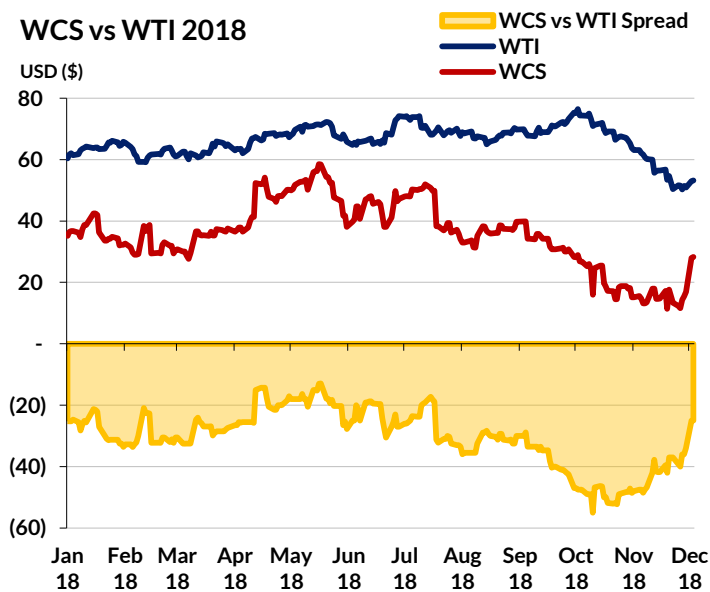


A Few Things in the Pipeline

Weekly Tanker Market Report

Canada's benchmark heavy crude, Western Canadian Select (WCS), has seen its price slowly slide since mid-2018, trading at a record discount to WTI of over \$50 bbl during October. A supply glut has seen prices continually dip, but the grade may finally be set for a reprieve after the Premier of the oil-rich Alberta region mandated a production cut of almost 9%, or approximately 325 000 b/d, in a bid to lift prices and deal with an oversupply.



Much of Canada's heavy, sour crude is exported down to the United States via pipeline and rail road. The main pipelines come from the Alberta region and are exported south via the Enbridge and Keystone systems. Other pipelines then transport the crude to refiners in the mid-west and down to US Gulf Coast. But further expansions are badly needed. Long standing plans for the construction of Keystone XL, which is set to carry a daily load of 830,000 b/d, has faced continued opposition and has been recently halted by US judges. Other pipeline expansion projects including Energy East, which was due to carry 1 million b/d to Canada's East Coast, was cancelled in 2017 and the current Trans Mountain expansion

project, due to carry an additional 590,000 b/d to Vancouver, has also been beset with regulatory delays. This will limit the ability for seaborne exports to the Far East as this is the only pipeline to transport crude to Vancouver on Canada's West Coast.

However, this year Canada has produced a record 5.25 million b/d, almost 270,000 b/d higher than the year before, leading to an unprecedented number of barrels in storage. Current projections show Canada's production will reach 5.6 million b/d by 2025, however with major logistical issues in bringing Canadian crude to market, some downside risk may need to be factored into this forecast. The issue with this has meant the existing framework cannot transport that much crude. More volumes by rail may offer the only reasonable alternative with the Canadian government considering rail car purchases to boost export capacity. Firms have shipped by rail a record amount this year, reaching almost 200,000 b/d compared to around 150,000 b/d in 2017.

The recent plan for producers to cut production should stabilise WCS pricing differentials. The price jumped to over \$28/bbl on Friday when the announcement was made, the highest since early October and trimmed the WCS/WTI differential spread to \$25/bbl. However, should less Canadian crude flow into the US, US refiners might be forced to look elsewhere. This could support heavy crude imports into the US Gulf, however the affect could be minimal with almost 35 million bbls of crude in Canadian storage which is expected to take at least 3 months to clear back to desired levels of 16 million bbls. In the short term, the recent severe weather-related disruptions to the power supply for at Keystone and Enbridge could further strain WCS exports to the US, perhaps forcing barrels from further afield to be sought.

Crude Oil

Middle East

Modern VLCCs saw more of the early week action and wasted no time in adding a few ws points to Far East numbers but then found the ws 100 barrier tough to breach. Thereafter, things slowed noticeably as Charterers moved to more populous positions and took an easier attitude. The consequence of that was for a late week rate slide as Owners started to take 'insurance' and the market closed into the very low ws 90's East, with a lower ws 38 cape/cape the last seen for a rare USGulf movement. Perhaps further softening to come over the near term too. Suezmaxes had already slipped a little, and rates continued to erode on modest activity, and easier tonnage lists. Rates moved to 130,000mt by ws 112.5 to the East and to ws 52.5 to the West, with further discounting on the cards. Aframaxes eased off again to 80,000mt by ws 155 to Singapore as supply improved, and activity ticked over...an ongoing trend for now.

West Africa

Suezmax Owners continued their fighting retreat, with ever fewer cargoes to wrangle with as the week wore on. Rates slipped to 130,000mt by ws 110 to Europe, and to ws 105 to the USGulf, with a solid fresh pulse of enquiry needed to prevent something lower next week. VLCCs tracked the AGulf curve downwards...nothing dramatic but it's ws 92.5 at best to the Far East now, whereas last week we were up at around the ws 100 mark and Charterers will be seeking further discounts upon the next fixing window too.

Mediterranean

Aframaxes had already made their big jump last week and another phase of solid activity, and balanced availability, allowed Owners to hold the gain. Further upward ambition lurks, but for many, rates of up to 80,000mt by ws 200 from the Black Sea and X-Med, will do nicely enough thank you! Suezmaxes, on the other hand, started to drift sideways, and then slightly downwards to 140,000mt by ws 150 from the Black Sea to European destinations, and to \$4.5 million to China. Turkish Straits delays have prevented what would otherwise have probably been a more severe correction.

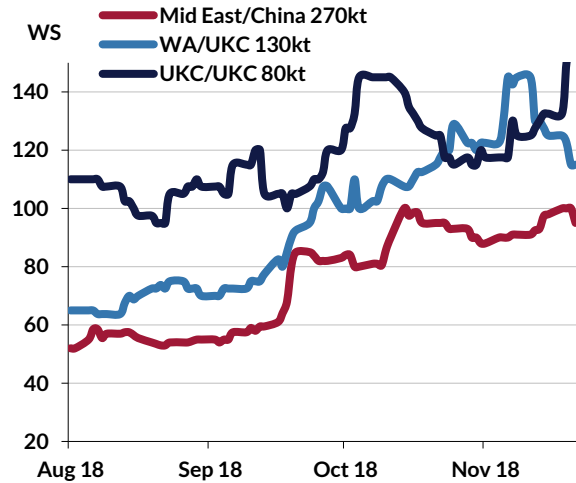
Caribbean

Aframaxes found a bottom to their recent slide, but 70,000mt by ws 120 upcoast was about the best of it and there was not enough grip to re-climb the rate ladder. Owners need Charterers to embark upon a sustained pre-holiday shopping spree. VLCCs saw less than of late and although up to a very healthy \$9 million was seen from the USGulf to Taiwan, probing onto more forward dates started to reveal lower rate ideas upon increased potential competition - mainly from committed ballasters. a degree of re-calibration to the downside likely next week.

North Sea

Aframaxes at last caught up with the Mediterranean party and busier times led to rates pushing to an almost equalizing 80,000mt by ws 187.5 X-UKCont and to 100,000mt by ws 150 from the Baltic. more to come over the short term too. VLCCs found very little to do and although rate ideas for fuel oil are marked at around \$6.25 million from Rotterdam to Singapore, there may be some pragmatism shown for the 'right' cargoes.

Crude Tanker Spot Rates



Clean Products

East

An incredibly busy week on the smaller tonnage. Having seen the LR2s firm considerably, it was inevitable that Charterers would look to split stems where possible. Longhaul has pressed, with TC12 now at ws 170 levels, and westbound at \$1.395million, with the suggestion of higher numbers to come. EAF is now at ws 205, but again we will see a further press early next week. Shorthaul needs some more support, and \$225k is the market assessment to finish the week; \$625k Gizan into the Red Sea. The LR1s are the underperforming size, but there is still value in the MRs at these levels, so should remain busy next week.

Another strong week for the LRs, with rates pushing further early in the week up to 3 year records, but a quiet end has raised doubts over the longevity. LR2s are still short and rates look solid with 75,000mt naphtha AGulf/Japan at ws 185 and 90,000mt jet AGulf/UKCont \$2.80 million. LR1s have never quite hit the highs of the LR2s and still look longer on the list - for now 55,000mt naphtha AGulf/Japan is ws 180 and 65,000mt jet AGulf/UKCont is \$1.95 million. But we could easily see these rates drift off slightly if we don't see a push of cargoes early next week.

Mediterranean

The momentum seen towards the back end of week 48 continued into Monday, with Owners on the front foot from the off. X-Med stems have consistently

traded in the ws 200's and at the time of writing, the going rate for X-Med stems is 30 x ws 210, with the potential for a few more points ex EMed where the numbers seen ex Black Sea may heighten ideas. 30 x ws 235-240 is the rate achievable for stems ex Black Sea, with the fixing window tonnage extremely tight, delays through the straits will only help Owners' cause, with the potential for more points in return for safer itineraries. As we move into week 50, with cargoes needing cover before the Christmas break, the momentum seen this week is likely to progress (more so towards the back end of next week), with Owners licking their licks as to future prospects.

Although it hasn't been the busiest week of MR action in the Med this week, Owners have continued to reap rewards, with the sentiment by and large being driven by action in the UKCont. A tight front end of the list meant a problematic WAF cargo saw heights of 37 x ws 270 with Med-transatlantic runs trading consistently around the 37 x ws 200-202.5 mark. With profits for runs heading East now tempting, we've seen ships begin to ballast through Suez in order to head back where they came from, with an Izmit-AGulf run achieving \$1.25 million, with most Owners now freighting Med-AGulf at \$1.2 million. Much like the Handies, Charterers will begin to stretch the fixing window next week in order to cover for the Christmas period and this will only add fuel to the fire in this current market.

UK Continent

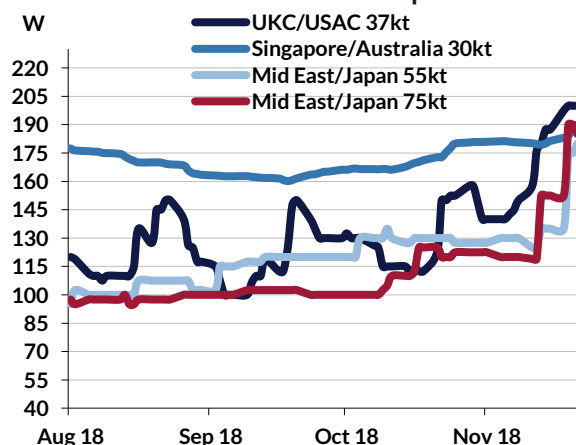
All in all another successful week has occurred for MRs plying their trade in NWE as Owners have managed to push freight up to 37 x ws 207.5 for TC2 and 37 x ws 225 for West Africa respectively. A tight tonnage list both on the front end and one which has been lacking natural ballaster units, as the hot USGulf market has been the preference has kept Owners bullish throughout. Enquiry has been strong mainly for transatlantic however, the last couple of days it has slowed as Charterers looked to halt further momentum being gained by Owners, although currently there has been no retreat on rates from the owning fraternity. Potential lack of availability on the list for the next fixing could be pivotal for another rate push but enquiry will be the key, with the festive season now on the horizon.

Another good week for the Handies in NWE, with Owners managing to make further gains across the board. On Monday the list was tight from the previous weeks' action and with the Baltic programme heavily weighted towards Handies (due to the positivity, and therefore lack of LR tonnage) enquiry has been consistent. Rates quickly moved up from 30 x ws 210 to 215 and finally finding their feet 30 x ws 220 by Wednesday/Thursday. Many Charterers were approaching tonnage direct in the back end of the week meaning 30 x ws 215 was seen a couple of times but sentiment has driven the 30 x ws 220 as a market level. X-UKCont enquiry has not been as intense as the

Baltic but rates have tracked ws 10 points within TC9 and looks to continue to do so. The end of the week has been a little quieter as Charterers are holding back cargoes and forward fixing in order to try and draw some heat, however, Owners are still holding for last done and will do so early next week too, especially with Christmas dates being worked in the back end of week 50. It may be in the second half of next week but expect rates to make further gains.

The Flexis are now getting into the groove of the market given the uptick and consistency of the Handies. Certain cargoes that have struggled to find cover on Handies are being committed to smaller ships meaning Flexi enquiry is relatively good and the market is getting tested around 22 x ws 260 X-UKCont, with room for more depending on where the Handies go. Certain Owners have given ships into T/C over the winter period meaning there is less Owner diversity and its easier for the remainders to hold a united front. The outlook is positive here too, otherwise keep an eye on the Handies for sentiment going forward.

Clean Product Tanker Spot Rates



Dirty Products

Handy

Week 49 kicked off with a tonnage list that was significantly shorter than we have seen of late in the North, where the limited options to cover stems in the region would have otherwise seen gains on last done levels, had it not been for the fact that activity has largely remained absent in the sector. Instead, Charterers managed to drip feed enquiry into the market taking much of the spring out of Owners steps which combined with some fixing and failing early in the week only added further to the flat trend witnessed. Looking ahead, tonnage remains tight in the region as still not enough time has elapsed for full tonnage replenishment to have occurred. As a result, next week will be dependant very much on the volume of fresh enquiry.

In the Med, we have witnessed polar opposites in terms of trading patterns following on from the previous week's trading, which had primed this region for some volatility. Monday did not disappoint! With fresh tonnage lists not providing the replenishment needed, an injection of pace was forced, as fresh stems quickly came to market and Charterers pushed on to cover stems on units with firm itineraries. The clipping away of firm units left Owners able to maximise earnings where possible. We draw the week to close, with a significant shift in fixing levels with ws 275 fixed from the Black Sea and rumours of more on subjects. Adding to this there remain stems still uncovered and with the fixing window pushing forward, next week is set to continue with this firm sentiment.

MR

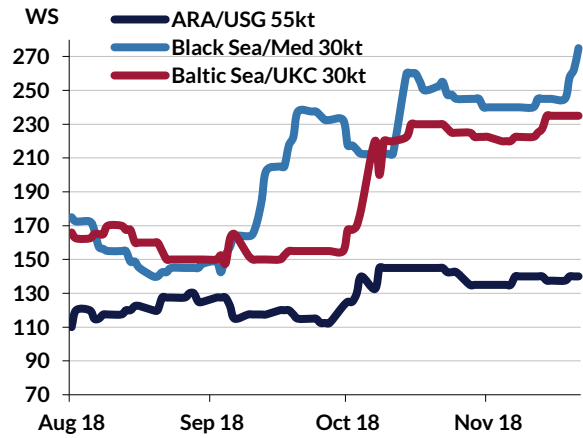
The story of the week in the North has remained the same since the thin list was produced on Monday morning and, with little on offer in terms of natural tonnage Owners continued to be in the driving seat. However, Charterers have since backed off somewhat and the resulting lack of enquiry has given Owners few opportunities to make the large gains they might have been expecting. Despite the lack of reliable benchmarks, sentiment remains firm here and we should therefore expect distortion in fixing levels between deals.

After a busy start to the week, the Med has seen activity slowly but surely pick off MRs that have shown firm prospects. Monday saw two MRs go on subs and, with one of those failing, opportunities for Charterers to present cargo continued to materialise. The expectation for Owners to piggyback on the success of the recent gains in the Handy market were not realised as full stems were there to be taken. Rates have climbed in line with a steady pace of enquiry with Black Sea - Med reported fixed at ws 172.5. If enquiry continues to flow in week 50, sentiment will remain firm. With Handies showing no sign of letting up, Owners will be looking to make further improvement.

Panamax

With values in the US sliding to settle below the European market, current conditions have proved to be a lifeline for well suited ballast positions. In turn this not only helps to spread the fleet over the forthcoming festive period but it also helps alleviate some of the oversupply in the US. Recognition must also be given here to Owners for realising that with transatlantic activity being on the rise, Charterers looking to take inventory on the water and book ahead, has been a common theme. Here too sentiment from Europe is expected to remain firm, whilst natural units in Europe lack.

Dirty Product Tanker Spot Rates



Dirty Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Dec 6th	Nov 29th	Last Month	FFA Q1
TD3C VLCC	AG-China	+0	96	96	96	63
TD20 Suezmax	WAF-UKC	-12	115	127	127	88
TD7 Aframax	N.Sea-UKC	+45	176	131	131	118

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

		wk on wk change	Dec 6th	Nov 29th	Last Month	FFA Q1
TD3C VLCC	AG-China	+1,250	61,250	60,000	60,000	27,750
TD20 Suezmax	WAF-UKC	-6,250	34,750	41,000	41,000	21,750
TD7 Aframax	N.Sea-UKC	+30,000	58,250	28,250	28,250	19,250

Clean Tanker Spot Market Developments - Spot Worldscale

		wk on wk change	Dec 6th	Nov 29th	Last Month	FFA Q1
TC1 LR2	AG-Japan	+32	188	156	156	
TC2 MR - west	UKC-USAC	+12	200	188	188	168
TC5 LR1	AG-Japan	+40	182	142	142	142
TC7 MR - east	Singapore-EC Aus	+10	190	180	180	

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

		wk on wk change	Dec 6th	Nov 29th	Last Month	FFA Q1
TC1 LR2	AG-Japan	+9,250	34,250	25,000	25,000	
TC2 MR - west	UKC-USAC	+2,000	19,500	17,500	17,500	14,000
TC5 LR1	AG-Japan	+8,750	22,000	13,250	13,250	14,000
TC7 MR - east	Singapore-EC Aus	+2,000	13,250	11,250	11,250	

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

ClearView Bunker Price (Rotterdam HSFO 380)	+5	373	368	368
ClearView Bunker Price (Fujairah 380 HSFO)	-7	404	411	411
ClearView Bunker Price (Singapore 380 HSFO)	-14	410	424	424
ClearView Bunker Price (Rotterdam LSMGO)	+2	536	534	534

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