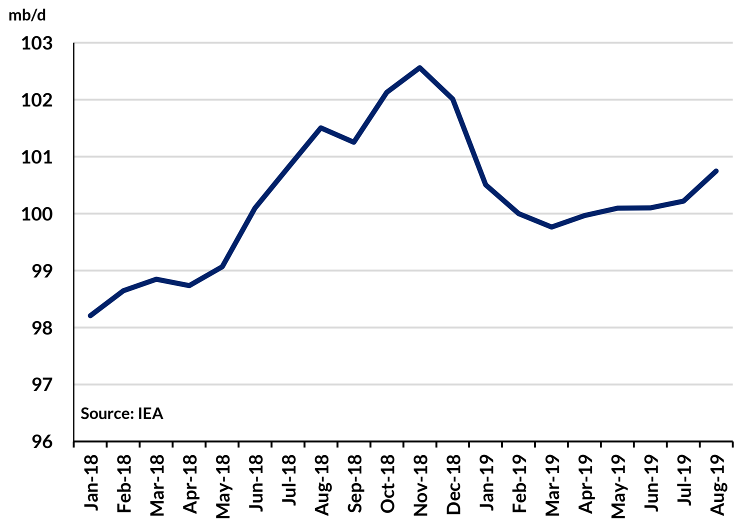
Doom and Gloom

Weekly Tanker Market Report

Global oil demand looks set to grow at a slower pace than first anticipated, many energy analysts have concluded. Since the start of the year, many forecasts for the immediate future have frequently been downgraded as global trade wars and disappointing economic performance weigh on their decisions to downgrade forecasts.

The EIA said in its latest Short-Term Energy Outlook that it expects oil demand to grow by just 900,000 b/d in 2019, following a series of downgrades earlier in the year. In July, it said 2019 demand would grow by 1.1 million b/d, while at the start of the year the expectations were for oil consumption to grow by 1.5 million b/d in 2019. It isn't just the EIA downgrading forecasts. OPEC on Wednesday cut its outlook for growth in world oil demand both in 2019 and 2020 due to an economic slowdown. The producer group also said that these projections highlighted the need for ongoing efforts to prevent a new glut of crude. The report stated that global oil demand would expand by 1.08 million b/d next year, 60,000 b/d less than previously estimated. The expectations were also lowered for world economic growth in 2020, from 3.2% to 3.1%. Furthermore, OPEC indicated that the market would be in surplus and that next year's increase in oil demand would be outpaced by "strong growth" in supply from rival producers such as the United States. On this basis, demand for OPEC crude will average 29.40 million b/d in 2020, down 1.2 million b/d from this year's level. Analysts this week also reported stocks in July exceeding the five-year average by 36 million barrels, a measure OPEC watches closely.

World Oil Supply



In addition, OPEC reported that despite voluntary production cuts, its output rose in August, by 136,000 b/d to 29.74 million b/d. It was the first increase this year, as Saudi Arabia, Iraq and Nigeria all boosted supply. Saudi Arabia alone raised its production by just over 200,000 b/d to 9.79 million b/d, but it must be stressed that the country continues to pump far less than its quota of 10.31 million b/d. Losses from Iran and Venezuela are helping with supply reductions; however, last month's increase puts OPEC output further above the 2020 demand forecast. The report suggests that if OPEC keeps pumping at August's rate and other things remain equal, there will be an oversupply of 340,000 b/d next year.

Oil prices continue to linger around the $60/bbl mark, down from April's peak of $75/bbl, despite extensive OPEC+ production cuts. Large economies are constrained by geopolitical uncertainty, which is causing markets to stall. Until a trade breakthrough is reached between the US and China and other political uncertainties around the globe are tidied up, the world economy will continue to look fragile and behave unpredictably.

Crude Oil

Middle East

VLCCs agitated for improvement as the market moved into the final phase of the September programme but although the top end of the range was slightly prised open, there wasn't quite enough volume to tighten sufficiently to allow for a mass break-out and holidays in the Far East end the week also compromised. It's all about October next week, but 'start again' for the market. Rates to the East moved to a peak ws 53.5 to China on modern, with rare runs to the West marked in the mid ws 20's, via Cape. Suezmaxes had very little to chew on and merely maintained a very flatline front. Rates again compressed to ws 27.5 West, and to ws 70 to the East, with no early change likely. Aframaxes slid along, and then eased a little to 80,000mt by ws 97.5 to Singapore with a slow feel persisting.

West Africa

Suezmaxes gently undulated at, or very close to, rocky bottom numbers. There was occasional hope of something better but Charterers generally retained discipline to disappoint. 130,000mt by ws 60 -ish to Europe and no better than ws 57.5 to the USGulf for now, and probably well into next week too. VLCCs picked up their skirts to re-establish noticeable premiums over AGulf/East numbers as Owners began to favour shorter runs in the lead up to anticipated bunker-disruption led improvement into the 4th quarter. Charterers will remain on the defensive over the next fixing phase too but will equally resist the asked for ws 60 level to the Far East.

Mediterranean

Last week was more positive for Aframaxes here, and this week Owners managed to build upon that as Charterers kept up a steady/busy feed. Rates have moved to 80,000mt by ws 107.5 X-Med and could edge a little higher before things quieten down. Suezmaxes found no such excitement and some units were despatched to other hunting grounds rather than face the 'conference' 140,000mt by ws 65/67.5 range from the Black sea to European destinations. There was dotted line interest still to the East, however, and rates to China maintained at around $3.25 million.

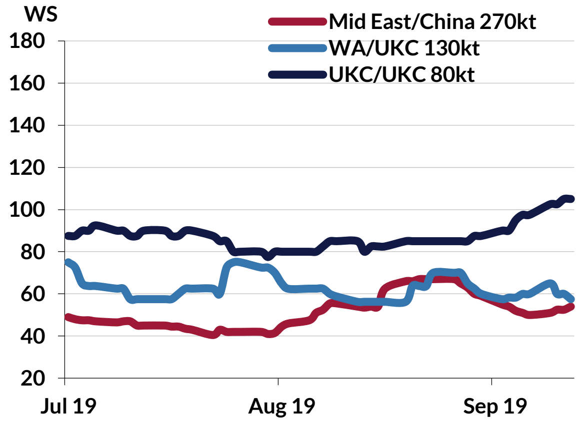
Caribbean

Aframaxes initially held their recent gains, then slipped a bit, but later week found improved attention to rebuild rates to a 70,000mt by ws 120/125 range upcoast. The ongoing pace of the market will dictate rate direction from here. VLCCs are in a finer balance as fewer committed units from the East show on the fixing window and rates have moved in response to $6.5 million from the USGulf to China, with perhaps more to come as dates roll ever forward.

North Sea

As in the Med, a brighter week for Aframaxes - initially, at least. Rates pushed towards 80,000mt by ws 110 X-UKCont and to 100,000mt by ws 95 from the Baltic but then enquiry drifted off somewhat to put Owners back upon a slightly defensive footing. Quick fire demand early next week will be required to hold a solid line. VLCCs found occasional interest and firm positions were tight enough for Owners to nudge rates higher to $5.95 million for crude oil from Hound Point to South Korea and, with the USGulf alternatives remaining firm, similar, or higher, demands should be anticipated through next week too.

Crude Tanker Spot Rates



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

GIBSON SHIPBROKERS

Clean Products

East

LRs have had a disappointing week, maybe somewhat to do with Appec in Singapore. Activity levels started well but have come off in the last 2 days especially on the LR2s. 75,000mt naphtha AGulf/Japan is now ws 100 and could dip below next week. 90,000mt jet AGulf/UKCont is $2.075 million and again may see more pain. The biggest issue is the hangover of tonnage that looks likely to have to wait for October stems. LR1s have had a very quiet end to the week and rates must come off. 55,000mt AGulf/Japan is now ws 112.5 but ws 110 is likely next. 65,000mt jet AGulf/UKCont is $1.725 million but again less is coming. October is predicted to be busier. It is really needed in order not to see a further downturn.

Mediterranean

Following a busy week 36, On Monday Owners looked to press on the rates, with some good foundations built previously. West Med was where we saw the opportunities first, with rates picking up to 30 x ws 102.5, helped by a few late running ships. However, the real dampener to it all was the lack of Black Sea enquiry. So a reversal was seen: East Med loads struggled to move off the floor of ws 100 and this mentality slowly eroded Owners resolve, as we got to the midweek point. Rates leading into the end of the week became predictably flat, with little optimism on the horizon, as Charterers believe double digit fixing could be around the corner once again.

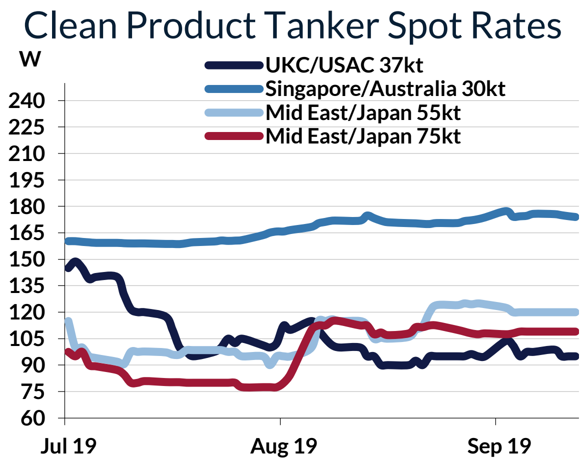
Good levels of MRs on our tonnage lists on Monday morning gave Owners an uphill struggle here, as rates only managed to mirror that of the UKCont. The going rate transatlantic has traded sideways at the 37 x ws 95 mark. WAF is holding at ws 10 point premium, as some Owners look for time killers of traditional 30kt stems. Very limited East enquiry has left us sitting at $700k for AGulf but, with some Owners now preferring this move, expect this rate to be under pressure. MR Owners will remain on the back foot here, as we await for kick start potential.

UK Continent

It's been a pretty boring week for the MRs in NWE. There has been little in the way of fresh enquiry for the duration, with the occasional TC2 cargo quoted, keeping 37 x ws 95 in check. WAF enquiry has been almost zero but a fresh test expected on Friday should see 37 x ws 105 go on (unsurprisingly). The main issue here is quite simple: there's far too many ships and nowhere near enough cargoes. This problem is compounded by a weak USGulf market and the inevitable ballasters that go along with it. Given that both of these markets look to hold little in the way of change or excitement, early next week we will inevitably have calls to pull TC2 down from the steady ws 95. Hopefully, Owners can keep the united front going.

All in all, a rather uninspiring week has passed for Handies up in the north. The combination of drip-fed enquiry and a healthy amount of prompt ships to clear has enabled Charterers to remain in the driving seat here. Rates have fluctuated around the 30 x ws 102.5-105 for most of the week for Baltic liftings and Continent cargoes have solidified at 30 x ws 100. That being said, a greater influx of cargoes will be needed early next week in order to keep the tonnage list ticking over. If not, expect current market to prevail.

Flexi rates remain unchanged at 22 x ws 130-135 for X-UKCont, despite enquiry dwindling. The Handies have managed to hold their game, so there should be many question marks being raised over the resistance of this market. Tonnage remains evenly spread across typical load regions/ports and so this market should hold fast.



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

Dirty Products

Handy

In the North we started the week with a list that had been cleared down. With these foundations in place by mid-week, we had seen a rise of ws 5 points and Owners feeling confident of a ws 150 market. On Monday, whether the region sees a replenishment of tonnage or not, will dictate where we go from here, but for now, sentiment is only pushing the region in an upward direction.

In the Med, we once again started the week with a position list that left very little in terms of hope for Owners looking for an opportunity to push on rates. However, fast forward to today and the region has seen one of the most active weeks in terms of fixtures for some time. That said, sentiment has struggled to catch up with the number of cargoes and it has taken to the end of the week for rates to improve, with just a ws 2.5 point increase for X-Med all week. Going into week 38, sustaining this current level of activity will be key to the pace at which Owners can push.

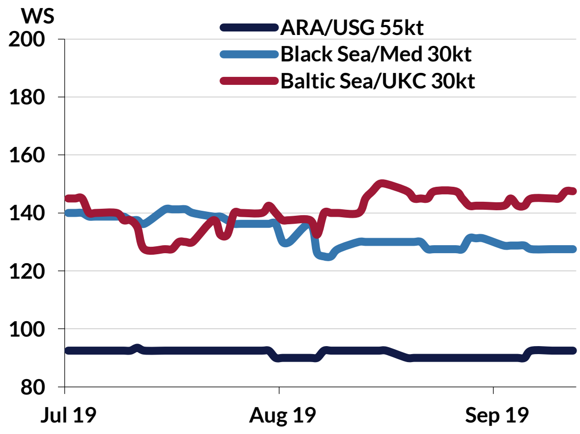
MR

With limited tonnage showing in the region at the start of the week, Owners were looking to the firming Handy market for employment or at least to provide a backbone to promote sentiment. With one unit picking up a Handy cargo pretty early on in the week, allowed the only other MR being pushed to retest the market, with ws 117.5 X-Cont set as a benchmark level. In the Med, the story follows the Handy market, where units have seen an uptick in employment, with both Black Sea and Med loadings picking up this week. Despite increased activity, sentiment is proving slow to catch up and levels remain flat for now. Going forward, both markets are expected to firm, with the end of the summer market seemingly on the horizon

Panamax

Although rates are yet to show any signs, the business concluded here in Europe this week lays the foundations for sentiment to move positively going forward. This is because the supply balance of natural tonnage is dwindling and as of yet no one has been forced to test what US ballast tonnage will be asking to come over. Coupled with US markets trading with a positive disparity of some ws 55 points, it is extremely unlikely any units will choose to come this way out of necessity. Going forward, therefore, it could well prove that today's rates become the floor.

Dirty Product Tanker Spot Rates



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Dirty Tanker Spot Market Developments - Spot Worldscale							
			wk on wk change	Sep 12th	Sep 5th	Last Month	FFA Q3 (Bal)
TD3C	VLCC	AG-China	**+2**	54	52	54	56
TD20	Suezmax	WAF-UKC	**-1**	59	60	57	67
TD7	Aframax	N.Sea-UKC	**+10**	106	96	85	90

Dirty Tanker Spot Market Developments - $/day tce (a)							
			wk on wk change	Sep 12th	Sep 5th	Last Month	FFA Q3 (Bal)
TD3C	VLCC	AG-China	**+1,500**	28,250	26,750	31,250	56
TD20	Suezmax	WAF-UKC	**-750**	11,500	12,250	11,500	67
TD7	Aframax	N.Sea-UKC	**+7,250**	22,000	14,750	7,250	90

Clean Tanker Spot Market Developments - Spot Worldscale							
			wk on wk change	Sep 12th	Sep 5th	Last Month	FFA Q3 (Bal)
TC1	LR2	AG-Japan	**-6**	102	108	108	
TC2	MR - west	UKC-USAC	**-3**	96	98	91	102
TC5	LR1	AG-Japan	**-5**	112	117	106	113
TC7	MR - east	Singapore-EC Aus	**-1**	174	175	172	169

Clean Tanker Spot Market Developments - $/day tce (a)							
			wk on wk change	Sep 12th	Sep 5th	Last Month	FFA Q3 (Bal)
TC1	LR2	AG-Japan	**-2,000**	15,750	17,750	19,250	
TC2	MR - west	UKC-USAC	**-750**	4,750	5,500	4,750	6,250
TC5	LR1	AG-Japan	**-1,500**	12,750	14,250	12,750	13,000
TC7	MR - east	Singapore-EC Aus	**-1,250**	14,000	15,250	16,250	13,250

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

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