WEEKLY
TANKER REPORT

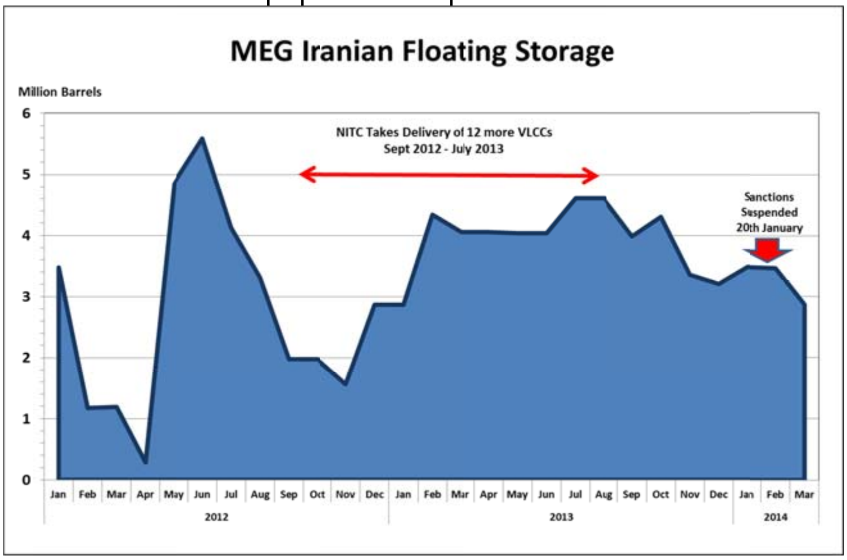
GIBSON
SHIPPING ENERGY

4th April 2014

IRAN ON THE REBOUND?

Just over two months ago, the sanctions imposed on Iran in 2010 as a result of its nuclear development program, were temporarily lifted for a six month period. Iran has wasted no time in using the 'temporary' suspension to rebuild the struggling nation and attempt to get the economy moving forward. However, according to recent reports, Iran is still reeling from 30% inflation and suffers from shortages of water, fuel and medicine to name a few items. In order to reverse this trend the Tehran government needs to increase crude oil production and perhaps more importantly, to be able to sell it into the international market.

The waivers granted to several crude importing nations during the enforced sanctions, provided Iran with a steady flow of revenue although purchasing basic everyday essentials let alone the much needed equipment required to maintain its oil industry was virtually impossible. It is perhaps still too early to analyse if the suspension of the sanctions are having any positive economic impact overall. However we are in a position to monitor their fleet positions. At the end of last month just 10 VLCCs were employed in floating storage in the Middle East Gulf, equal to the lowest number since December 2012. Also, up until recently, several VLCCs appear to have been storing crude off the Chinese coast but this now appears to be down to just one unit.



At the beginning of the month, half of the NITC VLCC fleet was either on its way to China or on the ballast voyage back to Iran. This includes two units, moving under new names, which had previously been storing in the MEG since the 3rd quarter last year. Two VLCCs are currently heading to Ulsan, with another three returning to Kharg Island. Surprisingly our latest analysis shows just one VLCC and one Aframax both ballasting from India to the Gulf. Iranian shipments to India have historically been much higher. NITC movements into the Mediterranean reveal Suezmaxes to Turkey and an Aframax heading back to Iran from Syria. The graph above shows Iranian Middle East Gulf floating storage in terms of barrels. It should also be considered that the NITC fleet grew by 33% between September 2012 and July last year which has had a significant impact on Iran's ability to export crude.

Iran appears to be very much courting Western companies in the hope of securing investment should sanctions be completely removed. However, US President Obama recently reminded the West that businesses exploring the Iranian market "do so at their own peril". Iran has managed to get itself some breathing space, but it may still has some way to go before it achieves full international acceptance.

CRUDE

Middle East

Having successfully applied the handbrake to the rate-slide, VLCC Owners managed to claw back a couple of Worldscale points this week as Charterers provided them a very steady stream of opportunity. Availability still looks easily sufficient to mop up the remainder of the April programme, but if the pace continues unchecked, then perhaps some further gains could be seen above the current ws 39/40 East and ws 28/29 West (Via Cape) levels. Suezmaxes weren't quite as well serviced, but there was certainly enough interest circulating for Owners to hold ground at up to 130,000 by ws 65 East and around ws 32.5 to the West, and no early change looks to be on the cards. Aframaxes couldn't find any real grip, and the further East market was also under pressure, so that some Owners started to pack their bags for other hunting grounds. 80,000 by ws 90/92.5 stayed the mark to Singapore, and should remain there or thereabouts over the next week.

West Africa

Suezmax Owners remained upon the defensive through the week, and Charterers reacted by holding back from fixing forward in numbers. Rates slid off to around 130,000 by ws 57.5 for all Atlantic options, but are likely to hold uneasily for a little while yet. VLCCs began to see more action - and now onto May positions. Rates kept within a 'conference' ws 40/42 bracket, with down to US$3.3 million seen to West Coast India, but may just creep up a touch if the AGulf continues to build.

Mediterranean

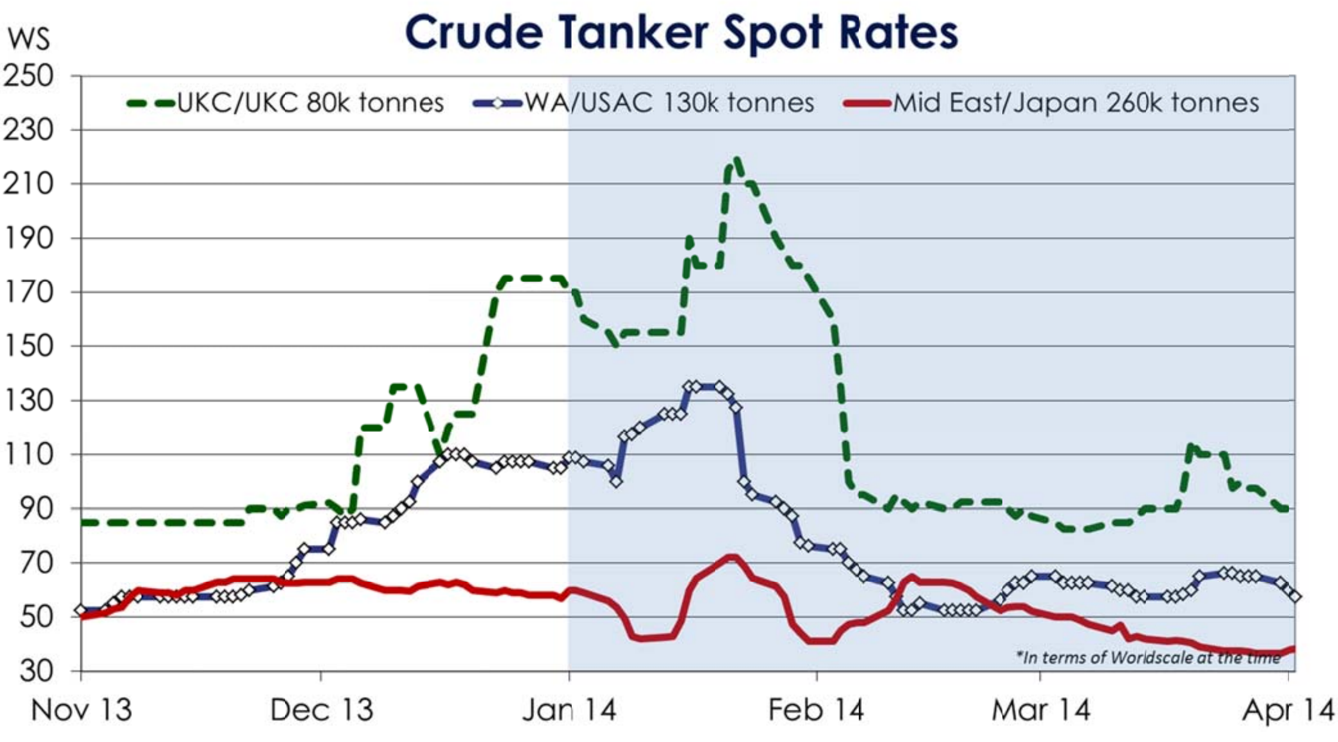
Aframaxes creaked, groaned, and then took a more significant tumble to 80,000 by ws 85 cross Med and could fall off further if Charterers don't come back to heavily bargain hunt. Suezmaxes latched onto the softening West African sentiment with as low as 135,000 by ws 47.5 seen for a transatlantic run from the West Med. Black Sea movements stayed minimal, but rates didn't collapse below 140,000 by ws 57.5 for European destinations. Little went to the East, but US$2.2 million was posted for Ceyhan to Singapore.

Caribbean

Aframaxes eased off, but then their good friend 'fog' returned to help them re-achieve the 70,000 by ws 115 mark upcoast, though the gain will evaporate as soon as the mists clear. VLCCs got steadily picked off, but there remained a frustrating, and frustrated, residue of April tonnage that anchored rates at down to US$3.45 million to Singapore, and US$2.95 million to West Coast India - not a good platform for the upcoming may programme.

North Sea

Off the bottom for Aframaxes in reaction to a spell of greedy bottom feeding by Charterers. Rates inflated again to a modest 80,000 by ws 97.5 cross UKC and 100,000 by ws 80 from the Baltic, but further improvement will be dependent upon whether those Charterers come back for 'desert' next week. Suezmaxes mostly fired blanks, but theoretically operate at around 135,000 by ws 52.5 to the states. VLCCs also found things very slow, but there was a late report of US$4.85 million being paid for the headline grabbing Houndpoint to South Korea run.



CEAN PRODUCTS

West is softening, East is stable.

East

The Lrs have had an interesting week. The LR2s are very much on the march with numbers edging up across the board. At the weeks start demand was already outstripping tonnage supply and Owners took their opportunity. 75kt Naptha for AG/Jpn has moved up to WS 98 and we have seen some AG/West enquiry coming through with decent results for Owners; USD 2.37m being on subs at the time of writing. Tonnage tight and the future is bright!

The LR1s looked a little exposed at the weeks start with tonnage readily available for all dates but, with a tight MR position list, the ppt vessels have taken a good amount of MR X AG cargoes at the USD 250-260k mark. The issue we are facing is that even though the ppt position is looking better, there are still lots of vessels available moving forward. The long hauls have been quiet and with the X AG vessels due to open up again in the load area charterers are thinking aggressively. Charterers have the 'bit between their teeth' and there is talk of shooting for WS 102.5 for 55kt Nap AG/Jpn and 65kt Jet for AG/West at US$ 1.8-1.85m lvls on the next done deals.

MRs have been more subdued this week when compared to last and as result the rates, shorthaul in particular have tempered. Some of the heat has gone, as LRs are now regularly competing for MR stems. Jubail/Jebel Ali voyages are now assessed at US$250k, 25k off from last week. The longer haul voyages are still firm, as LRs don't have the same opportunities to compete, consequently TC12 has risen to ws 120, East Africa is fixing at ws 170-175 and distillate runs to the UK Continent are now at 1.46 Million. With the tight list, further enquiry may well see rates push up, but with LRs undermining MR Owner efforts, it may well remain as it is.

The North Asia CPP market has had a fractionally more subdued week in comparison to the trend of late. The tonnage list is still reasonably healthy, but for the first time now we are seeing a few ships that have been caught out and are sitting exposed off the early window, and Charterers with more prompt requirements may look to target these, and we can expect rates to come off a fraction as a result. No drastic changes though, MRs should still fix at around USD 520K levels for South Korea/Singapore.

LR1s have also been marginally quieter, but there is still some enquiry off the last decade of April, and for South Korea/Singapore LR1s should fix at around USD 560K, and LR2s are still holding firm at USD 600K levels. Singapore has been an area of more interest this week, where we have seen a flurry of short haul fixing off the Early April window on the MRs and rates have risen as a result. Market levels are yet to be established, as in some instances we have seen charterers get caught out on prompt requirements and have to pay above market levels. As a guide Singapore/Australia should now fix at around 30kt x ws175 and with some stems still outstanding there is still potential for further firming next week.

Mediterranean

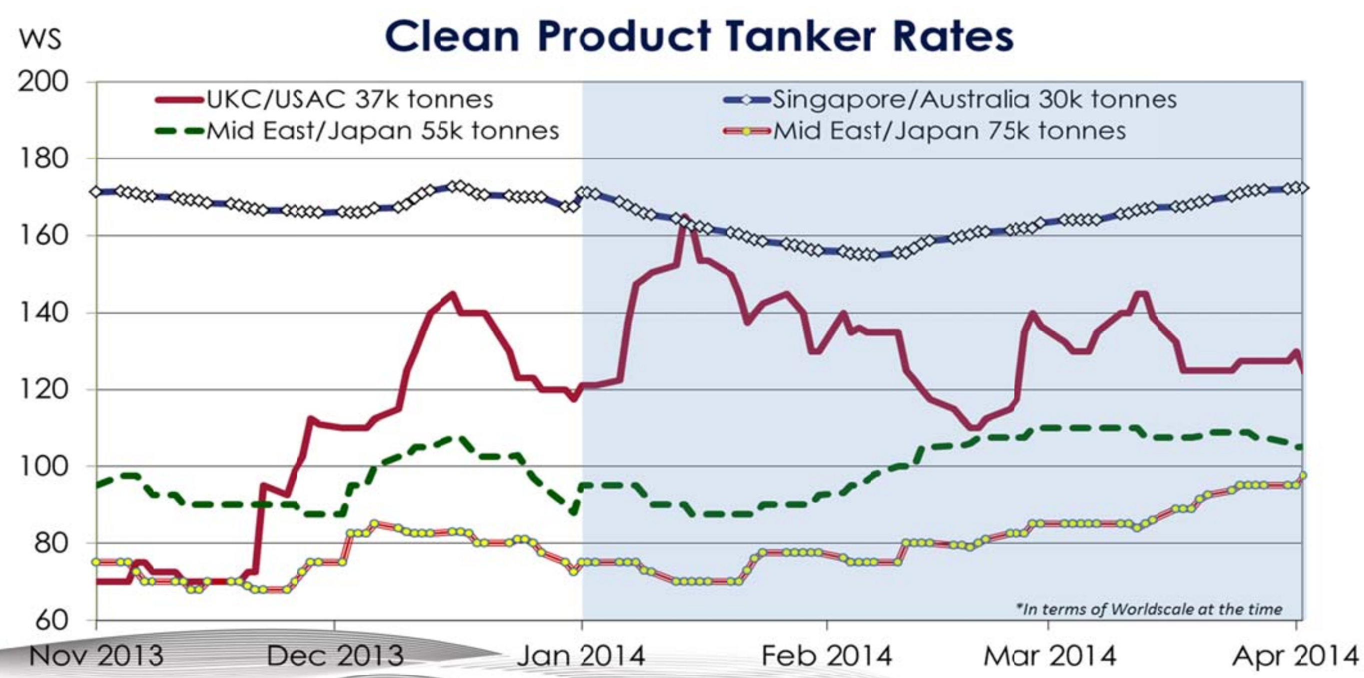
A dreary week in a softening Mediterranean market. Fixing levels for cross med routes have steadily declined from 30 x WS 160 at the start of the week to 30 x WS 145-147.5 levels by the close. Black Sea gasoil exports have been slow and due to the excess tonnage rates have softened in tandem with cross med, but the premium over a cross Med voyage looks to have been eroded. The MR activity from the Mediterranean has been largely uninteresting and freight rates considered in line with those ex-UKC; 37 x ws 120 ta / 135-137.5ish for West Africa / US$950k-1.0m for the Red Sea basis a central med load.

UK Continent

The Continent markets have been generally slow, TC2 fixing has ranged from 37 x ws 120-125. Some questions were asked for reformate ARA/China for IMO 2 units, and owners ideas on this USD 2m level up to Nantong. Cont/West Africa is trading down to 37 x ws 137.5 for approved units. Cross Continent is lacking enquiry and paying 30x160 / 22 x 195. LR1's Cont/ta-West Africa 60x95-100 level.

Caribbean

The backhaul continues to firm this week, albeit slowly, with TC14 now up to 38 x WS 80 levels. More cargoes towards the end of this week keep Owners optimistic and more enquiry is expected to push the market up further next week. Caribbean Sea up to the US follows TC14 and last done is now WS 100, while trades to Brazil are fetching WS 122.5.



DIRTY PRODUCTS

Handy

Owners in the North finish on a rather positive trend where despite a witnessing an initial slip in market value, come Friday conditions have been steadied with levels pulling back away from the lows of 160. Tonnage surplus has also largely been removed from the region although Owner aspiration has found itself clipped through tonnage located in the West Med region taking employment from the Continent. Looking ahead this sector is yet to provide us with any firm indicators of either positive or negative volatility beyond just a narrow range as seen this week closing.

Down in the Med, gauging what was going to happen when we came in Monday morning was something of a forgone conclusion! The market (much to Owner's frustration) was due a negative correction and little time was subsequently wasted in realigning rates that to around 175 X Med, and 195 lvl from the B.Sea. This said, at time of writing these numbers seem to be holding as activity by now prevents saturation from occurring on the tonnage lists. Not out of the woods just yet, owner nervousness can still be felt as uncertainty builds surrounding the number of B.Sea Cargoes the month of April will see.

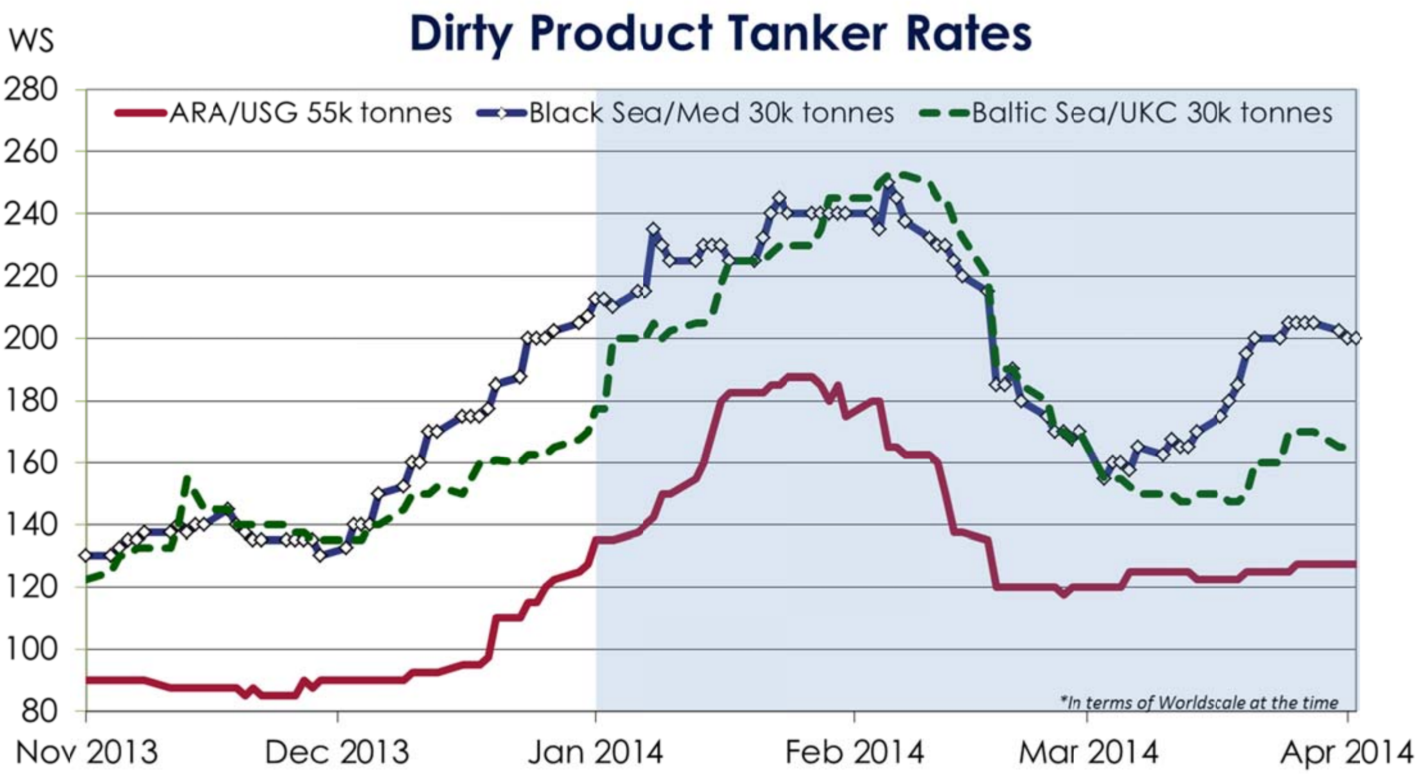
MR

It's been an inconsistent and erratic week for MR's in the Continent with encouraging levels of inquiry, particularly ex Brofjorden, checked by units failing their subjects. This has ensured rates have been kept on their toes but unable to move far from last done as units resupply the tonnage list. Looking further forward naturally positioned units are becoming more difficult to find and tad firmer market looks set to great early trading.

The Mediterranean market will always be hamstrung by the short haul nature of the voyages and lack of full 45kt stem opportunities. Therefore, tonnage will never be too hard to find (date depending) and rate movement is indexed to the Handy market as part cargo becomes typical means to secure employment. Currently this has led to a flat market with rates moving off 45 x ws 140-145 lvls. Tonnage is well spread for next week so we are not expecting much change in trading conditions.

Panamax

Sporadic activity has been seen this week with rate variations being put down to respective fixing windows. Owners up until now have done well to find pockets of strength in a market that puzzles many as to why typical premiums are being distorted. Tracking the performance of the markets in the US, Caribs / USG trades at around 105-110, normally the Continent would closely track these rates, however until we see any increase in ships speculatively ballast over, charterers progress in forcing a greater degree of parity between the regions may prove slow going.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 3rd	Last Week	Last Month	FFA Q2 14
TD3	VLCC	AG-Japan	**-2**	39	41	54	41
TD5	Suezmax	WAF-USAC	**-2**	59	61	63	60
TD7	Aframax	N.Sea-UKC	**-17**	94	111	89	94

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

			wk on wk change	Apr 3rd	Last Week	Last Month	FFA Q2 14
TD3	VLCC	AG-Japan	**+3,750**	14,750	11,000	28,000	16,500
TD5	Suezmax	WAF-USAC	**-3,000**	13,750	16,750	16,000	14,500
TD7	Aframax	N.Sea-UKC	**-1,250**	10,250	11,500	2,500	9,500

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Apr 3rd	Last Week	Last Month	FFA Q2 14
TC1	LR2	AG-Japan	**+3**	97.5	95	85	
TC2	MR - west	UKC-USAC	**-7**	121	128	130	123
TC5	LR1	AG-Japan	**-3**	106	109	109	106
TC7	MR - east	Singapore-EC Aus	**+1**	173	172	164	

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

			wk on wk change	Apr 3rd	Last Week	Last Month	FFA Q2 14
TC1	LR2	AG-Japan	**+1,500**	16,750	15,250	11,250	
TC2	MR - west	UKC-USAC	**-1,500**	8,250	9,750	10,000	8,500
TC5	LR1	AG-Japan	**-250**	12,500	12,750	12,750	12,500
TC7	MR - east	Singapore-EC Aus	**+500**	13,250	12,750	11,250	

(a) based on round voyage economics at 'market' speed (13 knots laden/12 knots ballast)

	wk on wk change	Apr 3rd	Last Week	Last Month
LQM Bunker Price (Rotterdam HSFO 380)	**+0**	577.5	577.5	584.5
LQM Bunker Price (Fujairah 380 HSFO)	**-18**	587.5	605.5	602.5
LQM Bunker Price (Singapore 380 HSFO)	**-13**	580	593	596.5

PAT/JCH/TP/JT/slk

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