Refined View

Weekly Tanker Market Report

2017 has seen a notable increase in unplanned refinery outages, which has naturally had an impact on the product tanker market. Whilst consistent data is hard to come by, it certainly seems like unplanned outages are higher than in previous years. We presume this is due to a number of factors. Firstly, margins have been generally strong since the oil price crash in 2014, even in regions such as Europe with it's ageing infrastructure. These strong margins prompted many refiners to delay or minimise maintenance, whilst also increasing run rates. We suspect that a reduced maintenance programme is one of the reasons why we are seeing an increase in unplanned outages, particularly in Europe and the US.

Whether or not this has been positive for product tankers depends on the position of the vessel and the timing. If we take the outage at Shell's 404,000 b/d Pernis plant as an example, this was of little benefit to clean tankers already on the Continent. However, it was of almost immediate benefit to larger product tankers in the Middle East Gulf which were already firming in line with seasonal trends. Pernis was not the catalyst behind a firmer Middle East products market, but it did add fuel to the fire when it was unexpectedly shut down. The outages in Europe also helped product tankers in the US Gulf. Whilst there was no mad rush following outages at Pernis, the US Gulf market had already been boosted from an outage at Pemex's 330,000 b/d Salina Cruz refinery on the West Coast, increasing import demand. Furthermore, low run rates have boosted Venezuela's import demand, whilst issues paying for the cargoes has led to discharging delays, all providing support to the US Gulf products tanker market. US Gulf refineries have not been immune from their own problems. Although the short-term impact on the market appears limited, if such outages persist, diesel flows out of the US Gulf could come under pressure, although right now demand, rather than supply seems to be the issue.

Just as the diesel market in North West Europe was tightening, problems in the Mediterranean emerged. The Mediterranean diesel market had already tightened before Hellenic's 100,000 b/d Elefsina refinery went offline unexpectedly, soon followed by further issues at Paz's 100,000 b/d Ashdod plant. Now, with two key diesel markets suffering from outages, further support was offered to tankers in the US Gulf and Middle East. Finally, this week Exxon had an issue at their 193,000 b/d Rotterdam plant. For product tankers positioned on the Continent, the positives have been limited. With perhaps the only real opportunity being flows from North West Europe into the tighter Mediterranean market. However, this opportunity has now faded, following higher flows from the US Gulf, Middle and Far and East, and healthy stockpiles. Traders had appeared more comfortable with forward diesel supply, although hurricane season could complicate the picture in the short term.

Fundamentally, September will mark the start of autumn maintenance programmes in Europe, which could see a tighter market for a few more months, supporting further flows into the region. Whilst this may be positive for tankers bringing product into Europe, it does point to higher regional tonnage supply, and reduced export flows out of the region. However, in the short-term hurricane season could counter the more challenging underlying fundamentals and see freight rates spike, as precautionary refinery shut downs in the US Gulf tighten the American products market, creating import demand. Equally this may impact distillate exports to Europe. Larger product carriers may also see improved opportunities to the East, as traders plan light distillate supplies ahead winter when LPG prices are likely to firm somewhat, increasing the competitiveness of naphtha in the petrochemical supply chain. Still, higher inbound tonnage flow into the European region is likely to prevent any major hike in LR1 and LR2 freight rates to the East, even if a general theme of improvement is expected.

GIBSON SHIPBROKERS

Crude Oil

Middle East

VLCCs have seen more activity this week, but are still suffering from the ongoing problem of supply outstripping demand and rates have further slipped. It seems likely that rates have now bottomed at ws 36 to the East and ws 22 West. Suezmaxes have also seen an uptick in activity with rates to the East operating in the low ws 70's and West at ws 70. The trend continues with many Owners deciding to ballast their tonnage to West Africa. Off the back of a tightening Aframax market rates, by mid-week, pushed up to 80,000mt by ws 92.5 to Singapore. Rates have remained steady for the balance of the week and are likely to be maintained into early next week.

West Africa

Suezmaxes have seen plenty of volume this week, but due to the weight of available tonnage we have seen rates further eroded to ws 55 USGulf and ws 60 to Europe. With prompt tonnage still remaining in the area we are unlikely to see a sudden reverse in Owners fortunes. VLCC tonnage is still suffering from a suppressed AG/East market and rates to the East have softened to ws 47.

Mediterranean

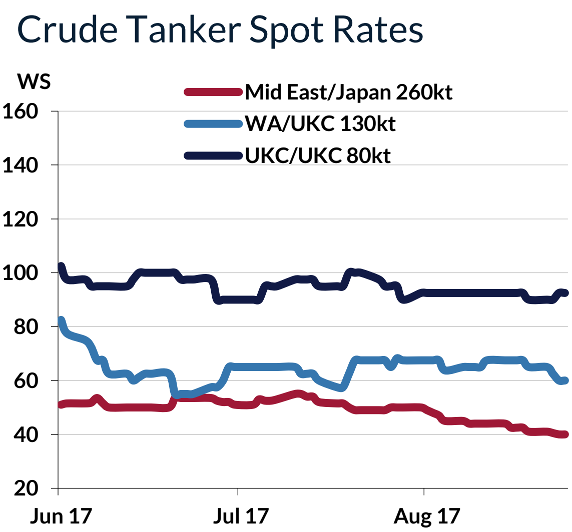
A busy week has helped strip the Aframax position list and in most other conditions we would be talking about a spike in the offing. However, much like in previous weeks, a hiatus approaches, this time lengthened by a bank holiday, and so does momentum stop and tonnage builds once more. Movement from the ws 70-72.5 level for vanilla X-Med and Black Sea-Med voyages seems a pipe dream for Owners. On the other hand, the approaching closure of two berths in Trieste may play a slightly firming role in the next days? On the last occasion, this did not come to pass and the reality is there should still be plenty of choice for Charterers. Suezmax Charterers have had an easier task this week.

Caribbean

Aframax rates have edged up this week, but by the end of the week activity has come to a hault as all eyes are now on how Hurricane Harvey will develop this weekend. This is the only area that offers VLCC Owners a ray of sunshine. Rates have moved up during the week and tonnage for September remains tight even when including Eastern ballasters. The week closes with levels pushing above $3.2 million for West Coast India and $3.6 million to Singapore.

North Sea

The North and Baltic Aframax markets have continued on the same tack this week with activity ticking over, but nothing threatening to pressure the rates. The short-term outlook suggests that the market will have to ride out this flat period for a while longer before a correction is seen, which may be several weeks in the making. Next month's Urals loading programme is up on August's yet not significantly enough to suggest an uptick. VLCC tonnage has achieved rates of $4.05 million for South Korea discharge. Rates will remain firm next week due to a tight availability of tonnage in the Atlantic.



Clean Products

East

The larger tonnage has this week suffered from a particular lack of cargoes on the LR2s, which has had a negative knock-on effect on the LR1s. Although naphtha exports from the Gulf have been high in recent weeks, there were not as many fresh out this week to test market levels. Charterers have pushed hard to achieve Platts, but Owners have fought to fix at Worldscale, even if it has been less than last done. TC1 has ended the week at ws 110 with a soft sentiment on this route. West numbers have dropped off as well, $1.65 million now on subs ex WCI with the suggestion that this may come under further pressure next week. The LR1s have been the busier of the two sizes, but again with a similar sentiment. TC5 finishes the week 55 x ws 120, and West runs need a fresh test, but should sit at $1.35 million ex AG as the next done level. Outstanding cargoes are few and far between on both the LR1s and the LR2s, and the imminent arrival of Eid will not be welcome amongst Owners with tonnage to cover.

The MRs have had a quiet week, especially towards the back end. Very few fresh cargoes have entered the market and Owners have been left with few cargoes to consider for their outstanding tonnage. Rates have therefore been put under considerable pressure, and inevitably we have seen most adjusted negatively. West runs now sit at $1.125 million for an AG load - although they needed a fresh test, this was a particularly low number. It may be explained by a certain level of hype in the West market. Owners pushing high numbers to account for the threat of the hurricane Harvey off Houston. EAF cargoes now sit at ws 187.5, the few ships taking out cargoes earlier in the week at ws 192.5 will be pleased they did so, as this lower number is now well cemented and may be further tested. Shorthaul has dipped as low as $215k, prompt tonnage seeing the opportunity to avoid waiting days on a quick voyage. General sentiment remains that shorthaul is trading closer to $225k. TC12 rose up to ws 160 levels, but needs a fresh test next week. It will likely be brought down sympathetically in line with the softening on other routes, and ws 152.5 will likely be the fresh benchmark. Red Sea runs are at $495k, but again may see further pressure applied early next week. If the market remains this quiet early next week, we will undoubtedly see rates soften further, the threat of Eid is always there for Charterers to use against Owners.

Mediterranean

The summer months continue to plague the Mediterranean market with week 34 seeing rates trade sideways throughout at 30 x ws 115 for X-Med and 30 x ws 125 for Black Sea. With tonnage and cargoes well in the balance, expect more of the same moving into next week.

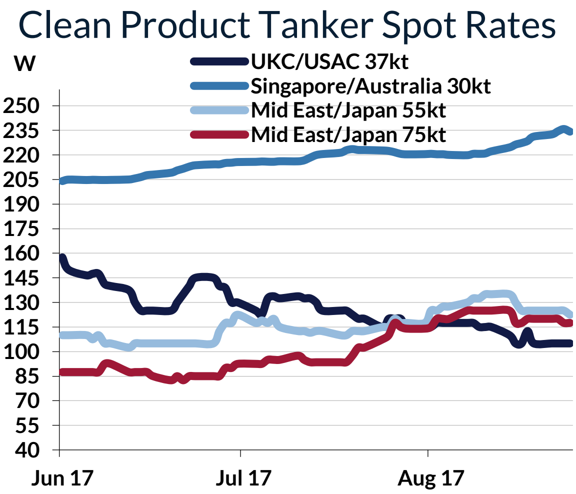
MR's in the Mediterranean have had a quiet week however, with enquiry picking up midweek, rates traded sideways at last done levels. With very few outstanding MR stems, expect Owners to be under pressure moving into week 35. We expect to see rates pick up next week however, as Owners are bullish on the back of the speculative market caused by the storm where rates are likely to mirror those seen in NWE.

UK Continent

Week 34 has for the most part been rather uninspiring for the MRs with rates pushing sideways 37 x ws 105 TC2, 37 x ws 130 for WAF and 40 x ws 105 Baltic/UKCont. However, the impending hurricane Harvey in the states has added some serious impetus to the market as both oil majors and traders speculate for potential action next week with various refinery outages. Owners are talking in the 37 x ws 145-155 region now for transatlantic runs and with 37 x ws 125 on subs already rates look to be heading North quite rapidly. The markets are poised for next week with the bank holiday in the UK and the hurricane, the top of the market remains to be seen.

Handy rates have pushed sideways for the duration of the week as 30 x ws 125 Baltic/UKCont and 30 x ws 120 X-UKCont seems cemented as the going rate. A handful of stem were done UKCont/Med giving 30 x ws 120 to Owners as well. The bad weather in the States is opening a few questions for transatlantic runs on Handies although at the moment it's mostly noise and heaving little effect on rates elsewhere.

Another quiet week passes for the Flexis with little to mention in the way of spot activity. A handful of COA fixtures keeps tonnage just about rolling whilst rates on offer for any outstanding cargoes hover around the 22 x ws 160 last done levels, with the same looking to be repeated next week.



Dirty Products

Handy

As we crawl into the weekend, a long one for some, this week has been a roller coaster ride for this time of the year. Where do we begin...starting up in the continent it is fair to comment that this week probably settled instead of taking off which it had the potential of doing first thing Monday. Charterers have carefully drip fed their cargoes into the market disarming Owners hopes of gaining territory on the market levels. For Owners opening naturally it is a waiting game as the majority of West Mediterranean/Canaries positions have naturally chosen to reposition tonnage into the Mediterranean while it trades firm leaving the depth of the current position list, a very shallow one. This region has an undercurrent of firming sentiment so watch this space.

The Mediterranean this week has only gone up a gear. At the time of writing, this week's peak of 30 x ws 192.5 for Black Sea - Mediterranean, Owners are firmly in the driving seat. The long weekend ahead allows a small chance for the position list to replenish, however it is too early to say if the forward fixing we've been seeing will have a knock-on effect and grind enquiry to a halt. This spike may have reached its peak if it hasn't already.

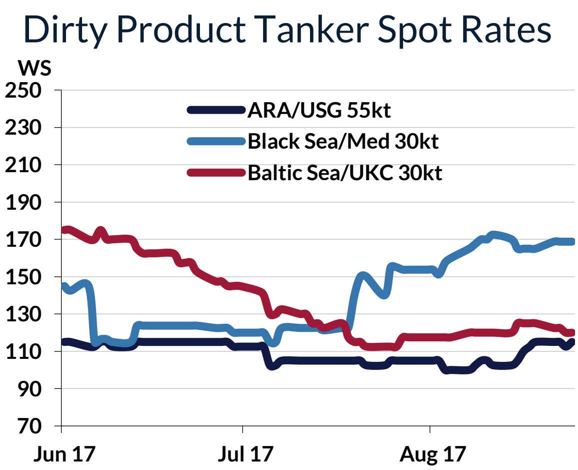
MR

The continent market could be seen as the workhorse of the fuel, you don't notice it, but it's ticking over quietly in the background. With this in mind, the position list comes and goes as Owners patiently wait their turn to see the limited MR stems that come their way. For Charterers, however, they will need to be conscientious of the disappearing Handy market, some of those patient Owners will not be averse to taking a smaller stem if the Handy market suddenly takes off.

Elsewhere in the stirring seas of the Mediterranean, the market has been kindly gifted a helping hand from its younger sibling on smaller size. Full and part cargo activity has considerably changed Owners market assessment, especially with workable tonnage now practically unavailable until end 1st decade September. Charterers need to be wary that they may need to work MR's ahead of the curve in order to protect their traders.

Panamax

The uptick on the back end of last week’s trading from TD12 scared off several Charterers from entering the market in hope and anticipation the dust may settle and rates may correct back to 55 x ws 105. In fact, this had a reverse effect as it meant a handful of cargoes all came into play at once giving Owners the opportunity to pick and choose who they wanted to work. Although this sectors current daily earnings for Owners remain at challenging levels when fixing 55 x ws 115, they have built something on very little and this is only echoed with the weak Caribs market trading so soft.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 24th	Aug 17th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	**-2**	40	42	52	44
TD20	Suezmax	WAF-UKC	**-7**	60	67	64	65
TD7	Aframax	N.Sea-UKC	**+2**	93	91	97	96

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

			wk on wk change	Aug 24th	Aug 17th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	**-1,500**	6,750	8,250	15,750	9,750
TD20	Suezmax	WAF-UKC	**-2,500**	7,750	10,250	10,000	9,750
TD7	Aframax	N.Sea-UKC	**+1,250**	1,750	500	6,250	4,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Aug 24th	Aug 17th	Last Month	FFA Q3
TC1	LR2	AG-Japan	**-3**	118	120	95	
TC2	MR - west	UKC-USAC	**-9**	105	114	131	121
TC5	LR1	AG-Japan	**-3**	123	126	119	121
TC7	MR - east	Singapore-EC Aus	**+5**	234	229	216	

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

			wk on wk change	Aug 24th	Aug 17th	Last Month	FFA Q3
TC1	LR2	AG-Japan	**-500**	13,750	14,250	8,250	
TC2	MR - west	UKC-USAC	**-1,250**	3,500	4,750	7,500	5,750
TC5	LR1	AG-Japan	**-500**	9,000	9,500	8,500	8,750
TC7	MR - east	Singapore-EC Aus	**+500**	13,500	13,000	11,500	

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

ClearView Bunker Price (Rotterdam HSFO 380)	**+3**	298	295	285
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