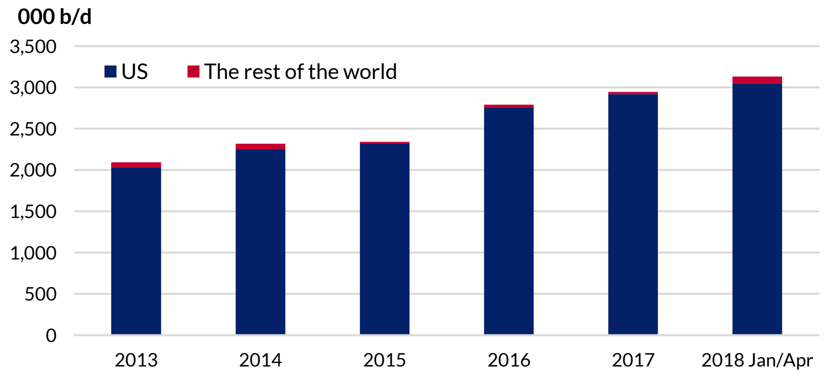
O Canada
Weekly Tanker Market Report

The Federal Government in Ottawa very much has it's back against the wall in trying to establish viable long-term security for Canada's crude oil exports. Canada often falls under the tanker market radar because the majority of their exports go directly into the US. But Canada, the world's 6th largest crude producer has long desired access to markets beyond the US, especially now it is presently staring down the barrel of the potential threat of US trade tariffs. Similar to the current tariff spat with China, the US last month moved ahead in placing restrictions on aluminium and steel imports from Canada. Relations between Washington and Ottawa have been strained since their first official meeting of the two north American leaders in Washington last year. That meeting dealt another blow to the North American Free Trade Agreement (NAFTA), which president Trump believes has harmed the US economically. The oil market has so far avoided the tariff conflict other than the threat by China to stop taking US oil production. Canada, in contrast, doesn't have the luxury of being able to use oil as a bargaining tool. The country needs to keep the US 'on side' in the absence of any natural seaborne outlet, should the US impose tariffs. However, because of the ongoing economic crisis in Venezuela, and as a consequence the plummeting output, US refiners may turn to Canada's Alberta oil sands as an ideal substitute as the grades are similar.

Of course, the Ottawa government also needs to seek alternative outlets for its long-term exports. This has been a persistent problem for successive Canadian governments and is unlikely to disappear anytime soon. This weekend the Federal Government looks set to become the official owner of the Trans Mountain pipeline expansion project after failing to find a private sector buyer. Since stopping construction work in April, Kinder Morgan had been working with the government to identify a buyer to ensure the project's survival. Failure to find one means that the assets will be purchased by the government for C$4.5 billion, which excludes further construction costs. The extended pipeline project was intended to increase the capacity of the existing line from 300,000 to 890,000 b/d and run from Edmonton (Alberta) to Burnaby terminal (Vancouver), effectively providing increased export opportunities for Aframax tankers into the Pacific Ocean. From the very beginning the whole project has been blighted by objectors blocking every move by current owners Kinder Morgan.

Canadian Crude Exports



One of the first decisions taken by president Trump, when he entered the White House, was to remove any government objections to the expansion of the Keystone XL pipeline, which would allow a new spur to carry an additional 830,000 b/d from Alberta to Nebraska. This decision also supported the president's 'America First' policy, with the prospect of more jobs for Americans using American steel for pipework construction. So, the likelihood of using oil tariffs as a bargaining tool against Canada seems unlikely as this could end with the loss of American jobs on the project. Canadian output is expected to hit around 5.5 million b/d by 2030 (currently just under 4 million b/d). Also, Canadian heavy crude trades at a discount to West Texas Intermediate, which provides another good reason why crude will be exempt from any tariff war as both parties have more to gain from the current arrangements. Relations between the US and Canada may be a little strained at the moment; yet, Canada has a huge advantage over other potential providers not just through location and infrastructure but also the political stability of an old and trusted trading partner.

Crude Oil

Middle East

Solid VLCC interest through most of the week allowed Owners of modern units to build a little upon the previous slight uptick to take rates over the psychologically important ws 50 barrier to the East, though older units remained stuck in the low ws 40's upon limited demand for their services. Runs to the West remained very rare and are again marked in the high 'teens' via Cape. Consolidation for now with any further gain dependent upon how Charterers manage to regulate the cargo-flow next week. Suezmaxes merely idled on low volume and easy availability - rates compresses into the high ws 20's West and to ws 65 to the East with no big moves on the near term horizon either. Aframaxes ticked over without any issues being forced - 80,000mt at down to ws 90 to Singapore seen, but closer to ws 100 also payable for specific needs/dates too...to be continued.

West Africa

Suezmaxes here failed to hold on to last week's gains but proved obstinate enough to prevent Charterers from chipping rates below ws 70 to Europe and mid ws 60's to the USGulf upon a continued hope that busier times would develop. that has proved not to be the case, and Owners will be on an even more defensive footing over the next period. VLCCs initially found enough to re-establish small premiums over AGulf/East numbers but once the AGulf then caught up, Owners failed to stretch further ahead and rates peaked at ws 51 to China with $2.8 million the last seen to East Coast India. Another attempt next week to again re-set the premium, but that's not a definite.

Mediterranean

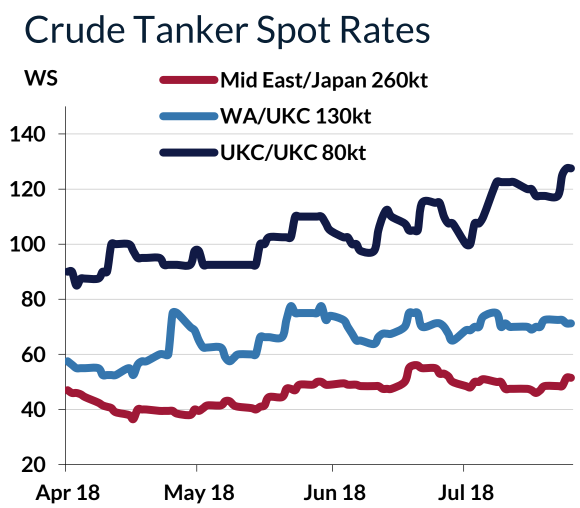
Aframax Owners clawed back more of their lost ground but late-week found less to do, particularly from Libya, and rates eased back a touch to 80,000mt by ws 115 X-Med but will retain potential for another rebound if next week gets off to an active start. Suezmaxes have remained very stable over the past month with never enough push or pull to move rates out of a 140,000mt by ws 80/85 range to European destinations, and $2.8/2.9 million for runs to China. It's quite tight on the early window still, and if there is any movement next week, it is likely to be modestly 'up'.

Caribbean

Aframaxes continued to scrape along the market bottom at down to 70,000mt by ws 85 upcoast, and ws 65 transatlantic, and it took most of the week to soak up the majority of the tonnage excess. Things are slightly better balanced now, and there is reasonable hope that some mild recovery could be engineered next week. VLCCs fared much better than of late, with early availability effectively taken care of and rates responding at up to $3.6 million from the USGulf to Singapore, and to around $3.1 million from the Caribs to West Coast India with Charterers paying loadport expenses on top of that. Forward positions are also looking balanced and rates are unlikely to retreat from those marks over the near term, at least.

North Sea

Gentle market undulation for Aframaxes that kept reasonably firm overall but needed more late week to regain an upward footing, leaving rates at 80,000mt by ws 120/125 X-UKCont and to 100,000mt by ws 107.5 from the Baltic. Next week will probably see a similar pattern - and rate level too. VLCCs saw little fresh action but with the Caribs and West Africa a little firmer, rate ideas have held at over $4 million for crude oil from Hound Point to South Korea, and $3 million+ for fuel oil from Rotterdam to Singapore and that should remain the case through next week too.



Clean Products

East

A slow week for the smaller tonnage in the Middle East, with most rates softening throughout. Despite softening market levels, returns in the Middle East excel those in both the West and Far East. EAF cargoes are therefore gold dust for Owners who want to keep the balance of their fleet local. 35 x ws 170 is now on subs to SAF for an older vessel - but Charterers will try and use this number against clean and suitable tonnage in the new week, likely to good effect. Same story for Red Sea runs, which have also softened, $50k off to finish the week at $475k. UKCont is assessed at $1.4 million but remains untested, unsurprising, given the economies available on the under forming LR2s. X-AGulf has also softened to $200k but with the quiet LR1 market giving almost as much value and a top up option, we could still see more taken off this number. TC12 has fluctuated around ws 150 levels, but has managed to avoid much of the softening, as returns are far from on par with other routes already. Tonnage arriving in to the AGulf is starting to accumulate and if we don't see many more cargoes appear on Monday the build-up could fuel more negative pressure on the MRs. Underperforming LR1s will heap further pressure on this size in the new week.

The week started slowly for the larger sized tonnage in the Middle East. A dauntingly long list on the LR2s suggested that Owners would be in for a rocky ride in terms of rates. Charterers were inevitably holding back cargoes, but the first TC1 cargo to emerge was snapped up at 75 x ws 101, and this has remained the traded level all week. Westbound has jumped around a little, we saw some sympathetic softening against the naphtha levels to $1.95 million, but a slight recovery at the end of the week to $2 million where it finishes this week. Seeing as the front end of the list was dominated by two Owners in particular, it is good to see most of this tonnage now cleared as we head into a fresh week.

The LR1s have been incredibly slow, emerging cargoes have just about matched upcoming tonnage, but as we have seen so many times, the LR1s took their lead from the softening LR2 market. TC5 has slipped to 55 x ws 112.5, cheap levels for Charterers, but Owners did not have many cargoes to choose from and accepting a drop in rates seemed a better option than waiting for the weekend in the hope of more cargoes. West has stayed more steady, inevitable, given the continually weak west market. $1.65 million for so long the market level eventually softened against the naphtha, and now sits $50k lower down. A heavy front end needs attention. Short haul will come off, as these ships compete with MR cargoes to keep moving, more softening likely next week.

Mediterranean

All in all a quiet week on the Handies in the Med with the majority of business being done behind the scenes. Most will be thinking that 30 x ws 125 is the bottom of the market and even with 17 prompt Handies on Monday, Owners managed to hold at this number throughout the week. For the most part, Black Sea rates have traded at the ws +10 point premium on X-Med at 30 x ws 135 with only a slight blip seen south of this number for an older vessel in good position. At the time of writing, cargoes and tonnage look balanced with rates unlikely to change this side of the weekend. Owners hope that come Monday, an influx of cargoes will be seen in order to clear out the prompt tonnage at the front end of the list.

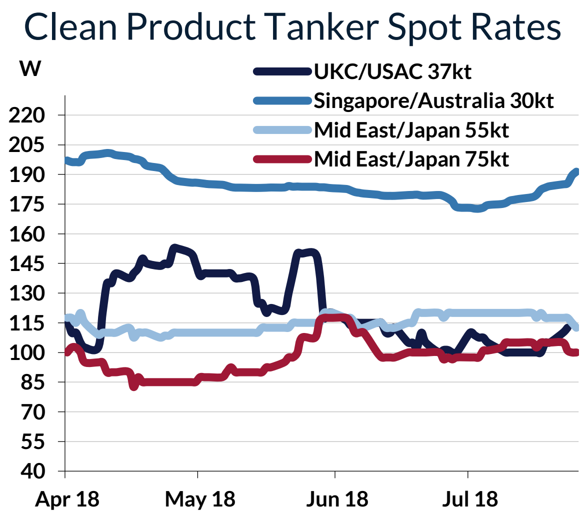
MR's in the Med have by and large tracked rates up in the UKCont this week, which has seen a slightly more positive market than previous weeks. Med-transatlantic runs are currently trading at 37 x ws 110 however, with a very weak USGulf market, this is likely to be pressured with ballasters heading in this direction. A relatively well supplied tonnage list has been seen throughout this week, with a lack of cargoes (including very few heading east) meaning Owners have been tempted by short haul X-Med stems. It will be interesting to see if Owners are able to stem rate losses at the beginning of week 31, with the outlook from the UKCont a negative one.

UK Continent

There were many Owners who thought week 30 would be the week to change the fortunes of the MR market in NWE as Monday kicked off with a tight tonnage list and double digit number of outstanding cargoes. Initially, this did provide some returns with TC2 rates climbing from 37 x ws 105 to 37 x ws 112.5 by Wednesday. However, this is when the cracks began to show, fresh enquiry (which was almost completely TC2 driven) started to slow and many of the cargoes outstanding were absorbed by own programme tonnage. As a result, 37 x ws 110 was done on Thursday, which essentially killed off any further action for the week, as Charterers attempted to pull the market further down and Owners remain bullish. There is little WAF or short haul enquiry to offer any light relief of the slowing transatlantic route and with a handful of ballasters arriving during the course of next week the gradual slide of rates looks inevitable.

Handies plying their trade in the Continent have seen little excitement throughout as this stagnant market remains just that. Good availability of vessels partnered well with an active start to the week and where some Owners believed some gains were on the cards, proved only aspirations as 30 x ws 135 was fixed continuously throughout the week. X-UKCont runs did pick up mid-week with a couple of 30 x ws 130's being done, however, as the pace of action slowed later in the week 30 x ws 127.5 was done and backhauls cargoes should be able to beat this. The tonnage list is on the long side come Monday, so enquiry will need to pick up if Owners are to maintain current levels.

A rather dire week for the Flexi market, which has suffered from a sluggish pace throughout. The occasional cargo in the North, clips away the odd ship but with enquiry slowing around Portugal and Southern Spain, the list has plenty of prompt units showing that they are likely to be getting itchy feet for the next step as a result. 22 x ws 170 is likely to be the benchmark number pushed by Owners however, it's likely they would settle for less now given the likelihood of more idle days across the fleet. In reality, rates are going to be Owner and route dependant with little change going into next week.



Dirty Products

Handy

The NWE region opened this week with somewhat of an air of anticipation about it, with limited tonnage being shown and early enquiry gave a firm platform to start the week. Owners with firm tonnage managed to gain a few points on from last done, up to ws 160 from the Baltic. As the days ticked over the fresh enquiry started to slow, but as did the number of firm units in play. Nevertheless we end this week with a firm sentiment in the region, which is likely to continue into next week and it may not take much requirement to see trend continue to firm.

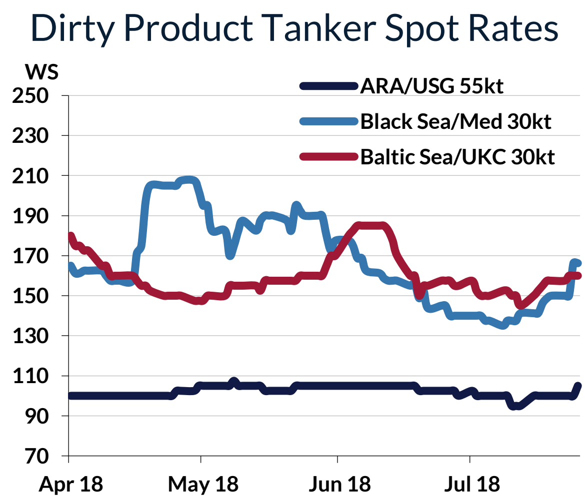
The Mediterranean has followed a similar pattern as the north this week, as firm tonnage outweighed the amount of early enquiry that came to market. Therefore, giving Owners enough ammunition to take a firm approach when it comes to offering on a stem. This resulted in a gain of around ws 30 points from where the Black Sea started on Monday, where moving into next week we may yet see further gains if enquiry volumes are as active as this week.

MR

In both the Mediterranean and the Continent, trend benefitted from healthy activity in surrounding smaller markets which provided a viable alternative should a full cargo not come by, which is just as well considering this week suffered a bit of a drought of natural sized activity. That said, a tiny detail, such as lack of activity did not deter Owners efforts on the few deals that where concluded, where in actual fact levels remain firm with little signs of easing off in either region at time of writing.

Panamax

An arduous week of trading for Owners who eventually managed to set ws 105 as the benchmark for modern approved tonnage, although arguably this task was aided through older units fixing first with premium then being applied on subsequent deals that followed. Generally speaking, the week did show an increase in demand, both here in Europe and over in the US, but as ever, where the flow of availability re-appears as we progress through to the next fixing widows, this is likely to prove the determining factor in keeping a lid on further aspiration.



Dirty Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	July 26th	July 19th	Last Month	FFA Q3
TD3C	VLCC	AG-China	**+5**	52	47	57	52
TD20	Suezmax	WAF-UKC	**+0**	70	70	73	69
TD7	Aframax	N.Sea-UKC	**+7**	126	119	106	106

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

			wk on wk change	July 26th	July 19th	Last Month	FFA Q3
TD3C	VLCC	AG-China	**+3,750**	13,000	9,250	17,500	13,750
TD20	Suezmax	WAF-UKC	**-500**	10,750	11,250	12,500	10,500
TD7	Aframax	N.Sea-UKC	**+3,750**	19,500	15,750	7,250	7,000

Clean Tanker Spot Market Developments - Spot Worldscale

			wk on wk change	July 26th	July 19th	Last Month	FFA Q3
TC1	LR2	AG-Japan	**-4**	100	104	100	
TC2	MR - west	UKC-USAC	**+8**	111	103	102	114
TC5	LR1	AG-Japan	**-4**	114	118	120	117
TC7	MR - east	Singapore-EC Aus	**+8**	191	183	179	

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

			wk on wk change	July 26th	July 19th	Last Month	FFA Q3
TC1	LR2	AG-Japan	**-3,250**	6,750	10,000	6,750	
TC2	MR - west	UKC-USAC	**+1,000**	3,000	2,000	2,000	3,500
TC5	LR1	AG-Japan	**-1,000**	7,000	8,000	8,000	7,500
TC7	MR - east	Singapore-EC Aus	**+500**	11,500	11,000	10,500	

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

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ClearView Bunker Price (Fujairah 380 HSFO)	**+10**	451	441	454
ClearView Bunker Price (Singapore 380 HSFO)	**+17**	468	451	439
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