vessels have managed to pick up their desired long haul business, and with any Ice tonnage looking up to the North for some premiums, expect upward pressures from Owners on current rates.

Panamax

A noticeable increase in activity saw a transformation of the tonnage list particularly in North West Europe. This combined with a rate rise over in the Caribbean Sea led to Owners pushing for WS parity between the two markets. WS 107.5-110 levels are being spoken of however a totally different set of conditions prevail down in the Mediterranean. Vessels here sit prompt and where many were also open naturally, here Owners don't seem to have the same negotiating power, in turn this makes WS 100 look questionable.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Jan 17th	last week	last month	FFA Q1 13	FFA Q2 13	FFA Q3 13
TD3	VLCC	AG-Japan	**-2**	41	43	49	40	38	35
TD5	Suezmax	WAF-USAC	**-5**	57	62	80	57	54	52
TD7	Aframax	N.Sea-UKC	**-2**	85	87	104	88	86	85
LQM Bunker Price (Fujairah 380 HSFO)			**-10**	622.5	632.5	612.5			

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

			wk on wk change	Jan 17th	last week	last month	FFA Q1 13	FFA Q2 13	FFA Q3 13
TD3	VLCC	AG-Japan	**-2,250**	19,000	21,250	22,250	17,500	14,750	10,750
TD5	Suezmax	WAF-USAC	**-3,000**	13,750	16,750	26,000	13,750	12,000	10,500
TD7	Aframax	N.Sea-UKC	**-1,000**	7,750	8,750	19,500	8,250	7,250	6,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Jan 17th	last week	last month	FFA Q1 13	FFA Q2 13	FFA Q3 13
TC1	LR2	AG-Japan	**-7**	83	90	110			
TC2	MR - west	UKC-USAC	**-21**	162	183	154	143	120	112
TC5	LR1	AG-Japan	**-12**	105	117	141	100	99	105
TC7	MR - east	Singapore-EC Aus	**-5**	189	194	216			
LQM Bunker Price (Rotterdam HSFO 380)			**-12**	609.5	621.5	585.5			

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

			wk on wk change	Jan 17th	last week	last month	FFA Q1 13	FFA Q2 13	FFA Q3 13
TC1	LR2	AG-Japan	**-2,500**	11,750	14,250	19,750			
TC2	MR - west	UKC-USAC	**-4,250**	18,000	22,250	14,000	13,750	8,750	7,000
TC5	LR1	AG-Japan	**-3,500**	13,250	16,750	21,250	11,500	11,500	13,500
TC7	MR - east	Singapore-EC Aus	**-750**	15,750	16,500	18,250			

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

MJC/JCH/TP/JT/SLT

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