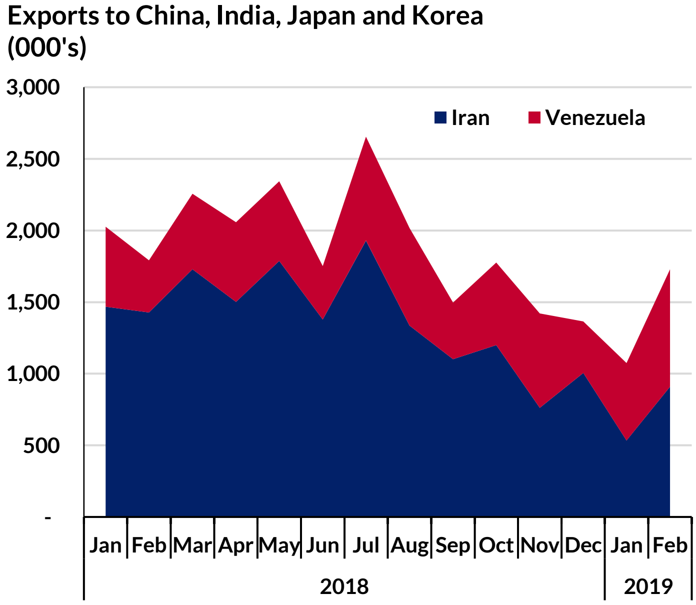
Waive to Iran

Weekly Tanker Market Report

Opec crude production fell by 240,000 b/d in February to 30.68 million b/d, its lowest level in 4 years. February numbers show a significant over compliance, with Saudi Arabia leading efforts to implement cuts with a 153% compliance rate, some 170,000 b/d already below their overall target. Iraq and Saudi Arabia alone contributed 170,000 b/d in additional cuts between them in February alone. However, having already cut production close to their original 2019 target, they may now be missing the opportunity to capture market share in the face of rising demand.

The impact of sanctions on crude supply may soon increase. Although Iran is exempt from Opec's cuts, in just 7 weeks waivers for Iranian crude are set to expire. Some of Iran's biggest customers - China, India, Japan and South Korea - are all partially exempt from the current oil sanctions the US placed on Iran, however this may soon change. IEA data this week showed Iranian crude production had fallen to 2.85 million b/d in February, its lowest level since Q1 2015, when Iran was under previous sanctions. In 2018 Iran exports averaged of almost 2.5 million b/d, with over 1 million b/d of that going just to China and India. The US Administration has not yet revealed whether any of these waivers will be extended, leaving those countries potentially having to substitute over 1 million b/d of replacement barrels from elsewhere. However, looking elsewhere may not be as easy as it sounds. Obvious sources such as Venezuela and Iraq are already under sanctions or participating in Opec cuts. This may now leave Opec wondering whether deeper cuts are appropriate, considering many refineries in the region are optimized for heavier crudes. The tightness in the heavy crude market is also exacerbated by greater US appetite, who will need to replace Venezuelan barrels with those heavy grades already in short supply. Incremental supplies from Canada are also limited, owing to government enforced production cuts.



Recent reports from Reuters state that the US aims to cut Iran's exports by a further 20% to below 1 million b/d, citing that they were unwilling to cut anymore over price hike fears, backtracking on previous statements to cut their exports to as close to zero as possible. However, analysts have indicated that India could be willing to cut all imports of Venezuelan crude to satisfy US sanctions in return for further waivers on importing Iranian crude. This would potentially starve Venezuela of their last major 'cash' buyer although simultaneously it would cause a headache for some Indian refiners that prefer Venezuelan grades. However, the situation in Venezuela looks like it will get worse before it will get better.

The heavy crude market is already incredibly tight and production cuts come at a time when demand for heavy grades is rising. This is significant as greater demand for heavy grade crudes will have to be sourced from elsewhere, especially when we start to exit the Asia-Pacific maintenance season and new refineries come online. With production cuts coming from the main heavy grade producing regions, refiners may have to look West to replace their missing barrels supporting tonne mile demand from West to the East. With US production posting strong growth this year, Opec cuts are to be largely offset, perhaps justifying Opec's current stance even if there's a mismatch on the grades.

Crude Oil

Middle East

A disappointing week for previously hopeful VLCC Owners, slow throughout as final March needs were merely drip-fed into the marketplace, with full April programmes only in hand from the start of next week. It should then get busier, at least, but availability looks to continue a challenge. Rates fell away to the very low ws 60's East, at best. With rare runs to the West marked at around ws 28 via cape. Suezmaxes crawled along at bottom hugging marks to ws 67.5 to the East, and ws 32.5 to the West. The supportive Basrah 20 tonne restriction was briefly challenged, but then re-confirmed to at least prop up the bottom line that would have otherwise collapsed. Aframaxes failed to hold on to last week's improvement and Charterers chipped away to lead rates back to 80,000mt by ws 95 to Singapore, with a fightback looking unlikely over the near term now.

West Africa

Bad just got even worse for sub-Opex Suezmaxes that had to accept down to 130,000mt by ws 55 to Europe, and ws 50 to the USGulf. Charterers refused to go bargain hunting even at those numbers and another worrying week looks on the cards. VLCCs operated to a slow bell that rang to the weaker AGulf tune...rates fell off sharply to ws 56.5 to the Far East and will remain under pressure until the Middle East recovers - if it does.

Mediterranean

Quite heavy early week trading gave Aframax Owners some hope, but then the cargo flow reduced to a drip feed, and rates were left at down to a lowly 80,000mt by ws 85 X-Med and ws 100 from the Black Sea. A slightly finer balance is now in play, but it will be hard work to engineer anything much better over the short term. Suezmaxes drifted sideways/slightly southerly on modest attention though a heavy-ish forward CPC programme gives some expectation of a counter-weight to the sentiment dragging West African scene.140,000mt at down to ws 72.5 now from the Black Sea to European destinations with around $2.8 million payable for runs to China.

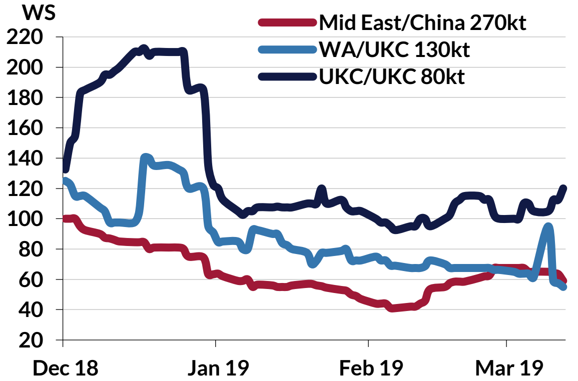
Caribbean

Aframaxes began upon the backfoot but gradually got themselves into better shape as fog returned to add supportive disruption. The end result wasn't spectacular, however, and rates could only creep up to 70,000mt by ws 105 upcoast. Perhaps something a little better next week? VLCCs continued to track lower on good competition, and limited demand. Rates eased further to $6.2 million from the USGulf to South Korea and further discounting threatens before any rebalancing can return.

North Sea

Aframaxes here were the best performers in their class. Nothing special, but busy for most of the week and rates gained to 80,000mt by ws 120+ X-UKCont and to 100,000mt by ws 97.5 from the Baltic but the week closed upon a slower beat, and Owners will be more minded to consolidate than push for higher early next week. VLCCs found occasional interest but had to accept lower values to equalise with the softening elsewhere. Crude oil from Hound Point to South Korea moved at $5.75 million, with the fuel 'arb' from Rotterdam to Singapore effectively out of play at sub $4 million for traders to even take a look.

Crude Tanker Spot Rates



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

Clean Products

East

Its taken a little bit of time for the MRs to find full ahead, but yesterday afternoon finally the order was received and the taps were opened up. With the tonnage list getting tighter and tighter as the week went on, it was only a matter of time before rates were set to positively correct. EAF stems were the first to move and closing the week at 35 x ws 170 is healthy, ws 20 points up from the start of the week. X-AGulf cargoes jumped with nearly a 50% rate rise in one fixture. With rates at $290k levels returns are certainly more favourable for Owners. TC12 has been pretty quiet this week, a few cargoes quoted to the market, but the fixtures may not give a true representation of the where the market lies. One ship had an out of date sire and the other ship a natural Far East player, stemming the rise on TC12 a little, with 35 x ws 121 on subs there is certainly room for more to come next week. Natural West cargoes have also been quiet, but we have seen a lot of Argentina options being asked from Charterers. Assess that UKCont bound cargoes sit at the $1.4 million levels but need a fresh test next week. There remains a decent supply of open cargoes which should ensure that it's an active start to week 12. Owners will be looking to advance on ground made this week for sure.

LR1s have seen a much busier week and together with a firming MR market have started to make some upward progress. 55,000mt naphtha AGulf/Japan is still steady at ws 110 but 65,000mt jet AGulf/UKCont is now $1.825 million and could see more. Short haul rates have also seen pressure building. LR2s have had a steadier week, with little progress from Owners. Rates in fact took a downward turn initially, but then rallied with 75,000mt naphtha AGulf/Japan at ws 97.5 today and 90,000mt jet AGulf/UKCont sitting at $2.0 million. In sympathy of LR1s, Owners are asking for more but it isn't available for now, but tonnage is shorter last decade and we will have to see if any stems are really left.

Mediterranean

The writing was on the walls from the out for Owners in the Mediterranean, as we saw lengthy tonnage lists being drawn on Monday following a slow end to week 10. By Tuesday, we settled at the bottom at 30 x ws 135 for X-Med and Black Sea managing to hold a ws 20 point premium at ws 155. But, with the slipped rates, also came good enquiry levels, as Charterers exploited these new lows and tonnage lists were slowly chipped away at. As Thursday came around the corner, Owners began to see the light at the end of the tunnel and opportunities to press on rates again arose. At the time of writing, rates managed to move up to 30 x ws 140, with the expected ws 160 next for Black Sea loading. With a handful of stems still needing coverage before the early third decade, Owners will be hoping to be able to continue the slow climb and hopeful that fresh tonnage lists on Monday will paint a more positive picture than seen this week.

Unlike the Handies in the Med, MR Owners saw opportunity this week, with fresh tonnage lists, and as a glut of WAF enquiry appearing in the UKCont, rates were on the up. Cargoes loading Ex Huelva were seen, clipping out ballast tonnage, and it wasn't long till 37 x ws 165 was seen for WAF mirroring the UKCont. The few transatlantic stems we did see, mainly as options settled around ws 145 and an anomaly of a Venezuelan cargo peaked at the dizzy heights of 37 x ws 270. Owners with available tonnage by Friday are still looking for the next press but, with a weak States market producing a number of ballasters, Owners will most likely only have the next week to enjoy the limited options for Charterers.

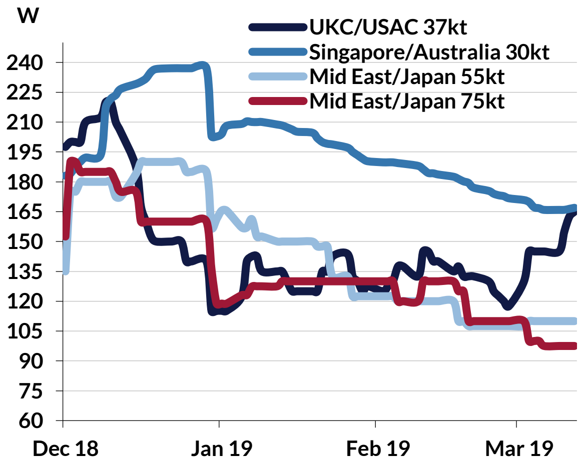
UK Continent

The main catalyst behind the rate drive for MRs up in the north has been the continued demand for cargoes down to West Africa and this partnered with a tonnage list which has been tight on the front end, has enabled Owners to push for more on certain dates, with 37 x ws 180 being the highest being paid for UKCont/WAF (at the time of writing) and TC2 following suit, with 37 x ws 165 the new benchmark. Ice cargoes also bounced back too, as rates land at 40 x ws 180 for Baltic/UKCont as tonnage remained tight for natural fixing dates. Looking ahead one concerning point for Owners is the amount of ballasters which have set sail towards European shores to escape a poor States market (although fortunes now changing). Unless enquiry is maintained, Charterers will have a healthy numbers of candidates to choose from for the next fixing window.

All the ingredients have been present for a good week on the Handies in NWE - the list was tight from the get-go and continued to get tighter as the Baltic programme was wheeled out, with a preference for 30-33kt clips (...and the odd LR). Charterers knew this was the case and therefore did a large part of this weeks' fixing away from public view. However, the steady rate increases show that proof is in the pudding, 30 x ws 167.5 Baltic/UKCont on Monday seems far flung from the 30 x ws 180 waiting to be lifted on Friday, whilst X-UKCont voyages picked up from 30 x ws 145 to 30 x ws 160 and holding steadily. The odd UKCont/Med stem is hovering around 30 x ws 130 given there's a few willing candidates. Given the tonnage list still leans in Owners favour, these rates should hold early next week across the board, as enquiry should continue in the same vein.

The Flexis are enjoying the hard work being done by Handy Owners in two senses; the pro-rated levels pick up meaning 22 x ws 200 levels should be achievable on the right cargo, and, with the Handy market tightening it occasionally forces Charterers to look at smaller units as alternatives when fixing a larger unit can otherwise be a bit tricky. There continues to be enough demand on COA and spot stems that ships are kept on the move and there's enough liquidity on the market for Owners not to have sleepless nights. Although no fireworks are expected here the outlook is generally quite positive, at least whilst the Handies are.

Clean Product Tanker Spot Rates



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Dirty Products

Handy

A bit of a strange week on the Continent, where it was almost like the entire fixing program for the week was crammed into one day. Rather frustratingly, the rest of the week followed with only drip feed enquiry, which allowed fixing windows to realign. As such, an immediate halt was placed on possible upside, where at one stage we almost saw ws 155 being reached.

In the Med we have to look at the collective, rather than any individual days fixing levels where slowly tonnage stocks were drawn upon. With this in mind, and monitoring the week as a whole, the region has both shed most of its excess front end capacity and may now have also found a floor. Going forward though, much will hang in the balance of what enquiry follows come Monday morning, as with any short haul market, impetus can quickly turn.

MR

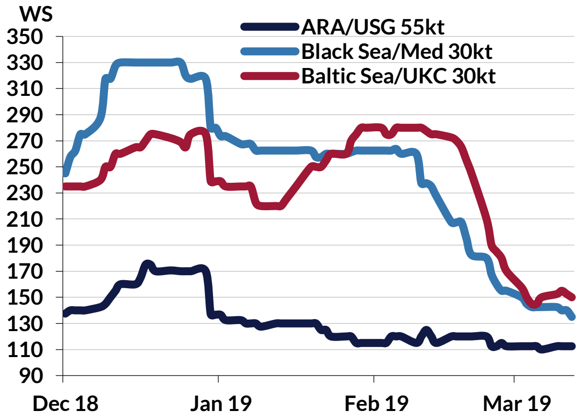
On the Continent we have seen a greater fluidity to the weeks cargo base, where a number of MR units have been fixed on. That said, Mondays opening saw a slight oversupply of units within a condensed window, which is probably the main attributable factor as to why we saw levels dip to ws 115.

Summarising the week in the Med, MR Owners had to make the most of what natural business was on offer, as where a stuttering Handy market prevails, there was limited attractive alternate employment should a MR parcel go begging. In turn, this only added pressure for Owners to take what was on offer, where 45 x ws 105 became a benchmark number.

Panamax

A sluggish week for the Panamaxes here in Europe, yet, Owners shouldn't be feeling too dejected regarding the conditions they now face. Natural availability is slowly being trimmed and we have seen reaffirmation that levels are sitting at ws 112.5 following recent lows of ws 110. With this in mind, we should now probably expect to see more consistency between fixing levels in the Med and Continent, with supply vs demand now looking more balanced.

Dirty Product Tanker Spot Rates



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125 YEARS GIBSON SHIPBROKERS 1893 - 2018

Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 14th	Mar 07th	Last Month	FFA Q1 (Bal)
TD3C	VLCC	AG-China	**-6**	61	67	47	54
TD20	Suezmax	WAF-UKC	**-6**	56	62	68	60
TD7	Aframax	N.Sea-UKC	**+10**	117	107	100	101

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

			wk on wk change	Mar 14th	Mar 07th	Last Month	FFA Q1 (Bal)
TD3C	VLCC	AG-China	**-7,250**	32,750	40,000	18,250	24,750
TD20	Suezmax	WAF-UKC	**-3,500**	9,500	13,000	16,750	12,000
TD7	Aframax	N.Sea-UKC	**+7,500**	27,250	19,750	15,000	16,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Mar 14th	Mar 07th	Last Month	FFA Q1 (Bal)
TC1	LR2	AG-Japan	**-1**	97	98	120	
TC2	MR - west	UKC-USAC	**+21**	165	145	140	162
TC5	LR1	AG-Japan	**+2**	111	108	113	115
TC7	MR - east	Singapore-EC Aus	**+0**	167	167	189	

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

			wk on wk change	Mar 14th	Mar 07th	Last Month	FFA Q1 (Bal)
TC1	LR2	AG-Japan	**-250**	12,000	12,250	23,750	
TC2	MR - west	UKC-USAC	**+4,250**	17,000	12,750	12,250	16,500
TC5	LR1	AG-Japan	**+500**	10,500	10,000	11,500	11,500
TC7	MR - east	Singapore-EC Aus	**+0**	16,000	16,000	19,250	

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

ClearView Bunker Price (Rotterdam HSFO 380)	**+3**	414	411	401
ClearView Bunker Price (Fujairah 380 HSFO)	**-2**	431	433	418
ClearView Bunker Price (Singapore 380 HSFO)	**+2**	438	436	431
ClearView Bunker Price (Rotterdam LSMGO)	**-12**	579	591	579

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