WEEKLY TANKER REPORT

GIBSON SHIPPING ENERGY

13th September 2013

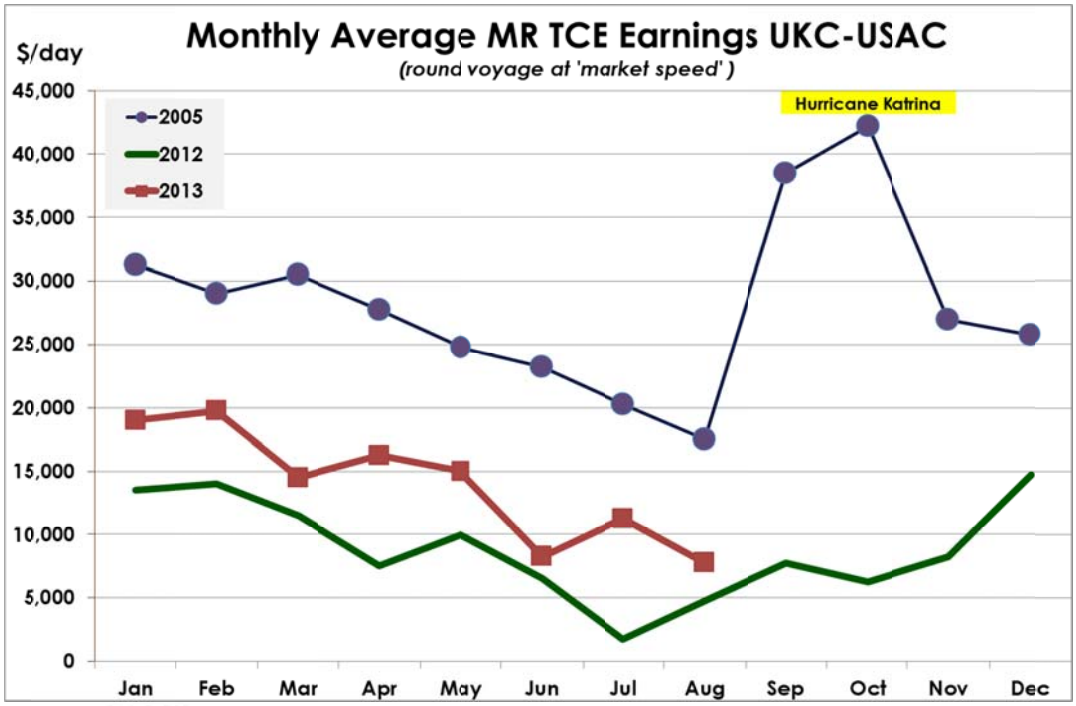
"WINDS OF CHANGE"

Humberto officially became the first hurricane of the 2013 Atlantic/Caribbean hurricane season on Wednesday morning. The storm came as the season, officially running from 1st June to 30th November, hit its statistical peak. Despite an abnormally slow start, the latest National Ocean and Atmospheric Administration (NOAA) outlook for 2013 indicates a 70% chance of an above-normal season. History tells us the implications on coastal infrastructure in the US and Caribbean, and in turn its effects on the Atlantic basin tanker markets, can be severe. With the immediate threat from Humberto remaining over the eastern seaboard, the US may be largely safe for now. However, it is tracking northwards from Cape Verde and this could cause some weather related shipping delays.

In terms of the regional MR tanker market, the third quarter is traditionally the weakest period and this year is proving to be no exception to the rule. Earnings so far in 2013 are following the normal pattern, but importantly they are running higher than last year. The seasonal upturn in Q4 generally will help bolster earnings, and this year we are expecting an increase from Q3 of around 50%, leaving aside any impact from hurricanes.

There have been years when disruptions have pushed earnings significantly higher than 'normal' seasonality. Following the colossal devastation left in the wake of Hurricane Katrina in 2005, MR TCE earnings on the benchmark Rotterdam to New York (TC2) route jumped to their highest level since the turn of this century. Last year Sandy, caused a major headache for the US oil industry, temporarily halting crude oil production in the Gulf of Mexico and idling refining capacity and resulted in the US issuing a temporary waiver to the Jones Act. The events of severe weather conditions and the impact on shipping can be substantial.

The NOAA is currently tracking another tropical storm off the US east coast, and a further, strengthening tropical depression in the Gulf, which is already expected to endanger human life through flooding over parts of eastern Mexico. As always at this time of year, along with many others, we need to keep a close eye on NOAA reports.



CRUDE

Middle East

As the September program comes to a close and APPEC was in full flow, the week laboured along at a slow pace with bunker prices slowly edging off helping to take the little steam there was out of the market. The main item of interest was that the AG/West rates improved a little from around ws 21 to ws 24-25 level. The reason behind this lies in the prolonged weaker market in the Atlantic means the AG/West 'backhaul' business is not so attractive when locking in low returns for a long period of time. AG/East ended the week down a point or so at 270,000 x w32 levels. Suezmaxes are continuing to see steady enquiry for several destinations, especially USWC, Europe and India. Rates however hovered at the previous low levels of low ws 50's for East and low ws 30's for West. As predicted the Aframaxes showed no real signs of life with APPEC and ended the week still in the low ws 80's for AG/East.

West Africa

West Africa VLCCs saw some Owners trying to push the rates up but the increase was very limited to a point or so to ws 35-36 levels. The tonnage list has been a little thinner but confidence amongst Owners is low, there is always just that little bit too much left and with the AG not moving Owners have been frustrated in their efforts. For Suezmaxes grimmer became desperate due to the early part of the week seeing little activity. The inevitable happened once enquiry was shown and rate levels took a further tumble down to 130,000mt by 70 for US Gulf discharge and ws 46.5 for European options. We do not anticipate any further softening but equally see no glimmer of light to an improvement in rate levels.

Mediterranean

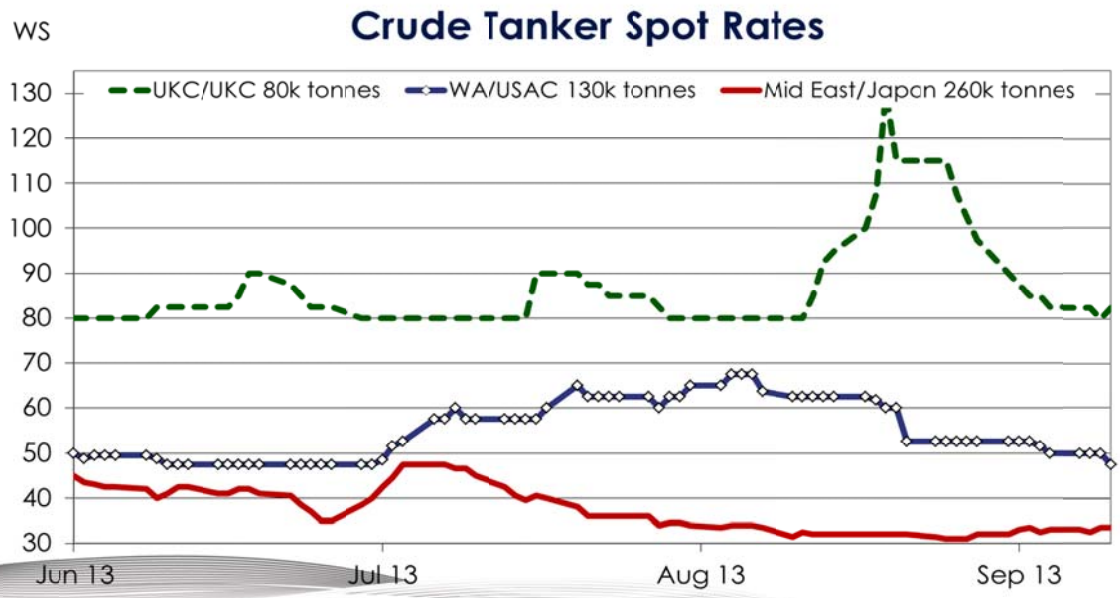
Groundhog day and week for Med Aframaxes. Enquiry has been insignificant and the list of available spot ships grows by the day. At last count there were at least 18 prompt vessels looking for employment and this has led to rates slipping to the very bottom. A new low of ws62.5 was concluded for a long crossmed voyage with low overheads, but there is no doubt that this fixture will drag down market levels for other less attractive voyages. Black Sea cargos are still being fixed but Charterers in this area have been profiting from the weak Med market and rates have reached ws70 for Med discharge. There is no sign of a silver lining for Owners at the moment even if the Libyan government has issued threatening words against those responsible for the oil blockades. Until this talk is backed up with action, low trade volumes will ensure that rates remain suppressed. Suezmax tonnage has seen some activity from the Black Sea this week with levels being concluded at 140,000 by ws 52.5. Algeria has been more active with the recent closure of Libya and we have seen fixtures concluded at 130,000 by w 42.5 for US Gulf discharge and ws 50 for Mediterranean discharge. CPC export for October is up from six stems to nine stems, this alone will not be a saviour to Owners.

Caribbean

Aframaxes after suffering a wobble in the middle of the week finished where they started at 70,000 mt by ws107.5. Not an overly active week for VLCC's here but with only a handful of positions remaining for September Owners were able to secure a slight premium over last done levels for any Charterer coming to the party late. Going into October the position list looks healthy enough for Charterers to recover any lost ground. Last done levels are US$3.40 to Singapore and US$3.0 mill into West Coast India.

North Sea

North West Europe has provided one of the few talking points of the week. A knock on effect of the 15-20 September loadings going long haul has meant Charterers have found the usual pool of tonnage available for 25-30 September loadings smaller. The resulting effect has meant rates have moved up a notch and at the close a stalemate presents itself with Owners holding out for higher than last done. At present rates are upto 100,000mt ws61.25 for Baltic/ UK Cont (no heat crude) but the trend points to further gains. Incidentally this demand on the larger loaders has not permeated down on to the 80,000mt stems for cross North Sea. So far this week rates remain at last done and look initially unlikely to piggy back the sentiment on the Baltic stems. Rates remain flat at 80,000mt fixing ws82.5. Finally conversation this Friday is bullish from Owners as rumours of strong REBCO demand entering into October dates may mean the present firming in attitude may be allowed room to run. Suezmaxes saw rate levels further erored down to 130,000 mt by ws 45 for US Gulf discharge.



CLEAN PRODUCTS

The party's over East of Suez whilst the West remains a dry lunch

East

A very flat week for the LRs with rates slowly dropping off. LR1s have seen 55,000 mt Naphtha AG/Japan drop some 10 points this week to w105, and although unproven, 65,000mt Jet AG/UKC rests now down at US$2.0 million. LR2s have also been quieter in the Middle East although there has been a fairly active backhaul market in the Far East. This hasn't stopped rates falling off though with 75,000 mt Naphtha AG/Japan down to w95 and 90,000 mt Jet AG/UKC at US$2.60 million.

The MR market has been pretty stifled this week with the APPEC celebrations, meaning the majority have not been around. The general feeling has been one of pessimism and rates under pressure, and this being exacerbated by the prompt position being long on ships. Tc12 has fallen to ws 115 and with Singapore market quiet, this could well come under further pressure next week. East Africa is weakening to Ws 145 basis Mombasa-Dar range and distillate movements to the West fallen beneath US$ 1.5 Million, with US$ 1.45 Million being fixed. The shorthauls remain around US$ 210-215K for Jubail/Jebel Ali, but there has been very little volume.

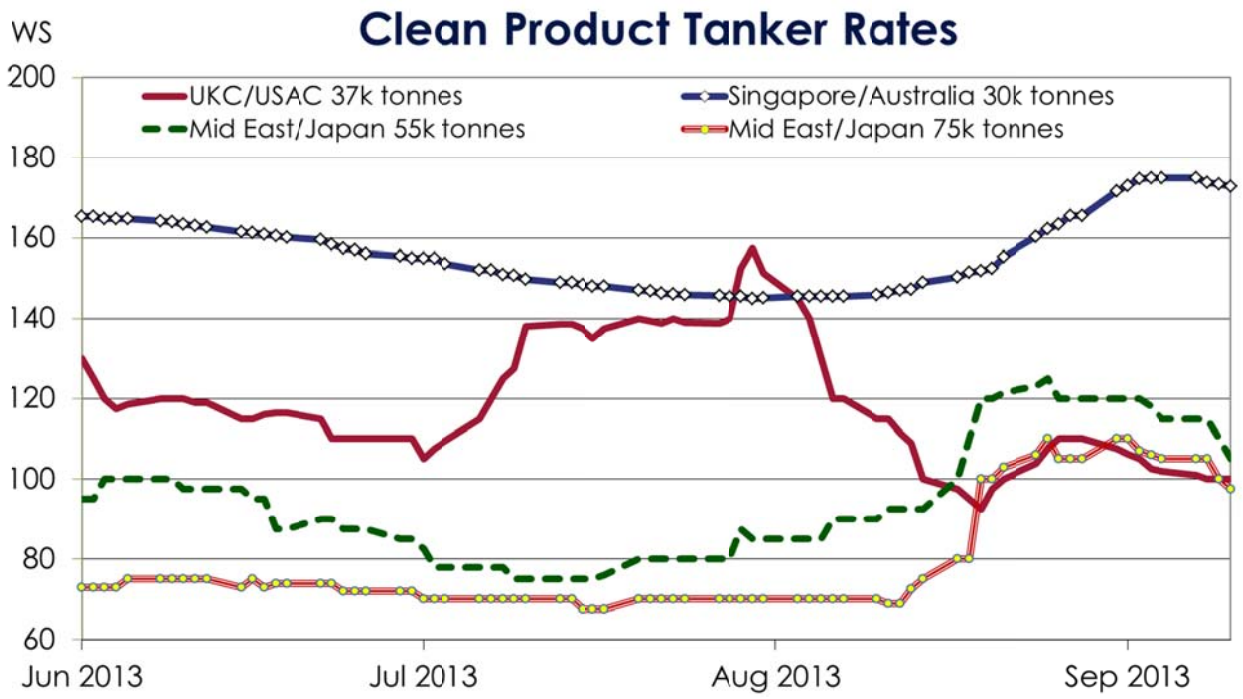
APPEC week has predictably taken its toll on the freight market in North and SE Asia. Cargo volumes have dropped off and with it shipping rates. South Korea / Singapore backhauls on an MR have hit US$ 420k while LR1s are fixing at approximately 500k levels. LR2s have been more difficult to fix for backhauls as Owners, sensing that the TC1 market is coming off, have been more eager to ballast straight back to the AG to lock in for a longer haul voyage before the market crashes. Singapore / Australia runs have quietened down this week although rates have not dropped significantly with vessels fixing 30 x ws 170 level. Larger gasoil movements have been active, although less so than last week and freight levels have dropped to US$ 2.7 million. In short APPEC has taken some of the steam out of the freight market but whether this trend will be continued will only become apparent when everyone is back at their desks on Monday morning!.

Mediterranean

It has, unfortunately, been a painfully slow week in the Mediterranean across all sizes with the tonnage on the long side to say the least by the weeks end. For Cross med and Black Sea med we deem the market 30 x 115-117.5 at the time of writing - this is certain to be tested as the market looks very soft and it could be a painful second half of the month for Owners waiting for enquiry to gain momentum. Very quiet also on the MRs with a handful of fixtures - TA off the continent is fixing around 37 x 95 (+10 West Africa)so for Med loads we consider to be trading in line whilst heading East for MR UMS parcels has reported fixing around US$ 850k for Red Sea so consider plus US$ 100-150k for AG discharge.

UK Continent

Another sluggish week on the Continent, dribbles of activity left the market hovering around 37 x 95 for transatlantic movements of Mogas. Less interest for owners to head to West Africa due to an attractive backhaul market, what little we did see confirmed 10 points above TC2. Short haul business in north West Europe suffered due to further lack of enquiry , lifting's of 30 kt CPP securing a mere 122.5. In similar fashion flexis shuttling cross continent traded at ws 167.5-170 basis 22kt. Trickles of activity on the LR's , longhaul options destined for west discharge confirmed around ws 85-87.5 for the week basis 60kt CPP. Additional options loading from the med to the far East were booked at US$ 1.9 -1.95 m for Naphtha stems. Questions raised on the LR2's, longhaul options to the far East loading ex Cont were arranged around US$ 2.1m (NAP) and western options 90 x 80-82.5.



DIRTY PRODUCTS

Handy

Not the most prolific of weeks in the Handy Continent market as product was shipped in larger stems long haul. This left little to play with for more localised business ensuring rates held depressed at 30 x ws 125 lvls and volume required to stimulate the market. Without enough enquiry the market could not build up any head of steam resulting in ppt units come Monday.

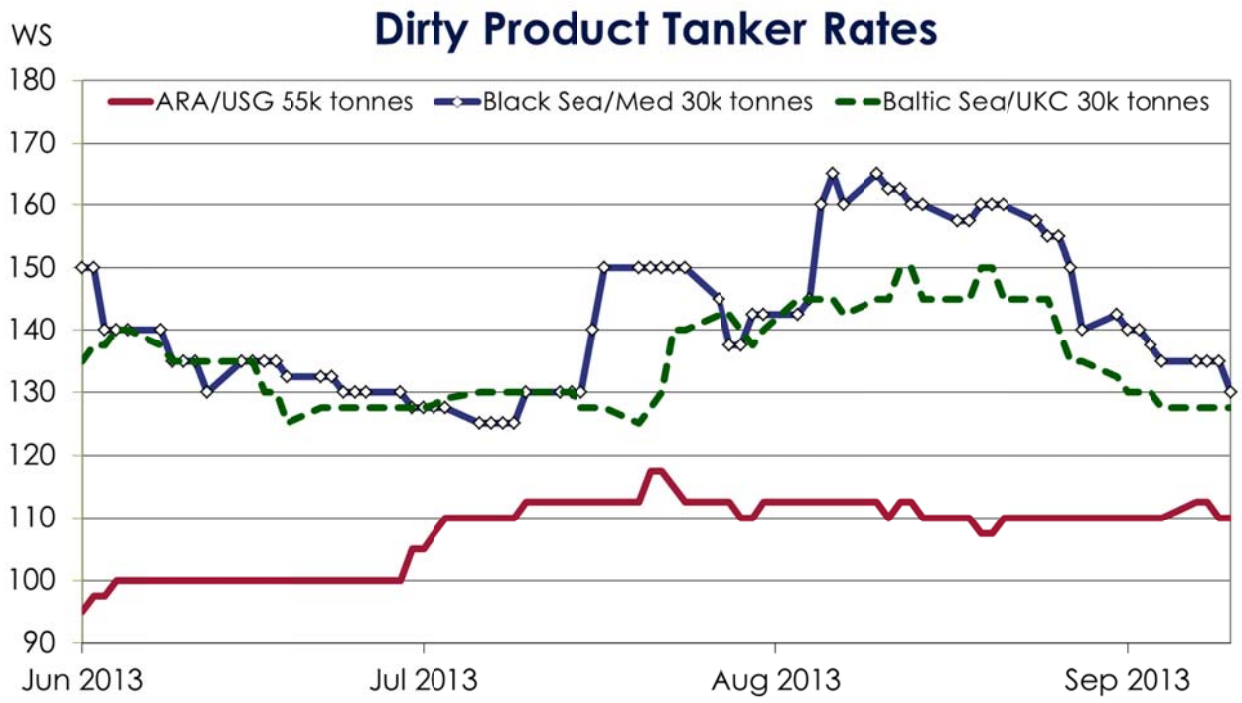
In the belief that the Mediterranean market bottomed at ws 125 Charterers sought to quickly snap up vessels in a bid to not be last through the door. This resulted in condensed mid-week activity which, due to the narrow timeframe conducted, ensured rates completed for Xmed all stayed in a ws 125-127.5 range. Ppt tonnage left found it difficult to push for a rise and risk shooting too high with the weekend approaching. This resulted in a week of suppressed rates but good levels of activity. Incremental rises for Ex Black Sea and Xmed will be pushed for next week as end month dates worked approach.

MR

Rates throughout the week continue to trade in a sideways momentum in both the Med and the Cont alike. Owners of tonnage in the Med this week have largely had to fight it out for available part cargo activity, however where there has been a bit of a run on in the handy sector, earning will look slightly better.

Panamax

Drip fed activity is enough to support currently traded levels although Owners have had to show a large amount of solidarity and togetherness not to succumb to negative rate erosion up in NWE. A rather different storey however is painted down in the Med, where ballast tonnage has given Charterers the edge in bringing rates down to the WS 100 region.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sep 12th	Last Week	Last Month	FFA Q3 13	FFA Q4 13	FFA Bal 13
TD3	VLCC	AG-Japan	**+0**	33	33	32	35	39	37
TD5	Suezmax	WAF-USAC	**-2**	49	51	65	52	56	54
TD7	Aframax	N.Sea-UKC	**-3**	81	84	92	85	88	86
LQM Bunker Price (Fujairah 380 HSFO)			**-10**	604.5	614.5	606.5			

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

			wk on wk change	Sep 12th	Last Week	Last Month	FFA Q3 13	FFA Q4 13	FFA Bal 13
TD3	VLCC	AG-Japan	**+500**	8,250	7,750	6,750	11,500	18,000	15,250
TD5	Suezmax	WAF-USAC	**-1,500**	7,500	9,000	20,000	10,000	13,250	9,500
TD7	Aframax	N.Sea-UKC	**-3,750**	3,750	7,500	13,500	6,750	9,250	6,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Sep 12th	Last Week	Last Month	FFA Q3 13	FFA Q4 13	FFA Bal 13
TC1	LR2	AG-Japan	**-9**	97.5	106	72.5			
TC2	MR - west	UKC-USAC	**-6**	97	103	109	103	123	114
TC5	LR1	AG-Japan	**-9**	109	118	91	109	106	124
TC7	MR - east	Singapore-EC Aus	**-2**	173	175	147			
LQM Bunker Price (Rotterdam HSFO 380)			**-9**	592.5	601.5	607.5			

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

			wk on wk change	Sep 12th	Last Week	Last Month	FFA Q3 13	FFA Q4 13	FFA Bal 13
TC1	LR2	AG-Japan	**-3,250**	19,000	22,250	7,750			
TC2	MR - west	UKC-USAC	**-1,250**	4,000	5,250	6,250	5,250	9,750	8,000
TC5	LR1	AG-Japan	**-2,500**	15,000	17,500	9,250	15,000	14,250	14,750
TC7	MR - east	Singapore-EC Aus	**-250**	14,000	14,250	9,000			

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

MJC/JCH/TP/JT/slt

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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

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