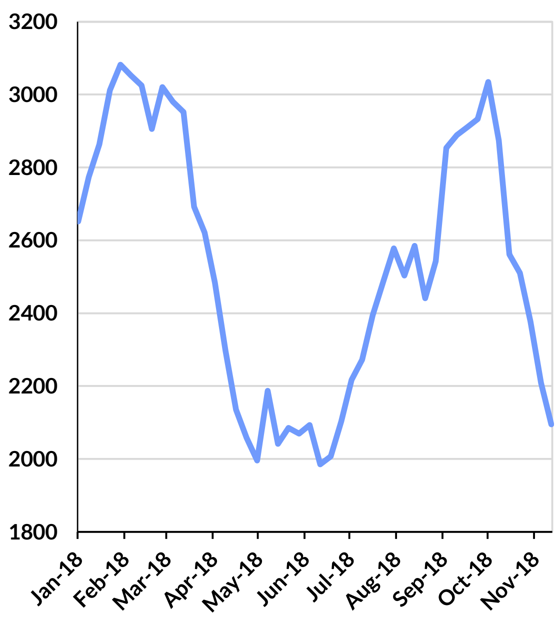
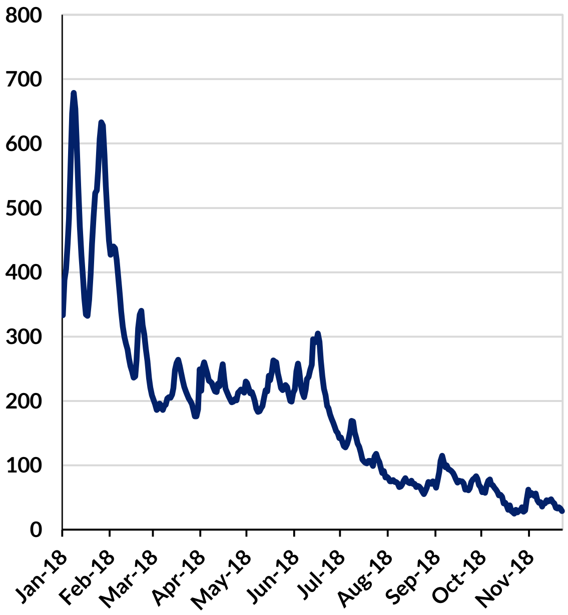
Rhine Logjam
Weekly Tanker Market Report

Low water levels on the Rhine have remained a persistent problem for the European commodity markets since the summer, forcing many refineries and industrial plants to reduce production, and in some cases to declare force majeure. Whilst most industries would have expected and planned for such lows over the summer months, few would have expected these levels to persist, and indeed worsen as the markets move deeper into winter. Indeed, just as one might have seasonally expected levels to rise, they receded. Early in October, depths at the key measuring point of Kaub (not far from Frankfurt) reached a record low of 25cm and have shown little material improvement since then.

ARA Gasoil Stocks (tonnes)



Rhine Water Levels at Kaub (cm)



The impact of such low levels has not just been felt by the local barge market, and has reverberated all the way down the Rhine to the Amsterdam-Rotterdam-Antwerp (ARA) trading hub and beyond. Initially ARA stocks rose in response, with product supplies backing up down the river, as shallow waters forced barges to reduce cargo loads. In some cases, loads have fallen to less than 20% of potential loading capacity, whilst local media reports suggest that movements on the upper Rhine have all but stopped, significantly disrupting industrial activity.

Middle distillate stocks should be rising ahead of winter, particularly given the inability to get products up river, but have in fact fallen by nearly 1 million tonnes since October. Lower stocks have been facilitated by lower imports, re-exports and diversions away from the ARA hub in the wake of persistent logistical issues and a backwardated gasoil market. However, water levels will rise eventually. For now, the consensus among meteorologists is that rainfall will remain limited for the next month or so, meaning water levels could ease off further. Yet, once the rains return and water levels do start to rise, buying activity into the ARA hub will firm, perhaps substantially if stocks continue to fall over the coming weeks. This resurgent demand would of course translate into firmer product tanker demand and should provide a short term boost to distillate flows from the US Gulf, Baltics and Middle East into ARA, provided we don't see too much competition from newbuild crude tankers trading product into Europe from Asia.

Crude Oil

Middle East

Moderate VLCC fixing with Charterers concentrating upon older, and more challenged, units to secure noticeable discounts from still resilient modern tonnage. Within short, the bargain supply will run dry, and attention will be forced onto the more expensive vessels and if next week becomes busy, those Owners will look to quickly take advantage. For now, rates for older units to the East move at down to ws 80, with younger ladies looking into the low ws 90's, with runs to the West remaining marked in the low ws 40's. Suezmaxes, that had been on the backfoot, at last showed some sparkle as Owners became more attracted to ballasting opportunities. Demand picked up and rates to the West gained to as high as ws 70, with runs to the East into the ws 130's. Aframaxes were already in the mood to jump, and a busy week throughout the area, and further East, allowed rates to upshift to 80,000mt by ws 165 to Singapore with further gains, or consolidation, at least, anticipated for next week.

West Africa

Suezmaxes had already started to rebound late last week from their temporary slump, and this week grew serious legs as Charterers scrambled to fix the best positioned units, whilst having to mop up 'problem' situations on early dates too. Owners had been inspired by the continued ramping Med/Black Sea scene and wasted no time in playing catch-up. 130,000mt at up to ws 150 now for UKCont/Med discharge and no less than ws 140 to the USGulf. Until the noise abates to the North, things here will remain very feisty. VLCCs flatlined upon spasmodic demand, but the flatline was at an already handsome ws 88+ rate to the Far East, with up to $4.925 million paid to West Coast India. Other Atlantic load zones remain busy, and spikey, and rates will err to the upside over the coming period.

Mediterranean

Aframax Charterers started the week chasing forward, and Owners responded by hiking rate demands to 80,000mt by ws 167.5 X-Med, and a little bit more than that from the Black Sea. Thereafter, the market slowed a little but it'll lead to sideways, rather than downward, move for the time being, at least. Suezmaxes went from strength to strength with solid enquiry, and tighter availability, forcing rates to ws 180 for European destinations, and to above $5 million to China. All very heady, but it could well remain so over the coming week too.

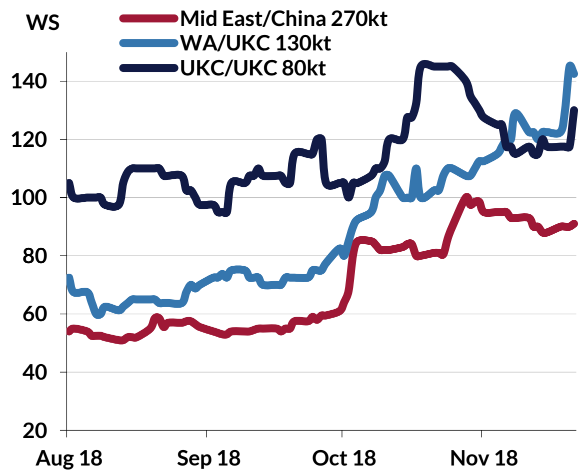
Caribbean

U.S. Thanksgiving Holidays did Aframax Owners no favours, as the collective marketplace sought to clear lines prior to the break. Rates fell off sharply to 70,000mt by ws 170 upcoast but a bright start next week may repair some of the damage. VLCCs just get tighter, and tighter so that from now onwards this region will 'need' Eastern ballasters to provide the necessary supply - and those units will need even higher compensation if the AGulf does make a recovery next week. Up to $9.15 million was seen for USGulf + ECMex to South Korea, with owners asking over $7 million from the Caribs to West Coast India...heavy interest from South America complements also.

North Sea

A more conservative Aframax rate-build than in the Med, but a gain nonetheless. 80,000mt by ws 125+ X-UKCont now, and to 100,000mt by ws 100 from the Baltic, and the marketplace could/should ratchet up from those levels through next week. VLCCs saw little but are in very short supply and even if Charterers were of the mind to trade, alternative load zones were very much in play, and rates ideas for Fuel Oil from Rotterdam to Singapore were above $6 million and could move even higher than that.

Crude Tanker Spot Rates



Clean Products

East

LR2s have had a better week in terms of activity but rates have had mixed results. West rates have been under pressure, with more Owners very keen to go West and then do dirty. East rates though have generally held and should now see improvements. 90,000mt jet AGulf/UKCont is now $1.85 million, with 75,000mt naphtha AGulf/Japan at ws 120.

LR1s have seen a steady cargo list but more short hauls than longer hauls. Both rates East and West have held so far and there is no reason to see that drop for now. 55,000mt naphtha AGulf/Japan is ws 130, whilst 65,000mt jet AGulf/UKCont is now $1.45 million. If LR2s do see rises, LR1s could push on potentially.

An interesting week on the smaller tonnage in the Middle East. Following on from a busy week last week, it was inevitable that we would likely see other sized tonnage given preference on cargoes where possible, particularly on short hauls, which would allow some softening on the MRs. Monday and Tuesday were quiet and we started to see some twitchy fixing from Owners, ws 7.5 points taken off EAF, and similar discounts offered on TC12. They finish the week at 35 x ws 177.5 and 35 x ws 155 respectively. UKCont needs a test, much better value in stemming up and taking LR2s at $1.9 million and taking advantage of the scale economies available, rather than paying $1.2 million on the MRs. Short haul is bobbing around $200k, but Owners will offer slight discounts early next week on short hauls a shrewd play if you ask me now that the LR1s have thinned, and Owners try to reposition themselves short for the next injection of cargoes.

Mediterranean

As week 47 comes to a close, we see small gains in rates being taken but as a whole, stability has been the main result of this week's fixings. With Black Sea seeing a surge in enquiry up to end month dates, Owners were able to push up to 30 x ws 200 as the midweek point passed and continued to hold this rhythm as X-Med runs bounced around the ws 165 mark to settle at ws 170 by Friday. With vessels being delayed due to bad weather in the WMed, tonnage turnover has been slower, giving Owners the impetus to push. However, with mediocre levels of X-Med activity for now, we hold firm here. Owners will be waiting with bated breath for the next round of December runs to appear and look to push forward from these solid foundations built this week.

A positive week by and large for MRs in the Med, with a good level of enquiry coupled with a tight front end, putting Owners on the front foot. At the time of writing, rumours of 37 x ws 170 is on subs for a Med-Brazil run, which outlines the strength of the market even compared to numbers seen in NWE. Med/UKCont voyages traded at 37 x ws 145 this week; however, with ice class tonnage keen to reposition up there, less is potentially on the cards with certain Owners. Tonnage is tight in the North, meaning rates have some clear potential to improve next week; in turn, the Med is expected to follow suit.

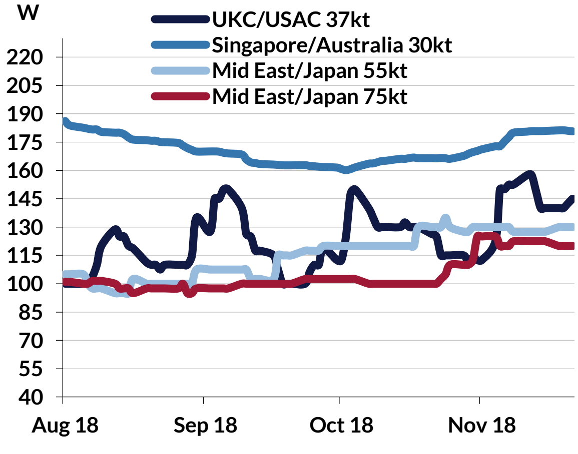
UK Continent

On the surface of it, this week has looked rather uninspiring for MRs in NWE, rates have barely moved from 37 x ws 140 on TC2 and 37 x ws 155 for WAF. The occasional cargo needing to be replaced or with, prompt dates did pay an extra ws 2.5-5 points here but otherwise there's been little fluctuation. Short haul routes were a little more active this week, with 40 x ws 130 on offer Baltic/UKCont and similar numbers on offer prorated basis 37kt. At Friday lunch we still have about 6 cargoes uncovered, with a good mix between transatlantic and WAF bound stems. With the tonnage list in relatively short supply (particularly for early December dates), Owners are becoming bullish. With Charterers unwilling to pay what Owners want right now, the standoff continues over the weekend, with all concerned parties reconvening on Monday to see how the tonnage list looks and who has the upper hand. As it stands, Owners should be able to make some gains in the first half of next week.

Stable is the best word to describe the Handy market up in the north this week, as both parties have continually fixed at last done levels, with Baltic holding firm at 30 x ws 160 and Continent at 30 x ws 150. At a glance the tonnage list is balanced and next week we will start seeing the remainder of early December dates being quoted ex Baltic, which will keep Owners fairly optimistic that they can improve the market. Although that being said, the main catalyst for a rates push will come from the MRs, which may see some Charterers looking to cover their exposure on Handysize seeing more demand next week.

Once again prompt Flexis continued to dominate our tonnage lists at the start of the week as employment opportunities remained scarce for Owners in NWE, with rates continuing to follow the pro-rated Handy levels with a discount. A few enquiries ex Bay of Biscay towards the end of the week saw a few flexis being snapped up by Charterers. However, this just reinforced that fixing levels continue to be taken from Handies as 22 x ws 200 was repeated a few times. Expect this market to react basis the Handies moving into next week.

Clean Product Tanker Spot Rates



Dirty Products

Handy

The NWE region has witnessed a significant uplift in the pace of enquiry this week, compared to what we have seen in recent times. As a result, Owners are sat quietly satisfied where enough momentum has gathered in order to push for a couple more points. We now finish the week with highs of 30 x ws 222.5 concluded, with firm sentiment looking likely to roll into next week. Fresh tonnage lists will be critical come Monday to gauge if further increases are in store; however, with the forward month of December now looming fresh fixing programs are expected.

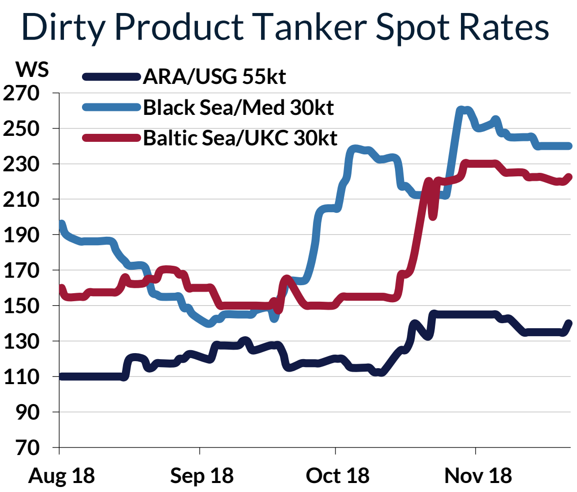
On the other hand the Med has witnessed a tail of two halves within the region, as the majority of workable tonnage has been focused towards the Spanish Med region. This has developed a bit of a two tier market, as far as rates are concerned, with the WMed trading a slight discount behind the rest of the region. As we draw this week to a close, the gap has started to narrow a little where come next week, fixing date progression is likely to act as a windbreak for immediate positive momentum.

MR

The limited tonnage in the north this week has prompted some Charterers to fix a little more forward then they may like. Those with the need to cover on a natural sized unit have done just that against "best fit" units and in turn have managed to clear down the limited availability within region. Next week tonnage supply will continue to be limited, which in turn will ensure current conditions last for a while longer. The sentiment is echoed when we look at the Mediterranean as steady enquiry has fixed away the majority of natural tonnage in the region. With the fixing window now creeping forward due to the tonnage that is workable a little more forward thinking may be need come Monday.

Panamax

For a large portion of this week, Owners where left bemused as to what had happened to the Thanksgiving rush synonymous within this market. In fact the complete opposite happened in the Caribs as the sector actually softened a little. As far as our markets are concerned, the 2nd half of the week was more productive, with a number of the natural units being put on subjects. These fixtures come with a little discrepancy when we look at rates being achieved. Dig a little deeper and it then is clear that this is due to the discharge options attached to them, together with date sensitivity in laycans is causing some fluctuation.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 22nd	Nov 15th	Last Month	FFA Q4
TD3C	VLCC	AG-China	**+1**	91	90	84	91
TD20	Suezmax	WAF-UKC	**+22**	143	121	109	137
TD7	Aframax	N.Sea-UKC	**+5**	123	118	147	123

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

			wk on wk change	Nov 22nd	Nov 15th	Last Month	FFA Q4
TD3C	VLCC	AG-China	**+2,750**	53,000	50,250	41,250	53,000
TD20	Suezmax	WAF-UKC	**+12,250**	47,750	35,500	26,500	44,750
TD7	Aframax	N.Sea-UKC	**+4,000**	21,250	17,250	32,750	21,250

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Nov 22nd	Nov 15th	Last Month	FFA Q4
TC1	LR2	AG-Japan	**-1**	119	120	106	
TC2	MR - west	UKC-USAC	**+2**	144	142	115	156
TC5	LR1	AG-Japan	**-1**	129	130	128	130
TC7	MR - east	Singapore-EC Aus	**-0**	181	181	166	

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

			wk on wk change	Nov 22nd	Nov 15th	Last Month	FFA Q4
TC1	LR2	AG-Japan	**+3,000**	13,000	10,000	6,000	
TC2	MR - west	UKC-USAC	**+750**	9,000	8,250	2,500	11,000
TC5	LR1	AG-Japan	**+500**	10,250	9,750	8,500	10,250
TC7	MR - east	Singapore-EC Aus	**-2,500**	10,000	12,500	6,500	

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

	wk on wk change	Nov 22nd	Nov 15th	Last Month
ClearView Bunker Price (Rotterdam HSFO 380)	**-16**	393	409	463
ClearView Bunker Price (Fujairah 380 HSFO)	**-15**	442	457	506
ClearView Bunker Price (Singapore 380 HSFO)	**+0**	461	461	507
ClearView Bunker Price (Rotterdam LSMGO)	**-23**	585	608	681

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