

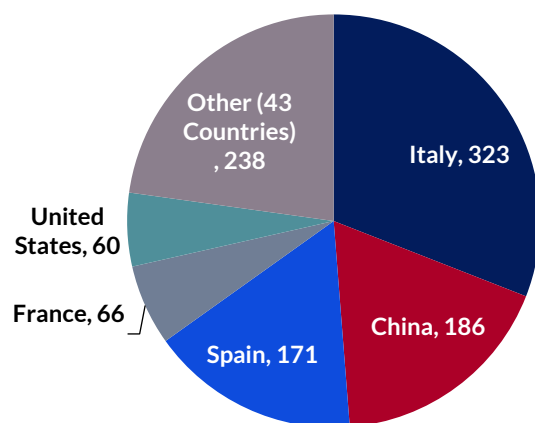
## Libyan Losses

### Weekly Tanker Market Report

Yet again, global crude production has taken a major hit. Late last week forces loyal to the Libyan National Army (LNA) began shutting down oil ports along the Libyan coast. Latest reports suggest that almost all of Libya's production has been taken offline as ports remain blockaded and storage tanks begin to fill.

The latest available information suggests that crude exports have ceased from Marsa Al Hariga, Zueitina, Marsa El Brega, Ras Lanuf and Es Sider. Only the offshore terminals of Bouri and Farwah are reported to be operational, whilst some exports from Zawia and Mellitah have been observed this week, despite pipeline closures. So far, Libya's National Oil Company (NOC) has confirmed that the oil fields of El Feel (90,000 b/d) and Sharara (300,000 b/d) have been forced to shut in production due to limited storage capacity. NOC has not explicitly mentioned other fields, although it has confirmed that production has fallen from 1.3 million b/d to 400,000 b/d and could soon fall to as low as 72,000 b/d - which would mark the lowest since 2011 when production briefly stopped during the civil war.

**Top Destinations for Libyan Crude (000 b/d)**



The biggest uncertainty is how long Libya's main export terminals will remain closed. Until the crisis is resolved, Mediterranean crude loadings are expected to fall, and regional freight rates may take a hit depending on how long the current situation lasts. However, tankers loading in other regions could benefit from a substitution effect. Regional refiners are expected to source alternative crude from the United States, West Africa and North West Europe, supporting longer haul Aframax and Suezmax movements. However, regional demand for Black Sea loading crudes could also compete with long haul buyers East of Suez.

Despite the substitution effect, oil prices and demand may be tempered by pending refinery maintenance season in Europe. Refinery runs in Europe are expected to fall by 400,000 b/d from January to March, easing supply concerns among those refiners scheduling maintenance, whilst French strikes have also lowered runs. As such, although more long-haul trade could emerge, the effect in the short term is likely to be muted.

Many expect the current disruption to be short lived given no one benefits if no oil income is received. However, the current political situation is complex. A series of meetings over the past month have tried and failed to resolve the growing crisis. A long planned summit took place in Berlin last weekend and was attended by representatives from Turkey, Russia, Egypt, France, Italy, the United Kingdom, the United States, the UAE, Algeria, China, the Republic of the Congo, the United Nations, European Union and African Union. World leaders agreed action to de-escalate the conflict; however, it currently looks to have had little or no impact. If anything, tensions appear to have escalated.

Looking ahead, it is difficult to say when Libyan crude production will return. Output and exports could be swiftly restored, as has been the case in the past. However, if the disruption continues beyond refinery maintenance season, then the market impact will be more disruptive and changes in trade flows more apparent.

## Crude Oil

### Middle East

VLCC Owners had hoped that the run in to the Chinese New Year holidays would provoke sufficient momentum to set the market back upon an upward path. Unfortunately, although early week prospects looked good, the back end of the week slowed, and availability on the fixing window became too easy to hold the rate line, with down to ws 80 then paid for modern units to the Far East and, with the threat of a dip into the '70's' looking very real. Interest to the West was minimal but rates are to be marked at around ws 47.5 via Cape for now. Suezmaxes merely drifted on limited long-haul attention and rates therefore crumbled to ws 125 to the East and to ws 75 West, with further discounting on the cards. Aframaxs slipped slowly but steadily through the week to 80,000mt by ws 155 to Singapore and are likely to continue to seek a firm bottom over the start of next week also.

### West Africa

A stagnant Suezmax rate scene upon nondescript demand, and easier supply, which now threatens to force the market into lower rate territory for the start of next week. 130,000mt by ws 125 to Europe, with a little less than that to the U.S. for now, at least. VLCC Charterers held back as much as possible to allow the leading AGulf to 'help' Owners to a lower rate platform, and the ploy worked as rates then slipped to ws 77.5 to the Far East, with further discounting not out of

the question, however, with consistent interest in the Caribs/USGulf, many Owners will likely side-step this area if called upon to sharpen their pencils too aggressively.

### Mediterranean

The effective shut-out of Libyan barrels threw a damp towel over all sizes here. Aframaxs limped along through the week on low level demand and easier supply. Rates didn't crash but did ease nonetheless to 80,000mt by ws 142.5 X-Med and to ws 157.5 from the Black Sea. Suezmaxes also began to suffer from more restricted demand and gently eased their rate sights to 140,000mt by ws 130 from the Black Sea to European destinations and to under \$6 million for runs to China - to be continued whilst the Libyan problem persists.

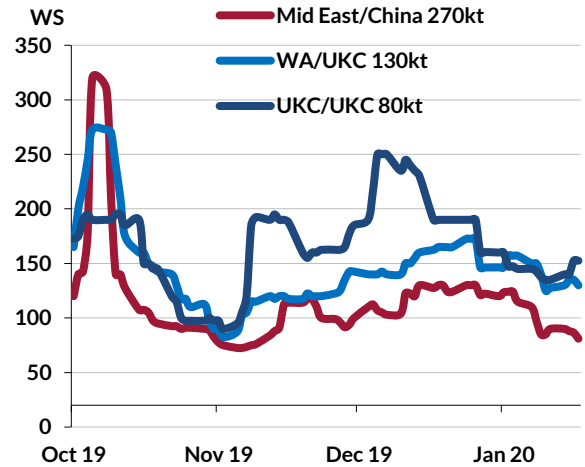
### US Gulf/Latin America

The Aframax party isn't over yet but rates are now heading into considerably lower territory than of late, 70,000mt by ws 240 upcoast and to ws 180 transatlantic, although the shortest ECMex/USGulf runs still command close to ws 300, for now. Further recalibration likely through next week too. VLCCs huffed and puffed with reasonable enquiry circulating, but not all of it 'real', and rates flatlined at little better than \$10 million from the USGulf to Singapore and \$9.5 million to West Coast India. If other areas come off more sharply then ballasters will begin to chip rates lower, however.

## North Sea

Aframaxes upped their game early in the week to push rates to 80,000mt by ws 157.5 X-UKCont and to 100,000mt by ws 137.5 from the Baltic but towards the week's end, enquiry fizzled out and rate demands threatened to ease off a little, although many Owners were prepared to tough it out to await whatever next week brings. VLCCs were covertly picked off and limited availability kept rates broadly stable at around \$10 million for crude oil to South Korea/China and will probably hold similarly for a little while yet, or unless/until the other load alternatives correct more markedly.

## Crude Tanker Spot Rates



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

## Clean Products

### East

A week that all Owners would rather forget, from the LR2s down to the MR's the sentiment has been aggressively disastrous. The LR2s have remained fantastically quiet and what little stems came into the market were keenly fought after and resulted in some cataclysmic drops. TC1 on subs at 75 x ws 100 and UKCont on subs at \$2.0 million, both of these have room to see further drops as lack of cargoes and well loaded tonnage list doesn't help the cause. A similar situation for the LR1s but, the drop seen in rates is getting close to the bottom. TC5 is on subs at 55 x ws 95, with potential for another ws 5 points to come off. Jet West is on subs at an equivalent \$1.8 million out of the AGulf should also be tested in line with the softening seen on the LR2s. Similar to the LR2s there is a real lack of open cargoes. Next week will see the LR1 Owners competing hard over fresh stems as they try to get tonnage moving.

The MRs having held on for as long as they could, finally buckled under the pressure from the larger ships and all rates have gone southwards. TC12 is on subs at 35 x ws 155 but could easily see another ws 5 points nibbled off. EAF was slowly chipped away over the course of the week and closed at 35 x ws 175. X-AGulf cargoes having provided decent returns were under attack as open LR1s starting hunting MR stems. \$260k is on subs however, next done will nearer the \$240k mark. UKCont cargoes have been untested as with the larger ships being so competitive, Charterers are looking to

stem up cargoes. UKCont should be at the \$1.35-\$1.4 million level as we head into next week. All in all, not a great week and, with Chinese New Year round the corner, it's not exactly going to be a fiery start to next week. It is, however, apt that as we start the year of the Rat a lot of hard work is required to get positive sentiment back across the board.

### Mediterranean

It's been a week to forget for Handy Owners in the Med, with rates taking a tumble throughout. After some softening in week 3 we began on Monday with 30 x ws 200 X-Med and 30 x ws 215 ex Black Sea both on subs. With prompt tonnage continuing to build, by the time we reached COB Monday rates were already as low as 30 x ws 182.5 X-Med and 30 x ws 195 ex Black Sea. This set the tone for the rest of the week and at the time of writing, we now see 30 x ws 157.5 on subs X-Med. As a result next done ex Black Sea is likely to negatively correct around the 30 x ws 167.5 mark. Despite a slight increase in cargo enquiry, there has simply been too many prompt vessels available and consequently this has dragged the market down even further. Expect this decline in rates to continue with Charterers still in search of lower numbers before the weekend.

Finally to the MRs, where we see good levels of activity throughout keeping the tonnage list minimal but without a huge amount of success on rates by Owners. WAF once again continues to be the main driver, with rates simmering above the 37 x ws 200 mark but, with a blip of positivity being seen ex UKCont come the close of the week, many will feel this can be mirrored here. Owners will walk into week 5 with a spring in their step as the strong States market prevents rapid replenishment, with anticipation of improved rates.

## UK Continent

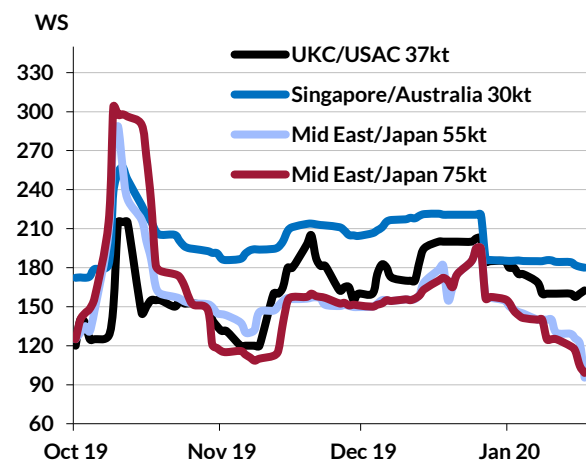
A positive week for Owners, with volume much improved from recent weeks. In addition, the position list is starting to really suffer from a lack of ballasters coming back from a strong US market, which combined with that increase in enquiry has seen rates improve across the board. TC2 ends the week at 37 x ws 165 and WAF has improved to finish the week at 37 x ws 215 but Owners will rightly feel that further improvement should be within their grasp next week.

All in all a much better week for Handy Owners plying their trade in the North. Levels have incrementally increased ex Baltic and by the end of the week seem to have solidified around the 30 x ws 187.5 mark. A healthy amount of Baltic fixing for early February has actually been covered away from the prying eyes of the market and under COAs, which has kept the tonnage list tight and Owners remaining bullish with their fixing ideas. Continent

volumes have also improved as levels have firmed to 30 x ws 180. Expect this positivity to remain heading into week 5.

The Handy market is tightening and showing signs of potential further improvements, which is welcoming news for those in the Flexi market as benchmarking rates continue to be drawn from the larger tonnage. Rates should improve a touch thanks to the 30kt rates but otherwise this sector is still pretty quiet.

## Clean Product Tanker Spot Rates



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

## Dirty Products

### Handy

Owners with early tonnage in NWE started this week hoping for better times as the previous week's lack of activity took its toll, allowing tonnage to build. However, fresh enquiry simply did not pick up as hoped. Off market activity has managed to move on a small handful of units but it was not enough to make a dent in the number of prompt units marketed. As we close the week out, early tonnage remains in play, leaving us all looking for the injection of activity early next week to prevent further negative correction in rates.

The Mediterranean once again has been the focus for Owners and Charterers as the volume of activity from both the Black Sea and X-Med runs has significantly picked up this week. Now fully trading on 2020 Worldscale rates, the region has settled down into somewhat of a rhythm this week. At the time of writing, the Black Sea continues to hold firm at ws 300 but if all that is on subjects gets fixed away, then the scales are looking to tip firmly in Owners' favour. Going forward, if the cargo volumes continue to flow next week, then it will be inevitable that Owners will make ground and push on from last done levels.

### MR

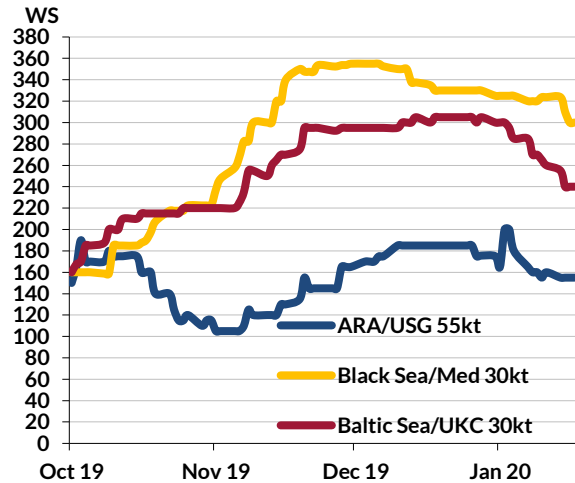
With tonnage still lacking in the North, it comes as no surprise that we have little to report in this market. Just one unit has been marketed in the region all week, which hasn't been tested. With the surrounding Handy market also weakening, Owners are lacking in a viable fallback option. Going forward, the region is without doubt due for a fresh test but without enquiry and tonnage, it remains to be seen who holds the cards. Perhaps a ballast to more promising regions is on the cards.

With a flurry of activity last week, it is perhaps no surprise that enquiry has been more subdued in the Med this week. Tonnage is showing and we have seen enquiry from the Black Sea. However, with just one unit seeing activity, Owners have not been in a position to push. What is worth noting is that the firming Handy market is offering a viable alternative competition for tonnage as units in that market get clipped away. Finishing the week with tonnage showing, expect early in week 5 for enquiry to pick up again - Owners for now remain in the driving seat.

## Panamax

The overwhelming pattern this week in the Panamax sector has been a mixture of fixing and failing of tonnage this side of the pond. From the outset on Monday activity was looking strong, with a few of the early units on subjects. However, some of these units did not manage to get their subjects, with oil deals falling through - especially to the East. As we close the week out, prompt tonnage is being marketed across the UKCont and Med. If you dig a little deeper there are more units that can be moved on. The benchmark transatlantic run remains untested as Owners have only managed to find short haul cargoes or East options. Next week Owners will be looking for an increase in enquiry or at least for what is being rumoured to finally firm.

## Dirty Product Tanker Spot Rates



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

## Dirty Tanker Spot Market Developments - Spot Worlds cal

		wk on wk change	Jan 9th	Jan 2nd	Last Month*	FFA Q1
TD3C	VLCC AG-China	-42	80	122	90	71
TD20	Suezmax WAF-UKC	-15	132	147	122	112
TD7	Aframax N.Sea-UKC	-9	153	162	251	130

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

		wk on wk change	Jan 9th	Jan 2nd	Last Month*	FFA Q1
TD3C	VLCC AG-China	-46,500	60,000	106,500	72,500	49,000
TD20	Suezmax WAF-UKC	-6,000	54,250	60,250	56,750	47,500
TD7	Aframax N.Sea-UKC	-4,000	54,000	58,000	123,250	36,750

## Clean Tanker Spot Market Developments - Spot Worlds cal

		wk on wk change	Jan 9th	Jan 2nd	Last Month*	FFA Q1
TC1	LR2 AG-Japan	-57	99	156	129	
TC2	MR - west UKC-USAC	-25	162	187	171	165
TC5	LR1 AG-Japan	-62	95	157	131	101
TC7	MR - east Singapore-EC Aus	-7	180	187	183	170

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

		wk on wk change	Jan 9th	Jan 2nd	Last Month*	FFA Q1
TC1	LR2 AG-Japan	-17,500	11,500	29,000	23,750	
TC2	MR - west UKC-USAC	-3,250	16,000	19,250	17,750	16,750
TC5	LR1 AG-Japan	-9,250	6,000	15,250	16,250	7,750
TC7	MR - east Singapore-EC Aus	+1,000	15,250	14,250	17,000	13,500

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

ClearView Bunker Price (Rotterdam VLSFO)	-70	508	578	509
ClearView Bunker Price (Fujairah VLSFO)	-155	623	778	613
ClearView Bunker Price (Singapore VLSFO)	-85	618	703	591
ClearView Bunker Price (Rotterdam LSMGO)	-69	523	591	573

\* WS spot rates converted into 2020 WS100



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