WEEKLY TANKER REPORT

GIBSON SHIPPING ENERGY

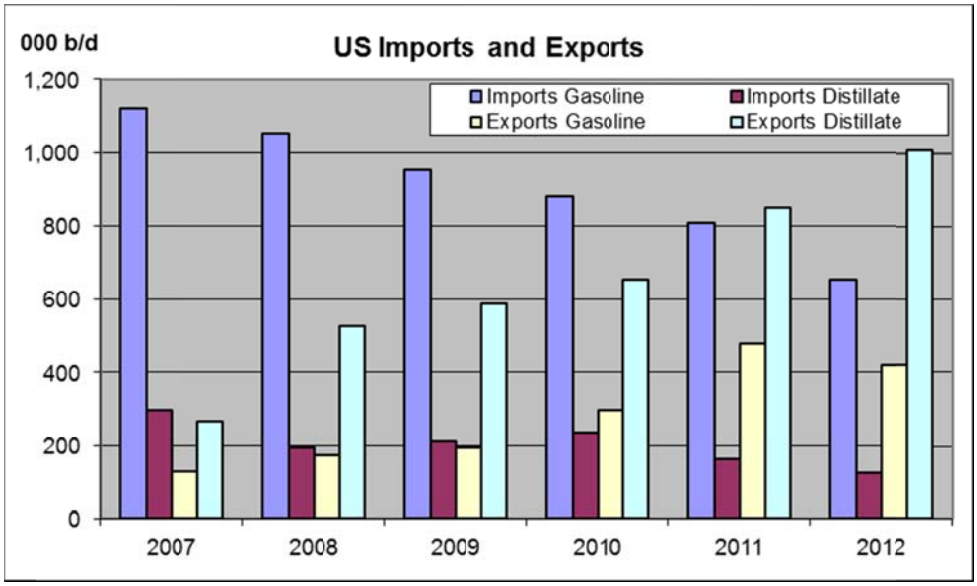
15th March 2013

US PRODUCT EXPORTS – MR DELIGHT

It's a year since we last wrote about the ever changing flow of the US product market – that of its shift from importer to exporter. In 2010 the US swung from being a net importer of gasoline and distillate products to a net exporter. Since then the pattern has continued with figures for 2012 standing at a combined 0.7 million b/d of gasoline and distillate imports compared to over 1.4 million b/d of exports. This growing volume is attributed to the large increase in distillate exports which accounts for over 1 million b/d in 2012.

Traditionally the US has been perceived as a gasoline importer – explaining the importance of TC2 as a leading benchmark for the MR trade. However in 2012 over 155,000 b/d less gasoline was imported than in 2011. Gasoline exports also fell but only by 58,000 b/d. Global demand for gasoline remains strong however in the US distillate production for export has been favoured over gasoline because of higher diesel margins. This has led to increased refinery investment in hydrocracking capacity to boost distillate yields. In contrast, gasoline yields have suffered leading to declining investment and even closures of catalytic cracking facilities needed to produce gasoline. Hess closing its 65,000 b/d Port Reading cracking facility last month being the most recent example.

Logistical constraints such as pipeline congestion limit the ability to move excess gasoline from some US refineries. Further hampering in supply comes in the requirement for the expensive and illusive Jones Act vessels which means that, particularly on the US East Coast, importing gasoline can be cheaper than producing. Pipeline conversions within the US would help to ease the logistical imbalances and indeed many are already taking place but they are expensive and time consuming so not a quick solution.



If the ban on exporting US crude is lifted, which is unlikely at least in the short term, then the transport infrastructure would all need to change again. But in the meantime potentially we could see the US import statistics for gasoline change in 2013 - this bodes well for TC2 as the volatility in earnings already seen this year suggests. With export volumes, particularly distillate, being at record levels the backhaul trade from the US should also prove fruitful for those who can get it.

CRUDE

Middle East

As Charterers begin to draw a line under March, they can feel happy with themselves that they were able to manage their remaining VLCC positions without having to pay any heavy premiums. Availability has diminished to such a degree that the potential for another small rate hike could have been foreseen but with the slow drip feed of enquiry kept such thoughts of raising levels away from Owners minds. Last done to the East was 270,000mt by WS35 and 280,000 by WS18 to the West. Suezmaxes had a relatively active week in the AG, but it has not really left much of a mark as the list was pretty ample to start with! With that in mind, rates will continue to bottom feed into next week with little change envisioned. Aframaxes have been a mixed bag of long and short haul voyages with a smattering of replacement deals which has produced a varied degree of rates. However, if the market was to be shown a generic AG/East, the result would be a fairly predictable one of around 80,000 x WS80 for East and rates can be expected to say in that region at the moment.

West Africa

Eastern ballasters continue to be the main players here, as the Middle East VLCC market continues to flounder. Charterers continue to plough ahead into next month's programme without any concern, with Owners more than willing to oblige at as per last levels, which currently stand at 260,000mt by WS35/36. The potential was realised for the Suezmax tonnage for early cargoes. We have seen premiums of 130,000 mt by WS80 for USAC discharge. Although Owners sentiment is buoyed we doubt this will have much effect for the forward fixing windows were rates will remain 130,000 mt by W55 for US Gulf and w60 for European discharge.

Mediterranean

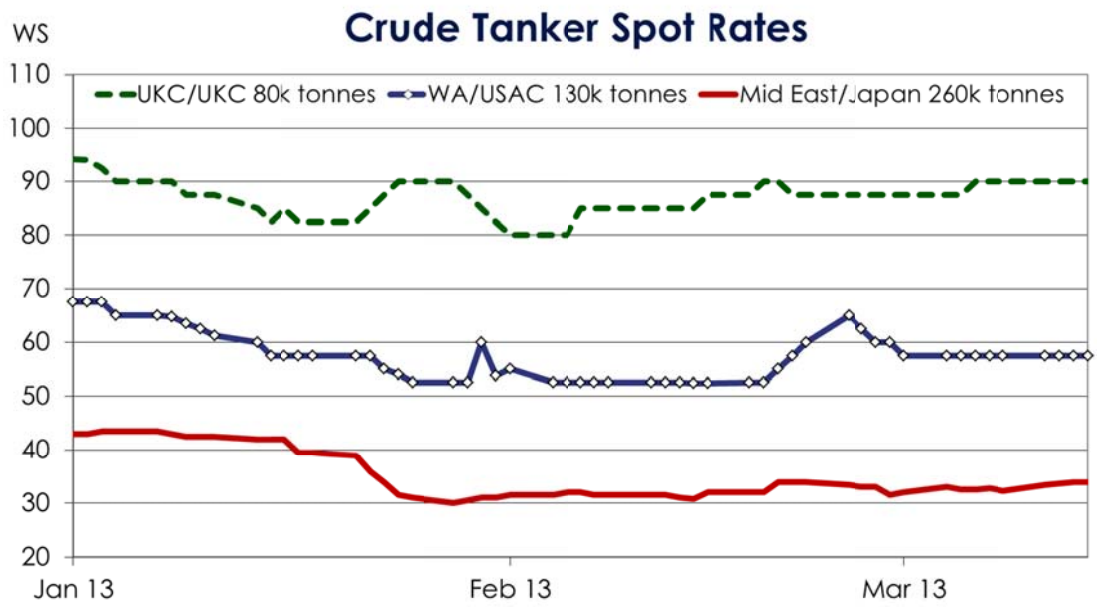
After the short highs of the previous week, reality began to bite for Med Aframax Owners. The bottleneck which caused the small spike in rates eased and rates began to reflect this. A peak of WS90 for a replacement cargo cross-med soon became WS85 for normal dates, then by the end of Monday WS82.5, then WS80 was achieved. As is often the case, a sharp dipping in rates precipitates interest and good volume of cargo was unearthed in the middle of the week, as Charterers searched for bargains in the forward position. A bottom rate of WS77.5 was achieved a number of times for Black Sea loaders and even for a few cross-med voyages; however tonnage has now been cleared out and Owners will hope that the low point of the cycle has been reached and the only way is up. The weekend may temper their ambition and any changes upwards, if any, are likely to be modest. Only sporadic Mediterranean / Black Sea Suezmax activity this week and with the news that CPC Suezmax volumes being cut by roughly half for April, the forcast is not good for Owners. This week we have seen the last March Black Sea stems being mopped up with 140,000 mt by WS52.5 for US Gulf and W70 for Euopean discharge being achieved. Mediterranean / East cargoes are being dominated by Eastern ballasters with levels of $3.1 million being paid for discharge Taiwan.

Caribbean

Aframax interest diminished as the week progressed adding increased pressure on Owners in having to show some incentives to fix. Expect levels to dramatically come off from last done as tonnage begins to build. Last done were 70,000mt by WS117.5, but that was a while back. Under the counter VLCC fixing has seen a number of positions quietly come off the position list here, but Owners have again had to trim their numbers to fix. Expect levels to stabilise from now on as the few Owners remaining start to stand firm. Last done levels reported to Singapore were US$3.73m and US$3.40 for West Coast India.

North Sea

North Sea Aframax continue to tick along at last done levels of 80,000mt by WS90 with most Owners eyeing up prospective opportunities in the Baltic. Ice rates rose on the back of increased enquiry. At present NHC is grudgingly moving up on levels but with most premiums being paid for Fuel Oil. VGO for ice restricted ports saw rates move up to WS100 whilst NHC looks to be in the WS85 – WS90 range on 100kt. Suezmax and VLCC interest was at a minimum this week, but with a shortage of naturally placed VLCC's Owners will be looking to push on from last done levels of US$3.90 to Singapore.



CLEAN PRODUCTS

Steady in the West whilst the East remains busy

East

Lr1s have continued to move higher this week with rates outstripping last years highest levels. 55,000 mt Naphtha AG/Japan is up to w135 and 60,000 mt AG/East Africa is now at w155. 65,000 mt Jet Ag/UKC is still not that active but with all other routes on a high would now rate at US$2.40 million. Lr2s have finally seen a move with 75,000 mt Naphtha heading inexorably towards w100, and 90,000 mt Jet AG/UKC upto US$2.60 million. It seems rates will continue the upward climb for now.

The MRs have soared ahead this week, with ships being snapped up and rates on the rise. TC12 has firmed WS 135 on 35kt and with Singapore tight on tonnage, further firming is expected. East Africa has risen to WS 215 and with such tightness, this route is still in the ascendancy. Ag to the UK Continent is very firm with US$ 1.775 Million on subs at time of writing. This is very difficult route to assess, as most owners do want to fix west and hence next done could be much more. The shorthauls continue to be firm, with cross-AG's fixing in excess US$ 300,000. With a firm Lr market, there is no respite in site for charterers as the tight list, will keep rates firm. The Bull Run continues in the East as increasing cargo volumes continue to enter the market there is insufficient tonnage to keep up with demand. S Korea / Singapore market saw some extremely high levels this week culminating in an MR fixing US$ 720k, although this was for loading in two ports prior to discharging in Singapore. There are a few Owners trying to emulate this for a straight one to one voyage although realistically achievable numbers are more like US$ 650k and very date dependent. The Transpacific market which has been dormant for the last couple of months has seen resurgence with 3 cargoes in the market this week. Owner's ideas are well in excess of 1.5 and because of the lack of ships in the area, just finding a ship to do this voyage is difficult. TC4 has seen more activity this week as well, resulting higher freights being fixed than what BITR is publishing. Last fixed for this voyage is 30 x WS 155 however, since this has been done Owners have now raised their expectations again and we could well see higher fixed next week. The Singapore / Australia market has not been the exception to the rule, rates have increased and date dependent cargoes for these voyages are fetching at 30 x WS 205 levels.

Mediterranean

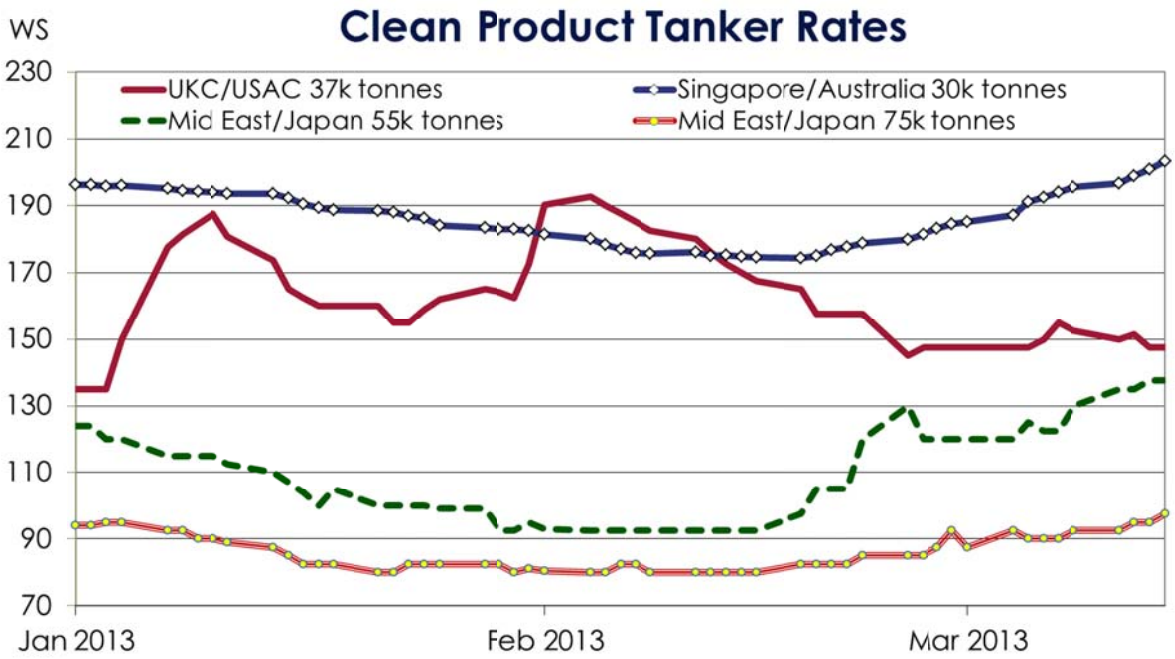
Another steady week rate wise in the Med – the market has continued to trade sideways supported once more due to weather delays. Enquiry largely well balanced against available units, fixing 30 x WS 160-165 cross med where 30 x WS 165 fixed for prompter dates and special requirements. The Black Sea which had been trading at a discount to cross med was active and with Eastmed tonnage tighter rates ex Black Sea now considered 30 x WS 162.5-165 for med discharge. Little fresh enquiry for MRs in the med also with TC2 looking softer we would consider it 37 x WS 147.5 ta + WS 10 for West Africa whilst into the Red Sea last done confirmed for MR UMS stems is around USD 950-975k Level and around US$ 1.05-1.1 Million levels for the AG.

UK Continent

A Quieter week on the Continent with no real impetus getting the market moving – instead the tonnage balance is starting to look on the longer side as the list replenishes with wafr and ta ballasters. TC2 is fixing around 37 x 147.5 and looks fairly flat for now. Enquiry has stabilised on the handys and flexies for Cross Continent and Baltic trade this week and market levels are deemed around 30 x ws 190, for Ice tonnage consider + ws 17.5 points on top of this. The flexi market is fixing around 245-250 for non Ice and + ws 20-25 points for Ice class

Caribbean

Little mercy in the USG and Caribbean markets this week, rates have further declined and TC14 is now deemed around 38 x WS 65 – these rate levels (borderline opex) are making no sense to owners and a notable amount of tonnage is ballasting back to the continent – perhaps this assertive action will provide some relief to the remaining tonnage as the market has surely bottomed. Meanwhile TC3 – owners ideas remain around 38 x 120 however is largely untested whilst cross Caribbean Sea has been reported on subs around US$435k.



DIRTY PRODUCTS

Handy

UKC: Rollercoaster of a ride in the Continent this week as activity rose but trading conditions meant that fixing became far from a forgone conclusion. Despite an increase in cargo volume, negative sentiment prevailed as ppt vessels dominated the early week positions list. This weighed heavily on last done numbers which were there to be ducked under as surplus tonnage jostled for employment. As the curtain comes down at the end of the week levels are ws 155-60 for non-ice with a +10 ice premium, with a long distance forecast predicting all too clear in mid-April.

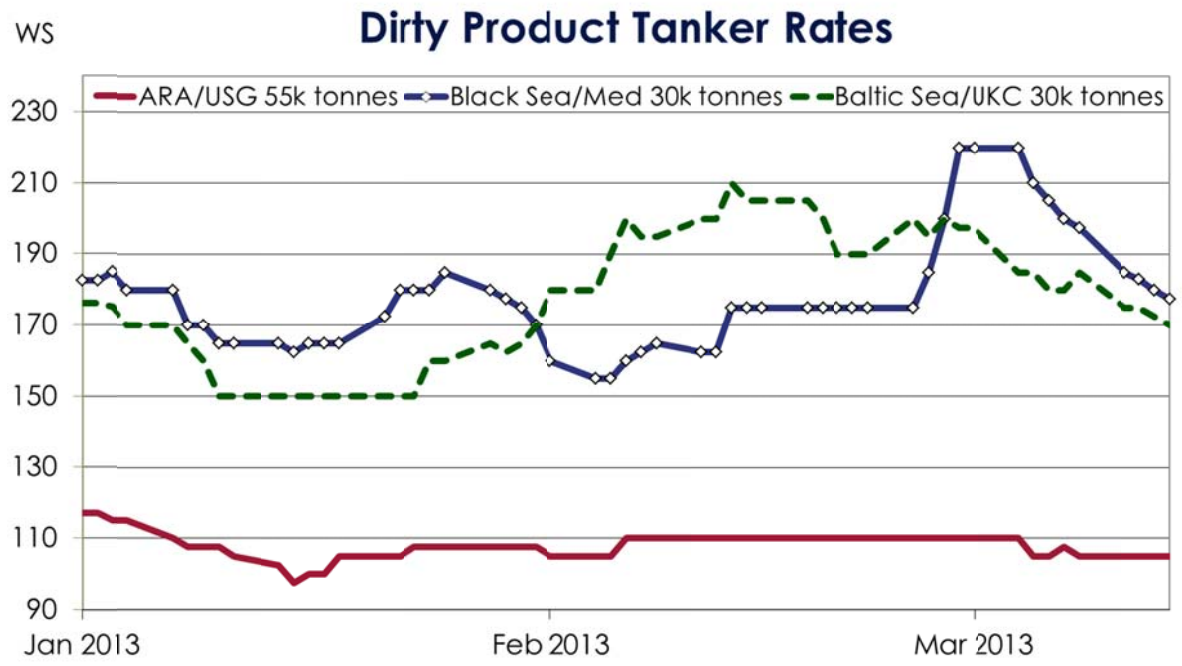
MED: The Mediterranean is down on market cargos and up on vessels leaving a charterer's market with rates retreating as the week progressed. With the weather playing ball and itineraries from last week firming charterers found themselves able to choose between vessels in a flat market. Rates finish 30 x ws 165 lvls with greater activity predicted next week as end month dates ex Black Sea look to be covered.

MR

Sentiment between the Med and the North this week alter significantly where conditions reach almost breaking point to what owners are able to withstand in the North,. Fixing and failing, PPT ships and lack of activity had forced some in seeking drastic measures as an exit strategy. In the Med however, depending on what discharge options are needed ambiguity surrounds applicable benchmarks, hence the variance in fixing levels seen on the report.

Panamax

Week 11 will go down in the books as one of the most active seen in a while! Where at one stage numbers were being spoken of just north of the WS 100 mark, virtually all of the spot tonnage has been mopped up, with it, pinning levels much firmer now at WS 105. Owners however do have a little cause for concern as with fixing date progression, some of these recent deals are only likely to perform short haul trips, adding a little pressure should activity levels now drop off.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 14th	last week	last month	FFA Q1 13	FFA Q2 13	FFA Q3 13
TD3	VLCC	AG-Japan	**+1**	34	33	31	34	36	35
TD5	Suezmax	WAF-USAC	**+0**	58	58	52	56	54	51
TD7	Aframax	N.Sea-UKC	**-1**	89	90	85	91	86	85
LQM	Bunker Price (Fujairah 380 HSFO)		**+3**	640.5	637.5	667.5			

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

			wk on wk change	Mar 14th	last week	last month	FFA Q1 13	FFA Q2 13	FFA Q3 13
TD3	VLCC	AG-Japan	**+1,500**	7,750	6,250	1,500	7,500	10,750	9,500
TD5	Suezmax	WAF-USAC	**+250**	14,750	14,500	8,000	13,250	12,250	10,250
TD7	Aframax	N.Sea-UKC	**-250**	11,000	11,250	6,000	11,000	7,750	7,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 14th	last week	last month	FFA Q1 13	FFA Q2 13	FFA Q3 13
TC1	LR2	AG-Japan	**+8**	97.5	90	80			
TC2	MR - west	UKC-USAC	**-5**	148	153	173	144	126	116
TC5	LR1	AG-Japan	**+15**	135	120	93	129	114	113
TC7	MR - east	Singapore-EC Aus	**+9**	203	194	175			
LQM	Bunker Price (Rotterdam HSFO 380)		**-7**	605.5	612.5	649			

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

			wk on wk change	Mar 14th	last week	last month	FFA Q1 13	FFA Q2 13	FFA Q3 13
TC1	LR2	AG-Japan	**+3,250**	17,500	14,250	8,750			
TC2	MR - west	UKC-USAC	**-1,000**	15,000	16,000	19,500	14,000	10,250	8,000
TC5	LR1	AG-Japan	**+4,750**	22,250	17,500	8,000	20,250	15,750	15,500
TC7	MR - east	Singapore-EC Aus	**+1,500**	18,250	16,750	12,500			

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

AV/JCH/TP/JT/slt

Produced by Gibson Consultancy and Research

Visit Gibson's website at www.gibson.co.uk for latest market information

E.A. GIBSON SHIPBROKERS LTD., AUDREY HOUSE, 16-20 ELY PLACE, LONDON EC1P 1HP

Switchboard Telephone: (UK) 020 7667 1000 (International) +44 20 7667 1000

E-MAIL: tanker@eagibson.co.ukTELEX: 94012383 GTKR G FACSIMILE No: 020 7831 8762 BIMCOM E-MAIL: 19086135

ISO 9001 REGISTERED DNV UKAS QUALITY MANAGEMENT DNV Certification BV 013

This report has been produced for general information and is not a replacement for specific advice. While the market information is believed to be reasonably accurate, it is by its nature subject to limited audits and validations. No responsibility can be accepted for any errors or any consequences arising therefrom. No part of the report may be reproduced or circulated without our prior written approval.

© E.A. Gibson Shipbrokers Ltd 2013