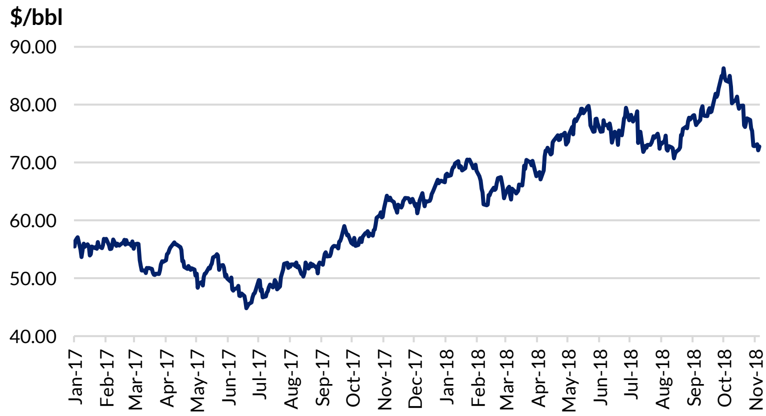
Demand Downside?

Weekly Tanker Market Report

Oil prices had been on an upward trajectory since July last year, with Brent values briefly climbing above $85/bbl in early October. However, more recently prices have moved down to just over $70/bbl. Nonetheless, so far in 2018 Brent has averaged some 34% higher than it did back in 2017. Such an increase is starting to make an impact on global consumption levels. The IEA has revised its figures for growth in oil demand this year, down by 110,000 b/d to 1.3 million b/d, most notably in non-OECD Asia. Vitol has made an even more dramatic revision, with estimates down by 400,000 b/d. Concerns are also mounting that we could see slower growth in demand next year, in part due to a step-up in prices, in part due to the US-China trade war. The IEA outlook for 2019 has been revised down by 100,000 b/d, while Vitol figures are twice that much.

Growth in oil demand is a valuable forward indicator for tanker trade. As such, should owners be alarmed by these downward revisions? The crude tanker market appears unaffected at present, with other factors at play. A major rebound in VLCC spot earnings over the past month has been driven by the combination of rising Middle East spot cargoes aimed to support a surge in Chinese demand and an ongoing robust

Brent Prices



long-haul trade out of the Americas. More demand for international owners has come at a time of marginal growth in the trading fleet, restricted by robust demolition, while weather disruptions have also affected vessel itineraries. Suezmaxes and Aframaxes have benefitted from the rebound in West African and Libyan crude exports, while much higher VLCC rates have also made smaller tonnage more attractive on certain routes. Going forward, tonne mile demand is expected to continue to increase, led by further gains in long haul trade, mainly out of the US. However, another round in OPEC-led cuts cannot be ruled out in 2019 if robust growth in non-OPEC crude production leads to an overhang in oil supply.

In contrast, the product tanker market is more sensitive to changes in underlying consumption levels, as higher petrol prices at the pump threaten to limit demand in key product importing countries. Slowing growth could also translate into a build-up in product inventories, a factor with potential negative implications for arbitrage movements. However, a new trend is starting to emerge. Many economies which used the last oil price collapse as an excuse to phase out subsidies, have started reintroducing them again. In Asia, India has cut taxes for retail gasoline and diesel, Malaysia has reintroduced petrol subsidies and the Philippines government intends to suspend planned fuel tax increases next year. Indonesia has announced the freeze in prices for subsidised transport fuels, while Thailand is considering similar measures. Finally, South Korea is evaluating plans to temporarily reduce taxes on retail gasoline. The role of subsidies may become an even more important factor for protecting consumer demand over the coming years if oil prices continue to rise.

The last but not the least factor that is likely to aid crude and product tankers alike next year is the IMO 2020. As preparations get under way in the 2nd half of 2019, we could see more barrels being traded, irrespective of potentially slower demand growth across the barrel. Charterers are likely to take advantage of cheaper, HSFO-based freight rates ahead of the switch to 0.5% sulphur bunkers, while refiners race to produce as much compliant fuel as possible and move it into position ahead of 2020.

Crude Oil

Middle East

A slow paced week for VLCCs that did allow rates to settle off a little from previous highs, but Owners drew strength from their successful resistance last month and defended a low ws 90 mark to the Far East with levels to the West averaging in the low ws 40's. Next week will be disrupted by industry events in Dubai but there remains enough to do for November to prevent Charterers becoming too complacent...yet. Suezmaxes remained steady throughout but Diwali Holidays crimped short haul volume and the health of the marketplace relied more upon the spiking rates seen elsewhere, that also provided ballasting opportunities too. 130,000 by ws 125 East, and down to ws 45 to the West remained typical. Aframaxes held very steady through the week with tight early availability propping up more forward opportunity - 80,000 by ws 140 to Singapore, and probably more of the same over the coming week .

West Africa

Suezmaxes kept pushing the rate pedal and it took most of the week before Charterers decided enough was enough to hold back fresh interest. Rates moved to 130,000 by ws 115 US Gulf, and to ws 120+ to Europe with over ws 130 seen to the Far East. With the Med still ramping, and the mood still expectant, it will take a much longer slow period to pull the market noticeably lower. VLCCs slowed, and there was some early rate reaction to the downside with ws 88 to the Far East the bottom marker, before a slight rebound in attitude pulled Owners' bottom line up to ws 90. Eyes are now fixed upon the AGulf for onward lead.

Mediterranean

An inverted marketplace here - Aframaxes ticked steadily down over the period, whilst Suezmaxes moved sharply upwards so that by the week's end US$/tonne levels were higher on the larger size than the smaller - a very rare situation, and one that is unlikely to last for long. The question is, is it Afra's up - or Suezmaxes down? for now, Suezmaxes look set to remain at up to 140,000 by ws 150 from the Black Sea to European destinations, and to $4.8 million to China, though Aframax Owners would like to imagine that their rate slide will have ended at close to the current 80,000 by ws 115 -ish Cross Med, and that they will get an opportunity to bounce back and overtake.

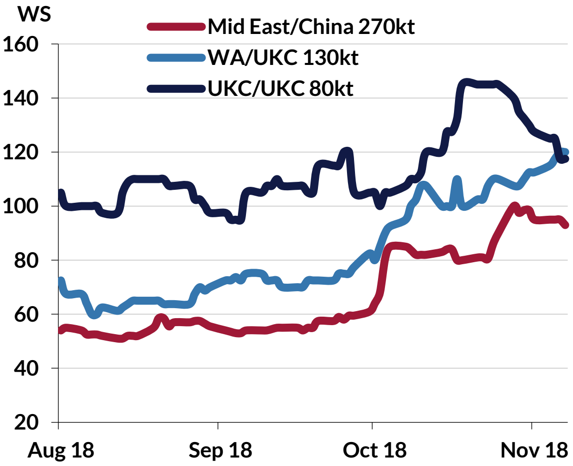
Caribbean

Aframaxes showed admirable grit in the face of less favourable conditions to defend a still very healthy 70,000 by ws 230 level upcoast but will have to find further stamina into next week to retain such heady levels. The wider complex was supportive, and very firm too - Suezmaxes held at around 150,000 by ws 125 Caribs/US Gulf, with up to ws 100 payable Transatlantic, and VLCCs again replicated recent highs at up to $7.5 million US Gulf to Singapore, and to $8.5 million to China....to be continued for a while yet.

North Sea

As in the Med, Aframaxes found themselves upon a slippery downward path to end at 80,000 by ws 110 Cross UK Cont and to 100,000 by ws 92.5 from the Baltic. There was a little extra Baltic late week action, however, and that may aid a degree of rebound next week. VLCCs had US Gulf loadings in their sights and demanded equalising levels from the North Sea. Few Charterers wanted to play, however, though a higher $5.95 million was posted for a fuel oil movement from Rotterdam to Singapore and rate demands will remain robust over the near term, at least.

Crude Tanker Spot Rates



Clean Products

East

A very positive push before Bahri week, despite some absence in India due to Diwali. A huge number of ships have been put on subs, both off the front end and the natural window - although some of these will be prolonged subs due to a lack of proper contact with Indian ports to get clearances. Westbound cargoes have been popular - $1.15m the market level to end the week, but with signs that this could be pressed with more testing. TC12 again has firmed to ws 35 x 152.5 - a naphtha cargo sat in the market for days before an Owner their arm twisted into 7.5 above last done. Shorthaul have pressed up to $200k levels, and Red Sea runs similarly now sit at $395k basis Gizan. EAFR should push up to ws 35 x 165 in the new week - an option perhaps not a clear indication of where the market currently sits; but the best we have to go on. My feeling is that the market will remain active despite many of its personnel being in Dubai for the week. A steadily busy LR1 market and tight LR2 market will support Owners in their attempts to squeeze some higher earnings.

LRs

The LR2s have only really gained traction towards the end of the week, it was a little uneventful as the week commence. However, with a influx of cargoes levels quickly settled at the 75x ws 120 and even seeing a further rally to 75x ws 122.5 at the end of the week. Natural West bound cargoes have evaded the market this week however expect it be tested next week, and with a few Owners still keen for West cargoes. Levels hover around the $1.9m mark. The LR1's have continued with their usual modus operandi, activity levels have been decent and flow of fresh stems reaching the market but rates have not really seen much change. TC5 sits a 55 x ws127.5 and jet heading West at $1.425m. Both the LR2's and LR1's are positioned well as we head into the weekend and Owner will be positive with the sentiment. But, with Bahri week next week a lot of people will be travelling and working remotely. Has been seen in the past, off market deals done at last done levels could be the pattern for next week.

Mediterranean

Activity has been strong in the Med this week, however this has been cancelled out by a healthy tonnage list which has left rates trading sideways around the ws 30 x 150 mark. At the time of writing, a tighter front end coupled with a few stressed cargoes has seen heights of ws 30 x 157.5 on subs. However, for stems off natural dates ws 30 x 152.5 should be achievable. B.Sea stems have by and large tracked X-Med at the +10 point premium. However, for a stem off the 14th, ws 30 x 170 has been seen which can also be explained by a shallower ship needed to call Alexandria. As we move into Week 46, Owners ideas will be bullish with the numbers seen today but come Monday with itineraries firming up and a fresh bunch of cargoes extending the fixing window, ample tonnage should be around to halt this momentum.

A similar story on the MR front in the Med with rates driven by action up in the UKC market. Rates on Monday and Tuesday were as low as ws 37 x 115 for Med-TA runs, however a market quote seen on Wednesday heading to Brazil saw the market firm to ws 37 x 175 due to the rates being achieved in NWE with Med-TA following suit to heights of ws 37 x 155. At the time of writing, with sentiment in the UKC still positive, expect Owners ideas to remain bullish and momentum to continue (if a further firming is seen in the UKC).

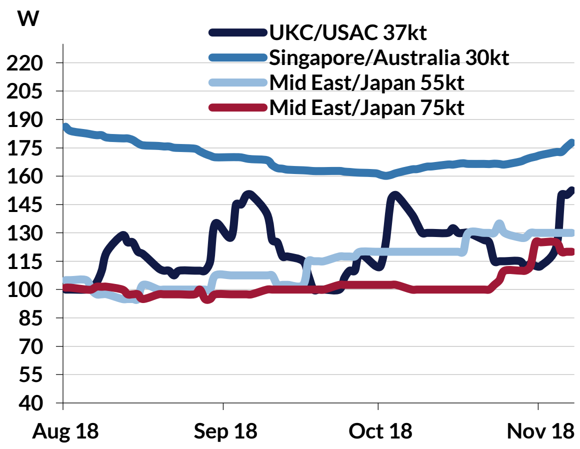
UK Continent

As week 45 commenced, along with it came a plethora of enquiry for the MRs trading on the Continent, and with that rates bolted. WAF seemed to be the main driver in this sector, off relatively prompt dates also. With the improved States market holding back ballast tonnage, options for Charterers dwindled. With this Owners managed to push rates with each fixture, pulling WAF runs from ws 37 x 130 on Monday up to ws 182.5 by Friday and the quieter TA runs caught up in this also seeing a similar fate up to ws 152.5 so far. Owners remain bullish as it comes to Friday and with a few stems still looking for coverage it would seem they hold the upper hand to repeat or improve on last done as also the Handies and LRs now buoyant giving Charterers limited options. Pushing into the next week, with limited expected fresh tonnage appearing Owners will be looking to continue this momentum, but enquiry levels will be key if this is to become a reality as we expect Charterers to hold their cards very close to their chests.

For the Handies both Monday and Tuesday were a little slow with Owners crossing their fingers for a piece of the action the MRs were seeing. By Wednesday it was time to shine, as the tight MR list forced certain Charterers into taking smaller ships for cover with Baltic/UKC runs jumping 10 points to ws 30 x 140 and X-UKC following behind but 10 points below. An influx of fresh cargoes on Thursday morning planted Owners firmly in the driving seat meaning a X-UKC cargo was the first to push the market up to ws 30 x 155 and ideas beyond this for next done. At the time of writing 30 x 175 is on subs Baltic/UKC as a replacement for a ship not clearing on subs ws 30 x 165. The tonnage list is now very tight and there is about 8 outstanding cargoes (all within 2nd decade) meaning the beginning of next week should see the positivity continue, especially with the Baltic programme for 3rd decade expected to be busy. Additionally, the Med handy market is picking up too so the Owners expectations shouldn't be dampened by the arrival of ballasters.

The Flexis had a typically quiet start to the week with the tonnage littered with prompt units. However, as the week progressed, and the larger units started to firm, Charterers have begun to look at Flexis as alternative options. A few quiet cargoes clipped a few units off the front end albeit at levels a good chunk below pro-rated handy levels. On Friday there a few uncovered stems and although rates are unlikely to be able to improve in the same sense as the Handies, a fresh positive test should be on the cards, ws 22 x 190-200 could be achieved X-UKC if Owner's play their cards right. If the Handies stay positive then so too should these Flexis.

Clean Product Tanker Spot Rates



Dirty Products

Handy

It was a week of mixed emotions in the North where on the one hand decrement has been seen at only minimal levels, but on the other, at time of writing tonnage still presents and we could be ending the week still without validated benchmarks. In short, this week will be one to forget from an Owners perspective, resigned to the history books as a week without a great deal to denote.

In the Med, the trend mirrored that of the Continent although at least this region boasted greater volumes still being traded. As far as rates are concerned however, levels have dropped, albeit with only a slim gradient between deals. At most, only ws 10points seems to have been lost from B.Sea values whilst X-Med remained steady, but this throws into question whether the Med is overvalued and if further decline will follow before conditions improve. Come Monday, with tonnage stocks expected to be healthy, Owners will have a task on their hands to get this region firing once again as momentum seems to have stalled somewhat.

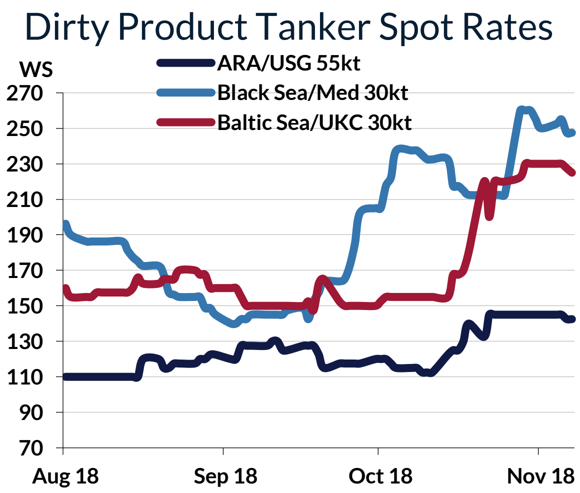
MR

Having started the week with another much-depleted position list, it's no surprise the MR market offered few opportunities for a test. Just one MR saw firm activity in the North, and being a discharge reload we will be looking to activity next week to once again get a true test of where levels are. Having said that, tonnage is still likely to remain thin as we go in to next week and those Owners who see itineraries firming will be confident of maintaining last done despite some fairly flat sentiment in the air.

The week started with a flurry of activity in both the Handy and the MR markets in the Med. Despite some of the MR activity going on smaller stems, taking out units this early helped maintain sentiment early on. We finish the week in a less active market in terms of fresh cargoes, but sentiment is hanging on to positivity without much negative correction. Going in to next week, Charterer's will be in a good position to test levels as the fixing window moves past midmonth where the position list currently offers some variety.

Panamax

As the expression goes "what goes up must come down" Charterers are now enjoying a spell of trend reversal over in the US where values are reset around the ws 200 mark. That said, there remains a disparity here in European values to make a ballast across the Atlantic worthwhile and for that reason fixing in Panamax tonnage remains reliant upon what naturally positioned units occur on our shores. There is however one final aspect to consider throwing doubts on the validity of current values. Aframax values have plummeted, both sectors now align where it is a straight-shooting match to see which size takes out just a 55kt clip.



125 YEARS
GIBSON
SHIPBROKERS
1893 - 2018

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 08th	Nov 01st	Last Month	FFA Q4
TD3C	VLCC	AG-China	**-5**	94	99	82	85
TD20	Suezmax	WAF-UKC	**+8**	120	112	106	111
TD7	Aframax	N.Sea-UKC	**-15**	119	134	115	126

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

			wk on wk change	Nov 08th	Nov 01st	Last Month	FFA Q4
TD3C	VLCC	AG-China	**-5,500**	51,500	57,000	37,000	42,250
TD20	Suezmax	WAF-UKC	**+5,250**	33,500	28,250	24,500	29,250
TD7	Aframax	N.Sea-UKC	**-8,750**	17,000	25,750	12,000	21,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 08th	Nov 01st	Last Month	FFA Q4
TC1	LR2	AG-Japan	**+1**	120	120	100	
TC2	MR - west	UKC-USAC	**+39**	152	113	131	153
TC5	LR1	AG-Japan	**-0**	129	129	123	131
TC7	MR - east	Singapore-EC Aus	**+7**	178	170	165	

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

			wk on wk change	Nov 08th	Nov 01st	Last Month	FFA Q4
TC1	LR2	AG-Japan	**+250**	10,750	10,500	3,750	
TC2	MR - west	UKC-USAC	**+6,500**	9,000	2,500	4,750	9,500
TC5	LR1	AG-Japan	**+0**	8,750	8,750	6,750	9,000
TC7	MR - east	Singapore-EC Aus	**+1,250**	8,000	6,750	6,250	

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

ClearView Bunker Price (Rotterdam HSFO 380)	**-21**	437	458	473
ClearView Bunker Price (Fujairah 380 HSFO)	**-2**	492	494	519
ClearView Bunker Price (Singapore 380 HSFO)	**-5**	508	513	508
ClearView Bunker Price (Rotterdam LSMGO)	**-20**	646	666	693

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