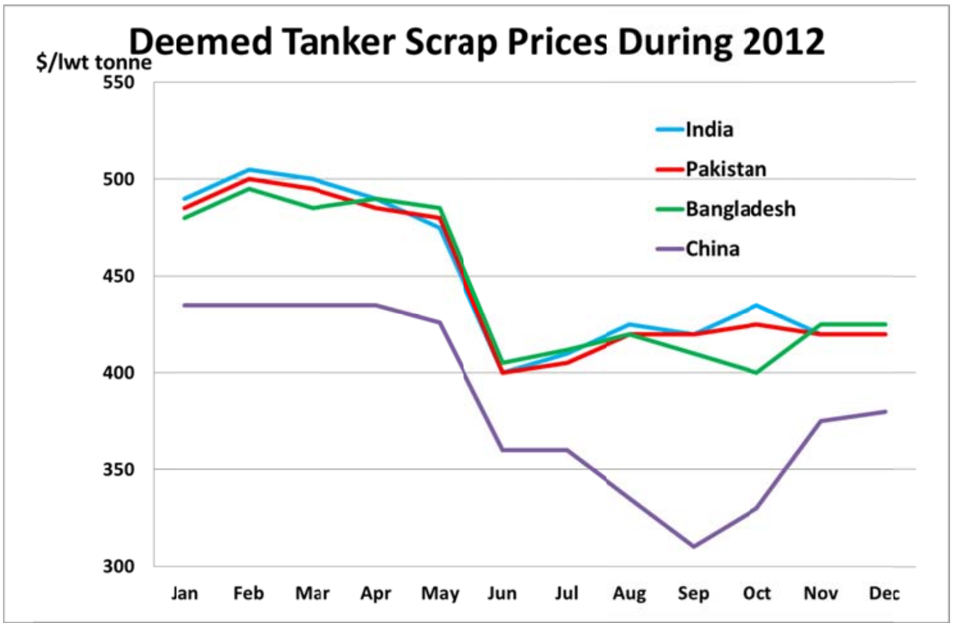
WEEKLY
TANKER REPORT

1st February 2013

TANKERS TORCHED!

The continuation of the poor tanker market into 2012 heaped more pressure on owners to scrap tonnage. Total tanker demolition sales for the year amounted to 11.8 million dwt, up by 2.3 million dwt over the volume achieved in 2011. The poor trading conditions experienced by some markets during the year, particularly for the crude tankers, coupled with the arrival of the Eco ships, continued to push second-hand prices to exceptionally low levels. However, scrap lightweight prices remained fairly firm, particularly through the 1st quarter, which resulted in second-hand values of tankers (15 years of age+) falling close to scrap values. Of the 108 tankers (25,000 dwt+) sold for scrap, almost one third were less than 20 years old. (The total included 71 double-hull vessels).



Looking back at last year's statistics, 14 VLCCs (average age 20.5 years) were sold for demolition, with half the sales concluded in the 1st quarter. The VLCC ATLANTIC PROSPERITY (311,689 dwt) was just 16.2 years of age when sold to Indian breakers in January and has the distinction of being the largest tanker sold for disposal in 2012. There were 19 Suezmax sales (11 more than 2011) while Aframax/LR2s numbered a further 36 (average age 21.4 years) accounting for 33% (3.4 million dwt) of all demolition sales. MR sales fell to 32, down from 55 last year, while Panamax sales equalled last year's 7. It is no surprise this reflects the general pattern in the expectations of the tanker industry: concern for the crude market and stronger prospects for product tankers.

India's short domination as the region of choice for tanker demolition came to an end with Pakistan taking the central role at 6 million dwt. Bangladesh retained second spot with 3.1 million dwt, followed by India (1.9 million dwt). Tougher regulations on the import and disposal of tonnage coupled with competition from dry bulk sales has moved the emphasis away from the traditional Bangladesh/India domination. However, demand for scrap steel remains high, which has supported lightweight prices. A cocktail of factors could yet force more sale activity throughout this year as more regulation, environmental commitments and basic economics will put more tanker tonnage to the torches of the Asian recycling industry; the question is how much?

CRUDE

Middle East

VLCC Owners attempted a fight back, but ultimately failed miserably. Admittedly, rates didn't go lower, to the East at least, but there wasn't much lower that they could have gone in anycase. Roughly half the February programme has now been covered, and rates remain at no higher than WS 32 East, and high 'teens' to the West. Another week of pain beckons. Suezmaxes had reasonable attention, but availability was always just plentiful enough to thwart any potential breakout, and the market merely bumped along within its' recent range - down to 130,000 by WS 60 East, and WS 32.5 West, with little change on the immediate horizon. Aframaxes remained firmly in their 80,000 by WS 80 rut to Singapore, and there's no good reason to expect an early change.

West Africa

Suezmax bargain hunters shopped in large enough numbers to initially help Owners to raise prices by a few WS points, but by the weeks' end, the cargo flow had dried up, and downward pressure once again began to build. Rates end at around 130,000 by WS 52.5 to the US Gulf, and WS 55 for Europe. VLCCs had a slow week of it, and could only match the earnings available from the Arabian Gulf. Rates to the East dipped to 260,000 by WS 33 with US$ 2.65 million paid to West Coast India. A 'rogue' inter Atlantic deal was seen at a premium WS 47.5, but it was upon an early date - and failed in anycase, though does highlight the dearth of naturally positioned units.

Mediterranean

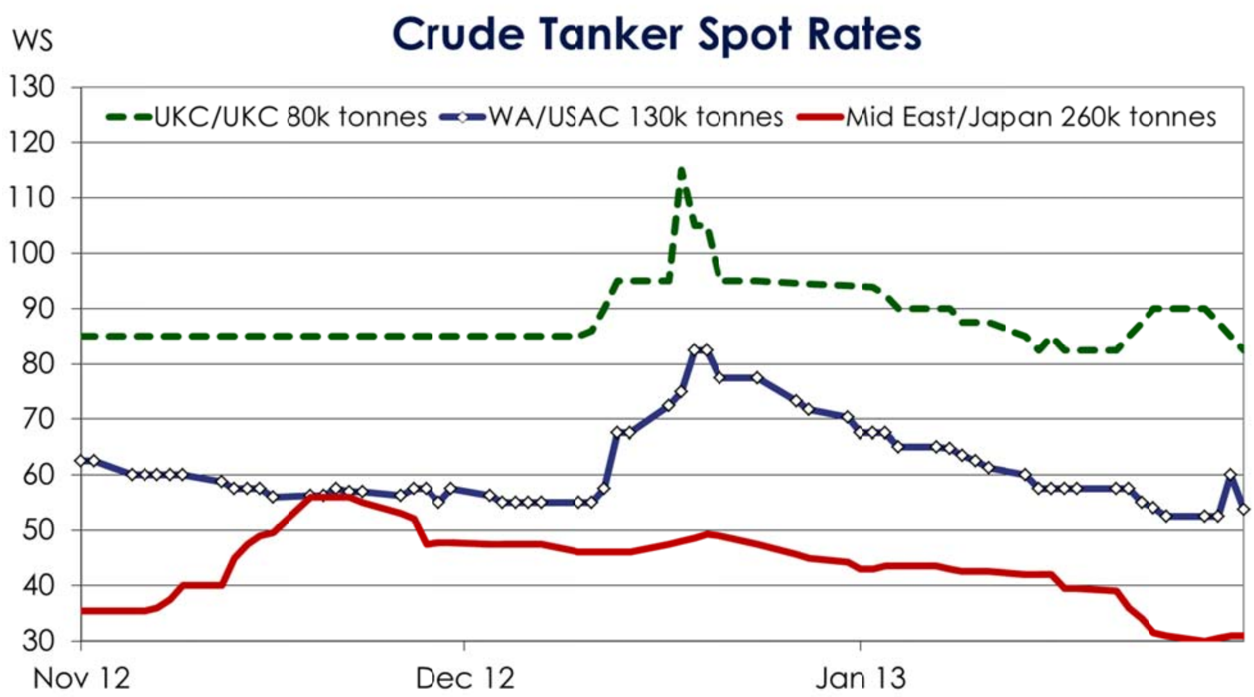
Aframaxes spent the week firming up their improved position, and the progressive nature of the market encouraged a steady to strong feed of fresh interest to further stoke the fire. Rates moved steadily higher to 80,000 by WS 100 cross med by the close, and could well post more gains early next week. Suezmaxes had a much flatter profile, but did at least find reasonable interest for a variety of discharge options Rates from the black sea operated within a 140,000 by WS 57.5/60 range for European discharge, and US$3.5 million for china runs, and look set to stay there, or thereabouts, for a while.

Caribbean

VLCC Owners slipped another gear upon a rather thin week of fixing, and collapsed sentiment elsewhere. Rates now hold only a shade higher than US$4 million to Singapore and US$3.6 million to West Coast India. Busier next week, but rates will be slow to respond. Aframaxes stayed down, and virtually out, as the supply/demand balance remained firmly tipped in Charterers favour. 70,000 by WS 82.5 upcoast is the norm, and will stay largely unchallenged.

North Sea

Aframax Owners here lost their crown to their Mediterranean cousins, and show how quickly these short haul market players can go from 'hero' to 'zero'. Last weeks' 80,000 by WS 100+ cross UKC, is now WS 80 while the 100,000 size from the Baltic dumped some 30 WS points to WS 70/72.5. More cargoes are needed, but Charterers will be loath to help, having regained the advantage. Suezmaxes found a handful of deals, but rates couldn't move above 135,000 by WS 50 Transatlantic, needing something more dramatic to develop to the South. VLCCs recorded very little, apart from a report of US$3.65 million being paid to Singapore - a noticeable drop on 'last done'.



CLEAN PRODUCTS

West is busy and firm

East

Mrs have seen a quiet week with rates softening with the expectation of more falls to come on certain routes. 35,000 mt Naphtha WCI/Japan is down to W122.5 and cross AG fixtures are down at US$200k and even at that are struggling to compete with the Lrs. 35,000 mt AG/East Africa is at WS190 but untested and may be lower and 40,000 mt Jet AG/UKC is rated at usd1.5 million but hasn't been fixed this week.

Lrs have also had a pretty disappointing week although rates are already at a low point so major falls are unlikely. 75,000 mt Naphtha AG/Japan is at w80 and seems unable to rise at all even after a busy previous week. 90,000 mt Jet AG/UKC is stable at US$2.3 million. 55,000 mt AG/Japan was fixed as low as WS92 but generally rates are at WS95 for now but there may still be a few points to go before the decline is halted. 65,000 mt Jet AG/UKC is pretty set around US$1.825 million but it is very quiet at the moment. Lrs are now bumping along the bottom and look likely to stay there for the weeks to come.

Mediterranean

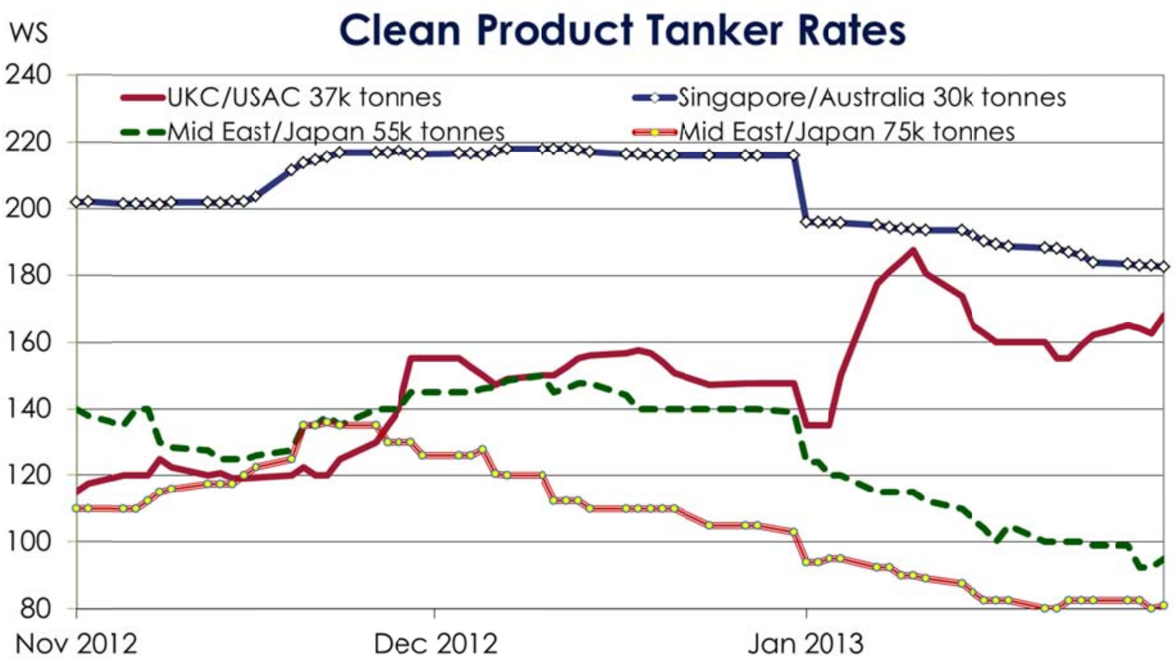
A week on the slower side of steady in the Mediterranean for the handys yet fixing levels have continued to trade sideways. The list has looked seemingly lengthy this week against what has not been a resounding amount of fresh enquiry. Additionally dates have looked on the later side, however, on closer inspection there is still a level of uncertainty around itineraries, especially in the East med , with port delays affecting discharge operations. Conversely - disruption in Ras Lanuf has dampened the amount of enquiry in the market so in general things have remained tentatively balanced - for Cross med 30 x 180-182.5 has been fixing levels whilst 30 x ws185 is last done out of the Black Sea and is also on subs at time of writing. For the bigger ships not a huge amount of enquiry but earlier in the week fixing TA was in line with TC2 37 x 157.5, given the heat now in the TC2 market there is no reason why these levels will not be achievable for med loads – so consider 37 x 175 levels with the market looking firm. Heading East the Red Sea/AG is not a particularly attractive market for owners to be opening and thus East discharge Owners ideas are around USD 1.1 Mil / 1.2 Mil respectively, however that remains load dependant and certainly cheaper numbers have been achievable on the right ship.

UK Continent

A promising week as TC2 shows signs of rebounding , at time of writing has climbed up to 37 x 185 -190 is rumoured on subjects for ums heading transatlantic with West Africa at a premium of usual circa plus 10 points.. A surge of cargoes absorbed the bottleneck of ships on the early side squeezing the market north. Trickles of enquiry to West Africa, clips of 33kt is currently trading at around 190-195. A steady week with a busy finish for the handy market, ice exports from the Baltic demand 30x190 or 22x255, non-ice loading cargoes trade some fifteen points under these levels. It is worth noting the list has quickly tightened towards the end of the week so there is potential for an upwards turn. Disappointing week on the LR1's, with a lack of enquiry levels have corrected themselves to 60 x 125 for long-haul runs transatlantic and West Africa. Ideas for liftings of mogas ex UKC remain around USD 1.4 m level destined for the red sea.

Caribbean

Tonnage has been the main driving factor in the rate rise witnessed in the USG and Caribbean this week as weather delays continued to play a part. Backhaul has been reported on subjects at 38 x 112.5-115 levels by the weeks end and with a hot TC2 market off the continent things look set to tighten further with ballasters looking to catch the rates. For Caribbean Sea-USAC WS 140 is reportedly on subjects whilst cross Caribbean Sea is trading around USD 600K.



DIRTY PRODUCTS

Handy

UKC: Like putting a weight on a set of Libra scales one side drops and the other rises; the continent in this case being the benefactor from a lack of tonnage whilst the, Mediterranean drops through lack of activity. Ice class units in the north seem to be the main driver in market direction as now hugely desirable, forward fixing and general increase in demand saw rates propel into the 175-180 region (ex Baltic). We now have developing a two tier market; owners however will be frustrated it's taken soo long this year to develop.

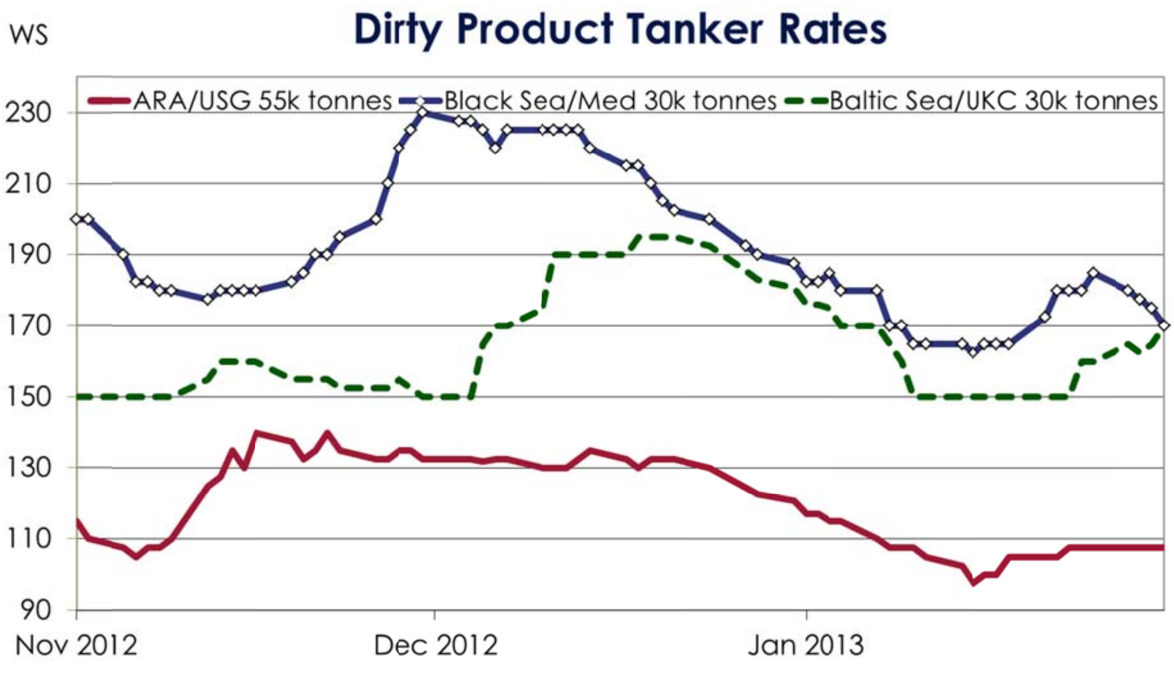
MED: Down in the Med it would appear that recent fixing flurries have come to an end where activity week on week is noticeable down. Fresh from a strength test we look to be closing upon a rate of 30/160 Ex B.Sea, however Monday's tonnage list is likely to show a few ships prompt adding further pressure.

MR

To a lesser extent, market conditions echoed to a similar tone to that of the Handymax markets when comparing Med and Cont. divides. Where the Med offered less opportunity this week charterers were able to pick off favourable deals, although with a scare that Ras Lanuf exports would temporarily be removed from the market place many an owners resolve would have been out to the test. Immediate success in this sector however is likely to come from Ice affected regions; where at time of writing 45/ WS 155 Baltic / UKC isn't guaranteed.

Panamax

Another week passes and yet still no sign of any market rebound for vessels open down in the Med, In fact we close this week lower as rates touched sub WS 95. Although this reaction to inactivity was somewhat inevitable, conditions aren't tough elsewhere with in the sector. The continent remained pretty flat week on week and West Africa provided relief for some! Where we go from here will largely depend now on activity in the US; as to keeping ballast units away, this will give Owners breathing space to balance the supply / demand gap.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Jan 31st	last week	last month	FFA Q1 13	FFA Q2 13	FFA Q3 13
TD3	VLCC	AG-Japan	**-1**	31	32	43	35	36	35
TD5	Suezmax	WAF-USAC	**+3**	55	52	65	57	54	51
TD7	Aframax	N.Sea-UKC	**-8**	83	91	91	88	86	85
LQM Bunker Price (Fujairah 380 HSFO)			**+10**	637.5	627.5	612.5			

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

			wk on wk change	Jan 31st	last week	last month	FFA Q1 13	FFA Q2 13	FFA Q3 13
TD3	VLCC	AG-Japan	**-2,000**	3,500	5,500	22,500	9,250	11,000	9,750
TD5	Suezmax	WAF-USAC	**+1,750**	11,500	9,750	19,500	12,750	11,000	8,750
TD7	Aframax	N.Sea-UKC	**-5,750**	5,750	11,500	12,750	7,750	6,500	6,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Jan 31st	last week	last month	FFA Q1 13	FFA Q2 13	FFA Q3 13
TC1	LR2	AG-Japan	**-2**	81	83	95			
TC2	MR - west	UKC-USAC	**+11**	168	157	146	152	129	117
TC5	LR1	AG-Japan	**-5**	95	100	124	97	102	109
TC7	MR - east	Singapore-EC Aus	**-4**	182	186	195			
LQM Bunker Price (Rotterdam HSFO 380)			**+11**	625.5	614.5	592.5			

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

			wk on wk change	Jan 31st	last week	last month	FFA Q1 13	FFA Q2 13	FFA Q3 13
TC1	LR2	AG-Japan	**-1,000**	10,250	11,250	13,750			
TC2	MR - west	UKC-USAC	**+2,250**	19,000	16,750	15,000	15,250	10,250	7,750
TC5	LR1	AG-Japan	**-2,000**	9,500	11,500	19,500	10,250	12,000	14,250
TC7	MR - east	Singapore-EC Aus	**-1,000**	14,250	15,250	14,500			

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

PAT/JCH/TP/JT/SLT

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