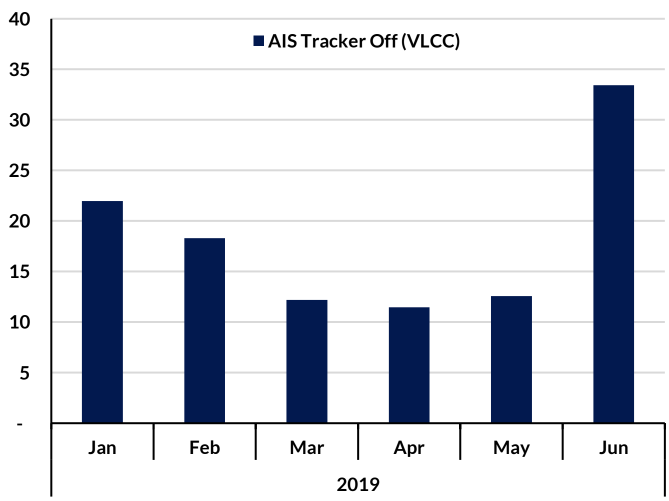
Pause for Now

Weekly Tanker Market Report

With US sanctions on Iranian crude exports now in full flow, Iran's oil revenues are in quick decline, with sources quoting that they are already lower than under previous sanctions in 2012. As such, the policy to choke Iran of exporting crude seems to have had the desired effect. However, attempting to track any Iranian vessel movements has become very challenging, with most tankers having AIS transponders completely switched off.

Iranian Vessels with Trackers Off



Statistics from Kpler show that Iran loaded for export over 0.8 million b/d in May, down from over 1.2 million b/d in April. Previously, most of the country's crude was shipped to China, with the commodity tracking company reporting that over 900,000 b/d was discharged into China in April but just 330,000 b/d was unloaded in May as sanctions came into effect. However, these are just the statistics that we know of and can make a reasonable assumption due to vessel tracking. The latest AIS data shows that approximately 33 Iranian VLCCs have their AIS trackers completely switched off, a massive increase from just 12 units in April, just before the expiry of the US waiver program. The vessels with their transponders off could be just sitting idle or involved in storage or may well continue trading. On a few occasions in the past, we have observed NITC tankers offloading their cargoes via the STS transfers. However, as US ups the pressure to block Iranian crude trade, it is highly likely that Iranian tanker floating storage is on a rise. Others share a similar view. Argus Media has recently estimated that floating storage jumped from 7 million barrels to 20 million barrels last month. An increase in floating storage generally is a positive development for the tanker market. However, Iranian crude trade is a closed market, with the NITC tankers shipping only Iranian crude and absent from the international trade.

Beyond current trade issues with Iran, the latest tanker incidents in the Gulf of Oman took center stage not only amongst those in the shipping community, but internationally, putting the world on alert about possible supply disruptions coming out of the Middle East. Speculations are running high that tensions between Iran and United States could stoke further after the US Administration again pointed the finger at Iran for the alleged attack. Reuters reported yesterday that two prominent tanker owners stated that they will reject any bookings for the time being for vessels loading in the Middle East Gulf. However, so far tanker markets have failed to react. The benchmark VLCC route from the Middle East to China (TD3C) closed on Baltic Exchange yesterday at WS38.65, just one WS point higher versus the previous day. In the product tanker market, freight rates actually fell, with charter costs for 75,000 tonnes and 55,000 tonnes clean shipments from the Middle East to Japan down by 1-2 WS points over the same period of time.

However, the current situation is likely to evolve in the days ahead and the picture will become clearer. As one of our brokers has so eloquently put it – "*If in doubt - do nothing*". A strategy which it seems likely will be commonplace amongst the shipping community over the coming days. Nonetheless, the latest events without doubt do affect us all.

GIBSON SHIPBROKERS

Crude Oil

Middle East

A sluggish week for VLCCs that kept rates firmly boxed in within their previous lowly rate range at up to ws 38 to the Far East, and high teens West. But that was, of course, a mere backdrop to late week 'excitement' caused by the attacks on incoming tonnage in the approaches to the Straits of Hormuz. Just for now, the effect has been to freeze-frame the marketplace whilst all parties assess the risk, and potential cost, of the situation but already insurance rates have necessarily risen, and Charterers are likely to bear higher resultant costs, though a meaningful net market spike in earnings is more problematic given the latent heavy availability circulating. Suezmaxes had been trying to push as Atlantic and Mediterranean alternatives provided support, but up until the 'event', rates had still been pegged at no higher than ws 35 to the West and to ws 67.5 to the East. Aframaxes continued to be chipped away to 80,000mt by ws 105 to Singapore but now remain in a temporary state of limbo until clarity returns to the overall situation.

West Africa

Suezmaxes initially built upon last week's gains to push rates into the ws '80's' to Europe, with as high as ws 100 recorded for a particularly awkward replacement need. Thereafter, Charterers began to regroup and withhold from chasing forward as ballasters from the East began to Hove into view. Rate demands then began to ease lower towards ws 75 to Europe, and to ws 70 to the USGulf, with further pressure likely into next week. VLCCs became 'conference' at just under ws 40 to the Far East but there was temporary support from co-load reaction to higher Suezmax numbers that provided some opportunity to Europe at rates up to ws 48.5 to the UKCont. Thereafter, the AGulf situation dominated thinking, and market players held back from engagement, although Owners will demand higher marks in order to forego by-passing the area for more profitable USGulf/Caribs hunting grounds.

Mediterranean

Aframaxes enjoyed a busier week, and managed to slightly raise the market lid to 80,000mt by ws 95 X-Med and to ws 100 from the Black Sea before the cargo feed slowed to stall further gains and lead to potential discounting once again next week. Suezmaxes started brightly to push rates to 140,000mt by ws 87.5 from the Black Sea to European destinations and to $3.6 million for runs to China, but then also slowed on weaker local demand and Owners moved onto more defensive position that will probably mean slightly lower values over the near term, at least.

Caribbean

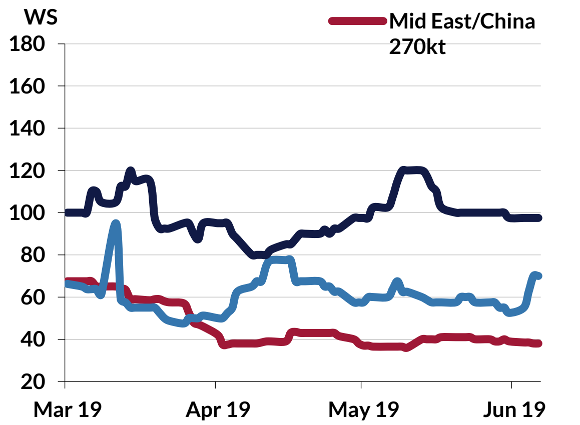
Aframaxes huffed and puffed but couldn't force any serious issues throughout. Rates rarely got above 70,000mt by ws 90 upcoast, and ws 80 transatlantic, and a lot more action will be needed for Owners to break the rate spell next week. VLCCs tightened noticeably on the earlier side of the fixing window and Owners then managed to push levels to $5.5 million+

from the USGulf to South Korea which should hold solid until extra ballasters/refugees from the Far East begin to dilute - if they do.

North Sea

A non-event week for Aframaxes here - availability easily matched modest demand and rates couldn’t go anywhere. 80,000mt by ws 92.5 X-UKCont - against - and 100,000mt by ws 70 at best now from the Baltic. Another testing week ahead as it seems. VLCCs were supported by USGulf revival but most of the limited activity took place earlier in the week, and before the better of the gains had been established. crude oil from Hound Point to South Korea moved at around $4 million, but Owners will seek to add something to that when next approached.

Crude Tanker Spot Rates



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

Clean Products

East

Overall a quiet week for MRs, where a lack of cargoes helped to build of an over tonnaged position list. As a result, rates were negatively tested and corrections have been seen across the board. Naphtha moving East dropped to 35 x ws 132.5 and EAF stems took as sharp correction. At time of writing it sits at 35 x ws 140. Short haul cargoes softened, with $225k for a Jubail/Jebel Ali and into the Red Sea at $500k. Towards the end of the week, with subsequent issues occurring in the AGulf, the talking point has been directed toward AWRP. However, even with this, the lack of cargoes and numerous ships open in position has ensured that pressure remains on Owners.

LRs generally have had a very difficult week, with the expected post-holiday cargoes not coming. LR2s have lacked any volume, whereas LR1s have seen at least a steady trickle. Accordingly, 55,000mt naphtha AGulf/Japan has taken a hit, with rates falling ws 7.5 points to ws 110. West rates have also been hit, although not so hard so far, with just $25k off 65,000mt jet AGulf/UKCont done at $1.80 million. LR2s have been so quiet, that where rates are today is unclear. The added effect of the Front Altair attack has confused the picture even more. Essentially, with so few cargoes and a list building, 75,000mt naphtha AGulf/Japan today is probably ws 95 and 90,000mt jet AGulf/UKCont at $2.0 million. However, for now Owners are standing off working any AGulf stems until the security picture is clearer. The rates will also depend on the level of activity we start the new week with. All estimations are it must be busier, but if it isn't, then rates have more pain to absorb.

Mediterranean

Rather lacklustre week on the Handy front in the Med this week, with a European bank holiday on Monday meaning the market was slow from the off. Inevitably, rates were under pressure. It was no surprise that a slight softening was seen for loadings ex W-Med to 30 x ws 135, with ws 5 more points still achievable as you move further East. The Black Sea market has continued to hold throughout at the 30 x ws 150 mark, with rates looking steady. However, come Monday, with vessels opening up over the weekend, Owners are likely to start on the back foot, unless we see an uptick in enquiry on.

A week where once again rates and sentiment have been defined by what is happening in the UKCont. Enquiry levels have been steady. Yet, with such suppressed market conditions, we see transatlantic slipping from 37 x ws 115 to ws 100 and WAF down to ws 112.5 also. A fresh test heading to AGulf sits at $750k and like with most of these routes, pressure sits on Owners' shoulders come close of play on Friday.

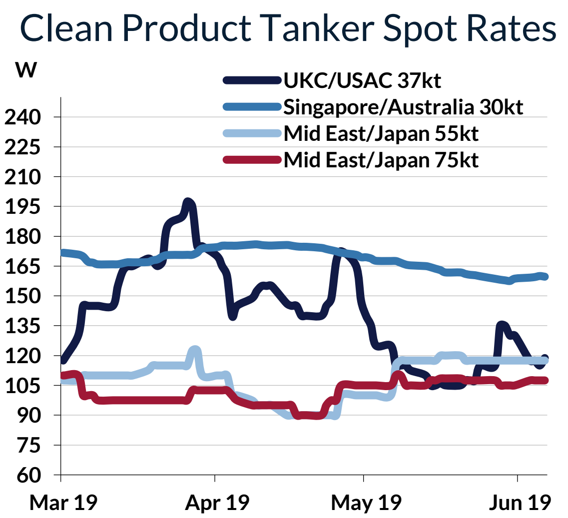
UK Continent

A very negative week for the MR market overall, dominated by a lack of activity and falling rates. Generally, it has been hard to find anything to be optimistic about. The early part of the week was exceptionally quiet and it was only on Thursday we started to see some, although marginal, improvement in enquiry. However, the backlog of ships from the inactivity earlier on means rates roll along the bottom still. TC2 has settled at 37 x ws 100, about ws 20 points shy of last week's levels. Although we are at yearly low levels and Owners will be reluctant to fix anything in double figures, if next week's action is the same as this week, further losses could be seen. As it stands, there looks to be little arb opportunity generally and WAF demand is slow. This would be a saving grace, although right now it doesn't look to be on the cards at least come Monday/Tuesday.

A week to forget for the Owners of Handy tonnage in NEW. Rates were under pressure from the get-go, as lengthy tonnage lists were pulled Monday and cargo enquiry was insufficient to dent them during the week. Despite some stoic attempts to hold 30 x ws 120 Baltic/UKCont, confidence was gradually chipped away, leaving 30 x ws 110 the going rate at the time of writing on Friday (although it did momentarily stop 30 x ws 115 on the way down). There's been a few more X-UKCont cargoes but, with tonnage being recycled quickly, rates came off to 30 x ws 100; whilst UKCont/Med sees 30 x ws 90 repeated as there are plenty of willing boats.

Unfortunately, the outlook isn't great for the start of next week, but Owners will endeavour to keep rates in triple figures for last three cargoes CPP boats.

Nothing too exciting to report here. The depressed larger sizes continue to hamper any employment opportunities for the Flexis, whilst concurrently keeping any rates in the sector on the floor. Many of the key players are keeping their ships around southern Spain or even in the Med in order to minimise idle days, as enquiry is a little more regular down there. Rates look set to trade sideways next week and are still pro-rated from Handy levels, thus leaving 22 x ws 125 in the North and 22 x ws 175 the benchmark in the Med.



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

Dirty Products

Handy

This week has been the first for a while that has given a positive message to Owners, as a steady stream of activity has tightened positions. From the start of the week trading on Monday, we saw market quoted cargoes, which continued steadily through the week. As tonnage thinned, fixing levels started to climb, albeit only ws 5 points increase. However, as we close this week out, the firm sentiment looks to roll into next week as replenishment of well approved tonnage is likely to be limited.

The Mediterranean has taken a different path to the north, where activity levels slowed down in comparison to what we have seen in recent weeks. This downturn in activity has taken its toll on the region allowing units to start to build up and by mid-week prompt tonnage started to appear at the top on the tonnage list. It was inevitable that this would put negative pressure on fixing levels and as a result we report of ws 145 on subs for a X-Med move. Looking ahead to next week, we all expect end month Black Sea stems to start to flow however, should the market be disjointed across the region a return to positive sentiment may still be out of reach.

MR

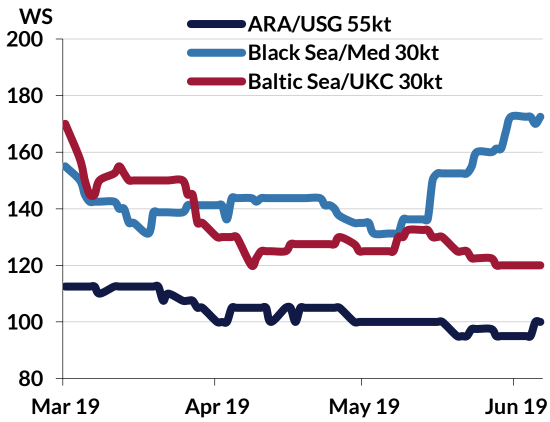
With limited MR tonnage in the North, it is perhaps of little surprise that there is little to report in terms of fresh tests and sentiment in the North MR market. With one of the two units being pushed at the start of the week (taking a Handy stem out of the region), just one unit remains to tempt Charterers to come to market. As the Handy market tightens and approved tonnage on all sizes thins, there is an opportunity to push for gains should natural cargo come to the market early next week.

In the Med, the outlook for the next week's trading is slightly less rosy for Owners, with tonnage building as cargo enquiry remains thin. Any momentum that has built in the region has suffered a slow down this week. If reliant on the Handy market, alternative opportunities are looking sparse, as prompt tonnage starts to build there too.

Panamax

There really is only one word to describe this sector, as far as this week trading goes - 'dormant', as activity seen this week has only been a mopping up exercise from last week's proceedings. With this in mind, as far as rates go, the ws 97.5 (that we have seen from recent fixtures) appears to be the benchmark / bottom of this market. In addition to this, the larger Aframax market continues to offer a potential back stop option, if needed, as rates continue to crab walk sideways.

Dirty Product Tanker Spot Rates



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

GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Jun 13th	Jun 6th	Last Month	FFA Q2 (Jun bal)
TD3C	VLCC	AG-China	**+1**	39	38	41	45
TD20	Suezmax	WAF-UKC	**+11**	81	70	59	76
TD7	Aframax	N.Sea-UKC	**-4**	93	98	108	94

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

			wk on wk change	Jun 13th	Jun 6th	Last Month	FFA Q2 (Jun bal)
TD3C	VLCC	AG-China	**+750**	12,000	11,250	12,500	45
TD20	Suezmax	WAF-UKC	**+8,000**	20,500	12,500	7,000	76
TD7	Aframax	N.Sea-UKC	**-4,500**	12,250	16,750	19,500	94

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Jun 13th	Jun 6th	Last Month	FFA Q2 (Jun bal)
TC1	LR2	AG-Japan	**-8**	100	108	108	
TC2	MR - west	UKC-USAC	**-19**	100	119	105	109
TC5	LR1	AG-Japan	**-5**	113	118	119	113
TC7	MR - east	Singapore-EC Aus	**+0**	160	160	163	158

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

			wk on wk change	Jun 13th	Jun 6th	Last Month	FFA Q2 (Jun bal)
TC1	LR2	AG-Japan	**-1,500**	15,000	16,500	16,250	
TC2	MR - west	UKC-USAC	**-3,750**	4,750	8,500	4,500	6,250
TC5	LR1	AG-Japan	**-750**	13,000	13,750	13,250	13,250
TC7	MR - east	Singapore-EC Aus	**+250**	13,750	13,500	13,000	13,500

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

ClearView Bunker Price (Rotterdam HSFO 380)	**+19**	371	352	405
ClearView Bunker Price (Fujairah 380 HSFO)	**-4**	371	375	419
ClearView Bunker Price (Singapore 380 HSFO)	**-8**	374	382	421
ClearView Bunker Price (Rotterdam LSMGO)	**+12**	542	530	623

www.gibsons.co.uk

London
Audrey House
16-20 Ely Place
London EC1N 6SN

T +44 (0) 20 7667 1247
F +44 (0) 20 7430 1253
E research@eagibson.co.uk

Hong Kong
Room 1404, 14/f,
Allied Kajima Building
No. 138 Gloucester Road
Wan Chai, Hong Kong

T (852) 2511 8919
F (852) 2511 8910

Singapore
8 Eu Tong Sen Street
12-89 The Central
Singapore 059818

T (65) 6590 0220
F (65) 6222 2705

Houston
770 South Post Oak Lane
Suite 610, Houston
TX77056 United States