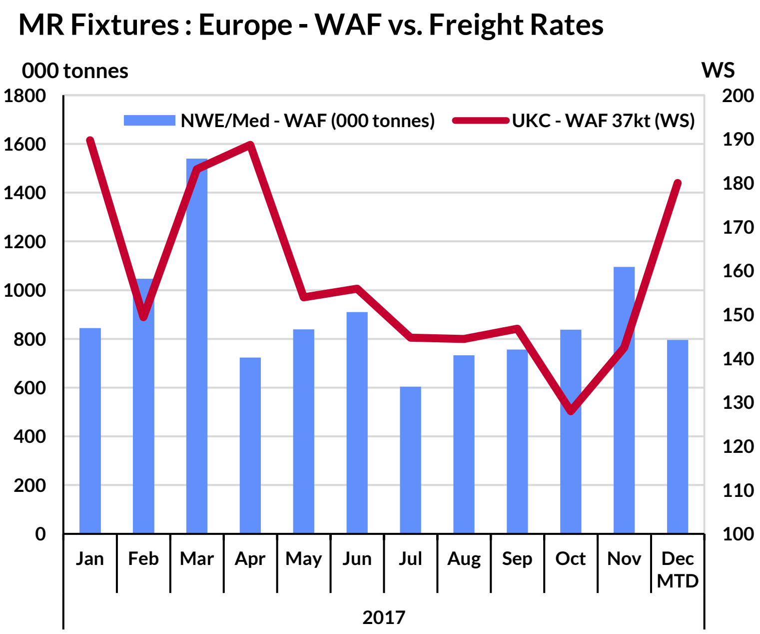
African Products Pull
Weekly Tanker Market Report

The dynamics in the product tanker market are continuously evolving. For many years the main driver behind the Atlantic product tanker market was gasoline trade into the US. When the gasoline arb opened, freight rates on the UK Continent to US Atlantic Coast (TC2) route usually spiked. However, in recent years, the surge in refinery output in the US and higher stocks has seen import demand ease off. The volatility induced by TC2 in recent years has been limited, with arbitrage opportunities being few and far between, and primarily created by freak events, such as pipeline outages or extreme weather. Shipowners have had to look elsewhere for signs of demand growth in the Atlantic.

Refined product imports in to West Africa have evolved into one of the key drivers behind the product tanker market and at times, a significant generator of freight volatility. A spike in freight costs back in March and April this year was primarily driven by a surge in import demand into West Africa, whist similarly the spike seen last week was primarily driven by high demand for gasoline in Nigeria ahead of Christmas. In fact, December 2016 saw a similar story, with surging gasoline demand often being observed in the country ahead of Christmas. Demand into the region may have now eased off, following heavy fixture activity in recent weeks, but could soon re-emerge, particularly considering consumer panic buying in recent weeks and expected high consumption over the festive period.



Moving further forwards refined product imports into West Africa look set to see continued growth. Outright oil demand in the region is rising, whilst refining capacity additions remain some way off. The biggest threat to product import demand growth into West Africa remains the construction of the 650,000 b/d Dangote refinery near Lagos. Construction work is well underway, with an official completion date scheduled for 2019. However, the actual impact on the tanker market is likely to be somewhat later. Some reports still suggest the swampy ground is still being prepared in many areas of the site, despite some construction (storage tanks) already being evident. At this point in time, 2019 might seem overly optimistic, with any major impact on the markets likely to be a few years later. Key challenges will have to be overcome, with state controlled refining in Nigeria not having the best track record. That being said, Dangote, Africa's richest man has a proven record in other industrial projects.

In the medium term, shipowners can therefore expect to see continued demand down to West Africa, whilst at times, seasonal trends and erratic demand is likely to support freight volatility, with the run up to Christmas and end of Q1 often being key periods. In the longer term, the threat of expanding refining capacity may pressure regional product tanker demand but right now it remains unclear as to when such capacity will come online.

Crude Oil

Middle East

Reasonably steady VLCC interest, but it needed for more than that to seriously prune heavy availability and Owners remained upon the backfoot throughout. Rates slipped into the ws 40's to the East and into the low ws 20's West also. 'Bottom' may be found soon, but a rebound will take more time to engineer. Suezmaxes tightened on early dates, but demand fell a little short of converting that into any meaningful gain and the week ended on a flat note with rates remaining at close to ws 90 East and low ws 40's to the West. Aframaxes had rebalanced somewhat, but fresh interest stayed light and availability started to rebuild. Rates stayed flatline at 80,000mt by ws 100 to Singapore accordingly.

West Africa

Suezmaxes initially managed to continue their push higher, but just as they scented even better levels, Charterers then started to withhold, and the market ended the week where it had started - 130,000mt by ws 85 to the USGulf and ws 90 to Europe and Owners likely to remain on the defensive over the near term. VLCCs started trading into 2018 and volumes there began to pick up. Unfortunately for Owners, rates did not, and had to follow the AGulf lead downwards to ws 53.5 to the Far East and to as low as $2.35 million to East Coast India. Until the Middle East recovers, rates will stay similarly challenged.

Mediterranean

No change in a flat Aframax seascape - rates again averaged 80,000mt by ws 90 X-Med and although there was a little extra activity late week, it isn't likely to prove sufficient to give the market a near term boost. Suezmax Owners failed to continue last week's upward move and rates then eased off slightly to 140,000mt by ws 87.5 from the Black Sea to European destinations as West Africa also stalled with around $3.1 million payable for runs to China.

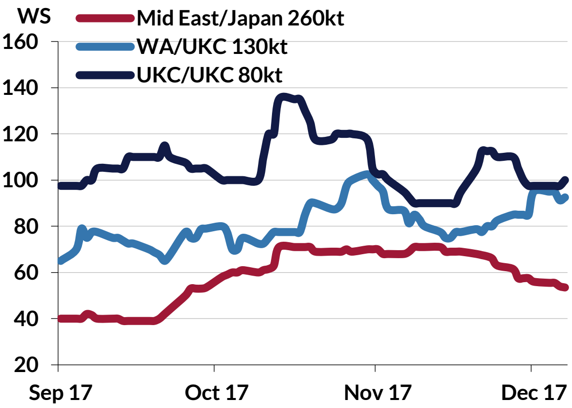
Caribbean

Aframaxes held their recent peaks through the week for the shortest movements - to 70,000mt by ws 175 - but longer runs from the Caribbean found easier competition and the market split to ws 145 for those requirements. Owners will need the recent weather disruption to remain established in order to keep levels propped up into next week. VLCCs were disappointed in volumes, but generally held steady at down to $4.1 million from the Caribs to Singapore and to just under $3.8 million to West Coast India. Some discounting may be seen next week, however.

North Sea

Party week in London didn't help Aframax Owners gain any traction here. Slow, in the main and easy availability too. Rates stayed at close to 80,000mt by ws 97.5 X-UKCont and 100,000mt by ws 65 from the Baltic with little early change likely. VLCC fixing was very sporadic, but $4.69 million was seen for crude oil from Hound Point to South Korea with $3.5 million asked for fuel oil from Rotterdam to Singapore, though traders' 'arb' economics could not support.

Crude Tanker Spot Rates



Clean Products

East

An active end to the week on the MRs, however, rates have been unwavering, remaining flat all week. The end of week push has snapped up the majority of the outstanding cargoes leaving only a few yet to be covered. TC12 is yet to be tested this week, but with one stem outstanding better clarity will be given next week. Currently assessed at 35 x ws 177.5. 35 x ws 212.5 for EAF has been the 'go to' rate for over 2 weeks now and looks set to hold fast. Cargoes into the Red Sea have also held steady at $475k mark. Ice class ships have been looking to reposition for the winter months so heading to the UKCont has been popular. However, the rates remained flat at $1.15 million. X-AGulf has danced around a little this week, but closes at $195k level. With the Christmas party season in full swing it appears last done is the 'go to', as activity keeps ticking over. Tonnage remains available going into next week, so expectations are that it will be another steady start to week 50.

LRs have had a mixed week. LR1s initially seemed to be firming fast, but with Owners keen to head West the UKCont rates went nowhere with 65,000mt jet AGulf/UKCont still around $1.3 million. 55,000mt naphtha AGulf/Japan has seen firmer rates and Owners pushing hard, but in reality, rates have got to ws 137.5, but we are unlikely to see more. LR2s have seen a very busy week, but with the tonnage list so long rates have remained flat. 75,000mt naphtha AGulf/Japan is at ws 110 and 90,000mt jet AGulf/UKCont remains around $1.65 million.

Mediterranean

With the Christmas parties in London, in full swing this week, business has seemingly been slower. A variation in rates was seen across the Med, dependent on load area with 30 x ws 180 the going rate ex West Med and more points on offer if loading further East. Rates have held at 30 x ws 205 ex Black Sea throughout the week with persistent enquiry allowing Owners to continue achieving last done rates.

A couple of market quotes for Med-Brazil runs revealed the extent of the MR tonnage list in the Med this week. The available tonnage in the current fixing window is well supplied which has meant rates have come off with 37 x ws 185 seen for a Med-Brazil voyage whilst Med-transatlantic rates will mirror those in the UKCont around the 37 x ws 155 mark.

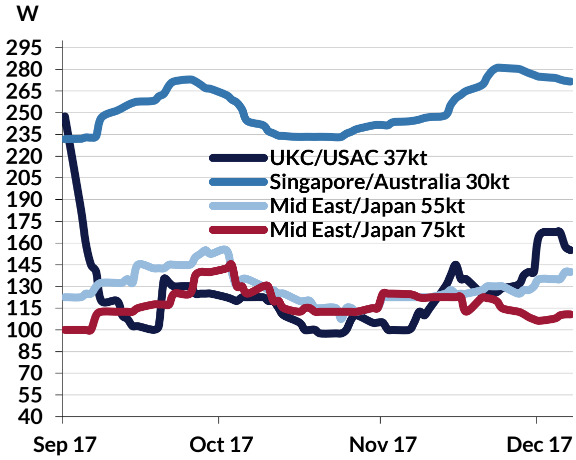
UK Continent

With the combination of ballast tonnage and slower enquiry, it was quite clear that MR rates up on the Continent would realign this week. The TC2 gasoline arb remains closed and with only system cargoes being moved in that direction the market once again has been reliant on cargoes down to West Africa which in turn has seen rates transatlantic trade down to 37 x ws 150-155 mark and 37 x ws 175-180 for WAF. That being said, it does feel that the market for now has stabilised, but a big factor will be if the USGulf market continues to firm then logically this should halt ballasters from USAC, ECC and SAM away from European shores.

On the other hand, the Handy market in NWE Europe were given a boost with the news that additional barrels being supplied ex Primorsk, and tonnage was clipped out slightly ahead of our usual fixing window. This has drawn good levels of tonnage away from our lists, and remaining stems given a tougher job to repeat last done. Rates have climbed ex Baltic to 30 x ws 185 now and with cargoes to be covered still ex Baltic we can expect further gains to be plausible by Owners.

Finally, to the Flexis, where rates have ridden the wave of improvement alongside the Handies, as rates climb comparably. Despite enquiry being fairly slow, Owners have used a bolstered Handy market to make gains and expect this to continue with each fixture. Positivity should flow into next week on both these sizes now 22 x ws 235 X-UKCont and plus 5-10 points ex Baltic.

Clean Product Tanker Spot Rates



Dirty Products

Handy

The NWE region has continued to trade steadily this week when we look at the volume of stems coming to light. With that said, Owners have still managed to gain ground on fixing levels fixture on fixture, as tonnage replenishment evaded the region as the week developed. Adding to this a number of fixtures that have been concluded once again has taken tonnage away from the region. As we draw this week to a close with reports of 30 x ws 192.5 on subjects, this firm sentiment is looking to be firmly placed for Monday opening.

The Mediterranean has suffered a quieter week than what we have typically seen as of late with enquiry levels slowing. That said, Is this the calm before the storm? Next week is likely to bring out the majority of stems that need to be covered over the up and coming holiday period. However, for now fixing levels have not suffered as much as they could have where weather delays and off market activity has managed to keep Owners fleets fairly well covered.

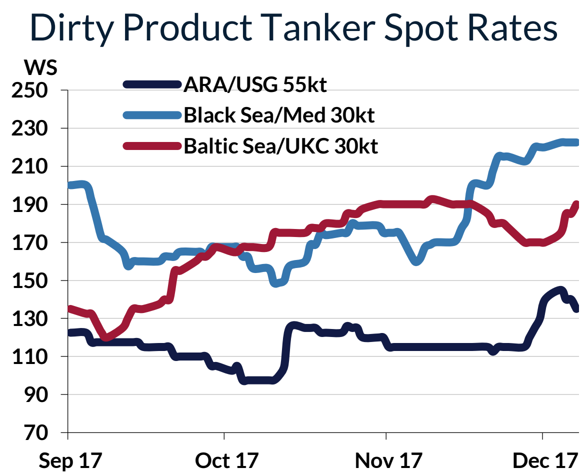
MR

One piece of full sized business being concluded from the Continent this week proves there is life out there after all. The unfortunate Charterer in question ended up paying quite a hefty premium the simple reason being, the region continues to be starved of naturally placed units. Owners with tonnage in nearby regions will be noticing Handy Owners gaining further ground, and with the Mediterranean market showing signs of weakening some Owners may be tempted to head on up.

The fresh position list Monday morning would have had Owners with upcoming vessels itching to see a fast start with further increment looking to be on the cards. Sadly, for Owners the market failed to fully ignite despite some full-sized enquiry. Further units have started to creep up the position list enabling Charterers (if quick enough) to sharpen last done levels.

Panamax

This sector has been dominated by the activity seen from the other side of the Atlantic over in the US, where coming out of the blocks Monday fresh enquiry flowed in full force with Owners quickly achieving the peaks of ws 190. This said, the market may well top out here for now as the activity levels have tapered off to allow for a more harmonious supply/demand ratio, although a word of caution, units are being clipped away under the radar. Shifting the focus back towards our shores and natural tonnage only appearing towards the end of the month, combined with Owners trying to capitalise on earling in the US requirement is continually being lost to the surrounding Aframax market where larger tonnage still offers a better $/MT.



GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Dec 7th	Nov 30th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	**-6**	52	57	71	52
TD20	Suezmax	WAF-UKC	**+7**	91	84	99	85
TD7	Aframax	N.Sea-UKC	**+3**	101	98	122	105

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

			wk on wk change	Dec 7th	Nov 30th	Last Month	FFA Q3
TD3	VLCC	AG-Japan	**-4,000**	12,000	16,000	28,000	12,500
TD20	Suezmax	WAF-UKC	**+2,750**	17,500	14,750	21,750	15,250
TD7	Aframax	N.Sea-UKC	**+2,000**	5,250	3,250	22,250	6,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Dec 7th	Nov 30th	Last Month	FFA Q3
TC1	LR2	AG-Japan	**+3**	111	107	112	
TC2	MR - west	UKC-USAC	**+13**	152	139	98	165
TC5	LR1	AG-Japan	**+8**	137	129	111	130
TC7	MR - east	Singapore-EC Aus	**-5**	272	277	237	

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

			wk on wk change	Dec 7th	Nov 30th	Last Month	FFA Q3
TC1	LR2	AG-Japan	**+250**	7,750	7,500	10,000	
TC2	MR - west	UKC-USAC	**+2,000**	9,000	7,000	2,000	10,500
TC5	LR1	AG-Japan	**+1,250**	9,500	8,250	6,250	8,250
TC7	MR - east	Singapore-EC Aus	**-1,000**	14,750	15,750	12,000	

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

ClearView Bunker Price (Rotterdam HSFO 380	**-11**	335	346	322
ClearView Bunker Price (Fujairah 380 HSFO)	**-1**	372	373	343
ClearView Bunker Price (Singapore 380 HSFO)	**-10**	363	373	345
ClearView Bunker Price (Rotterdam LSMGO)	**-8**	530	538	497

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