

18th October 2013

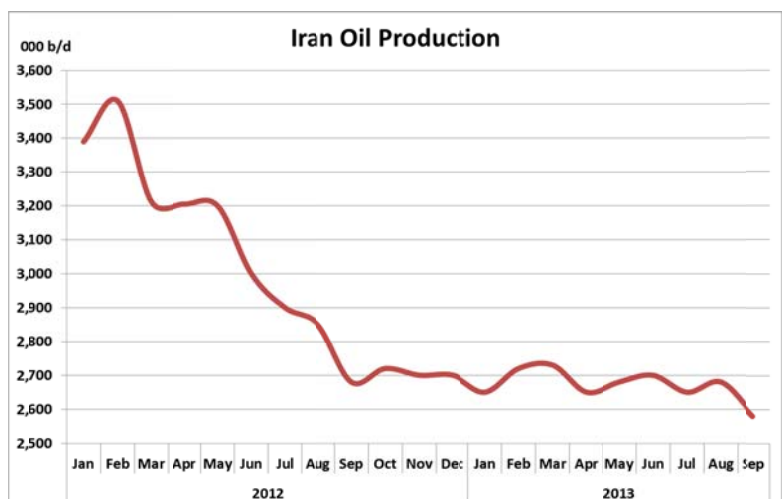
IRAN – BACK INTO THE FOLD?

Since we last featured Iran in our weekly report, the outlook for an improvement in relations with the West has shown signs beyond belief from the position just a few months ago. The assumption that a change of President in Iran would bring little change in their stance on their nuclear programme and that 'normal' hostile relations would continue, now appears to be unfounded? Much to everyone's surprise Iran has offered an olive branch to the West following the election of Hassan Rouhani in June. While we are still a long way from any resolution on the whole nuclear issue, at least both sides in the dispute are now engaging in talks, albeit at a very preliminary level. Of course a peaceful settlement would be welcomed by all, following many years of threats and uncertainty which has impacted on every nation at some level.

We can all speculate on what will happen should Iran be welcomed back into the international family and at what speed events could unfold. First of all, what will happen to the oil price? With Middle East tension lifted, the price could fall rapidly. OPEC, in the past has stepped in to implement production control to achieve oil prices that are perceived to be fair to all. Cheaper oil will benefit everyone with the exception of the producers, who will be fighting to maintain the value of their barrels, and of course market share. China and India would particularly welcome cheaper oil. However, according to some sources, the US needs to see the oil price stay above the \$90 barrel level to make exploitation of shale oil a viable proposition. OPEC will obviously have a prominent role to play in what happens to global oil production and trade, but which OPEC producers will give up their market share to accommodate the return of almost 1 million b/d of Iranian crude sales?

This brings us to the question of what impact these developments could have on our industry. Since sanctions were implemented, Iranian production has fallen by 0.8 million b/d. The issue is how quickly Iran would be able to ramp up production back to pre-sanction levels as the nation's oil infrastructure has suffered as a result of the embargo. The speed of return will determine how the newly released NITC fleet (37 VLCCs, 9 Suezmax and 5 Aframax tankers) will operate on the international tanker market. It is more likely that the speed of oil production increases will initially be slow, in which case the national carrier's tonnage could re-enter the tanker market as relets – again swelling the fleet. Although many of the NITC units may be in need of urgent maintenance (in many cases dry docking) in order to attain approvals, this would only temporarily delay their return to the international market, and they would be back in greater numbers than pre-sanctions.

In terms of trade, one aspect would be the impact on the West African export market, particularly Nigeria, should Iranian oil once again be taken in significant quantities by the European market. In this summary we have only touched the surface of what could happen should Iran be welcomed back, but the possible influx of NITC VLCCs could have a catastrophic impact on the crude tanker market. It's a phrase we have used before and we make no apologies for using it again but, the only certainty is uncertainty.



CRUDE

Middle East

Holidays in the East were brushed aside by ever increasingly keen VLCC Charterers who piled so much cargo into the market place, that Owners couldn't fail to take advantage. Rates moved smartly up to close on ws 42 to the East and ws 28 West via Cape as a result, and the next ceiling will be the high ws 40 level East, that we last saw in June. That will be a much tougher lid to shift, however, and by that time Charterers will probably have found their heads.. and control, once again. Suezmaxes had no such fun, though enough enquiry circulated to keep things on a steady track with rates averaging 130,000 by ws 55 East and ws 32,5 to the West, with little early change expected, unless VLCCs go totally rampant. Aframaxes also remained solid enough at around 80,000 by ws 92.5 for Singapore, with some tightness persisting over the next period.

West Africa

Suezmax Owners never got the ammunition needed to convert last week's step off the bottom into a meaningful rate-rally. Levels stalled at 130,000 by ws 45 to the US Gulf and no better than ws 50 for the shorter, European, options, and Charterers will keep them caged for a little while yet. VLCCs dance to the Middle Eastern tune, and consequently managed to push rates to 260,000 by ws 42 to the East with around US\$3 million asked for Angola to West Coast India.

Mediterranean

Generally underperforming on all sizes here. Aframaxes couldn't obtain much advantage from the party going on in the North Sea, and fumbled around at under 80,000 by ws 70 Cross Med the whole week, though sentiment is

hardening, and some gains are starting to be asked for. Suezmaxes have some potential deeper into November, but for the time being haven't received the required attention. Rates remained pegged at 135,000 by ws 55 from the Black Sea to Europe, and US\$ 2.35 million was seen for Fuel Oil to Thailand, which was largely within the expected range.

Caribbean

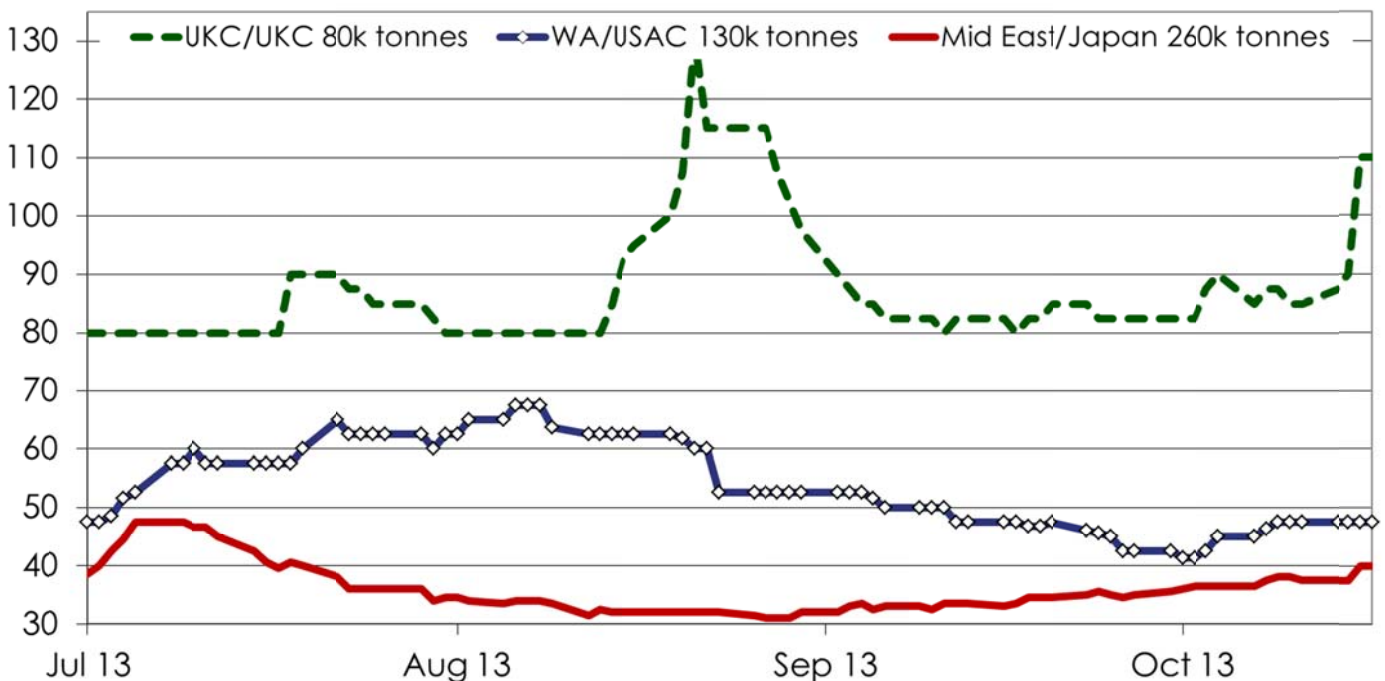
Aframaxes tried to push, but ultimately failed as no weather disruption came to Owners' aid, and rates slipped to 70,000 by ws 90/92.5 upcoast with little early change likely. VLCCs, on the other hand, ended a dry spell, and with early dates getting fixed out, the finer balance helped rates move to a higher US\$3.6 million to Singapore, US\$ 3.2 million to West Coast India, with the expectation of further improvement.

North Sea

The big story of the week for Aframax was to be found here. Seemingly endless enquiry, especially from the Baltic, created a rate surge to 100,000 by ws 115 from the Baltic, and near 80,000 by ws 130 for Cross North Sea runs - not far from double where we were only a couple of weeks ago! all good things come to an end, however, and so it will be here within short...but there's a little more haymaking left for Owners to enjoy. Suezmaxes saw a little more than of late, but still a pale shadow of what Aframax enjoyed. 130,000 to the States still went at little better than ws 42.5 and Fuel Oil to Singapore moved at under US\$2.4 million on the same size. VLCCs stayed slow, but US\$4.8 million was seen for a headline run of Crude from Houndpoint to South Korea.

WS

Crude Tanker Spot Rates



CLEAN PRODUCTS

Holidays in full swing East of Suez whilst the West looks better

East

The MRs this week have been quiet, this is not unsurprising given the Eid holidays. Rates though have been affected, with Cross-AG's falling to well below US\$ 200k. East Africa is where the most significant inroads, as rates have tumbled 20 points to Ws 150. West bound movements remain very scarce, with them mainly restricted to COA movements, but it is assessed at US\$ 1.5 Million, however with the weak West market, Owners remain reluctant to fix into the West. Tc12 has seen little activity, last done remains 35 @ Ws 115, but is untested this week and could be pushed further down. In short a very quiet week, with the AG shut for the majority.

As with MRs, the LR's have seen a quiet week with the holidays. Lr1 rates had already fallen though so have seen less of a decline with 55,000 mt Naphtha AG/Japan hovering around w102.5 and 65,000 mt Jet AG/UKC at US\$1.95 million. Lr2s have seen a small drop off with 75,000 mt Naphtha Ag/Japan now down to w97.5 after topping out at w100. 90,000mt jet AG/UKC os down to US\$2.60 million and may see further discounts before any real improvements are seen. Next week will see markets wake up and we will then see where rates truly lie.

This week in the Far East got off to a very slow start, with the Japanese and Singaporean national holidays on Monday and Tuesday respectively dampening the market. However, as people have returned to their desks in this latter half of the week, the MR market has gained traction again. This Friday has been busy, there is now a school of thought that the market will firm, and things are looking rosier for MR owners going into next week. MRs from S.Korea/Singapore are currently fixing at US\$ 440K levels and are looking like firming further if next week continues to be busy. MRs ex Singapore also look stronger, with 30kt x ws178 going on subs today for Singapore/New Zealand, and on a prompt lifting Charters would struggle to achieve much less 30kt x ws175 right now on a Singapore/Australia run. LR1s have had a quiet week on the backhaul - still relatively tight in patches, but will

generally fix in the region of US\$ 480-500K levels basis S.Korea/Singapore. Unlike the MRs, LR2s have had a much quieter week, and Owners have today been left twiddling their thumbs. The last two liftings for S.Korea/Singapore on the LR2s have been done at 535k, hopefully they will busy up next week as Eid draws to a close.

Mediterranean

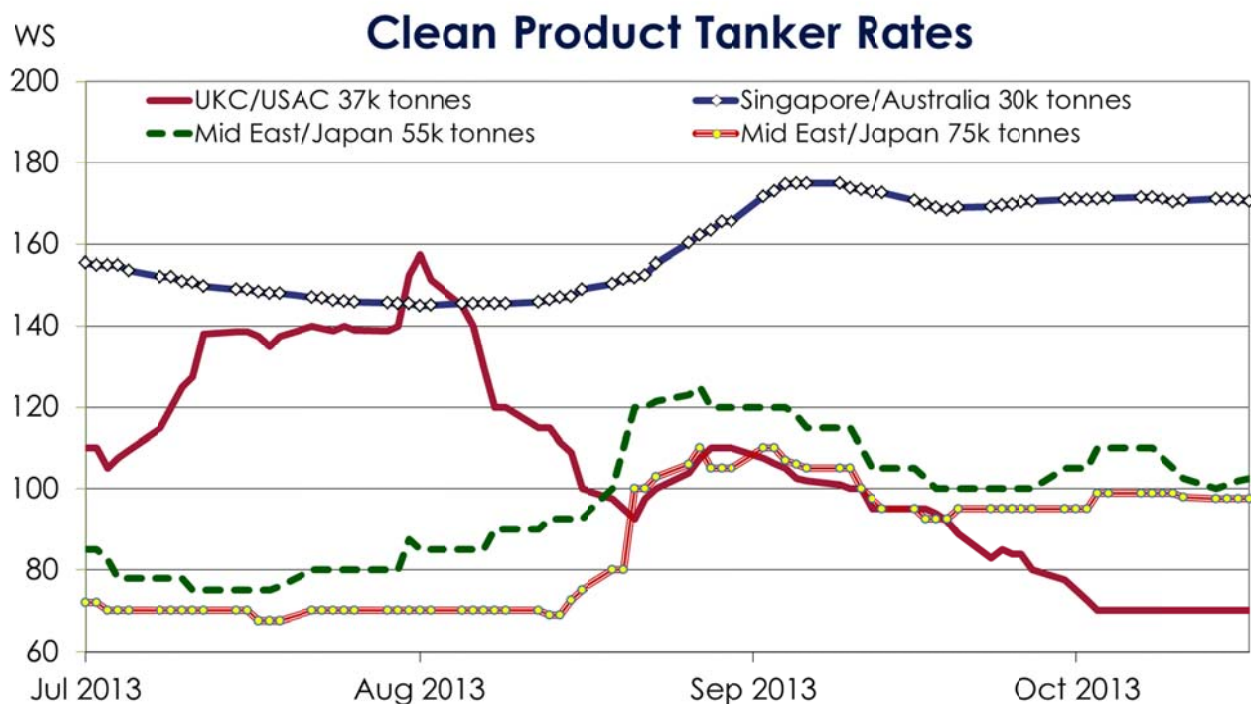
A busy start to week 42 for the TC6 trade, which sadly seemed to fizzle out just as it was getting going and by mid-week it was the usual story of multiple prompt ships and miserable rates. Handy's have been fixing 30 x ws 110-112.5 for both cross Med and Black Sea med routes, which is a slight softening on the past week. For the Mrs there has been some interest in the west med for Naphtha and with a busier UKC market, tonnage has been quietly tightening so there is a glimmer of hope for week 43 if the enquiry is sustained. Market considered 37 x 70-72.5 ta / WS 110 West Africa / US\$ 750-800k Red Sea + US\$ 100-150k AG. LR2's fixing East have been arranged around US\$ 2.3m (port load) for med Japan and the LR1s willing closer to US\$ 1.9m.

UK Continent

A short flurry activity on the MR's towards the end of this week, which was a sigh of relief for the Owners after such a poor start. Transatlantic liftings still struggled to surpass WS 70 basis 37kt, although liftings bound for West Africa secured up to ws 105 (with ws 112.5 reported on subjects at time of writing). Inter-continent handy movements has been trading 30 x 115 and 22 x 155. LR1's have had a slightly more active week, for West runs WS 80 seems to be the conference rate basis 60kt and around US\$ 1.85m for Cont / China.

Caribbean

Downward pressure has continued to build on rates for USG loads this week as enquiry has quietened in line with a growing tonnage list, however, it does seem to have reached a point of resistance with 38 x 85 reported for backhaul distillate stems where the market has settled by the weeks end.



DIRTY PRODUCTS

Handy

The Continent has witnessed a dismal week of trading, where rates were reduced without a reduction in numbers of surplus tonnage. Furthermore, Continent levels now too have been chipped away at setting at on a questionable 30/120. Looking ahead owners will at least be offered glamour's of hope where surrounding markets have been noticeably more active, a trait handy Owner's hope be replicated here next week.

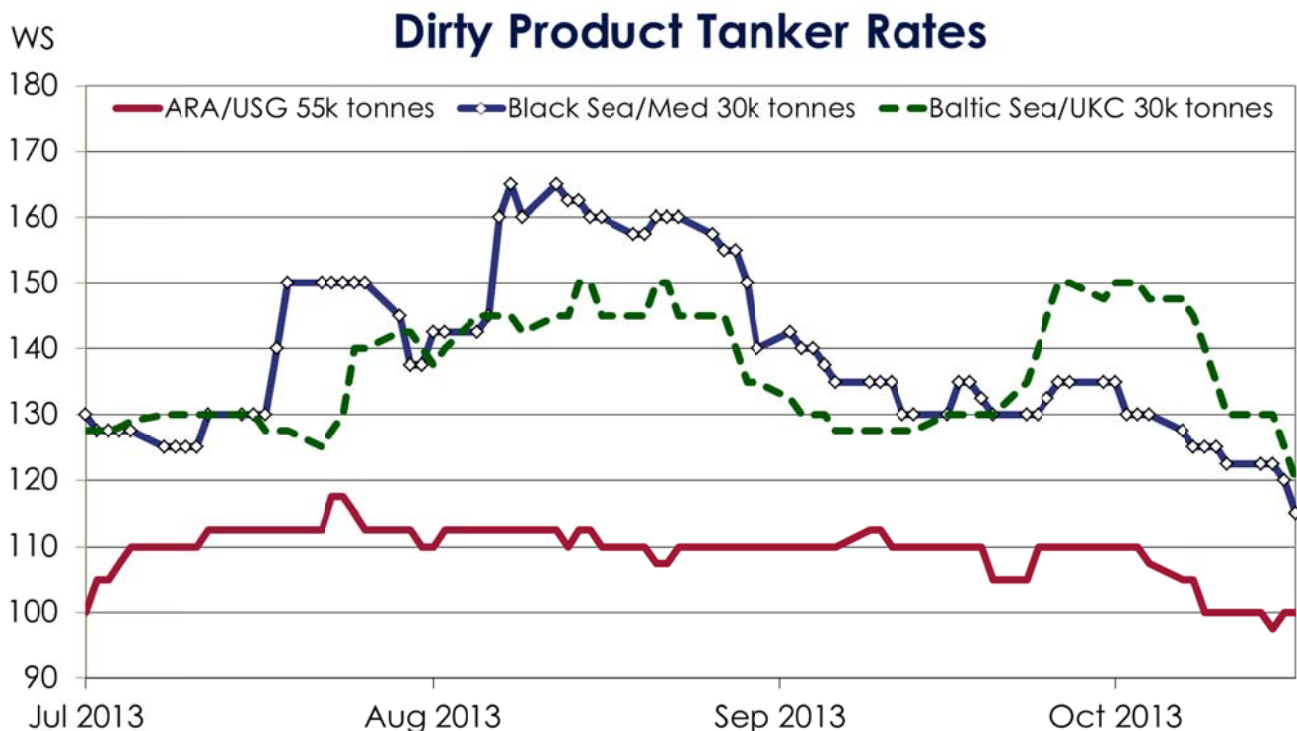
Elsewhere we can report collective activity in the Med has provided relief for a tonnage list in danger of being looked at as a scroll! Momentum being capped by a weekend arriving just as Owners may begin to see stability brought back into the region. At time of writing though market floors look to have been set, and with end month bbls still being covered, optimism once again lends itself to the sector.

MR

Black Sea activity steals most of the headlines this week, providing many with employment opportunity. Repetition of 45/105 however leaves trend unquestionably flat. A behavioural pattern shared elsewhere in the MR sector. Owners will need to exercise caution looking ahead, as most of the ships booked this week again look to be only performing business of a short haul nature.

Panamax

With the market seemingly at its floor, those who opted to get in early this week found yet more room sharpen numbers. And to Owners delight this then triggered something of an avalanche in terms of activity, with the tonnage list being lightened come Friday close of play. Rates now seem flat at WS 100 however the Med still shows a rather bleak outlook as numerous units look like they are beginning to free Egypt.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Oct 17th	Last Week	Last Month	FFA Q4 13
TD3	VLCC	AG-Japan	+3	41	38	34	43
TD5	Suezmax	WAF-USAC	+3	48	45	46	53
TD7	Aframax	N.Sea-UKC	+27	114	87	82	95

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

			wk on wk change	Oct 17th	Last Week	Last Month	FFA Q4 13
TD3	VLCC	AG-Japan	+4,000	19,500	15,500	9,250	22,750
TD5	Suezmax	WAF-USAC	+2,250	7,750	5,500	5,750	11,750
TD7	Aframax	N.Sea-UKC	+18,500	27,500	9,000	4,500	14,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Oct 17th	Last Week	Last Month	FFA Q4 13
TC1	LR2	AG-Japan	-2	97.5	99	92.5	
TC2	MR - west	UKC-USAC	+1	71	70	92	96
TC5	LR1	AG-Japan	-6	102	108	101	103
TC7	MR - east	Singapore-EC Aus	+1	171	170	169	

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

			wk on wk change	Oct 17th	Last Week	Last Month	FFA Q4 13
TC1	LR2	AG-Japan	-750	18,500	19,250	16,500	
TC2	MR - west	UKC-USAC	+250	-1,250	-1,500	2,500	4,250
TC5	LR1	AG-Japan	-2,000	12,500	14,500	12,250	13,000
TC7	MR - east	Singapore-EC Aus	+500	13,500	13,000	13,250	

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

LQM Bunker Price (Rotterdam HSFO 380)	+2	590.5	588.5	594.5	
LQM Bunker Price (Fujairah 380 HSFO)	+3	612.5	610	607.5	
LQM Bunker Price (Singapore 380 HSFO)	-11	603.5	614	604	

PAT/JCH/TP/JT/SLK

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