

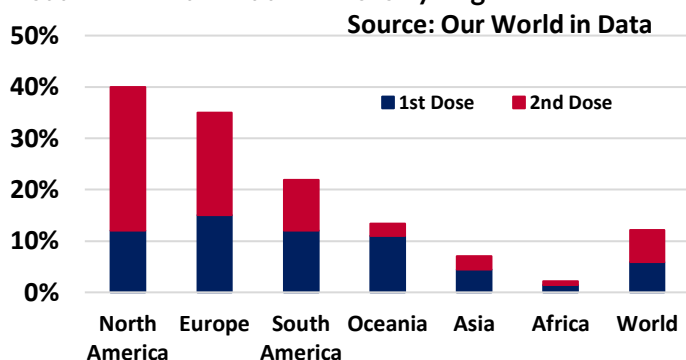
Come Fly With Me

Weekly Tanker Market Report

With the summer holiday season nearly upon us, attention turns to the state of the jet fuel market as it contends with the opposing forces of rising demand and on-going Covid-19 travel restrictions. Naturally the sector has struggled with fewer flights and thus reduced jet fuel demand after months of fluctuating case numbers and travel restrictions both in Europe and further afield. IATA estimates that global air traffic in March 2021 was down 87.8% compared to 2019 showing the extent of the pandemic on aviation. Many are now hoping that the promising vaccination programmes and the introduction of vaccine passports along with lower case numbers mean that finally the sector can begin its recovery.

The IEA forecasts global jet fuel demand will not return to 2019 pre-pandemic levels until 2024 as a result of lingering travel restrictions, altered travel habits and the slower rate of vaccinations in developing countries. The increasing number of variants is also likely to play a role in keeping demand constrained past 2021. Furthermore, the recovery in jet fuel demand is unlikely to be even across regions as a result of significant variations in vaccination rates and travel restrictions. The rebound is likely to happen first in developed regions such as Europe and North America who at the time of writing have achieved a 20% and 28% fully vaccinated rate of the population compared to Asia and Africa on 2.5% and 0.77% respectively.

1st and 2nd Vaccination Doses by Region



Differences within regions are also important. For example, in Europe some countries continue to lag behind others, which will further push back localised jet fuel demand until sufficient vaccination rates are reached. Meanwhile in Asia, the situation is not as positive as in the West due to continued restrictions and cases. Generally travel requirements and restrictions are toughest in Asia which is likely to slow the rate of recovery until travel is normalised.

Within Asia, the Chinese domestic aviation market is recovering strongly, helping to absorb extra jet fuel volumes from Asian refiners. The Chinese refinery maintenance season is due to end soon, which along with additional Chinese refining capacity coming online would put pressure on refining margins in the region. With markets in the East currently weak and markets in the West being stronger, this could encourage arbitrage flows from East of Suez into the Atlantic Basin, assuming European and North American demand continues its recovery. Overall, this is beneficial for the longer haul LR tankers, but newbuild VLCCs and Suezmaxes able to load products on their maiden voyage could take demand from product carriers.

It is possible that once travel restrictions are lifted there could be a degree of pent up demand for air travel as people wish to take long-overdue holiday and business travel. This would temporarily boost jet fuel demand, perhaps not so in 2021 but in 2022.

Looking ahead, airlines and travellers will be hoping for increasing normality in air travel whilst jet fuel suppliers will inevitably hope this translates into rising demand volumes. However, the market is not expecting a full recovery anytime soon, at least not until the world gets to grips with the Covid variants and vaccination rates improve in the developing world. Until then it is likely jet fuel demand will see a two speed recovery across regions and the sector remaining challenging.

Crude Oil

Middle East

Another depressing week for VLCC Owners as we see levels once again nudge further down providing very little returns for Owners. How this can be sustainable remains to be seen but Owners are a hardy bunch who know that these cycles come and go and that better times are not too far away. For now though they will just batten down the hatches and do what needs to be done, when it needs to be done. Current levels to the East are 270,000mt x ws 31 for modern tonnage and around 280,000mt x ws 18.5 to the US Gulf (via Cape). Suezmax tonnage has seen an uptick in activity but no change in levels being paid due to a constant supply of tonnage. Charterers are still able to achieve 140,000mt x ws 23 to Europe and mid ws 50's East on 130,000mt. AGulf Aframaxes have ticked over this week, with rates remaining flat with a hint of soft undertones. Rates for AGulf-East are hovering around the 80,000mt x ws 90 level going into the weekend, with little change on the horizon.

West Africa

Early in the week some excitement for VLCCs provided the entertainment for some. Unfortunately for Owners though that was where the excitement ended as a number of Owners were willing to repeat last done, highlighting the current depressed state this market remains in. Rates to the East hold at 260,000mt x ws 32.5 even with bunker prices moving up as the week went on. The availability of

Suezmax tonnage continues to be pruned, however, the levels of enquiry are still very light and Charterers continue to repeat last done rates of 130,000mt x ws 47.5 to Europe and low ws 50's for East. Until we see a concentration of Suezmax activity, Owners malaise will continue.

Mediterranean

A week which promised much for Med Aframax Owners as the tonnage list tightened up after a busy couple of weeks. The tide did turn somewhat, with levels moving up to 80,000mt x ws 90 and Black Sea cargoes creeping up to ws 95. However, in the end early ships which could not make sense of X-Med cargoes with waiting, inevitably had to take the available Black Sea business and so the charge was arrested. Now we face a situation of thin CPC volumes in early July, fewer port delays and average levels of cargo expected from Libya for the balance of June. This leads to the conclusion that last done might be the best Owners should be hoping for into the next week.

Suezmax rates have stabilized this week and Owners still look to cherry pick the cargoes, which give the smallest negative return. Libya to Europe is currently paying 130,000mt x ws 60 and \$2.25 million to China.

US Gulf/Latin America

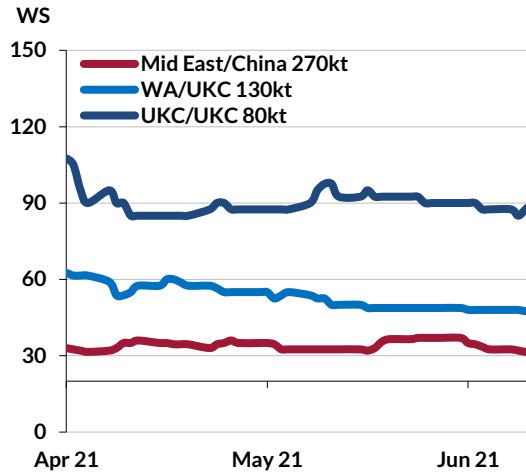
Aframax Owners have not had the best of times recently and this week was no exception. Rates have languished on the bottom, with only a general drip feed of

enquiry to either transatlantic or short haul destinations. Last done holds at 70,000mt x ws 72.5 for transatlantic and 70,000mt x ws 82.5 for a generic short run. VLCC Owners, committed to the region as other areas faltered, may well be questioning their logic as limited interest for the week ensured levels edged slightly off, with last done reported at \$4.075 million for a run from US Gulf to South Korea.

North Sea

Little to shout about this week in the North, as Aframax rates travelled sideways, with little looking likely to upset this route in the short-term. Some options cargoes put numbers on longer voyages, whilst underlining their strength versus the Suezmax. As we hit the weekend Baltic/UKCont is trading at around 100,000mt x ws 65, with X-UKCont currently trading at around 80,000mt x ws 90 levels.

Crude Tanker Spot Rates



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

Clean Products

East

In reality quite a busy week on the LR2 segment, although some late change arounds / cancelled stems this morning drags sentiment back down before the weekend. Torm's \$1.5 million Sikka/UKCont for the Glencore replacement seemed to leave \$50k on the table. Unfortunately for the rest of the list, market standards were amended and the rate repeated. Ironically, Torm are now dropped for those barrels as Glencore sold FOB and it will be covered OP by BP, so more waiting days ahead for Torm. TC1 repeated time and time again at ws 75, no movement here. This segment is really just bottom feeding, there is still enough tonnage for Charterers to pick and choose, no signs of recovery just yet.

The LR1 list has had a Greek-heavy feel to it this week. Prime have dominated the natural window, with tonnage of various ages. It is no surprise to see them hog the fixing therefore: on subs to KPC at \$410k basis Djibouti only ex Kuwait, fixed now to Vitol to WAF at \$1.3 million ex India and tipped to take out Trafigura's westbound off later dates. Eastbound has had a slight push, Navig8 fixed to Reliance at ws 92.5, so not a bad improvement. Some off market fixing this week should encourage Owners to take rest over the weekend and re-assess the list on Monday looking for pockets of tightness in which they might be able to push their ideas more aggressively.

The MR segment has had a fairly dull week, reduced volumes as the LR segments absorb missing barrels. TC17 has dropped down to ws 162.5 equivalent levels in terms of a fixing perspective, but Charterers would argue that TC12 down to ws110 will encourage further negative adjustment. Short haul remains circa \$160k run and grade dependent and West is barely tested given value on the LRs. The tight front end of the list loses its effectiveness for Owners to push and we move into a new window.

Mediterranean

The tonnage list on Monday morning has set the tone for the week, with losses seen throughout. Simply too many ships available in the fixing window has allowed Charterers to pick off ships behind the scenes at less than last consistently. We see a 10-15 point loss throughout and end the week at what seems to be the bottom of the market at 30 x ws 125 and 30 x ws 135 levels for X-Med and Black Sea respectively. Expect Owners to dig their heels in now, with returns poor given the bunker price.

Rates have been driven by and large by the UKCont market this week and, with the tonnage list plagued with ballasters the sentiment has been negative. 37 x ws 110 transatlantic with +10 for WAF is where we end the week, with most seeing this as the bottom line. Cargoes have been quiet ex Med this week but expect rates to start at these levels next week.

UK Continent

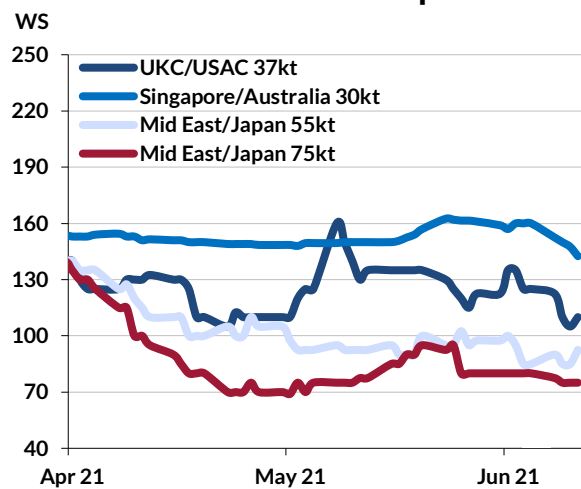
The writing was on the walls for this sector on Monday morning, as excess tonnage both ballast and natural was seen on freshly pulled tonnage lists and, with limited enquiry rates were in trouble. By Tuesday we had slipped ws 20 points to the new low of 37 x ws 110 for transatlantic and despite a couple of fixtures slipping under this level, the market has held at this point. WAF has seen its traditional ws 10 point premium slashed in half and sometimes less, as certain Owners look to play the demurrage game to boost TCEs. As we arrive on Friday, there is certainly a feel of a little more balance in this market. No doubt we are at, if not very close, to rock bottom on rates and Owners can take some comfort that these levels have brought good levels of enquiry. With the States market improving, expect many USAC ballasters to head south rather than to Europe. This should tilt the market seesaw back closer to horizontal but for now Charterers walk into the weekend still holding the upper hand.

A better week has been seen for Handies in North, with Baltic demand being the main driver behind this. The front end of the tonnage list has tightened but charterers played the game well by either leaning on contract partners and getting deals done under the radar on hidden ships or fixing ahead of the natural fixing window enabling more units to offer in. Summer markets are well under way in this sector and with supply still outweighing demand, it seems difficult to

justify how this market moves from current levels. TC9 closes the week at 30 x ws 120, X-UKCont steady at 30 x ws 115 and UKCont/Med in need of a fresh test but is expected to land around the 30 x ws 90 when next tested. Sideways pattern to remain here.

All in all, another lacklustre week in this UKCont Flexi market, with little to report to in the way of fresh fixing activity throughout. Due to the lack of action in this market, rates have been guided by their 30kt counterparts over the course of the week, with the call for a X-UKCont run remaining stagnant at the 22 x ws 150 mark. Market is Handy driven as we head into the weekend.

Clean Product Tanker Spot Rates



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

Dirty Products

Handy

There is a growing realisation in the Mediterranean and the Continent that with current bunker prices we have struck a tipping point to where values will sit going forward. At current levels Owners are making a contribution to costs in order to minimise losses. With any further negativity, we simply will tread below this physiological and financial barrier. In short then, despite fundamentals of supply and demand suggesting there is enough competition for Charterers to test rates, there simply isn't any value left in current numbers for Owners to give much more back. Both the Continent and Mediterranean are therefore now likely to endure an extended spell of a flattened trend.

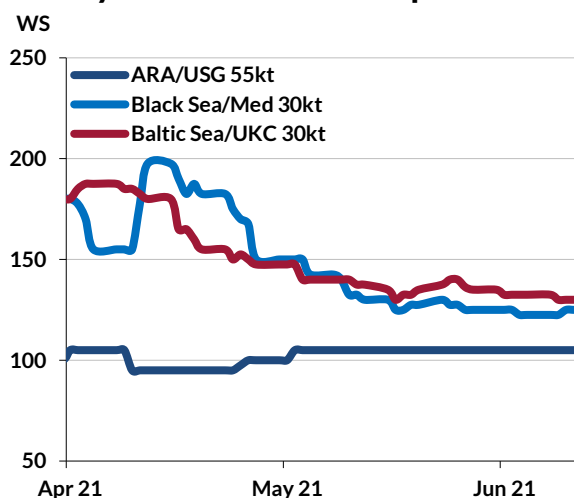
MR

Not a fantastic week for MR Owners, where levels have been validated with repetition at ws 90 in the Continent. Furthermore, this correction has come despite healthier activity levels and Charterers waiting in the background for earlier dates being covered first. This lack of confidence is now also likely to spill over into the Mediterranean, where up until now levels had been trading higher. However, on the premise that Handy activity has also been slow, it's highly likely that the Mediterranean will start to align with the values seen in the North.

Panamax

This week denotes the recurrence of ballast tonnage willing to come over from the US to Europe in speculation of finding a cargo, which to some raised a few eyebrows. The significance of this change in mentality is purely financial: the markets in the States have fallen so much and with spot tonnage building, European markets may on paper look attractive. However, as anyone with units already opening this side will tell you, liquidity right now is a real concern, with much of the Panamax business being taken by the surrounding Aframaxes. Subsequently, this has a detrimental effect on benchmark values. Ws 105, which has been a resilient marker up until now, suddenly gets pulled into question. If competition grows and, with Aframaxes already undercutting on a pro rate, ws 105 is likely to be tested.

Dirty Product Tanker Spot Rates



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

Dirty Tanker Spot Market Developments - Spot Worldscale

| | | wk on wk change | June 10th | June 3rd | Last Month* | FFA Q2 |
|--------------|-----------|--------------------|--------------|-------------|----------------|-----------|
| TD3C VLCC | AG-China | -3 | 31 | 34 | 32 | 34 |
| TD20 Suezmax | WAF-UKC | +0 | 48 | 48 | 51 | 53 |
| TD7 Aframax | N.Sea-UKC | +1 | 91 | 90 | 96 | 91 |

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

| | | wk on wk change | June 10th | June 3rd | Last Month* | FFA Q2 |
|--------------|-----------|--------------------|--------------|-------------|----------------|-----------|
| TD3C VLCC | AG-China | -3250 | -3,000 | 250 | -500 | -500 |
| TD20 Suezmax | WAF-UKC | -250 | -750 | -500 | 2,250 | 1,750 |
| TD7 Aframax | N.Sea-UKC | +500 | -2,750 | -3,250 | 1,750 | -2,500 |

Clean Tanker Spot Market Developments - Spot Worldscale

| | | wk on wk change | June 10th | June 3rd | Last Month* | FFA Q2 |
|---------------|------------------|--------------------|--------------|-------------|----------------|-----------|
| TC1 LR2 | AG-Japan | -5 | 75 | 80 | 76 | |
| TC2 MR - west | UKC-USAC | -24 | 110 | 134 | 133 | 124 |
| TC5 LR1 | AG-Japan | +2 | 90 | 88 | 93 | 101 |
| TC7 MR - east | Singapore-EC Aus | -11 | 142 | 153 | 150 | 152 |

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

| | | wk on wk change | June 10th | June 3rd | Last Month* | FFA Q2 |
|---------------|------------------|--------------------|--------------|-------------|----------------|-----------|
| TC1 LR2 | AG-Japan | -1250 | 2,000 | 3,250 | 3,000 | |
| TC2 MR - west | UKC-USAC | -4250 | 1,500 | 5,750 | 6,000 | 3,750 |
| TC5 LR1 | AG-Japan | +500 | 3,500 | 3,000 | 4,750 | 6,000 |
| TC7 MR - east | Singapore-EC Aus | -1500 | 6,000 | 7,500 | 7,750 | 7,500 |

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

| | | | | |
|--|----|-----|-----|-----|
| ClearView Bunker Price (Rotterdam VLSFO) | +5 | 510 | 505 | 485 |
| ClearView Bunker Price (Fujairah VLSFO) | -1 | 518 | 519 | 496 |
| ClearView Bunker Price (Singapore VLSFO) | -1 | 520 | 521 | 499 |
| ClearView Bunker Price (Rotterdam LSMGO) | +9 | 577 | 568 | 541 |

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