Summer season for MRs

Weekly Tanker Market Report

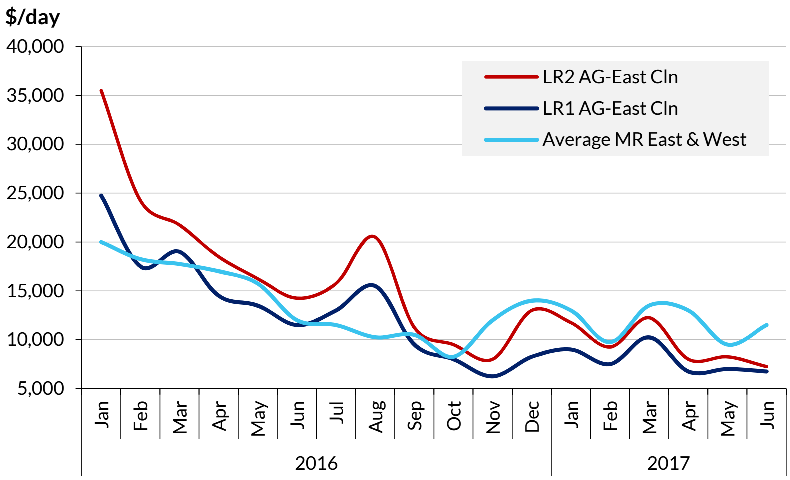
Although the overall performance in the product tanker market remains disappointing, some positive dynamics have been seen in the MR segment (25,000 to 55,000 dwt). Spot earnings are still weak; yet, MRs have fared somewhat better than larger product carriers in recent months. Since November 2016, average MR earnings for representative voyages both in the East and in the West have been above those for LR2 and LR1 tankers trading on benchmark trades in the East.

The support has come primarily from the Atlantic Basin. Typical delays and disruptions during the winter in the Northern Hemisphere provided opportunities for temporary firming in rates, while the market has also been aided by robust Former Soviet Union (FSU) clean petroleum exports and strong chartering demand into West Africa. In addition, there has been occasional transatlantic arbitrage, although this has been challenged by high of stocks in Europe and the US. Finally, exports of US clean petroleum products have continued to increase, with the growth focused largely on gasoline.

While the above is history, the important question now is what to expect over the next few months. The anticipated pick up in US gasoline demand in summer due to the driving season could aid domestic gasoline production and seaborne imports into the US Atlantic Coast. However, stocks remain at very high levels, potentially limiting tanker trade. The EIA weekly data shows that since April gasoline inventories in the PADD1 (East Coast) have been running above or close to the upper limit of the seasonal average range, while the latest four-week average of gasoline imports indicates that regional seaborne imports are down year-on-year by over 200,000 b/d or over 27%.

Monthly Average Clean Tanker Earnings

Earnings on Round Voyage Basis at Market Speed



In the US Gulf (PADD3), both gasoline and distillate stocks are also at or close to their five year high for this time of the year. In contrast to the developments on the Atlantic Coast, high inventories in the US Gulf could translate into strong product exports out the region, with gasoline mainly flowing to Latin/South America and distillate heading both to Latin America and to Europe. Distillate exports to Europe, in particular, tend to be stronger during the summer. If the same trend continues this year, it could support MRs trading out of the US Gulf but at the same time could lead to a build up of tonnage in the UK Continent and the Mediterranean, particularly if the gasoline trade from Europe to the US Atlantic Coast remains weak. The North West European market could also be threatened by the fact that Russian clean petroleum products exports tend to slow over the summer/early autumn and there is no indication that this year will be any different. Furthermore, indications are that there will be an increase in LR stems out of the Baltic at the expense of MR cargoes in the months ahead.

Although these potential developments do not look positive for MRs trading in Europe, strong product demand into West Africa could prevent or at least reduce the risk of building up tonnage availability. Besides, there is also a wild card - the US hurricane season. It is impossible to predict how active this year's season will be but potential disruptions to transatlantic trade in either direction and thus the risk of a temporary spike in rates should not be ignored.

Crude Oil

Middle East

Busier for VLCC's - as expected - but also, as expected, availability proved easily adequate to meet demand and Owners failed to push rates higher than low ws 50's to the East and mid/high ws 20's to the West. There don't seem to be any pinchpoints in near sight so Owners will be relying upon another pick up in the fixing pace to create the necessary momentum and that must remain a doubt. Suezmaxes saw steady interest, but never a rush, and tonnage lists never became trimmed sufficiently to allow for any grip. Rates slid off to just under ws 65 to the East and to ws 25 to the West with no early U-turn likely. Aframaxes saw a very modest improvement in volume but rates merely stagnated at 80,000 by ws 95-ish to Singapore and similar values called into next week too.

West Africa

Recent lows became even lower for beleaguered Suezmax Owners to endure - down to 130,000 by ws 50 US Gulf and sub w55 to Europe now. It's hard to see that levels can move even lower into next week but the severe imbalance that has caused the drop will remain a feature for a while yet. VLCC's actually had a reasonably active week but despite that Owners couldn't force rates higher than ws 56.5 to the far East and little over $2.5 million to West Coast India. Dates are now rolling onto reasonably stocked positions and any near-term gains will be dependent upon 'good news' from the Middle East.

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Mediterranean

Another week of zero positive change for Aframaxes here...rates again operate within an 80,000 by ws 90/95 bracket Cross Med and lukewarm sentiment will take a good deal more activity to fire up. Suezmaxes, as elsewhere, remained slow and soft. Rates eased off to 140,000 by ws 67.5 from the Black Sea to European destinations with down to $2.3 million available for runs to China. Little change likely over the near term, at least.

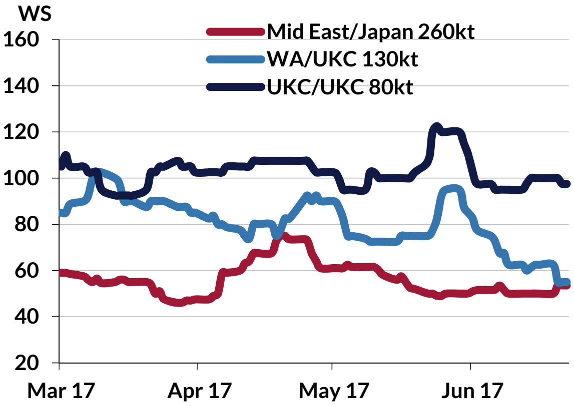
Caribbean

Aframaxes started with some upward potential as bad weather threatened disruption but that proved only light and rates again settled into 70,000 by mid ws 80's territory into the later stages of the week. VLCCs outperformed the stagnant trend elsewhere with solid activity meeting thinner availability - rates took a step higher to $3.6 million to Singapore and towards $3 million to West Coast India and the gain should be held, or maybe improved slightly upon, next week.

North Sea

Flat, at best, for Aframaxes. Rates just about held 80,000 by ws 95 Cross UKCont and 100,000 by ws 70 from the Baltic, but slippage remains a real threat into next week. VLCCs were occasionally picked off at up to $2.9 million for fuel oil from Rotterdam to Singapore with $4.1 million reported for crude oil from Houndpoint to South Korea. Availability is on the thin side so no material downside is likely over the next fixing phase.

Crude Tanker Spot Rates



Clean Products

East

What a busy week it has been for the MR's in the AG this week. A huge amount of fixing has been seen over the week and the tonnage list progressively got tighter. However, rates at the beginning of the week remained pretty flat with not much change on last done levels. But, by Thursday the pressure began to show and rates starter to creep upwards. With outstanding cargoes and a tight list some of the levels being talked are getting onwards of yearly highs! EAFR cargoes spent most of the week at the mid 140 level, however, the strain of a tight list took its toll and on Friday we saw ws 165 go on subs, and there is expectation to see this improved upon. TC12 also saw positivity, having sat as flat as snooker table at ws 125 for a very long time, the lack of naphtha suitable ships on the tonnage list enabled Owners to push rates and as a result it closes the week at ws 135. A prompt AG/Red Sea was the talk of the town as it achieved $475k, but it may not actually be a truly accurate representation of the market. Certainly, there will be an improvement on last done but would expect next done to nearer the $425k mark basis Gizan/ X-AG cargoes have been turning over nicely and have seen a gradual push over the course of the week and close at $180k mark. The sentiment is, for the first time in a pretty long time certainly a very positive one. Owners have high hopes for the forthcoming week, and there is reason to be confident, my only word of caution is with a public holiday in Singapore there is a chance that we could see the market slow a little which could take this head of steam away. But, at present there are no signs of this and the order has been given for full steam ahead.

LRs

LRs have also seen a busy week with lists thinning out quickly. Rates generally have only seen marginal rises so far and with holidays coming pressure hasn't really come to bear strongly. This could change next week if volume continues. 75,000 mt naphtha AG/Japan is now ws 85 and 90,000 mt jet AG/UKC is up to $1.35million. 55,000 mt naphtha AG/Japan is so far steady at ws 105 but 65,000 mt jet AG/UKC is up to $1.125 million. Things definitely could get more interesting after the Eid holiday with lists tight and also with MRs firming.

Mediterranean

With good levels of enquiry and a tighter tonnage list than we have seen in a while, Owners were given the chance to press the Mediterranean market at the beginning of the week. Rates were drawn up to ws 30 x ws 140 X-Med by Wednesday and the potential, for more was ever present. Although this feeling perhaps did not flourish to its full potential as the second half of the week slowed somewhat in inquiry leaving us now around ws 150. Black Sea has been keeping up with positivity and has held its 10 point premium consistently throughout the week.

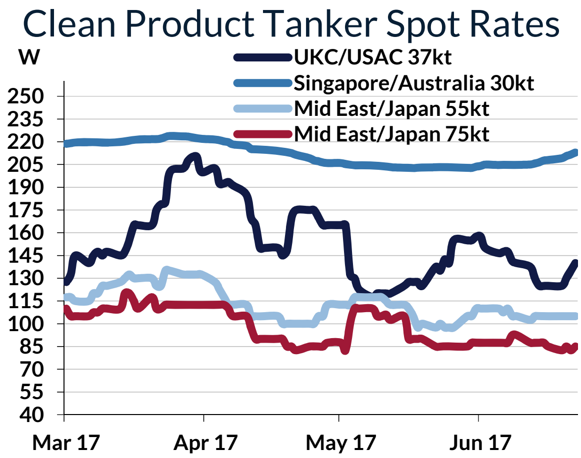
MRs continue to mirror the UKC trend as we see the tonnage list limited due to lack of ballast positions. Enquiry heading East has kept a low profile and with only a few stems appearing heading transatlantic, the market remains fairly untested. Expect similar positivity from Owners with any fresh enquiry arising.

UK Continent

A positive week for the Owning fraternity in the Continent, as we see a slender tonnage list producing ever increasing rates. An improved States market has kept potential ballast tonnage that side of the Atlantic, and the result of this has been the steady flow of enquiry X-Continent not having an ample selection as per recent times. TC2 rates have managed to pick up into the ws 140s and with a handful of stems still out there, seemingly distressed, the potential for another kick on is clear to see. Looking ahead with the States market remaining firm, we can expect rates to mirror in this fashion and look for further improvement.

Handies managed to lift themselves from the bottom of the barrel this week as limited options for Charterers were left for June liftings bringing up rates slowly.

A steady stream of enquiry scattered throughout the week has cleared much available tonnage away and at the time of writing a troubled Baltic lifting goes on subs at ws 30 x 150. With July stems starting to appear now also, we can anticipate Owners to push to rebuild this Handy market whilst opportunity is present.
Finally, to the Flexis where a quiet week of market enquiry has given little to discuss, with COA activity keeping tonnage turning over. Present rates are balanced around 22 x ws 170-175, but with improved sectors on the larger tonnage, potential for Charterers to dip their toes into the Flexis for coverage increases and with that potentially rates.



GIBSON SHIPBROKERS

Dirty Products

Handy

Trend in the Continent gradually succumbs to two factors, inactivity and oversupply, where although levels are dropping, perhaps the shallow gradient of recent decline is giving Owners something to be pleased about. Additionally, for those who have managed to find employment, conditions still allow those in the region to achieve better daily returns than what's currently available in the Med.

Speaking of the Mediterranean! on the whole activity levels haven't been too dissatisfying this week although with intense competition among available units remaining high within the region. Charterers can afford to adopt a laissez-faire approach to securing tonnage, with a foregone conclusion that rates continue to trade a bottom rung numbers.

MR

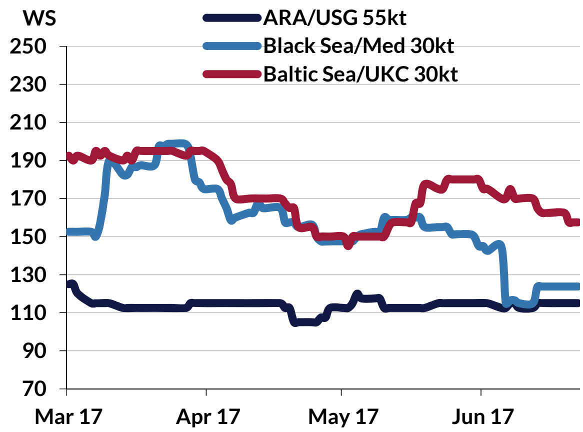
This week activity in the Continent failed to ignite with overall enquiry remaining fairly subdued. Although a couple of naturally placed units did manage to get fixed away thus somewhat tightening the the list, tonnage supply in the west prevented rates from moving northwards.

In the Mediterranean rates continue to remain at rock bottom values although Owners did at least witness some full size opportunity with a handful of 45kt stems entering the market throughout this week. This said, we close the week still long on tonnage as Owners continue to face the battle to get clear of a current supply imbalance.

Panamax

Natural and ballast units towards the Continent were easily picked off in a week where very few cargoes have been seen. The benchmark of ws 115 remains untouched in the UKCont and Mediterranean with the latter region largely securing the services of tonnage at this rate from ballast units. It's just as well that natural tonnage is on the thin side, but with a couple of stems popping up the day before the weekend, Owners might have been encouraged to ballast this way for the next Skikda barrels that are next up for grabs…..

Dirty Product Tanker Spot Rates



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 22nd	June 15th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	**+3**	53	50	61	52
TD20	Suezmax	WAF-UKC	**-7**	55	62	76	69
TD7	Aframax	N.Sea-UKC	**-2**	98	100	96	104

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

			wk on wk change	June 22nd	June 15th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	**+2,250**	17,750	15,500	24,250	17,750
TD20	Suezmax	WAF-UKC	**-2,250**	7,500	9,750	14,750	12,750
TD7	Aframax	N.Sea-UKC	**-1,250**	9,250	10,500	7,000	13,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	June 22nd	June 15th	Last Month	FFA Q3
TC1	LR2	AG-Japan	**-3**	85	88	110	
TC2	MR - west	UKC-USAC	**+14**	138	124	130	140
TC5	LR1	AG-Japan	**+0**	106	105	113	118
TC7	MR - east	Singapore-EC Aus	**+5**	213	208	205	

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

			wk on wk change	June 22nd	June 15th	Last Month	FFA Q3
TC1	LR2	AG-Japan	**-250**	6,000	6,250	11,000	
TC2	MR - west	UKC-USAC	**+2,000**	9,000	7,000	7,750	9,500
TC5	LR1	AG-Japan	**+250**	7,000	6,750	8,000	9,000
TC7	MR - east	Singapore-EC Aus	**+1,000**	11,250	10,250	9,500	

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

ClearView Bunker Price (Rotterdam HSFO 380)	**-4**	269	273	273
ClearView Bunker Price (Fujairah 380 HSFO)	**-5**	291	296	298
ClearView Bunker Price (Singapore 380 HSFO)	**-7**	291	298	302
ClearView Bunker Price (Rotterdam LSMGO)	**-11**	392	403	421

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