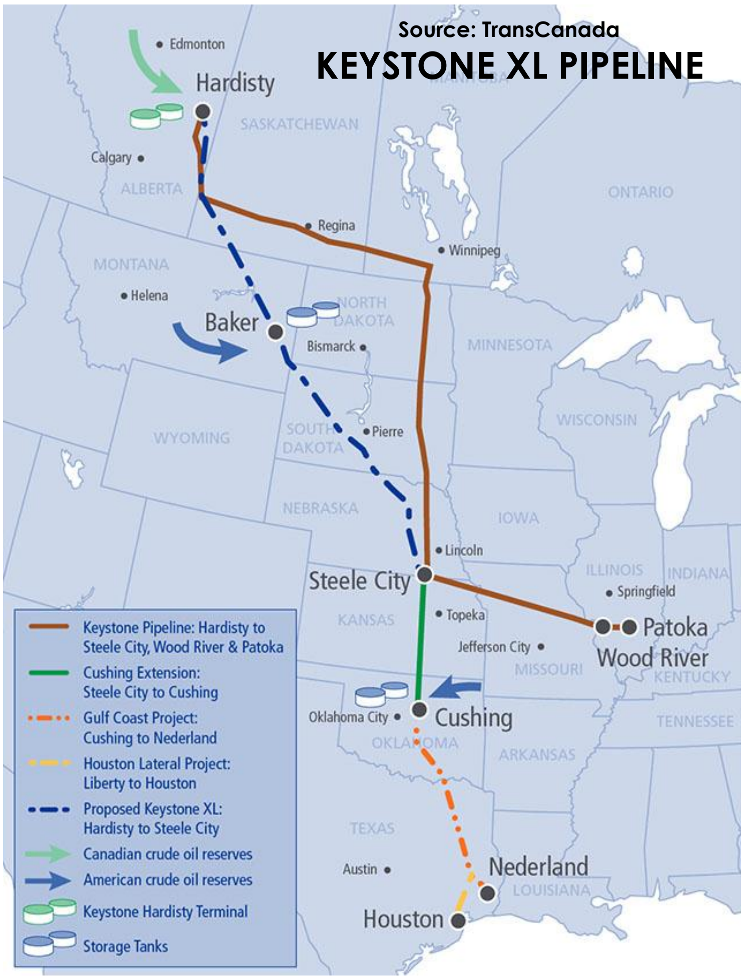
WEEKLY TANKER REPORT

13th December 2013

CANADA JOINS THE CLUB

Growth in Canadian oil production, now amongst the top 5 world oil producers, is still on the rise. The International Energy Agency (IEA) estimates oil production in the country to increase next year by 210,000 b/d to 4.23 million b/d. The country's crude supply is the largest source of US imports, but as tight oil production in the US continues to boom, Canadian producers are being squeezed (if not in volumes then possibly in terms of price). Canada currently has a significant crude surplus and an infrastructure that predominantly land-locked within North America. This means exports are restricted to the US and delays to Canada's proposed vast pipeline projects are a constant frustration as the nation aims to capture market value.

Fundamental changes to the existing transportation routes for Canada's oil are needed. The country's current strategy is to get their crude to the US Gulf (where it can be refined) and potentially to create a pipeline to the Pacific coast, where it can take advantage of the Asian markets. The proposed pipelines currently under review include the Keystone XL (see chart) and projects to British Columbia on the west coast. While Canada's strategy is clear, the projects have had to contend with numerous political setbacks and regulatory hurdles.



The development of the Keystone pipeline in particular, which in itself runs from the oil sands in Alberta to the Mid-west American refining area of Illinois and storage at Cushing, is key to the success of the country's aim. The extension would release the bottlenecking occurring at Cushing, but most importantly allow Canadian crude to flow more freely to US Gulf refineries, where oil products can be marketed internationally.

Output from the oil sands is forecast to continue to rise over the next decade and if this is the case, it would require more than the Keystone XL project to accommodate export volumes and could see Canada as a crude exporter into the Asia-Pacific markets.

CRUDE

Middle East

With so little VLCC business being concluded, particularly within the second half of the week, there wasn't enough volume to 'make' a true market, and therefore rates generally drifted at around the low points seen last week. If Charterers can keep their discipline through the pre - holiday week, however, then a more significant downward shift may be engineered, but conversely, a rush to clear their lines before the festivities would hand the advantage back to Owners once again - interesting times. Currently rates remain at around ws 59 to the East and ws 37 to the West.

Suezmaxes huffed and puffed, and did make modest upward progress upon good levels of enquiry, but forward availability remains pretty thick on the ground, and it may prove difficult for Owners to break much higher than the present 130,000 by ws 77.5 East, ws 45 West mark unless upon replacement deals. The recent Aframax spike seems to be nearing it's end-game, but rates should stay at around 80,000 by ws 115+ for a little while yet.

West Africa

Ton-up for Suezmaxes! the ws 100 barrier was broken, and Charterers acted like rabbits in the headlights, being so unused to being so severely mauled. Eventually they'll get their act back together again, but to do that they'll have to stop fixing for a bit...and that is not a given for the pre-holiday week. In the meantime Owners will continue to enjoy the ride. VLCCs, on the other hand, had a very slow week of it as Charterers tried to hold back to see if the Middle East market would quickly soften. It didn't, and therefore the wait continues. Rates have edged off to around 260,000 by ws 59 to China, however, with sub US$5 million available for West Coast India now.

Mediterranean

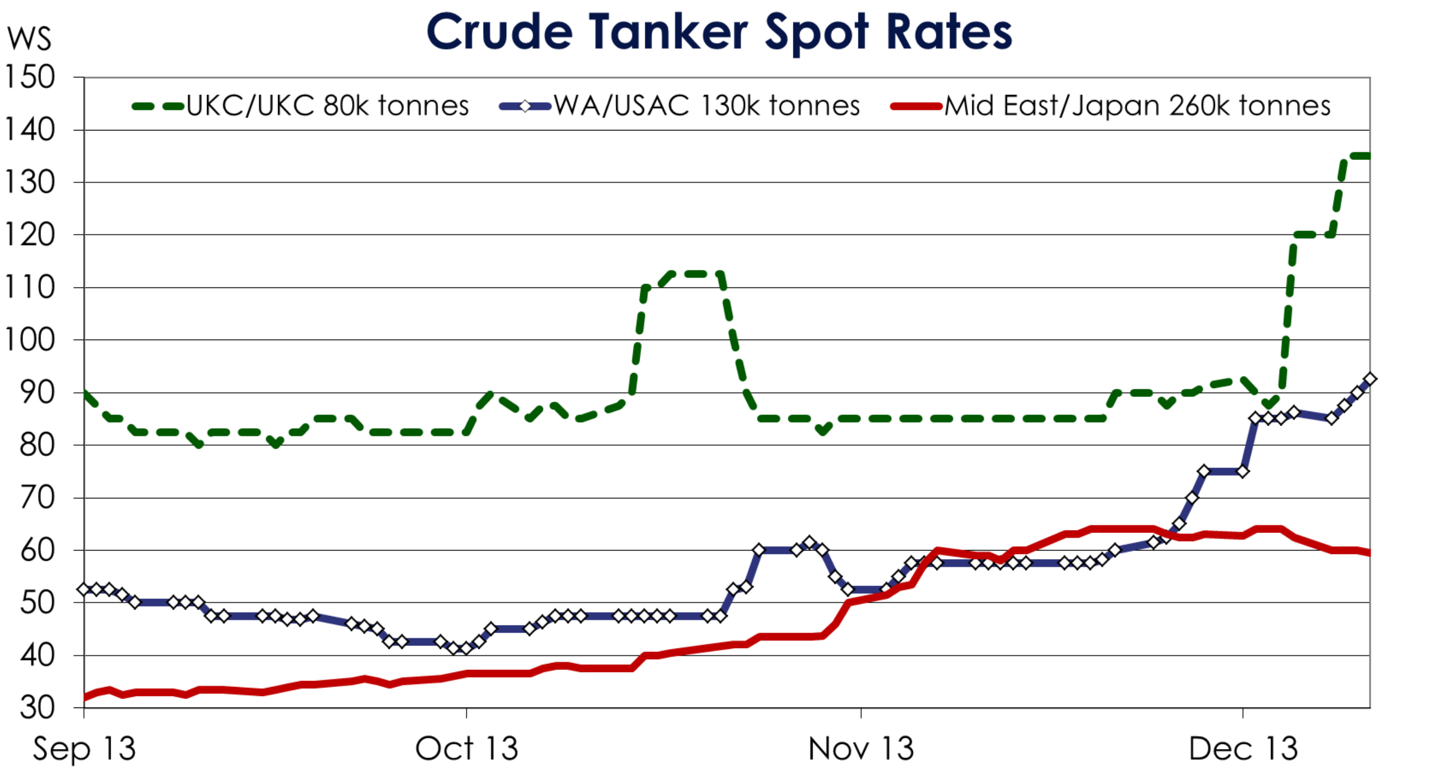
It took some time, but eventually Aframaxes started to make the grade and leaner availability led to rates gaining to 80,000 by ws 90+ cross Med, and further upside could be seen within short. Suezmaxes took inspiration from West Africa and also managed to break through the 140,000 by ws 100 barrier from the Black Sea to European destinations, with US$ 3.5 million seen also to Singapore. Delays through the Bosphoros have increased to around 5 days each way, and that certainly aids Owners' cause.

Caribbean

VLCCs slowed down, but availability remains in few hands upon the fixing window, and Owners have proved difficult to knock below US$5.7 million to Singapore, and low US$5millions to West Coast India, where they are likely to remain over the near term. Aframaxes stretched their legs a little further to 70,000 by ws 125/130 upcoast on good enquiry, firm Suezmaxes (130 x w115), and weather disruption. More of the same to come next week.

North Sea

Aframaxes had simmered last week, and bubbled over this week. 80,000 by ws 135 cross UK Continent and 100,000 by ws 100 to the Continent are now the fixing marks, but with forward positions well populated, a high tide seems to have been reached, and some amelioration may be seen next week. Suezmaxes saw only moderate action, but rates moved close to 130,000 by ws 100 trans-atlantic on the coat-tails of the West Africa and Med, with as high as ws 145 seen for a short cross North Sea run. VLCCs stayed largely out of the game, though US$6.5 million was loosely reported for South Korea, with Owners asking still for US$5 mill+ for fuel oil to Singapore - a level that traders couldn't make sense of though.



CLEAN PRODUCTS

The East is cooling off in time for Christmas as the West stokes the fire!

East

The LRs in the East saw a busy and exciting start to the week but that has waned and rates are now looking likely to drop off. Owners are realising they need to fix before the holiday period gets started and so a re-balance of freight rates is likely. 75,000 mt Naphtha AG/Japan remains steady at w82.5 and 90,000 mt Jet AG/UKC at US$2.15 million, but a little less may be seen next week. 55,000 mt Naphtha AG/Japan is w105 but looks likely to drop back to w100 and 65,000 mt Jet AG/UKC is still at US$1.80 million with less predicted next week.

MRs this week have slowed down and the momentum which Owners gained last week has on the whole been lost. The list remains tight over the next week, but with little enquiry being seen by Owners, those with ships left over are beginning to look around for coverage. Tc12 has been fixed at w137.5, but this was a one off number, ultimately it is assessed at around 125. East Africa has not risen as much as some thought, with w177.5 being fixed twice and this route is stable. Western runs are assessed at US$ 1.4 million basis UK Continent discharge. The shorthaul market has been the driving force, with some Charterers caught out on dates and have to pay well in excess of US$ 300,000 for shorter cross AG's.

In a similar vein to the trend of late, North Asia has had a relatively sleepy week with only limited enquiry in the market and a slow undercurrent of fixing. For the MRs, fixing levels are still fairly flat, and South Korea/Singapore is fixing at around 420K. The LR1s remain at rock bottom levels; there are still a few vessels looking for employment in North Asia, most willing to accept USD 450K for a S.Korea/Singapore. If necessary, the LR1s will undercut the MRs for the smaller parcels, and there are unprecedented rumours of an LR1 on subs for USD 400K S.Korea/Singapore. The LR2s are also weak with a flat outlook ¿ fixing at US$ 475K levels for South Korea/Singapore. MRs in Singapore have been slightly overshadowed by a firm AG-WCI market; tonnage saw a clear-out last week which firmed the market, and so fixing levels are currently at around 30kt x ws175 for a Singapore/Australia run, but with Owners rushing to cover tonnage before Christmas, rates are now starting to come off and we could see a 10 point drop before the month is up.

Mediterranean

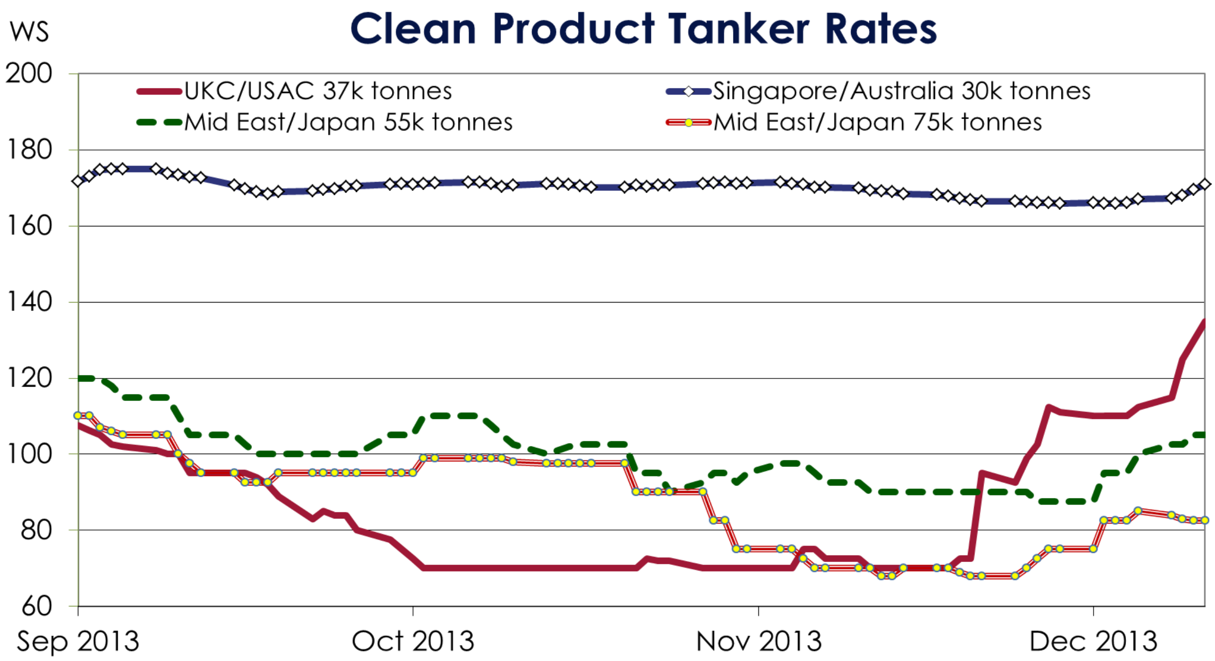
A firm week in the Mediterranean with the handy market trading up to 30 x ws 167.5-170 for both cross Med and Black Sea Med routes. This is the result of a strong cargo base quoted at the start of the week coupled with poor weather in the Eastern Med which has helped to slow vessel turnaround and keep the tonnage list trim. Activity has slowed for the latter part of the week though, so if week 51 doesn't start with a bang rates look in danger of softening before the holiday period. MR activity has been UKC focused and dictating rates idea's ex med, considered 37 x ws 135 for transatlantic discharge / 170-175 West Africa. Little enquiry for the Mrs to fix east, but even less enthusiasm from owners who prefer to stay West so rates ideas are lofty arranged around US$ 1.25-1.3m lvl Red Sea / 1.4-1.5 AG. LR1s in the Med have been extremely tight and in demand for Gasoline/Naphtha lifting's, with US$ 1.525 confirmed for Med to AG and US$ 2.5 fixed for Black Sea Japan.

UK Continent

A busy week across all sizes on the Continent. Sustained TC2 activity saw rates increase to WS 135 basis 37kt and Owners pushing for WS 140 plus. Cont/West Africa is trading around 37 x ws 165-170 but needs to be tested properly. Handies have been tight throughout, and fixing 30x180 / 22x205 cross cont. LR1's spiked up to 60 x ws 120 and we saw US$ 1.5m arranged for Cont / Red Sea.

Caribbean

A quiet week in the USG saw rates fall further; with TC14 reported around 38 x ws 95-100 at time of writing. The TC2 market is looking tight and with improved rates we are starting to see ballasting tonnage heading for the UKC. Strong enquiry off the continent means we are likely to see more fixed tonnage populate the USG list on end of December dates. Owners expect an increase in enquiry towards the end of the month as traders attempt cover end of year cargos before the holiday period, however captive tonnage is in ready supply to prevent any rate reaction. Caribbean Sea up is quiet, largely untested but rates are steady at WS 115 whilst USG to Brazil is around 38 x ws 125 levels and cross Caribbean movements are fixing around US$ 425-450K.



DIRTY PRODUCTS

Handy

Rates in the North profited from a surge in activity where starting the week with a firm trend, owners were handed the initiative pretty early on. Levels reacted by topping out at around the 30/147.5 mark. This said, because of forward fixing this is likely to see charterers now fix ships under the radar, thus reduce the appearance of what's actually happening. Tonnage ballasting up from the Gibraltar and West African regions, trying to re position for the start of the Ice Season, are for now also providing a lifeline for charterers looking to keep a hold of spiralling freight rates.

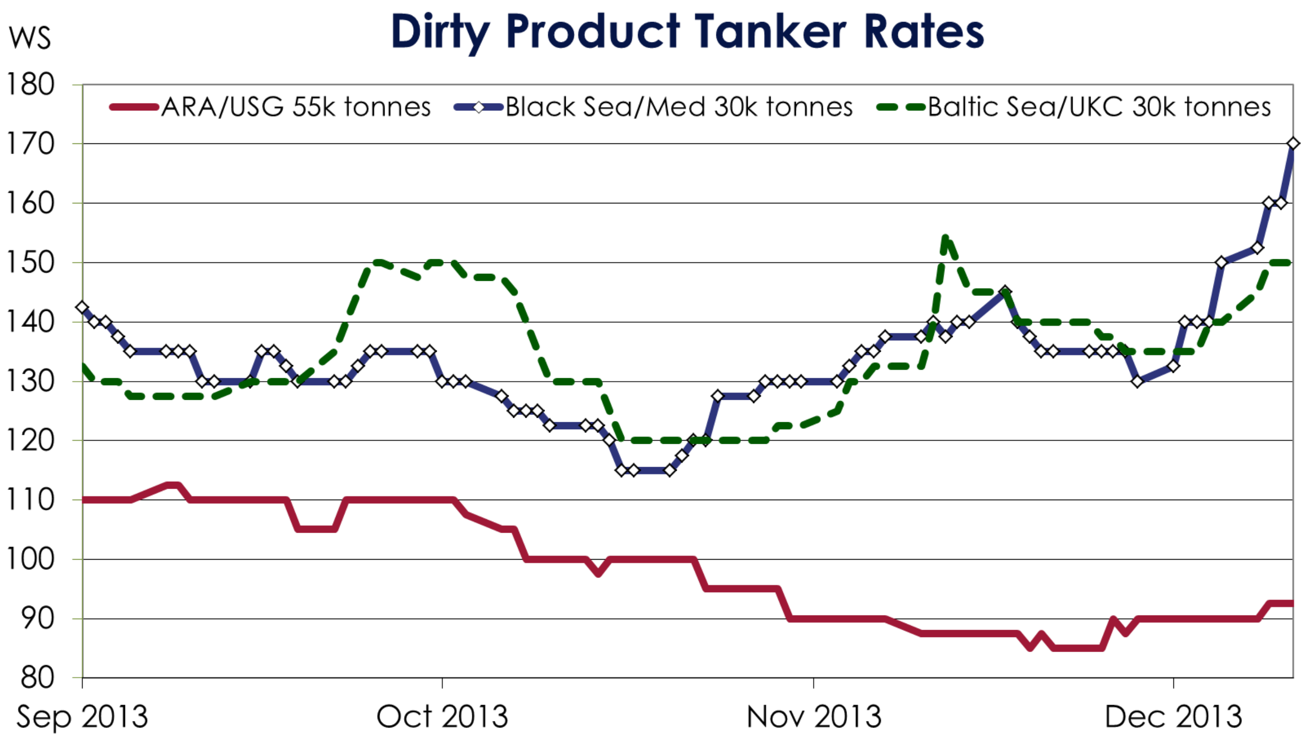
Elsewhere, the Black Sea this week caused quite a stir showing the kind of volatility seldom seen in recent months. A tight tonnage list and numerous requirements placed simultaneously into the market place put those in position firmly in the driving seat. In some cases owners were left to virtually name their price! Talks circulated at one stage of WS 190 being achievable, but here is where aspiration ceased, as these numbers prove a little too rich for Charterer's. X Med numbers subsequently rose through the week with pulled up by strength in surrounding regions, however there were parts of the week where perhaps this route was a little undervalued. Looking ahead, Owners will need to be careful not to keep ships hidden, as this recent run is likely to prove a pre-Christmas clear-out where there is a danger of missing the market.

MR

This size in the Mediterranean, being so reliant upon part cargo employment was always going to see a turnaround in fortune once this alternate trade picked up. Now that this has happened, the cost of transporting a natural 45kt stems has increased accordingly. This said, Owner aspiration is now capped now by the relentless lack of full cargo opportunity, and Charterers having flexibility between sizes for now removes opportunity to distance the correlation between the two markets. In the North lack of tonnage for now prohibits a publicly recognised fresh test of strength.

Panamax

Steady activity through the week leaves owners on the verge of forcing freight levels back into three digit numbers as slowly natural tonnage is removed. As a possible indicator to where this market will head, note should be taken that the Caribs markets have rallied, settling at time of writing around the 50/130 level. Convincing an Owner to leave this region will undoubtedly require parity brought to daily returns between Europe and the US.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Dec 12th	Last Week	Last Month	FFA Q1 14
TD3	VLCC	AG-Japan	**-3**	61	64	61	46
TD5	Suezmax	WAF-USAC	**+6**	91	85	58	66
TD7	Aframax	N.Sea-UKC	**+41**	131	90	84	90

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

			wk on wk change	Dec 12th	Last Week	Last Month	FFA Q1 14
TD3	VLCC	AG-Japan	**-3,750**	47,750	51,500	46,750	27,750
TD5	Suezmax	WAF-USAC	**+4,250**	38,500	34,250	16,000	21,250
TD7	Aframax	N.Sea-UKC	**+30,750**	42,250	11,500	7,250	10,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	Dec 12th	Last Week	Last Month	FFA Q1 14
TC1	LR2	AG-Japan	**+0**	82.5	82.5	68	
TC2	MR - west	UKC-USAC	**+24**	136	112	71	113
TC5	LR1	AG-Japan	**+10**	105	95	90	106
TC7	MR - east	Singapore-EC Aus	**+5**	171	166	168	

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

			wk on wk change	Dec 12th	Last Week	Last Month	FFA Q1 14
TC1	LR2	AG-Japan	**+0**	12,000	12,000	5,250	
TC2	MR - west	UKC-USAC	**+5,250**	12,750	7,500	-1,000	7,750
TC5	LR1	AG-Japan	**+3,250**	13,750	10,500	8,500	14,250
TC7	MR - east	Singapore-EC Aus	**+1,000**	13,250	12,250	12,750	

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

LQM Bunker Price (Rotterdam HSFO 380)	**+0**	586.5	586.5	577.5
LQM Bunker Price (Fujairah 380 HSFO)	**-6**	605.5	611.5	622.5
LQM Bunker Price (Singapore 380 HSFO)	**-4**	605	609	601

MJC/JCH/TP/JT/slk

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