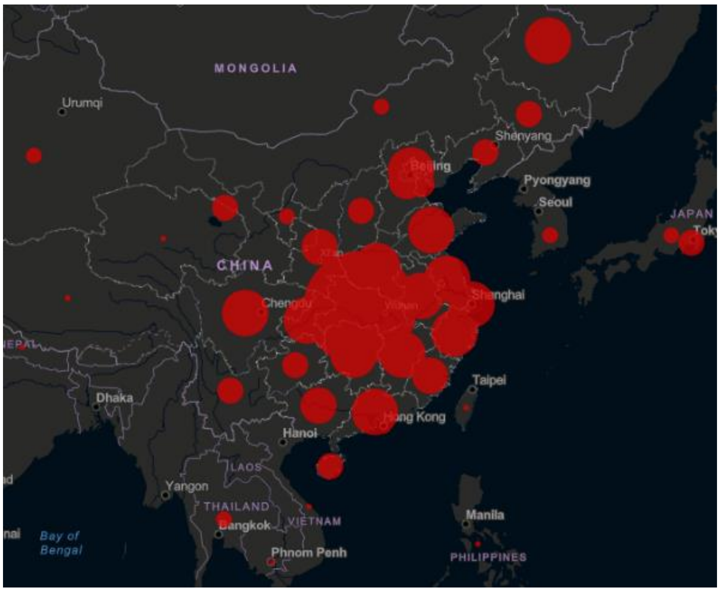
Deadly Outbreak

Weekly Tanker Market Report

Just over two weeks ago China imposed a lockdown in Wuhan and other cities in Hubei province in an effort to contain the spread of the deadly coronavirus outbreak. Since then, further quarantines have been put in place, starting to cause disruptions across many global industries. Conditions in the crude tanker market have already changed beyond recognition. Currently, spot VLCC earnings on TD3C (non-scrubber) stand at just $16,000/day, compared to over $115,000/day in early January. The picture is similar for smaller size groups. The fear of coronavirus is not the only factor behind the decline in freight: the news that US sanctions were lifted on COSCO tonnage inevitably dampened the sentiment across the whole crude tanker complex.

In terms of the coronavirus outbreak, this is what we know so far. There has been a dramatic decline in global jet fuel demand, most notably in Asia. Demand for other transportation fuels is also down, although to a lesser degree. This offered some support to arbitrage movements out of the region as product stocks started to build, but in the longer run product trade could be impacted if further quarantines are put in place and/or weakness in demand spreads globally. Crude demand into China is also under pressure, with domestic refineries cutting runs. According to Argus estimates, Chinese refining throughputs declined by at least 840,000 b/d in January, while further cuts are widely anticipated in February. As reported by the Financial Times, executives at China's largest refineries expect that the country's oil consumption could fall by 25% this month, equivalent to a staggering 3.2 million b/d.



As China accounts for nearly 30% of growth in world oil demand this year, the spread of coronavirus could noticeably dent gains in oil consumption. Demand in other Asian countries is also under pressure. We are already seeing an impact on global manufacturing supply chains, with Hyundai halting operations at its giant car plant in Ulsan. Although the situation continues to evolve rapidly, attempts have been made to estimate the impact on global oil consumption. BP suggested that demand could decline by 300,000 - 500,000 b/d in 2020 and broadly similar views were expressed by other analysts. Not surprisingly, we have seen a decline in oil prices and a rising contango in crude futures. Potentially, crude tanker floating storage could emerge, although a lot here depends on OPEC+ action, with the technical committee recommending a 600,000 b/d cut.

The outbreak could also translate into all sorts of logistical hurdles. Although not seen so far, port delays could emerge. It is already becoming problematic to arrange SIRE inspections in Asia, while crew management could also be challenging, considering that China is one of the world's largest seafaring nations. Drydocking, scrubber and Ballast Water Treatment system retrofits in China are getting delayed due to yard closures. However, this also means that vessels that are scheduled for inspections and/or retrofits soon will be unable to do so and may continue trading, if classification societies grant extensions. The picture is different for new tanker deliveries, with shipyards declaring force majeure over delays to newbuildings under construction. This year 64 tankers over 25,000 dwt, including 14 VLCCs are due for delivery from Chinese yards.

The above is what we know but there are plenty of unknowns, most critically how long the outbreak will last and how far it will spread. Without a doubt, the longer the duration, the bigger the implications are. For now, we are not even close to approaching the end of this epidemic.

Crude Oil

Middle East

No positives to counter the negatives for beleaguered VLCCs this week. Rates had already been upon a steep descent but have now slumped to returns that yield only marginal fat over base running costs. Down to ws 40 to the Far East now, with very rare runs to the West posted into the mid ws 20's via Cape. With availability 'long' and demand punctured, next week looks set to remain equally challenging, with additional logistical headaches likely as the Virus-alert situation matures. Suezmaxes limped through the week with mostly the shortest haul activity featuring, which was never enough to prevent rates from sliding lower to 130,000mt by ws 85 East and to ws 40 West and no sign of turnaround anytime soon. Aframaxes sagged further, as expected, to end the week at 80,000mt by ws 100 to Singapore, which should prove a sticky bottom over the coming week too.

West Africa

Suezmaxes spent the first half of the week probing for a solid bottom, which was found at around the ws 80 mark to Europe. Thereafter there was a modest flick-back towards ws 90 but it looks set to become a dead cat bounce as heavy availability now looms over the horizon, and Charterers will likely hold back from chasing forward. VLCCs initially arm wrestled as the AGulf fell away but eventually had to capitulate at down to ws 45 to the Far East, with as low as $3.65 million seen from Nigeria to East Coast India. Whilst the Middle East continues to fold, there is little chance of any rebound here either.

Mediterranean

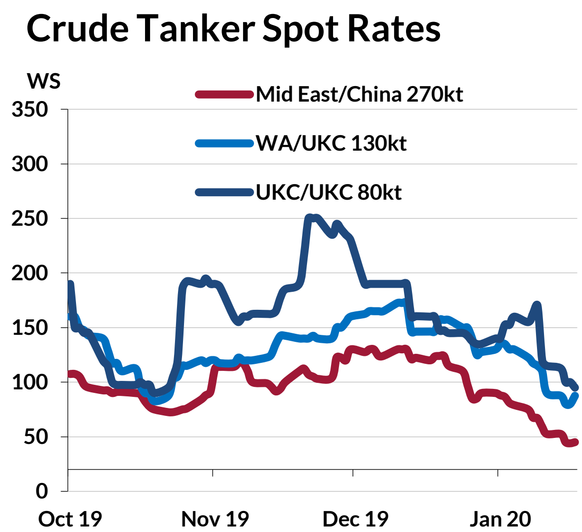
The lack of Libyan exports continues to weigh heavily against all sizes here. Aframaxes fell off to 80,000mt by ws 70/75 X-Med and to ws 80 from the Black Sea and will remain similarly weak over the next fixing phase too. Suezmaxes merely drifted sideways, and then lower upon insipid demand and no real support from elsewhere. Hopes of a real West African resurgence flicker, but it's clutching at straws really. 140,000mt by ws 87.5 from the Black Sea to European destinations now, with down to $4.2 million asked for runs to China.

US Gulf/Latin America

Aframaxes kicked back from the off as Charterers re-entered more meaningfully, and rates responded to jump to 70,000mt by ws 145 upcoast and to ws 155 transatlantic too but things slowed somewhat into the late-week and Owners may become more defensive into next week unless Charterers really go to town. VLCCs kept busy through the week but every deal concluded seemed to take three 'on subjects' attempts! very confusing, and the end result was that rates were knocked sharply back to as low as $5.5 million from the USGulf to Singapore and will remain at close to that over the next phase too.

North Sea

Slow to start but Aframaxes did get marginally busier through the week although that failed to help downward shifting rates that ended at 80,000mt by ws 92.5 X-UKCont and to 100,000mt by ws 82.5 from the Baltic, however, a base camp may now have been set for next week's campaign. VLCCs drew a blank - attempts were made to take cover at down to $6.8 million for crude oil to South Korea but, with no solid evidence of success. The outlook is for rates to remain South facing.



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

Clean Products

Mediterranean

After a few weeks of softening in the Med, its been a positive week for Owners as we've seen rates climb throughout the week. We began with X-Med trading around the 30 x ws 167.5-170 levels but, with bad weather causing replacements to be taken out we saw a real mix of numbers going on subs ranging between 30 x ws 175-190 levels. Today we see rates beginning to settle at the 30 x ws 180 mark, with this number being repeated a few times. In terms of the Black Sea, it was a slow start to the week but after a few more cargoes began to appear we saw rates begin to follow in line with X-Med. 30 x ws 185 has been put on subs a couple of times during the back end of this week but, with X-Med now stabilising at the 30 x ws 180 level, Owners will be looking to reach the 30 x ws 190 levels ex Black Sea. As we head into week 7 and, with bad weather expected over the weekend, Owners will be optimistic they can push rates higher with replacements potentially required.

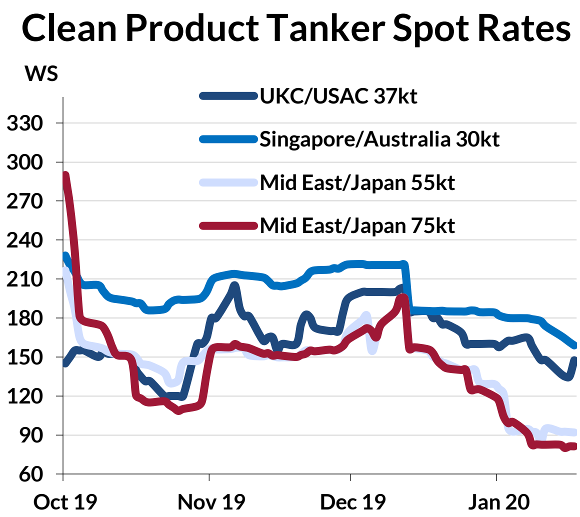
Similarly to the UKCont, Owners plying their trade in the Mediterranean saw a slender tonnage list facing limited enquiry. Charterers have managed to keep on top of rates despite the potential, with transatlantic set at 37 x ws 140 and WAF at ws 160. But inevitably at some point a Charterer was going to get caught, and a fixture ex Sines pushed to ws 150. With reports of higher seen now ex UKCont, Owners will be looking to press this positivity further here also and recreate those rates.

UK Continent

The week ends pretty much in line with where it began as once again a lack of demand fails to provide enough of a platform for Owners to benefit from what has been a tight position list. We had a couple of fixtures that offered some hope that in the short term, and off prompter positions Owners can and have profited, but the reality now is as we head towards the second half of the month the tonnage list begins to stabilize and therefore restrict Owners opportunity to push for improvement. It really all centres on demand at the moment and that has been severely lacking recently. Supply has also not been helped by the availability of cheap LRs as an alternative. If that demand returns then the market has a chance but without it, it looks like next week will be more of the same.

A bit of a rollercoaster week for Owners passing here, with LR tonnage mainly being to blame. To start with, cargoes were combined to leave us with little outstanding and rates suffered subsequently down to 30 x ws 170 ex Baltic. But as we moved past the halfway point, Handies were required once again to cover the larger tonnage and our list tightened rapidly. Come Friday, Owners manage to get a grip finally, as we see ws 180 being surpassed to ws 185 and, with some outstanding cargoes still, expect rates to be pressed further with Owners on the front foot come Monday.

Another week of living in the shadows of the Handies for rate guidance comes to a close but, with positivity in the air on the larger tonnage Owners will be with the same opinion. 22 x ws 230 would be the call for now but how far Owners can push the advantage is yet to be seen.



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Dirty Products

Handy

The North this week was presented with a tight position list on Monday after the clear out in week 5. With tonnage tight, repetition at last done levels has been easy for Owners to maintain and by mid-week, a gain of ws 2.5 points had been pushed for. By mid-week, ballasters were the only units padding out the list as rumours of off market activity further strengthened sentiment. Tonnage replenishment is looking unlikely in the short term and as such going forward, should fresh enquiry present on Monday, expect Owners to be bullish in their expectations

The pattern of activity in the Med this week has been flipped on its head where it took until mid-week for the taps to be turned on. Drip fed enquiry from the Black Sea and across the Med saw a mixed bag of rates, with ws 275 eventually being established as the midweek benchmark for a Black Sea load. However, as we close the week out with tonnage still showing but looking limited, next week we expect Owners to come out fighting.

MR

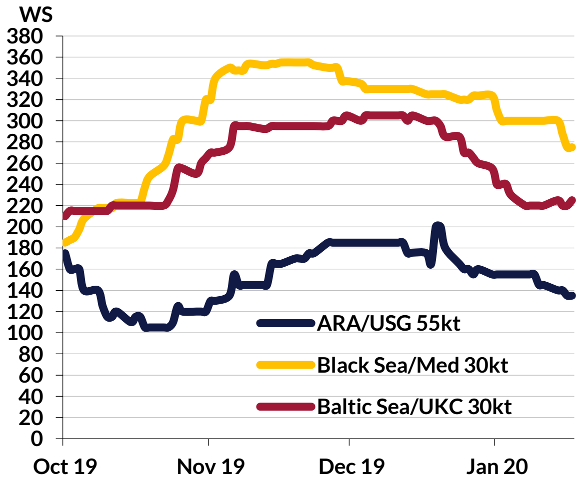
Limited to zero marketable tonnage has been available from MRs in the North this week. Those units that have ballasted have fixed to leave the region, leaving the end of the week to close out with no natural tonnage available. The only natural unit available has gone own program on a Handy stem leaving the Panamaxes to take up the reins lifting an MR stem. This in turn has highlighted that Ice class vessels are willing to take UKCont-Med stems due to the lack of ice in the Baltic.

Down in the Med the picture has also worsened for MRs who had been holding steady rates Black Sea/Med 45 x ws 225 for the beginning of the year to date. Rates are now sliding as the availability of MR stems has dwindled and they have shown a willingness to accept Handy stems at 30 x ws 275. While these stems are a welcome back stop for Owners, there is the problem for Handy Owners of additional MR tonnage weighing on the Handy tonnage list. We look to next week to see if charterers will market full stems for this vessel class.

Panamax

It has taken almost the entire week to see some meaningful activity, but at long last we have seen the conventional transactional move tested. All things considered, the results of this test have been fair, given the strength of the surrounding Aframaxes and the length of the tonnage lists. Numbers, however, are going to be scrutinised by Charterers where units remain spot, and especially if you are able to Charter tonnage of a plus 15 year vintage.

Dirty Product Tanker Spot Rates



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GIBSON SHIPBROKERS

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Feb 6th	Jan 30th	Last Month*	FFA Feb/Mar
TD3C	VLCC	AG-China	**-17**	42	59	42	40
TD20	Suezmax	WAF-UKC	**-18**	88	106	158	76
TD7	Aframax	N.Sea-UKC	**-23**	96	119	147	124

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

			wk on wk change	Feb 6th	Jan 30th	Last Month*	FFA Feb/Mar
TD3C	VLCC	AG-China	**-20,250**	16,000	36,250	111,750	14,000
TD20	Suezmax	WAF-UKC	**-11,500**	28,500	40,000	68,250	47,500
TD7	Aframax	N.Sea-UKC	**-17,750**	13,750	31,500	48,000	32,750

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Feb 6th	Jan 30th	Last Month*	FFA Feb/Mar
TC1	LR2	AG-Japan	**-2**	81	83	143	
TC2	MR - west	UKC-USAC	**+2**	150	148	150	150
TC5	LR1	AG-Japan	**-0**	92	92	146	100
TC7	MR - east	Singapore-EC Aus	**-18**	159	177	185	166

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

			wk on wk change	Feb 6th	Jan 30th	Last Month*	FFA Feb/Mar
TC1	LR2	AG-Japan	**+500**	8,000	7,500	24,500	
TC2	MR - west	UKC-USAC	**+1,500**	15,750	14,250	17,500	15,500
TC5	LR1	AG-Japan	**+1,000**	7,500	6,500	17,000	9,750
TC7	MR - east	Singapore-EC Aus	**-2,500**	13,500	16,000	14,000	14,750

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

ClearView Bunker Price (Rotterdam VLSFO)	**+5**	471	466	566
ClearView Bunker Price (Fujairah VLSFO)	**-51**	523	573	753
ClearView Bunker Price (Singapore VLSFO)	**-47**	536	583	724
ClearView Bunker Price (Rotterdam LSMGO)	**+9**	491	483	573

* WS spot rates converted into 2020 WS100

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