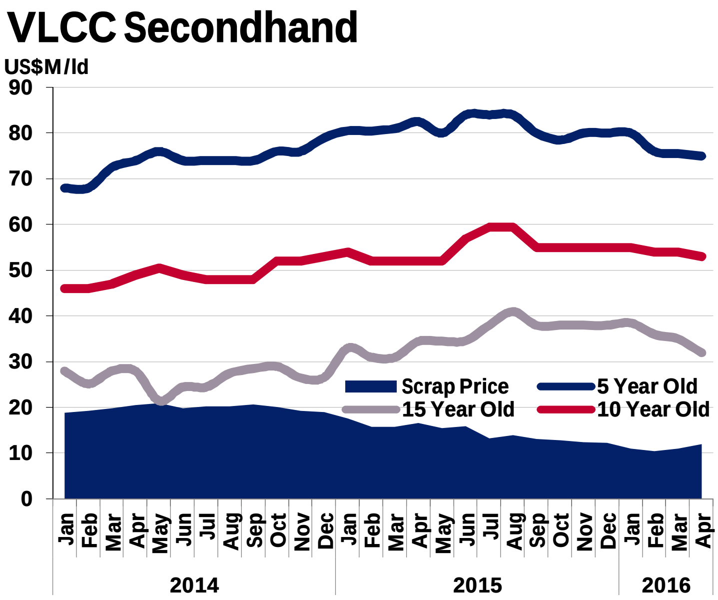
Stay Young and Beautiful!

Weekly Tanker Market Report

At the beginning of the year thirty-nine VLCCs (built 2000) dropped over the 15 year barrier where many charterers set their upper employment limit. Thirty-nine units take the "over-age" VLCC population to ninety-nine (15% of the current fleet). These tankers could be described as first generation double-hull VLCCs and in many cases find themselves with less trading opportunities as a result of charterer's preference for more modern tonnage. For the owner the expense of putting a vessel through 3rd special survey, particularly with more impending environmental regulation changes on the way, may influence the decision to sell. Add to the mix that we are now seeing downwards pressure on tanker asset prices, the temptation to sell before further falls may tempt owners to call their brokers to at least test the market. In the past, owners have also had the outlet to sell for FPSO conversion or demolition; both options also appear to be off the agenda at the moment for very different reasons.



Gibson records show that at least sixteen VLCCs (over 15 years old) are due to complete timecharter employment over the next six months. Finding employment beyond their existing commitments may be challenging, particularly with another forty-six newbuilds scheduled to enter the fleet this year on top of the fourteen already delivered. The lull in VLCC ordering may have been broken by the reported letter of intent (LOI) penciled in by John Fredriksen for two firm (option two) orders from Jinhai Heavy Industry for what one trade paper called a 'suicidal' price (now believed to be around $75 million each).The deal appears to be a private arrangement which could eventually flip into one of his public vehicles. This week, Frontline sold one VLCC, the FRONT VANGUARD (built 1998) and has another, circa 1999 still on the market, both with timecharters due to expire this month, so a deal of this kind could make perfect sense. However, the impact of this deal (if the details are true) on asset values could be damaging. Three VLCCs (built 2014/15) also built by Jinhai HI are currently open for inspection, with owner's expectations in the low $70 million; this might now be more difficult to achieve. Of course several owners have fleet replenishment programmes in place, while VLCC owners like Dr. Peters continue to sell assets. This week the German owner sold the DS CHIEF (built 1999). The two "over-age" sales reported this were around $25 million mark.

Of course another option being considered is to hang on to these older units and try to get some traction in the spot market. Some owners believe that more floating storage could make an appearance later in the year. However, the threat to the tanker market which is always looming is the potential rebalance of oil production and consumption, which would naturally impact on tanker demand. Asset values continue to tumble and the market price for 15 year old VLCCs has fallen by around $6.5 million since January. Another twenty-seven built in 2001 will also fall into the ageist gap next year. Certainly owners of elderly tonnage may have some serious thinking to do ahead of the 3rd quarter, traditionally a poor season for the tanker market.

Crude Oil

Middle East

VLCC Owners hopes of some bargain-hunting momentum to pull them up from last week's lows, were quickly realised and strong volumes through the first half of the week translated into steady rate gains to ws 62.5 to the East and to around ws 40 to the West. Disappointingly - for them - another flush of holidays then put a brake on the party, and although there is present consolidation, there is now also increasing doubt as to whether the market can be forced higher. The fixing pace over the last phase of the May programme will dictate next week. Suezmaxes found no such volatility and merely remained flatline over the period, though there was some belated attempt to squeeze a few ws points higher by the week's end, though good forward availability hints towards little material change. Just plain nasty for Aframaxes that easily outweighed flaccid demand and rates tumbled to 80,000 by ws 87.5 to Singapore and will take time to rebalance - and to regain.

West Africa

Suezmaxes fought downward pressure all week and only succeeded in creating an effective 'bottom' in the high ws 60s to the USGulf, and low ws 70s to Europe. A flicker of last minute excitement was noted, but Charterers will really have to do something out of the ordinary to allow rates to take off again. VLCCs saw early interest and rates had to move higher to ws 62.5 to the Far East to remain in line with improved AGulf levels. If the AGulf holds - or builds further next week, then additional premiums will be secured but if not then.....

Mediterranean

Every day the same ws 90/95 rate range cross Med for Aframaxes but volumes did eventually pick up, and Owners' sentiment improved to inflate demands towards ws 100, and some kiss-chasing over the next fixing window could add extra frisson to the marketplace. Suezmaxes operated similarly to West Africa - mainly defensive, and with only spasmodic volumes...local positive pressures are unlikely to develop in the short term so eyes will remain fixed to the South for support.

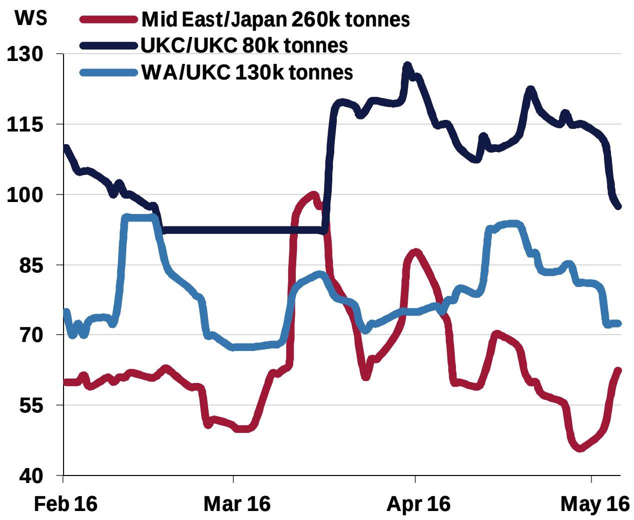
Caribbean

VLCC interest didn't shout out loud, but there was covert pruning of early tonnage, and although rates had slid off to $4.8 million to Singapore, and to $3.8 million to West Coast India, there was eventual opportunity to secure $5.2 million and $4.1 million, respectively, by the week's end. Forward positions still look too well stacked, however, to call for much more. Aframaxes failed to hold their high-ish position of last week as Charterers slowed the pace, and availability increased. Rates fell off to 70,000 by ws 110 upcoast, and are set to continue to soften into next week.

North Sea

A 'down' week for aframaxes here. Bit by bit rates were eroded as enquiry slowed to a trickle and the market settled back towards 80,000 by ws 95 cross UKCont, and to 100,000 by ws 70 from the Baltic accordingly with further losses likely over the near term, at least. VLCC 'arb' economics opened up a bit, and that provoked a rash of fuel oil fixing to Singapore at/or a little above, $4 million and a reasonably tight forward balance will cement Owners ideas for a while yet.

Crude Tanker Spot Rates



Clean Products

East

The LRs have this week been curtailed in the extent of their action by the much greater-achieving MRs. LRs have softened further from their Monday morning start point, much to the dismay of Owners. A Jubail/Mombassa was put on subjects on Monday at ws 80-82.5, and this reset the market for the rest of the week. Although it is yet to be further tested, AG/Japan must sit sub 80 currently the market rate is ws 77.5. West runs are also bottoming currently at $1.6 million. The lack of cargoes off end decade is probably a tactical move from Charterers; allowing tonnage to build further. However, it would appear that rates have bottomed, so holding back stems seems futile in the chase for greater savings. The LR1s have been more active than the LR2s, but have also played second-fiddle to the MRs. They have this week embraced their nickname of 'big MRs', picking up smaller cargoes where possible. Rates have at times also been cheaper than those of the MRs. AG/UKCont finishes the week at $1.3 million, but many are seeing more fat to be stripped here. Naphtha runs to Japan currently hover around the ws 100 mark, but are likely to dip. Even with two public holidays during week 18, the MRs have managed to cram a superb amount of activity in. There was an initial sharp rise seen on the rates across the board, however as the week progressed rates steadied off a little. This was due to the very poor state of affairs of the lager vessel especially on the LR2s, meaning that any further push on rates would make more financial sense for Charterers to take larger ships. With a lot of cargoes going on longer voyages the tonnage list remains tight going into week 19. However, with no apparent signs of the LRs picking up, expect rates to remain steady. AG/EAfr sits stable at ws 157.5 and cargoes westbound have danced around a little but are hovering at the $1.025 million level. The cross - AG run started promising and saw some decent numbers early in the week but, as the pressure continued from the LR2s rates dipped a little and are currently trading at $200k mark. AG/RSea has seen a reasonable amount of activity but rates have varied depending on load port and dates, however it closes the week at $460k. Given the current state of play expectations are that rates will remain at these levels going into next week.

Mediterranean

As the man himself, Sir Isaac Newton said “What goes up, must come down”, we see his Law of Gravity having an effect of our Mediterranean market. With rates starting the week in the blissfully high levels of near 30 x ws 200, as Friday arrives we see a susceptible 150 being fixed. Inquiry levels just could not keep up with the amount of fresh tonnage turning around in the Med after short voyages / ballasters / clean ups appearing on our lists. Last done has been tested with every voyage, and we can wait for week 19 to see where the market settles. MRs in the Med have seen more activity throughout week 17, enquiry has picked up and as a result so have rates . Med / TA runs have risen by five worldscale points to 37 x ws 120 and gasoline supply to the Red Sea has been steady resulting in levels adopting the policy of “hold the line” at $700k basis central Med load into Jeddah.

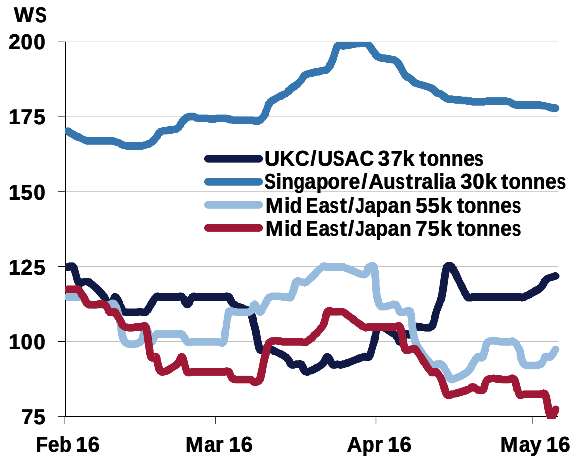
UK Continent

As the shortened bank holiday week came to a close, it sees good levels of activity crammed into it. Owners saw a glut of inquiry hitting the decks on Tuesday morning, which subsequently managed to clip out much of the top of our tonnage lists. Continued numbers of ballast tonnage restocked the shelves, but it seems they were being cleared as quickly as they could be filled. Rates managed with the good momentum to gently rise, and as we come to the end of the week, we see 37 x ws 125+ on subjects. Looking ahead, with continued inquiry, Owners will be looking to push further and options seem limited for stems over the next 10 days. With the buzz loudening on the MRs, Handies have managed to continue their present levels of fixing and a balanced market is left as we come to Friday. Owners will be hoping additional requirement will spill over from the larger sizes and the ability to push the current market of 30 x ws 137.5. We can expect this trend to continue into the next week under the present push and pull of the market. Finally to the Flexi market where, despite from an outsider's view, a seemingly quiet week passing, high levels of COA stems have kept tonnage options limited. This has subsequently pushed rates gently up as we see 22 x ws 150 on subjects. Opportunities present themselves to push further, but we will have to wait and see how relations between the partners hold back rates.

LRs

Slim pickings for LR Owners in the West. A small amount of employment on the LR1s has been seen during the early stages of the week through the gentle flow of gasoline to WAF with rates around the 60 x ws 97.5 mark being achieved. However, after 2 million tonnes of gasoline were reportedly pulled from Europe last month, we now see a real slowdown in activity partnered with little demand for reformate in the East. As many vessels are soon to open in the Continent and Mediterranean, particularly from mid-month dates onwards, Owners fear a torrid May could be ahead. The LR2 outlook looks similarly bleak at present with plentiful options available to Charterers, yet very little inquiry to feed all the hungry mouths. With ample availability of cheap LPG in Asia, end-users have been able to substitute out naphtha in the cracking pool, creating a loss of demand from the West. A fresh test on the Black Sea/Japan run was reported in the early stages of the week at $2.05 million and $1.7million was last seen for an ARA/Spore run. Looking ahead, levels are likely to slip next week if inactivity continues with Owners struggling with a bearish market sentiment for LR2s in the East as rates find themselves bottoming and LR1s looking flat.

Clean Product Tanker Spot Rates



Dirty Products

Handy

The continent Handy market failed to evolve as Owners had hoped as coming into a shortened working week such aspirations were pinned on a greater volume of activity in a shortened time frame. Alas, if anything conditions progressively deteriorated where tonnage has again been allowed to accrue, and in turn is now bringing into question the values to be placed on next done. In the Med activity has been somewhat more consistent with fixing levels trading fairly flat. It has only been towards the closing stages of the week that tonnage supply has continued to present favourably for Charterers who are making some slight indentations into Owners collective resolve. This said, there remains an expectation that the balance of May's fixing programme could yet be extensive, but Owners will need to see some front end tonnage removed before positive volatility can be allowed.

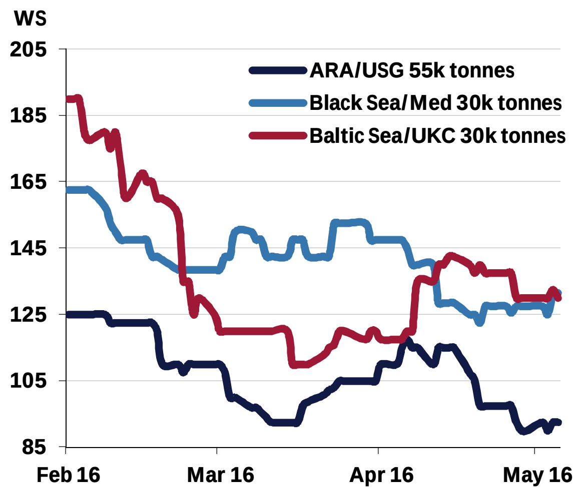
MR

"Do what needs to be done and move forward" appeared to be the theme this week, as in both the Med and Continent regions, the lack of full sized opportunity became apparent. This said, the silver lining for MR units in the Med was that at least there were on hand a few 35kt stems that offered an opportunity to reposition. Furthermore, where Charterers prefer to have some flexibility to lift any upside on 35kt, the MR became a preferable size which has meant that recently these units have not had to discount against the surrounding Handy, albeit at a prorated numbers.

Panamax

From an Owner's perspective, this week would be seen as more positive than negative as although negligible gains were made in financial tables, at least tonnage supplies have been drawn upon. Furthermore, In Europe this week we have seen the emergence of a two tier market as where deals were concluded, a disparity in Med and continent levels opened where natural availability sided with Mediterranean requirement. Looking ahead, ballast units may prove to be the preferred choice when fixing from the continent as natural tonnage awaits itineraries to firm.

Dirty Product Tanker Spot Rates



GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 5th	Apr 28th	Last Month	FFA Q2
TD3	VLCC	AG-Japan	**+14**	62	48	62	58
TD20	Suezmax	WAF-UKC	**-11**	73	83	77	78
TD7	Aframax	N.Sea-UKC	**-17**	99	115	114	118

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

			wk on wk change	May 5th	Apr 28th	Last Month	FFA Q2
TD3	VLCC	AG-Japan	**+15,750**	48,500	32,750	53,000	43,500
TD20	Suezmax	WAF-UKC	**-6,250**	26,500	32,750	31,000	29,000
TD7	Aframax	N.Sea-UKC	**-12,250**	21,500	33,750	35,750	35,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	May 5th	Apr 28th	Last Month	FFA Q2
TC1	LR2	AG-Japan	**-5**	78	83	98	
TC2	MR - west	UKC-USAC	**+5**	122	117	104	123
TC5	LR1	AG-Japan	**-1**	98	99	105	102
TC7	MR - east	Singapore-EC Aus	**-1**	178	179	188	

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

			wk on wk change	May 5th	Apr 28th	Last Month	FFA Q2
TC1	LR2	AG-Japan	**-1,500**	13,250	14,750	21,250	
TC2	MR - west	UKC-USAC	**+1,000**	14,000	13,000	11,750	14,250
TC5	LR1	AG-Japan	**-250**	13,250	13,500	16,500	14,000
TC7	MR - east	Singapore-EC Aus	**-250**	15,750	16,000	18,500	

(a) based on round voyage economics at 'market' speed

LQM Bunker Price (Rotterdam HSFO 380)	**-2**	200	202	158
LQM Bunker Price (Fujairah 380 HSFO)	**+0**	221	221	181
LQM Bunker Price (Singapore 380 HSFO)	**-2**	219	220	183
LQM Bunker Price (Rotterdam 0.1% LSFO)	**-17**	388	405	327

www.gibson.co.uk

London
Audrey House
16-20 Ely Place
London EC1N 6SN

T +44 (0) 20 7667 1234
F +44 (0) 20 7430 1253
E research@eagibson.co.uk

Hong Kong
Room 1404, 14/f,
Allied Kajima Building
No. 138 Gloucester Road
Wan Chai, Hong Kong

T (852) 2511 8919
F (852) 2511 8910

Singapore
8 Eu Tong Sen Street
12-89 The Central
Singapore 059818

T (65) 6590 0220
F (65) 6222 2705

Houston
770 South Post Oak Lane
Suite 610, Houston
TX77056 United States