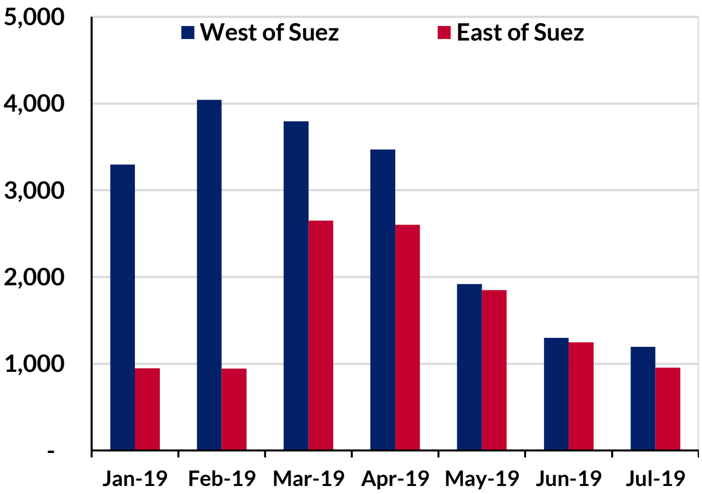
Refining Demand
Weekly Tanker Market Report

Refinery maintenance season is well underway. Scheduled turnarounds in North America may have peaked, but globally planned outages will peak this month, whilst works in Asia stay elevated through to May. High turnaround activity has already impacted both the crude and product tanker markets this quarter, however, evolution in global crude trade flows appears to be supporting tonne mile demand during what is typically a weak period. In the products sector, export volumes are now falling in line with seasonal trends but should be set for a strong rebound in the second half of 2019 as post maintenance export volumes increase.

With OPEC strictly adhering to its output agreement, refiners are increasingly having to look to the Atlantic Basin to fulfil their feedstock requirements. Given that a voyage from the US Gulf to North Asia takes 6-8 weeks, with charterers typically fixing 1 month forward of loading, Asian refineries sourcing post turnaround supplies have to act now, partly underpinning the recent strength of the VLCC market. Forward buying activity may also be stoked by paranoia about crude supplies in the second half of the year. Even those with term commitments appear to be showing some concern over whether or not they will receive their full contractual volumes this summer when domestic demand in the Middle East rises. Furthermore, new refinery start-ups (of which several Middle East producers have signed supply contracts with), coupled with higher global run rates, will further serve to tighten the crude oil market in the second half of the year. Assuming OPEC maintains its production discipline, refiners will be forced to increasingly turn to the Atlantic Basin for incremental supplies.

Refinery (CDU) Maintenance (000 b/d)



Source: Energy Aspects/Gibson

For product tankers, January earnings held up better than expected, primarily on the back of strong Middle East and Chinese export volumes. However, barring any non-fundamental factors, the market is expected to remain under pressure from lower volumes until Q3, when product supplies will increase post turnarounds, particularly East of Suez. In the West, turnarounds conclude earlier, but will remain elevated through until April, which potentially signals an improvement in fundamentals sooner than the East market. Much will depend on demand from West Africa and Latin America. Mexico (see report dated 1st March 2019) should remain a supportive demand outlet this year. Venezuela of course remains uncertain, whilst other countries such as Brazil should see modest import demand growth. What is uncertain, however, is how much product West Africa, particularly Nigeria will absorb, now that elections have passed.

Against these demand side factors, fleet supply will remain a bearish factor for much of the year. The crude market is yet to fully feel the force of 2019's newbuild programme, with a number of newbuilds still involved in the gasoil trade. However, as the year progresses, new tanker deliveries will present more of a challenge to both the crude and products markets. Indeed, whilst the demand side fundamentals look strong moving forwards, fleet growth is expected to place a ceiling on the market's potential for much of the year.

Crude Oil

Middle East

VLCC Owners had hoped for - expected even - opportunity to push the market onwards, but Charterers never provided enough volume for that, and consolidation was the best that could be achieved and, with the March end game in near sight, that may well remain the best case. Rates to the East move at up to ws 67.5 for modern units, with low ws 30's still asked to the West. Suezmaxes started slowly but then busied, however, availability remained heavy enough to soak up that enquiry, leaving rates broadly unchanged at around ws 70 to the East, and to ws 35 West. Aframaxes stayed active, and slightly upward to 80,000mt by ws 100 to Singapore, and further modest improvement may be seen next week.

West Africa

Suezmaxes spent most of the week defending, but also agitating for a rebound. Charterers didn't respond, and eventually the facade cracked to send rates down to as low as ws 55 to the USGulf and ws 60 to Europe. Bargain hunting then ensued, and if that continues, some degree of reflation may be engineered next week. VLCCs saw little action but rates remained propped up by AGulf solidity so that ws 65 to the East remained 'conference' throughout. Next week will probably stay unchanged unless/until the Middle East does make a move.

Mediterranean

Aframaxes lost last week's gloss, and had to gradually track back to ws 97.5 X-Med and to ws 112.5 from the Black Sea as availability re-stocked, and then refused to go away. Supply looks quite adequate over the near term, and the pressure will probably remain on. Suezmaxes had initially enjoyed part cargo opportunity to counter slack full cargo demand, but once the Aframaxes eased, and the Black Sea programme effectively completed, rates began to ease. 140,000mt by ws 75 from the Black Sea to European destinations now, with runs to China marked at little more than $2.9 million.

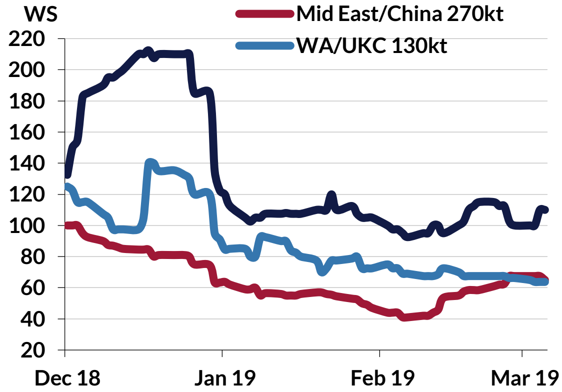
Caribbean

Aframaxes continued to slip as demand flatlined, and supply swelled. 70,000mt by ws 100 upcoast has proved the latest support line but it's a shaky defence and a lot more will be needed to pull the market upwards. VLCCs found much less to do this week and committed ballasters from the East began to weigh. Rates fell off to $5.75 million from the USGulf to Singapore, and further discounting looks on the cards.

North Sea

Aframax Charterers had pent up demand from I.P. week to take care of and the consequently active marketplace allowed rates to gain to 80,00mt by ws 112.5 X-UKCont and to 100,000mt by ws 90 from the Baltic, but the second half of the week slowed somewhat to spike further progression. Owners will remain stubborn unless the slowdown continues into mid-next week. VLCCs saw very little but there was some fixing seen, with $6 million again paid for crude oil from Hound Point to South Korea with up to $5 million asked for fuel oil to Singapore. A slightly weaker scene will develop if the USGulf/Caribs continues to ease, however.

Crude Tanker Spot Rates



*All rates displayed in graphs in terms of WS100 at the time

Clean Products

East

A quiet week overall, with both sizes seeing discounts. LR2s have seen the bigger damage though, with West rates taking a big hit. They have seen a drop of around $350k in a week, with 90,000mt jet AGulf/UKCont now around $2.0 million. 75,000mt naphtha AGulf/Japan has been tested and so far has remained steady after big falls the week before and rates now at ws 97.5. LR1s have drifted off on West runs due to a pure lack of volume. 65,000mt jet AGulf/UKCont is now $1.70 million, down some $50k on the week. Like the LR2s, 55,000mt naphtha AGulf/Japan has remained flat at ws 110 and looks likely to hold there for now. Next week should see more volume though and rates could be bolstered up, if not actually firm again.

With the tonnage list starting to look a little better, Owners will be hoping to build on the momentum from this week. EAF cargoes have again proved popular among Owners, with 35 x ws 150 on subjects and certainly other ships there to repeat. Jet heading West has been pretty quiet but assess it remains at the $1.35 million level. Natural stems into the Rea Sea have been lacking somewhat and as such the Red Sea is very tight on tonnage. With Owners' keen to open in the Red Sea, getting tonnage at competitive levels should not be unrealistic, although in need of a fresh test - $525k is a good starting point. Similar to last week, the short haul market has been busy, however, with pressure from the LR1s taking MR cargoes, rates have been under fire for standard X-AGulf runs. $190k has been done a couple of times and Charterers would look to repeat these levels but Owners are pushing hard to get to the $200k mark. TC12 has again been quiet, as the soft LR2 market absorbs most of the naphtha moving East. Last done is 35 x ws117.5 but needs a retest. A pretty active week for the MRs and the tonnage list is looking healthier for it. The only slight concern for Owners could be the arrival of ships previously fixed for short haul cargoes, that will be opening in the AGulf and potentially undoing the hard work of this week.

Mediterranean

A week to forget for Owners, with a negative sentiment seen throughout. The true colours of the tonnage lists pulled on Monday morning showed the wealth of tonnage available and it was downhill from here. X-Med softened by ws 20 points, with the going rate now at 30 x ws 145, although it would not be surprising to see south of this number. Black Sea rates followed suit. With the Turkish Straits delays easing off, coupled with slow enquiry, rates fell off the edge of the cliff, with the going rate now around the 30 x ws 165 mark. Prompt tonnage is rife across the board and we do not see rates improving anytime soon; if anything, Monday will bring more misery and Owners will start off on the back foot.

Unlike the Handies, MR Owners in the Mediterranean have enjoyed a buoyant sector, as fresh enquiry levels were strong from the start of the week. With the UKCont seeing a similar fate, it was not long till the market jumped up to 37 x ws 145 for transatlantic and runs to the AGulf up to $800k. Owners were primed for further gains by Wednesday, but a slowed supply of fresh enquiry was seen and some stability was found. Fresh tonnage in ballast from the States could dampen Owners ambitions for next week, depending how long Charterers can hold out and slowly build pressure back on Owners once again.

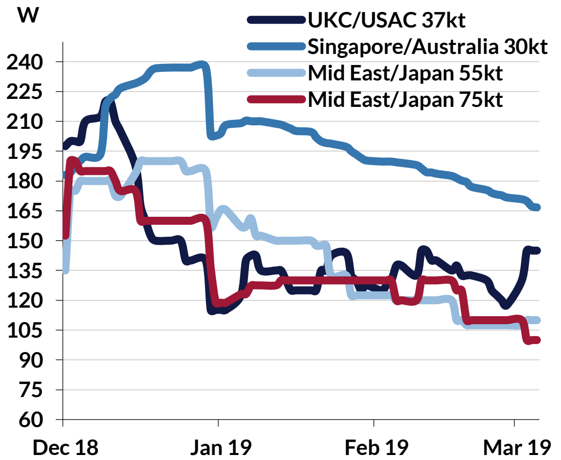
UK Continent

All in all week 10 has proven to be positive for the owning fraternity up on the Continent, as the combination of a tight tonnage list up till the 15th and good enquiry (at the start of the week) has seen TC2 rise to 37 x ws 145. At the mid-week point, many believed the market would continue to rally. However, with Charterers holding off and not adding more fuel into the fire, rates have settled down and traded sideways. Other routes seem to be lacking arb opportunities, with only transatlantic really being the main catalyst for fresh enquiry. Charterers will be well aware of that for the next fixing window; come Monday, the ballast positions (from the US) will become workable, which could see pressure swing back on Owners. Poised.

A topsy turvy week for the Handies in NWE, the list was tight at the beginning of the week, allowing Owners to secure a few more points above last done, pushing rates up from 30 x ws 160 levels to 30 x ws 170 ex Baltic (ice). Owners were bullish for X-UKCont routes as a result of the firmer sentiment. By mid-week they were holding for 30 x ws 160 on this route, although in reality this proved too much for Charterers, who either dismantled the cargoes into smaller units or waited in order to achieve 30 x ws 145, which is now the going rate X-UKCont. The tonnage list is quite lengthy at the time of writing, but provided there is some enquiry early next week, rate softening should hopefully be minimal.

There has been a little bit more action in the Flexi market this week. COA continue to offer the odd cargo, whilst a delivery requirement into Azores has added a bit of life and transparency to this market. Ultimately, levels $478k ARA/Azores failed as the barrels were sourced from the Med but some enquiry ex Portugal has snapped up some lonesome tonnage. Otherwise continue to look at the Handies for the sentiment that dictates the flexi market.

Clean Product Tanker Spot Rates



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Dirty Products

Handy

Choosing to shift focus momentarily away from excessive tonnage stocks which have plagued this region, Owners can at least seek solace in the fact that the Continent is now finding a floor. Repetition at ws 150 has been encumbering over the last few deals, in spite of units tucked behind what is shown. For now the sentiment looks to have turned a corner, even if this does prove temporarily.

The Mediterranean market has been struggling to find any great deal of momentum this week. On Monday we were presented with a tonnage list that has been out of balance against the amount of cargos available. As a result, rates have suffered a negative adjustment of ws 15 points, with the Black Sea now trading around the ws 140 level. What will week 11 bring is on everyone's minds today, but for now it looks like we may see a little of the same, as the top of the tonnage list continues to be dominated by prompt units.

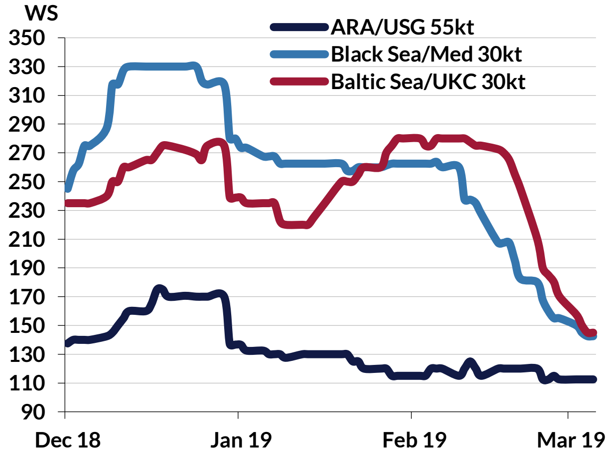
MR

A more active week in comparison with what we saw in week 10, but not active enough to keep things moving. The MR sector suffered from the lack of full sized cargoes, especially in the beginning of the week, which resulted in softer rates all around. The absence of fresh activity and the resulting built up tonnage list makes it harder for the market to find a floor. As always this region will find it difficult to become fully self-supportive, while the surrounding Handy market trades soft.

Panamax

The main focal point for this sector was the growing tonnage list here in Europe, where, instead of lightening the load, this week only served to see lists lengthen as discharge orders were given or confirmed for backhaul. As such, although previously the Med was long on tonnage and the Continent light, it is now role reversal, where the Continent could see levels dip below ws 112.5. In the US numbers had simply plodded along; green shoots of recovery look a way off for the time being.

Dirty Product Tanker Spot Rates



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Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 07th	Feb 28th	Last Month	FFA Q1 (Bal)
TD3C	VLCC	AG-China	**-0**	67	67	43	58
TD20	Suezmax	WAF-UKC	**-5**	62	67	69	69
TD7	Aframax	N.Sea-UKC	**+4**	107	103	95	101

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

			wk on wk change	Mar 07th	Feb 28th	Last Month	FFA Q1 (Bal)
TD3C	VLCC	AG-China	**-500**	40,000	40,500	14,750	29,500
TD20	Suezmax	WAF-UKC	**-2,750**	13,000	15,750	18,000	16,750
TD7	Aframax	N.Sea-UKC	**+2,500**	19,750	17,250	12,500	15,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 07th	Feb 28th	Last Month	FFA Q1 (Bal)
TC1	LR2	AG-Japan	**-5**	98	103	120	
TC2	MR - west	UKC-USAC	**+24**	145	121	136	148
TC5	LR1	AG-Japan	**-2**	108	110	119	104
TC7	MR - east	Singapore-EC Aus	**-6**	167	173	189	

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

			wk on wk change	Mar 07th	Feb 28th	Last Month	FFA Q1 (Bal)
TC1	LR2	AG-Japan	**-2,500**	12,250	14,750	22,750	
TC2	MR - west	UKC-USAC	**+4,500**	12,750	8,250	11,750	13,250
TC5	LR1	AG-Japan	**-500**	10,000	10,500	13,250	9,250
TC7	MR - east	Singapore-EC Aus	**+1,000**	16,000	15,000	19,750	

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

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