

Tanker Market - Weekly Report

Chartering

VLCC

Spot TCE earnings on TD3 (AG/Japan) route averaged USD 35,500/day this week, while spot TCE earnings on TD4 (W Afr/US Gulf) returned an average of USD 33,000/day over the week.

There are no fresh period fixtures to report this week. Even though spot returns came off slightly this week, period rates were not significantly affected and Owners are still aiming for mid USD 20,000s/day for 12 month deals. Decreasing price of bunkers is giving some breathing room to Owners but more cargoes are still needed for June liftings to keep spot earnings relatively healthy. We are also seeing potential demand for long terms deals this summer if current spot earnings persist.

Suezmax

Suezmax TCE earnings on the TD5 (West Africa/USAC) improved from last week and averaged USD 16,000/day in TCE earnings. Returns on the TD6 (Black Sea/Med) route also improved and averaged USD 20,000/day in TCE earnings.

On the period side Petrobras have been active and reportedly chartered up to four (including extensions) modern Suezmaxes for three year time charters at around USD 20,000/day. That is a refreshed three year benchmark rate for Suezmaxes and it is in line with our three year time charter rate assessment. One thing that has not been clarified is the commission structure on Petrobras' deals but it seems Owners will be netting numbers starting with 19.

Aframax

This week TD17 (Baltic/UKC) route averaged USD 8,500/day while TD19 (Cross-Med) averaged USD 7,000/day in TCE earnings. There are some signs of hope in the Caribbean with TD9 (Caribs/USG) averaging USD 12,000/day in TCE earnings and as of writing of this report returns are getting close to USD 20,000/day.

The period market continued to be quiet this week. M/T "OCEAN" (115,000 dwt) modern Aframax - reportedly fixed Chevron for 6+6 months but rate has not been reported. Some period demand emerged this week for 12+12 months as well as 3-5 years but gap between Owners and Charterers ideas remains wide. The best rate achievable in this market for a modern 44m beam vessel on a good position is between USD 12,000 - USD 15,000/day for 1-3 years.

LR2 / LR1

Spot earnings for LR2s TC1 (ME Gulf/Japan) remained stable throughout the week with TCE earnings averaging about USD 4,500/day. Spot earnings for LR1s TC5 (ME Gulf/Japan) firmed slightly averaging around USD 7,500/day, compared to the USD 7,000/day observed last week.

No reported period activity.

There is still interest in LR1 tonnage from a selected number of Charterers and a few LR1 deals are being discussed for 1/2/3 years firm with options at around USD 12,000/day for three years. However, the improvement over the last few weeks in the spot market for LR2/LR1 tonnage seem to have come to end for now with the naphtha arbitrage window (cracking/ethylene) closing and an oversupply of open tonnage will most likely drive the spot rates down to all too familiar depressed levels, in turn diminishing Charterers interest in period business. There remains very little LR2 activity.

MR / Handysize

The spot market firmed throughout the week with TC2 (Continent/USAC) round trip earnings averaging around USD 8,500/day. Earnings in the Caribbean market TC3 (Caribs/USAC) softened throughout the week, averaging about USD 6,500/day, compared to the USD 7,500/day from last week.

On the period side, Shell reportedly took the Geden Owned M/T "CITRON" (46,600 dwt, built 2007) & M/T "CITRUS" (46,600 dwt, built 2008) for 1+1 years at USD 13,500 + 14,500/day. In addition, we understand the M/T "FPMC 18" (46,000 dwt, built 2009) is on subs to China Navigation at USD 12,500/day for 1+1 years.

The spot market activity has picked up slightly in West on the TC2 over the past seven days which should help stir up some period business interest, particularly from the short term TC traders. A number of operators remain hungry for MR tonnage for 3-5 years with options. There are a few firm MR trades taking place currently for 6-12 months which we believe will be concluded at around low USD 13,000s/day. Activity within the Handy segment remains subdued.

Maersk Broker's illustrative spot and period rates basis 11th May 2012 (USD/day):

USD/day	May 2012	Change	Nov 2012	Change	May 2013	Change	5 Year High	5 Year Low
Handysize		+/-		+/-		+/-		
Spot (Baltic/UK/Cont)	10,000	0						
1 year	12,000	0	12,250	0			25,000	9,000
3 years	13,000	0	13,250	0	13,750	0	23,000	11,000
5 years	13,750	0	14,000	0	14,000	0	22,000	13,000
MR								
Spot TC2 (Cont/USAC)	9,000	1,000						
1 year	13,500	(150)	14,000	0			28,000	10,500
3 years	14,150	(100)	14,750	0	15,000	0	26,000	11,000
5 years	15,500	0	15,750	0	16,000	0	24,000	13,500
LR1								
Spot TC5 (AG/Japan)	7,000	0						
1 year	12,000	0	14,000	0			35,000	12,000
3 years	14,000	0	15,000	0	16,250	0	30,000	13,000
5 years	15,000	0	16,500	0	16,750	0	25,000	15,000
LR2								
Spot TC1 (AG/Japan)	4,000	(500)						
1 year	12,750	0	13,000	0			42,000	12,500
3 years	14,500	0	16,000	0	18,000	0	35,000	14,250
5 years	16,500	0	18,000	0	20,000	0	32,000	16,000
Aframax								
Spot TD7 (NSea/Cont)	9,500	1,000						
1 year	12,750	0	12,500	0			42,000	12,000
3 years	14,500	0	16,000	0	18,000	0	35,000	14,500
5 years	16,500	0	18,000	0	20,000	0	32,000	16,750
Suezmax								
Spot TD5 (WAF/USAC)	18,000	5,500						
1 year	16,000	0	16,000	0			57,000	14,500
3 years	20,000	0	20,000	0	20,500	0	45,000	17,000
5 years	22,000	0	22,500	0	23,000	0	37,000	21,500
VLCC								
Spot TD3 (AG/Japan)	25,000	(3,000)						
1 year	23,000	1,000	20,000	0			86,000	15,000
3 years	27,000	0	23,500	0	25,000	0	73,000	22,000
5 years	30,000	0	30,500	0	33,500	0	55,000	28,500

Notes:

- 1) Handysize rates are estimated basis MIPO 37 IMO III type tonnage
- 2) MR rates are estimated basis MIPO 46 IMO III type tonnage
- 3) All rates are basis modern (1-5 year old) tonnage
- 4) All rates are basis firm periods
- 5) All rates are basis average speed and consumption figures

Baltic Daily Forward Assessment (BFA)

Baltic Forward Assessment	May 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Cal 13	Cal 14	
TD3 (VLCC)	May 3	58.375	51.313	53.875	46.003	45.018	44.755	45.480	44.838
	May 10	57.500	50.708	52.688	45.038	43.728	44.080	44.258	44.880
TD5 (Suezmax)	May 3	73.875	70.083	75.125	62.225	60.668	60.260	61.388	58.860
	May 10	73.125	68.625	73.125	61.713	60.198	59.778	60.843	59.253
TD7 (Aframax)	May 3	96.000	90.833	99.700	94.315	91.958	91.543	93.085	92.238
	May 10	96.250	90.417	99.700	94.110	91.763	90.553	92.690	91.518
TC5 (LR1)	May 3	119.125	116.667	117.875	105.605	104.390	103.203	105.750	106.700
	May 10	116.063	113.208	115.563	107.483	107.748	104.260	107.353	109.778
TC2 (MR)	May 3	145.750	151.500	152.375	142.268	140.165	139.213	140.938	140.928
	May 10	142.750	149.854	150.563	137.558	135.688	135.968	135.170	138.188
TC4 (Handysize)	May 3	125.333	128.333	133.333	120.200	117.730	118.800	120.323	122.323
	May 10	125.333	128.333	133.333	121.003	119.027	119.847	120.770	123.917

Note: All rates are in Worldscale

Sale & Purchase

Activity has picked up for second-hand tanker sales this week with a number of deals concluded in the crude tanker segment. Activity in the product segment has been rather quiet this week.

We understand Singaporean Owners Tanker Pacific have put their VLCC M/T "CENTENNIAL JEWEL" (300,000 dwt, built 1997 ex Mitsubishi) on subs to Japanese conversion Buyers MODEC at USD 32 mill.

It has been reported that Hong-Kong based Owners Wallem Ship Management have sold two Suezmaxes, the M/T "NAUTIC" and M/T "NAVIGA" (both 150,000 dwt, built 1998 ex Nippon Kokan), to Polembros of Greece at a price of USD 30.5 mill. en bloc. A relatively firm price when compared to NAT's purchase of the Hellespont Trust (built 1999 ex Samsung) for USD 24.4 mill. back in September.

We also understand AET have offloaded an Aframax, the M/T "BUNGAKELANA DUA" (105,575 dwt, built 1997 ex Hyundai), also to Polembros at a price of USD 9.5 mill.

Newbuilding

Newbuilding activity remained moderate this week with MR's continuing to grab the limelight. However, a rare order for VLCCs was also recorded this week.

Livanos-controlled Ceres are believed to have placed an order at SPP for 4+4 x MRs with deliveries from 1Q 2014 at USD 33.5 mill. each. This order is placed on the back of long term charters to US refiner Valero.

Rumours circulated of a 10-ship MR order at Sungdong placed by a joint-venture between Samsung C&T and Global Marine Finance against long term charters to HMM. Price USD 31 mill. However this deal is believed to have failed back in April due to subs not being lifted on the charter.

In an intra-Japanese deal JX Holdings have placed an order for 2 x 320,000 dwt VLCCs at IHI. This is the first domestic VLCC order since 2010, however further details have yet to emerge.

Representative Second Hand Prices - 5 yrs old (USD Million)					
VLCC	Suezmax	Aframax	LR1	MR	Handy-size
60	42	35	30	27	24
Price Development Since Last Week					
→	→	→	→	→	→

Source: Maersk Broker

Representative Newbuilding Prices (USD)*					
VLCC	Suezmax	Aframax	LR1	MR	Handy-size
97	61	50	41	33	31
Price Development Since Last Week					
→	→	→	→	→	→

Source: Maersk Broker

*based on Korean tonnage

*based on Korean yards

Economic Developments and Drivers

- **China foreign trade growth rose** 2.7% year-on-year in April to USD 308.1 bill., with a trade surplus of USD 18.4 bill. Exports in April grew 4.9% year-on-year to USD 163.3 bill. while imports grew only 0.3% to USD 144.8 bill. Trade growth markedly slowed compared to March, when exports and imports rose 8.9% and 5.3% year-on-year respectively. So far this year, foreign trade has increased by 6% compared to the same period last year, with exports and imports increasing by 6.9% and 5.1% respectively to USD 593.2 bill. and USD 574 bill.
- **China's urban fixed investments rose 20.2%** year-on-year to 7.6 trill. Yuan (USD 1.2 trill.) in the first 4 months of this year. Investments in property development increased 18.7% year-on-year comparing January-April numbers with last year.
- **China's industrial production** grew by 9.3% year-on-year in April, the slowest growth rate since May 2009, as investments slowed to the lowest level in nearly a decade and retail sales growth slowed to the lowest in 14 months.
- **Inflation in China eased slightly in April**, with prices rising on average 3.4% year-on-year. In the economy wages and rental prices are rising in the longer term, while costs for food and housing are easing. Producer price index fell 0.7% year-on-year due to falling commodity prices. The easing price pressures combined with slower export growth and dampened industrial output growth may induce the government to announce new monetary easing measures.
- **Japan presented another current account surplus in March**, though it fell by 8.6% year-on-year. As exports started to recover and earnings on overseas investments increased, the current account showed a surplus of 1.6 trill. Yen for March. Exports rose by 7.3% year-on year in March, while imports rose by 11.9%. The current account balance could deteriorate in the near future as Japan has closed its nuclear power plants and is reliant on other imported sources of energy.
- **The US trade gap in March grew 14%** month-on-month as the deficit widened more than forecast due to increased imports, suggesting strong consumer demand. The gap is currently standing at USD 51.8 bill. Exports increased by 2.9% month-on-month while the value of imports jumped 5.2% due to higher fuel prices and a comeback of Chinese shipments after celebration of the Chinese New Year. The March trade gap with China widened to USD 31.5 bill. from USD 28.1 bill in February.
- **US consumer borrowing in March increased the most in a decade**, driven by demand for educational financing and cars. Credit rose by USD 21.4 bill. to USD 2.5 trill. The increase was driven by a jump in non-revolving debt, including student and car loans, at a level of USD 16.2 bill, up from USD 11.6 bill. in February. Americans took the opportunity to sign up for student loans before a possible doubling of interest rates in July, and car purchases have increased along with an increase in consumer confidence which has increased steadily this year.
- **German industrial production grew** by 2.8% month-on-month in March, up from a 0.3% fall in the previous month. The increase boosted production to levels seen in mid-2011. Factory orders in Germany grew in March, boosted by demand from outside the Euro-zone as demand from within the Euro-zone was curbed by the on-going debt crisis. Seasonally and inflation adjusted factory orders grew 2.2% month-on-month, up from a revised 0.6% gain in the previous month.
- **India's industrial production** unexpectedly declined in March, as falling exports and a weakening economy hit production. Output at factories, utilities and mines declined 3.5% year-on-year, as compared to a 4.1% increase in the months before.
- **The International Energy Agency (IEA)** sees an end to the slowdown in global oil demand growth, and expects demand growth to pick up towards the end of the year. The growth rate for full year 2012 is left unchanged at 800,000 barrels/day, but fourth quarter growth is estimated to reach 1.2 mill. barrels per day.
- **Japan has shut down the last nuclear power plant** remaining in operation for mandatory maintenance, the first time in more than 40 years the country is left without nuclear power. Currently, no nuclear reactors are scheduled to be restarted.
- **China's crude oil imports** declined to the lowest level in four months in April, as domestic refineries are shut down for maintenance. China's net crude oil imports fell to 22.3 mill. tonnes, down 5.5% month-on-month but up 3.3% year-on-year. In the same period, imports of refined product fell 19.4% from a month before to 1.7 mill. tonnes, a 19% drop year-on-year. During the second quarter, as much as 12% of China's state-owned refiners oil-refining capacity will be closed for maintenance, which may boost China's oil product imports.
- **Rosneft has signed an agreement for oil exploration** in the Arctic with Statoil, the third deal for Arctic exploration after similar deals has been struck with ExxonMobil and Eni. The venture, which could require investments of up to USD 100 bill. over decades, gives Statoil a 33.3% stake in the offshore block, while Statoil is to cover all exploration costs.
- **China cut fuel prices** on 10 May as international crude oil prices fell below a government threshold for adjusting prices, the first downward revision in seven months. Fuel prices were lowered by 3.5%.