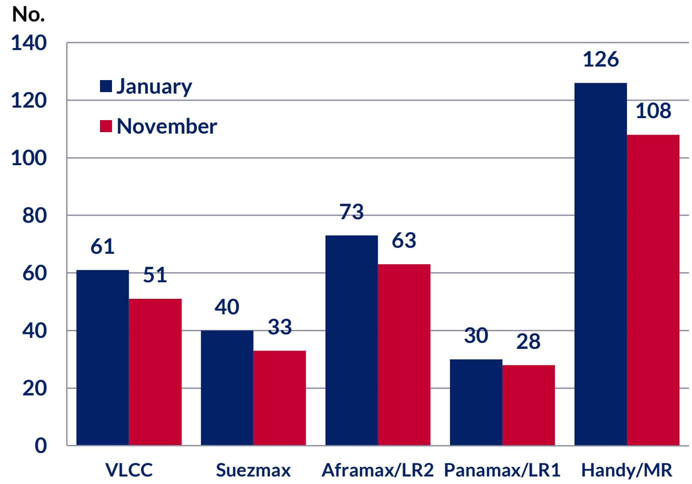
# Slip Sliding Away
## Weekly Tanker Market Report

As we approach the last few weeks of 2016, we can get a pretty good idea on what will be the final delivery profile of the tanker fleet. Naturally there is always some slippage either forced by shipbuilders failure to meet their contracted obligations or possibly a negotiated delay requested by an owner for more commercial reasons. An example of the latter would be Euronav's agreement with Hyundai Heavy Ind. to defer the delivery of two ex-yard resale VLCCs into early next year. In January this year, our data showed that scheduled VLCC deliveries would be around 61 units, our latest forecast is now for 10 fewer. Similarly Suezmax slippage has fallen by seven over the same period.

In terms of failed contractual deliveries the most spectacular example is the collapse of the STX Offshore & Shipbuilding Company which went into receivership back in May. STX was at one time the fourth biggest Korean shipbuilder by revenue and still has 23 tankers equivalent to 2.2 million/dwt on their orderbook. This includes Suezmax, LR2 and LR1 tonnage and clients eagerly await news as to when or if they are to take ownership of all these assets. Our records also show a number tankers presently listed for "Builders Account". This includes 2 Suezmaxes ordered by Frontline back in June 2010 from Rongsheng Heavy Ind., both of which were originally scheduled for 2013 delivery. These tankers remain listed for sale by the distressed shipyard, with their delivery date being constantly pushed forward. We would still expect to see further slippage from the current 2016 delivery numbers, although this will only push higher next year's profile. Final slippage figures for tanker this year will exceed 15%.

**Revised Tanker Delivery Profile 2016**




It may be an understatement to say 2016 has been a challenging year for shipbuilders. Despite record low newbuilding prices, shipyards have found it difficult to fill their depleted forward orderbook. Samsung shipbuilders had to wait until October to be awarded its first tanker order and then got six (4 Suezmaxes and 2 Aframaxes). The orderbook so far this year includes 13 VLCCs and 10 Suezmaxes and 4 LR3s. Euronav and Nordic American Tankers (NAT) both took the unusual step of placing fresh orders instead of adopting their usual policy, in the recent past, of opting for yard re-sales or second-hand purchases. Perhaps both owners were attracted by the low prices on offer or in the case of NAT a requirement to replace older units in their current fleet. Euronav's requirement to source Ice Class tonnage for contractual obligations might have been difficult to source from second-hand purchases.

Towards the end of last year, a tranche of orders were placed to get around the impending Tier III regulations, introduced by the US. The implications of more recent legislation imposed on shipowners as a whole will also impact on shipbuilding demand, providing the Asian shipyards with a glimmer of optimism. For many shipbuilders this optimism will be too late as consolidation, closures and lay-offs continue to be the only order on the table.

# Crude Oil

## Middle East

With Dubai parties in full swing the VLCC market has been in hibernation. Cargoes requiring discharge options have paid ws 70 East and ws 40 West. The real test comes next week once normality resumes. The Suezmax market has remained flat this week with Owners willing to conclude fixtures at 140,000 x ws 37.5 to Europe. We have seen some Owners ballast to West Africa, but tonnage is sufficient to keep rates unchanged.

## West Africa

Suezmax rates firmed off the back of Mediterranean activity, once the tonnage already committed to the area had been absorbed, Owners needed higher levels to be enticed to load in West Africa. Rates have now stabilized, even peaked, at ws 87.5 to Europe. VLCC market has been quiet for the reasons stated earlier and rates currently stand at ws 65.5 to the Far East. Owners are confident that once activity resumes next week they will have the opportunity to push rates up.

## Mediterranean

What a week of activity for Aframaxes in the Mediterranean. From the already impressive ws 130 levels, the market boomed hitting highs of ws 190 for certain voyages. Saying this, it looks like it might be coming off the boil. Activity has slackened towards the week's end, with the outlook showing only a few cargoes to prop up current rates. The honeymoon period may well be coming to an end. Suezmax Owners capitalised on the rampant Aframax market and competed for their cargoes, this in turn pushed up rates for natural cargoes and the week ends around 140,000 x ws 102.5 for European destinations. Rates are likely to soften next week.

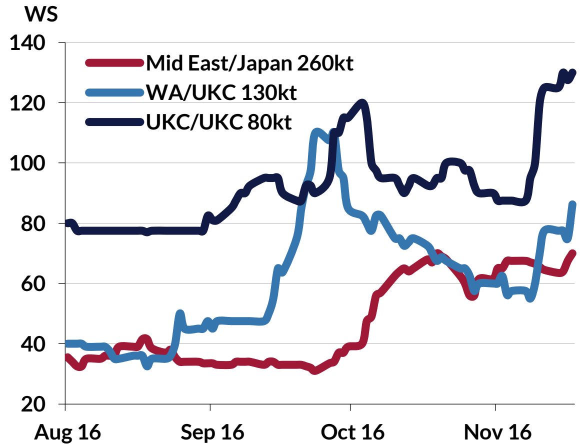
## Caribbean

Aframaxes had an active week pushing up to 70,000 x ws 130, which seems to be the ceiling for now. VLCC activity has been non-existent and levels remain unchanged at around $4.5 million to Singapore and $3.7 million to West Coast India.

## North Sea

A peaky week in the North, rates have indeed spiked! However, the storage contango for November is closing and ships expected to delay heavily are now seeing a prompt turn around. More ships, opening on earlier dates in a forward fixing market. Rates at 100,000 x ws 100 looked healthy, how much strength above this number moving into December is to be seen. VLCC have been concluded at $ 4.1 million to Singapore.

Crude Tanker Spot Rates



# Clean Products

## Mediterranean

After a quiet Monday the Med market saw a rapid influx of fresh cargoes with the vast majority of enquiry in the early third decade. Tonnage quickly tightened and Owners were able to capitalise on the bullish sentiment resulting in rates climbing to 30 x ws 145 for XMed from 30 x ws 105 from weeks beginning. Black Sea cargo came later in the week and rates here have naturally improved on the back of the action elsewhere, now with 30 x ws 152.5 on subs. Rates look set to hold at current levels this side of the weekend as most ships are collecting their subs maintaining the tight list. If enquiry continues early next week, rates could climb further still, although the weekend recycling of tonnage may give Charterers more options come Monday.

MR tonnage has been noticeably tight in the Med this week allowing Owners to push for higher as the favour lies with them. Med/Red Sea peaked at $890 k this week and similar numbers were repeated. Transatlantic runs have been quiet but seem to be mirroring the rates seen on the Cont. Tonnage looks tight going into next week so expect more of the same.

## UK Continent

A week of sideways movement has engulfed this Continent market across all sectors as it seems tonnage and cargoes balanced nicely. MRs have seen good levels of enquiry with tonnage being clipped away between the 37 x ws 105-110 levels. Baltic/UKCont runs have consistently been taken out at 40 x ws 110 and little WAf enquiry appeared. As the week closes, rumours of an improved interest in WAf runs appear and partnered with TC14 market improving by 10 points, sentiment gently builds in the North.

Handies this week have kicked the can down the street with flat fixing of 30 x ws 105 across the board. Seems hard at the moment to see this market moving away from this point with neither tonnage nor cargoes building up in front of us, Charterers could start to apply negative pressure from today.

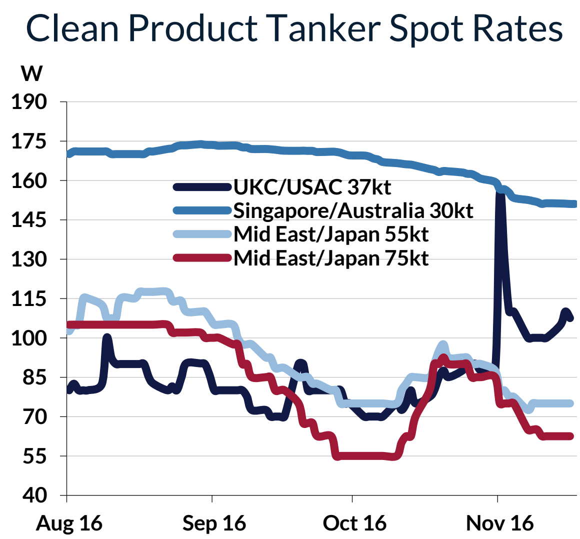
Finally, to the Flexis where similar to the Handies, we have experienced a very placid week. 22 x ws 140 is the number and both parties presently seem content to keep it here. Expect more of the same heading into week 47.

## LRs

After many months of pain for LR Owners in the West, week 46 has finally delivered. The naphtha arbitrage to the East has remained open and there have been additional UMS cargoes to the East loading in the Med and more interestingly out of the USGulf reducing the need for vessels to ballast back to the Continent or Mediterranean. This has come at a time when the tonnage list is short with a remarkable lack of options in the Mediterranean, a number of vessels have uncertain positions and when Owners are also considering moving to the excellently well performing DPP market. Furthermore given the time of year, some Owners are now aiming to keep their Ice Classed vessels in the West. These factors combined have enabled Owners to keep raising their rate ideas through the week as fresh enquiry has entered the frame and ships have been steadily clipped away.

In terms of where rates now lay today, although LR1 Owners are aiming for 60 x ws 100 on the ARA/WAf run, it is felt that 60 x ws 90 is achievable. Owners are rating the long UKCont/Japan run at $1.6 million and $1.0 million is on subs for a MED/AGulf UMS run. In the USGulf, two LR1s have been fixed, one carrying UMS to the AGulf which achieved $1.2 million and a naphtha run to Japan was reported at $1.6 million. Owners are now rating Ust-Luga/Japan runs at $2.2 million and there are reports of a vessel on subs for a Tuapse/Japan run at $1.85 million. Looking ahead much will depend on whether the naphtha arbitrage to the East remains open. If it does and fresh inquiry is seen on Monday then rates will rise again as the list is thinning. However, a quiet start to the week should enable Charterer's to pick off available ships at last done levels.

.



GIBSON SHIPBROKERS

# Dirty Products

## Handy

As a result of an active weeks trading the continent now finds itself elevated from the floors seen last week. The journey to this stage however has been a slow one, where the gradual reduction on surplus capacity weighed heavily on Owner's aspirations. Volatility in the North therefore was only measurable by small increments although with the region still lagging way behind the Med from an Owner's TCE perspective; which in turn is something we can expect Owners to continue to alter going into next week.

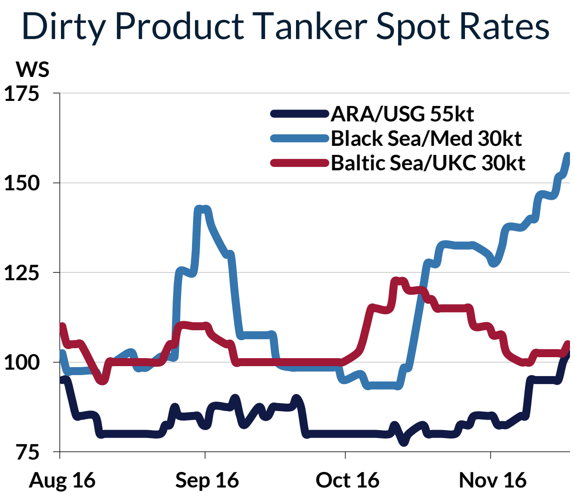
In the Med momentum continues to maintain its positive trajectory where again new peaks were reached. With both the Black Sea and Mediterranean firing in tandem combined with surrounding sectors also trading firm, on face value it does look like this current trend will last for the short term. Furthermore, with a few weather delays and the emergence of December's fixing program on the horizon, conditions next week could again see Owner's capitalise.

## MR

Where surrounding markets showed signs of volatility it didn't take too long for Charterers to realise that MR’s offered a perceivably good value, and with increased interest, both the Med and Continent showed reaction with positive movement. This said, just as with the surrounding Handies in the Med and Continent zones, disparities in strength are also present here.

## Panamax

Reflecting on week 46, this sector endures interesting times, as numbers gain re-familiarity with fixing levels back into the triple digit realms. Spurred on through multiple requirements placed into the market, and sustained fixing levels states side, sentiment beyond anything else does appear to have changed. Owners are now prepared to walk away from potential employment if their rate aspirations aren't at least neared, a trait less associated with the Panamaxes over recent weeks.



## Dirty Tanker Spot Market Developments - Spot Worldscale

| | | | *wk on wk change* | Nov 17th | Nov 10th | Last Month | FFA Q3 |
|---|---|---|---|---|---|---|---|
| **TD3** | VLCC | AG-Japan | **+5** | 69 | 64 | 67 | 70 |
| **TD20** | Suezmax | WAF-UKC | **+16** | 87 | 71 | 69 | 79 |
| **TD7** | Aframax | N.Sea-UKC | **+8** | 132 | 124 | 98 | 109 |

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

| | | | wk on wk change | Nov 17th | Nov 10th | Last Month | FFA Q3 |
|---|---|---|---|---|---|---|---|
| **TD3** | VLCC | AG-Japan | **+5,500** | 52,000 | 46,500 | 47,750 | 53,250 |
| **TD20** | Suezmax | WAF-UKC | **+9,250** | 32,250 | 23,000 | 21,000 | 27,500 |
| **TD7** | Aframax | N.Sea-UKC | **+7,000** | 56,250 | 49,250 | 19,500 | 35,000 |

## Clean Tanker Spot Market Developments - Spot Worldscale

| | | | wk on wk change | Nov 17th | Nov 10th | Last Month | FFA Q3 |
|---|---|---|---|---|---|---|---|
| **TC1** | LR2 | AG-Japan | **+0** | 63 | 63 | 90 | |
| **TC2** | MR - west | UKC-USAC | **+6** | 107 | 101 | 84 | 117 |
| **TC5** | LR1 | AG-Japan | **-0** | 75 | 75 | 95 | 83 |
| **TC7** | MR - east | Singapore-EC Aus | **+0** | 151 | 151 | 163 | |

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

| | | | wk on wk change | Nov 17th | Nov 10th | Last Month | FFA Q3 |
|---|---|---|---|---|---|---|---|
| **TC1** | LR2 | AG-Japan | **-500** | 6,500 | 7,000 | 13,750 | |
| **TC2** | MR - west | UKC-USAC | **+1,250** | 9,500 | 8,250 | 4,750 | 11,500 |
| **TC5** | LR1 | AG-Japan | **+0** | 6,250 | 6,250 | 9,750 | 7,750 |
| **TC7** | MR - east | Singapore-EC Aus | **-250** | 9,000 | 9,250 | 11,500 | |

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

| | | | | |
|---|---|---|---|---|
| ClearView Bunker Price (Rotterdam HSFO 380) | **-1** | 251 | 252 | 269 |
| ClearView Bunker Price (Fujairah 380 HSFO) | **+6** | 279 | 273 | 296 |
| ClearView Bunker Price (Singapore 380 HSFO) | **+4** | 281 | 277 | 288 |
| ClearView Bunker Price (Rotterdam 0.1% LSFO) | **+7** | 409 | 402 | 451 |

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