

WEBER WEEKLY TANKER REPORT



WEEK 14 – 8 APRIL 2016

1Q16 VLCC Market Review

ISSUE 14 – 2016

VLCC earnings remained relatively elevated through 1Q16 and though January and February each came in 5% below their respective 2015 months, a strong March propelled the class' earnings for the quarter to a 7% y/y gain – making VLCCs the only class among their dirty and clean peers to observe a positive y/y quarter. Slightly lower crude transportation demand during the first two months of the year followed volatile world financial markets, further crude price losses to decade lows and uncertainty over the impact of a return of larger scale Iranian crude exports. During February, field maintenance in the UAE contributed further to the demand paring. Thereafter, a volatile March complete with two successive – and strong – rallies saw earnings rise 26% on a y/y basis to ~\$62,849/day.

Late 1Q16 Reemergence of Strong Delays

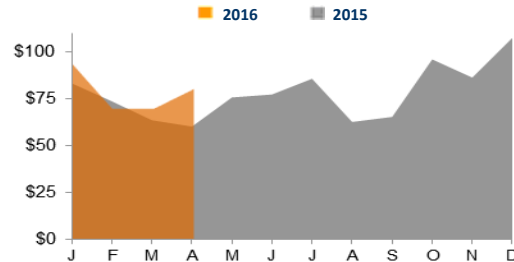
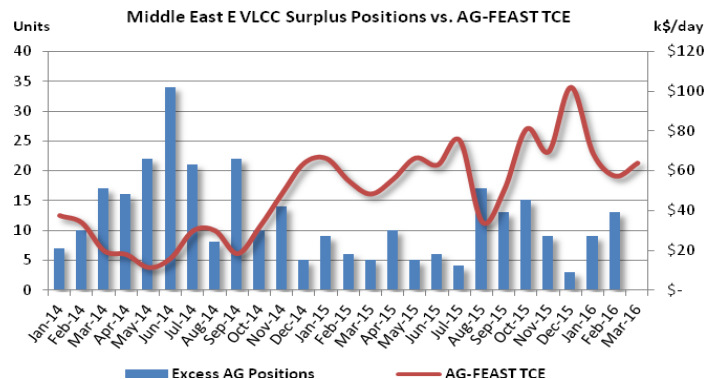
- A major component to the fresh earnings strength observed during the later weeks of 1Q16 was the reemergence of substantial delays in Asia. Particularly prevalent in China, where weather issues have compounded trade issues (i.e. ullage, onward cargo distribution), delays exceeding 30 days have been recorded in recent weeks at key Asian VLCC while the average of the past two weeks exceeds one week. Elsewhere, weather issues in the northern Arabian Gulf stoked delays at Iraq's Basrah terminal where a queue as long as 19 units was observed at the close of the quarter; any associated tightening of Middle East fundamentals is, however, unlikely until the delayed units surpass their normal round-trip turnaround time (and the situation may actually be presenting currently as a negative by causing subsequent Basrah stems to be pushed back in order to allow the queue to clear).

Strong March Middle East Program

- The March Middle East program concluded with a tally of 132 VLCC cargoes – representing the most in any month since July '15. This happened *after* media outlets suggested that an agreement between OPEC producers and Russia would freeze production levels at January (when only 121 Middle East VLCC cargoes were recorded) illustrating the unlikely nature of such a deal. Moreover, we note that Iranian exports have shown incremental gains since the start of the year with competitive VLCC units now servicing some cargoes (ex-Kharg or AG STS), though the total Iranian export volume has remained low overall thus far.

First Instance of Zero Monthly Surplus Middle East Positions since 2008

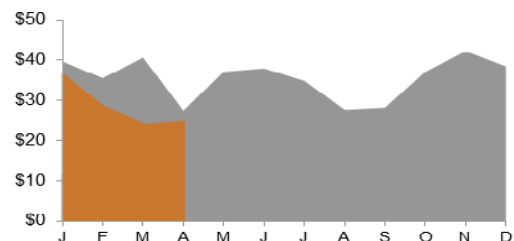
- There were no surplus units at the conclusion of the March program, representing the first such occurrence since 2008. This helped to propel rates north around the start of the April program, though a slowing of activity during CMA Week and the Easter holiday period saw owners loosen their bullishness. Ultimately, a strong rally followed with rates rebounding on a return of normal activity levels.



**VLCC TCE
AG-USG /
CBS-SPORE/AG**

**MTD Average
~\$80,541/Day**

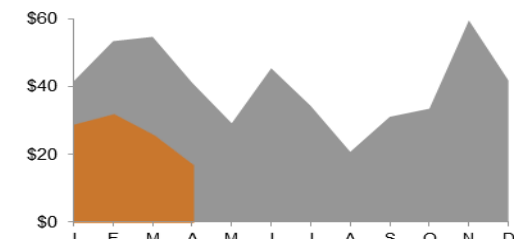
**Month y/y
▲ +34%**



**S'MAX TCE
130k WAF-UKC**

**MTD Average
~\$25,025/Day**

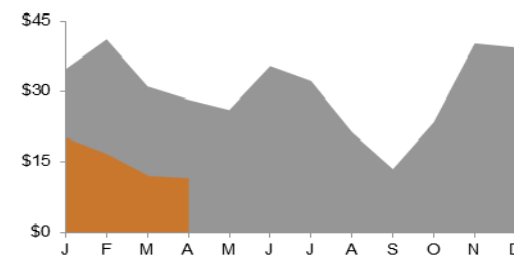
**Month y/y
▼ -9%**



**A'MAX TCE
70k CBS-USG**

**MTD Average
~\$17,115/Day**

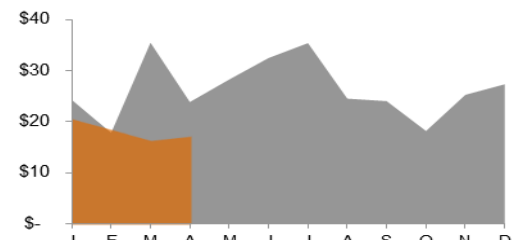
**Month y/y
▼ -58%**



**P'MAX TCE
50k CBS-USG**

**MTD Average
~\$11,535/Day**

**Month y/y
▼ -59%**



**MR TCE
USG-UKC/
UKC-USAC/USG**

**MTD Average
~\$17,022/Day**

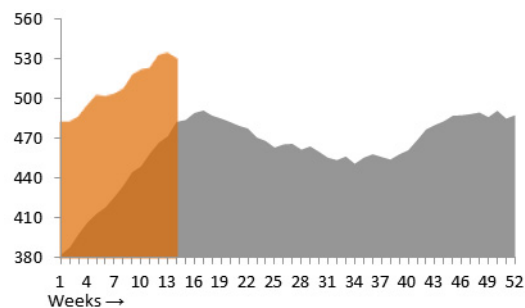
**Month y/y
▼ -29%**

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Spot Market	WS/LS	TCE ~\$/day	WS/LS	TCE ~\$/day
VLCC (13.0 Kts L/B)				
	1-Apr		8-Apr	
AG>USG 280k (TD1)	60.0	--	40.0	--
AG>USG/CBS>SPORE/AG	--	\$93,144	--	\$70,851
AG>SPORE 270k (TD2)	90.0	\$85,300	62.5	\$54,387
AG>CHINA 265k (TD3C)	90.0	\$78,045	62.5	\$48,403
WAFR>USG 260k (TD4)	87.5	\$79,195	67.5	\$58,528
WAFR>CHINA 260k (TD15)	82.5	\$70,881	62.5	\$50,239
CBS>SPORE 270k	\$6.00m	--	\$5.50m	--
SUEZMAX (13.0 Kts L/B)				
WAFR>USAC 130k	72.5	\$27,329	75.0	\$27,412
WAFR>UKC 130k (TD20)	75.0	\$24,817	77.5	\$24,922
BSEA>MED 140k (TD6)	77.5	\$31,741	77.5	\$31,360
CBS>USG 150k	67.5	\$27,609	62.5	\$30,615
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k (TD7)	125.0	\$50,086	112.5	\$40,483
AG>SPORE 70k (TD8)	130.0	\$34,896	122.5	\$32,300
BALT>UKC 100k (TD17)	97.5	\$46,259	85.0	\$37,836
CBS>USG 70k (TD9)	92.5	\$17,439	95.0	\$18,424
MED>MED 80k (TD19)	115.0	\$33,601	82.5	\$18,380
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k (TD21)	122.5	\$11,656	120.0	\$11,180
CONT>USG 55k (TD12)	107.5	\$16,789	115.0	\$18,941
ECU>USWC 50k	195.0	\$33,012	185.0	\$30,511
CPP (13.0 Kts L/B)				
UKC>USAC 37k (TC2)	100.0	\$9,338	105.0	\$10,475
USG>UKC 38k (TC14)	105.0	\$11,527	105.0	\$11,630
USG>UKC/UKC>USAC/USG	--	\$16,511	--	\$17,203
USG>POZOSCOLORADOS 38k	\$550k	\$23,999	\$525k	\$22,385
CBS>USAC 38k	135.0	\$16,834	125.0	\$14,991
AG>JPN 35k	125.0	\$12,022	110.0	\$9,802
AG>JPN 75k (TC1)	105.0	\$23,922	99.0	\$21,988
AG>JPN 55k (TC5)	115.0	\$18,370	105.0	\$16,042

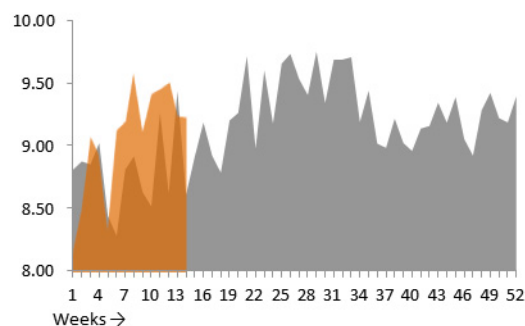
Time Charter Market \$/day (theoretical)	1 Year	3 Years
VLCC	\$47,500	\$38,000
Suezmax	\$32,000	\$28,500
Aframax	\$26,000	\$23,000
Panamax	\$21,500	\$20,500
MR	\$17,500	\$16,500



US Crude
Stocks (EIA)

Last Week
529.9 MnBbls

Week y/y
▲ +9.8%



US Gasoline
Demand (EIA)

Last week
9.224 MnB/d

Week y/y
▲ +7.1%

2016 2015

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SPOT MARKET SUMMARY

VLCC

Considerably slower VLCC demand this week across all markets saw earnings drop sharply from over \$80,000/day last week to just under \$60,000/day at the close of the week. In the Middle East market, charterers were slow in covering the small number of remaining April stems while May confirmations remain two weeks away. As a result, just 11 fixtures were reported in the region this week, setting a fresh YTD low and representing a 73% reduction from last week's tally. The West Africa market also set a YTD low; with just one regional fixture reported (vs. last week's six) demand was at its lowest since 2013. Additionally, just one fixture was reported in the Caribbean market in an extending of the slow pace which has prevailed in recent weeks.

The psychological implications of a further week of slow demand in the Middle East before May stems appear in earnest likely factored heavily into this week's negative rate progression, but equally important in our view is the ongoing lull in the West Africa market given implications on Middle East supply. We note that there are presently 38 vessels showing April Middle East availability – though delay issues make 10 of these highly uncertain. Against this, there are just 15-20 further Middle East April stems likely remaining while draws to service the West Africa market are likely to remain low as fixing dates there have moved past April and May crude purchases by Asian buyers have slowed on high June Asia refinery turnarounds. Thus we project just 3-4 West Africa fixtures during the upcoming week implying an end-April Middle East surplus of between four and twenty units. Given the extent of discrepancy between both the high and low ends of the range, forward rate progression appears uncertain and while we do not believe that the higher end of the range will be realized due to Asian delays, we do expect that sentiment will remain negative during the upcoming week on slow demand. Thereafter, supply will be more apparent on a progression into May dates and will heavily dictate the direction rates take thereafter.

Middle East

Rates to the Far East dropped by 27.5 points over the course of the week to a closing assessment of ws62.5. Corresponding TCEs were off by 37% to ~\$51,395/day. Rates to the USG via the Cape concluded at ws40, off 20 points. Triangulated Westbound trade earnings concluded the week at ~\$70,851/day – off 24%.

Atlantic Basin

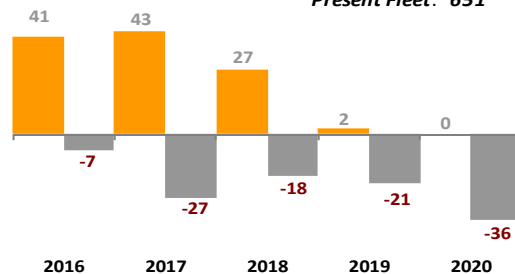
The West Africa market continued to trail the Middle East, though the extent of rate downside was lower as last week's gains were not as steep due to the vying for regional cargoes by Caribbean positions. The WAFR-FEAST route concluded off 20 points at ws62.5. Corresponding TCEs dropped 29% to ~\$50,239/day. The Caribbean market remained slow while the declining rates for regional units saw rate assessments ease. The CBS-SPORE route dropped \$500k to conclude at an assessed \$5.5m lump sum.

Suezmax

The West Africa Suezmax market was quieter this week with a 30% weekly drop in the fixture tally to 11. Despite the softer demand, rates were largely unchanged with the WAFR-UKC route posting modest late gains to an assessed ws77.5. Expected imminent demand strength accompanies markedly lower VLCC coverage of West Africa cargoes during May's first decade thus far (from an already low final decade of April). Just two VLCC fixtures have been reported for loading between May 1-10 thus and a progression by Asian refiners into stronger June maintenance has curtailed their purchases of West Africa May cargoes implying a sustaining of low VLCC coverage in the near-term. This should leave more cargoes available for Suezmaxes and help to tighten Suezmax supply/demand fundamentals and support further rate gains.

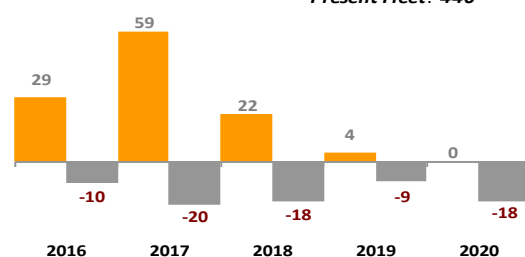
VLCC Projected Deliveries/Removals

Present Fleet: 651



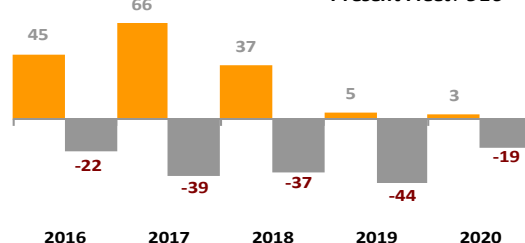
Suezmax Projected Deliveries/Removals

Present Fleet: 440



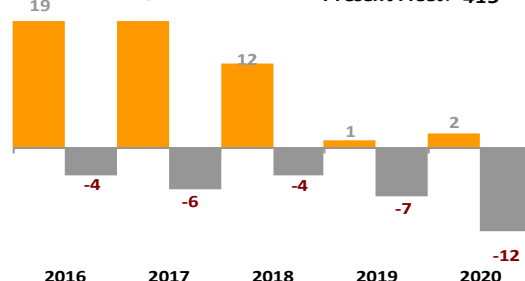
Aframax/LR2 Projected Deliveries/Removals

Present Fleet: 910



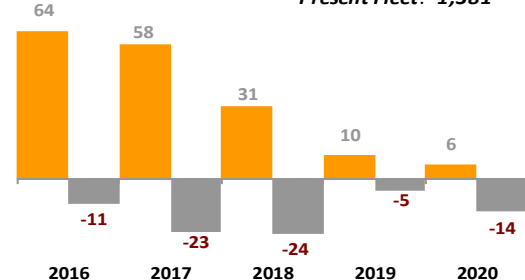
Panamax/LR1 Projected Deliveries/Removals

Present Fleet: 415



MR Projected Deliveries/Removals

Present Fleet: 1,381



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Aframax

After steady start, the Caribbean Aframax market appeared poised to post modest strength following charters which consumed prompt tonnage. After a strong bout of demand late during the week, supply/demand fundamentals tightened and the market finally recorded some upside with the CBS-USG route rising 5 points to the ws95 level. As sentiment remains bullish at the close of the week, rates could push north towards the ws100 level on a retesting during the start of the upcoming week. Also of note, the normal Worldscale rate discount for trans-Atlantic voyages was eroded due to declining rates in the Mediterranean and expected forward seasonal strength in the Caribbean.

Panamax

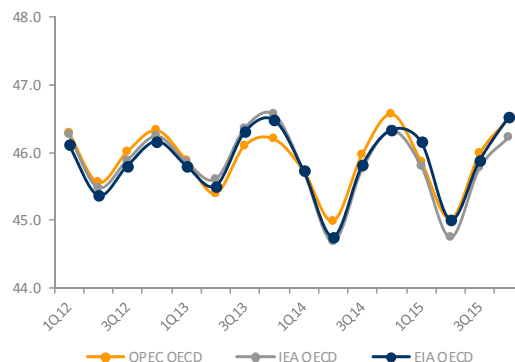
Following some potential upside early during the week, benchmark Caribbean Panamax rates concluded down modestly for week with at the ws120 level – a 2.5-point loss. Stronger prevailing TCEs in the European market, where UKC-USG trades yield a 69% premium to the CBS-USG route raise the potential that rates could observe some gains as owners could look increasingly to ballast. Alternatively, the recent ULSD discount to VGO in the USG area has raised the specter that refinery inputs could increasingly use the former in place of the latter; this could prompt VGO storage levels to rise modestly and thus consume additional regional Panamax, helping to support rates.

MR

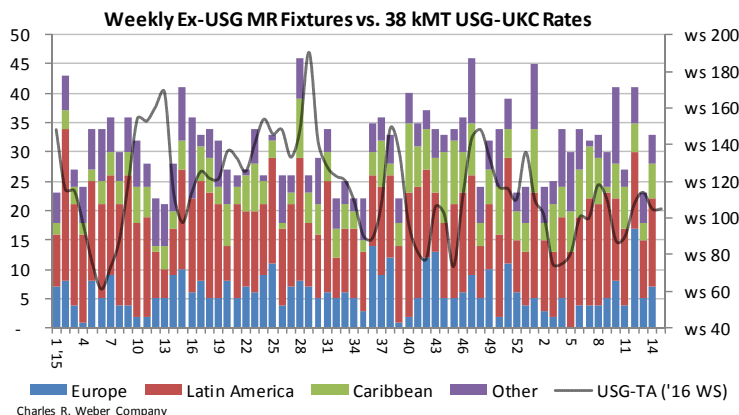
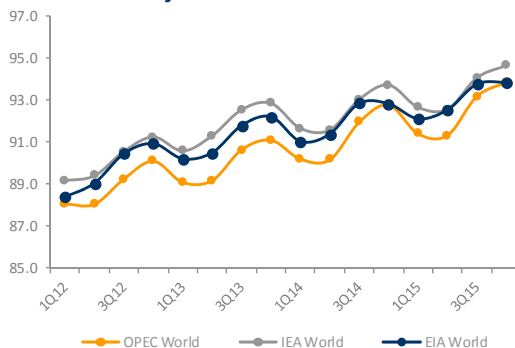
Markedly higher demand levels in the USG MR market this week – where the fixture tally jumped 43% w/w to 33 – helped to stabilize rates with only marginal losses on intraregional round-trip voyages and no change to the USG-UKC route. Of this week's fixture tally, seven fixtures were bound for points in Europe (+40% w/w) in an extending of recent relative demand strength on the route following a slow Q1. This accompanied the appearance of some arbitrage opportunities earlier in the week due to high PADD 3 and adjacent regions' distillate inventories and the likelihood of further builds thereof on rebounding refinery utilization rates. Twenty-one fixtures were bound for points in Latin America and the Caribbean (+62% w/w) and the remainders were yet to be determined or bound for alternative areas.

Rates on the USG-UKC route were steady at last-week's closing assessment of ws105 while the USG-POZOS route shed \$25k to \$525k lump sum. Availability rates were largely unchanged and concluded the week with 36 units available on a two-week forward basis, one unit more than a week ago. Given rising refinery utilization rates and high inventories, directional rate gains are expected between now and historical early-July peak. However, as USG-UKC rates have been supported in recent weeks by low ex-UKC rates and poor triangulated economics, the recent surge in demand for UKC-WAFR voyages and likely seasonal UKC-USAC gasoline demand strength ahead of the summer driving season, some of the disincentive for USG units to trade towards Europe could be eroded, leading to softer USG-UKC rates (despite potentially stronger triangulated earnings) and thus correlated negative pressure on rates for intraregional trades.

Projected OECD Oil Demand



Projected World Oil Demand



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REPORTED TANKER SALES

"Stresa" 105,357/02 – Daewoo – DH
-Sold for \$19.5m to undisclosed far east buyers.

"Navig8 Tiffany" 49,000/17 – STX – DH
"Navig8 Tektite" 49,000/17 – STX – DH
"Navig8 Trempolite" 49,000/17 – STX – DH
"Navig8 Triphane" 49,000/17 – STX – DH
 -Sold for \$35.0m each to Chinese buyers (Bank of Communications Financial Leasing) w/ BBB and Purchase Options after year 4.

"Simoa" 40,354/04 – Hyundai Mipo – DH – IMO II
-Sold for \$13.9m to undisclosed Greek buyers.

"Sunflower II" 14,298/02 – Asakawa – DH – IMO II/III
-Sold for \$11.25m to undisclosed South Korean buyers.

"Global Triton" 12,990/06 – Higaki – DH – IMO II/III
-Sold for \$12.0m to undisclosed Japanese buyers.

"Dong-A Sirius" 11,959/02 – Asakawa – DH – IMO II/III
-Sold for \$12.0m to undisclosed South Korean buyers.

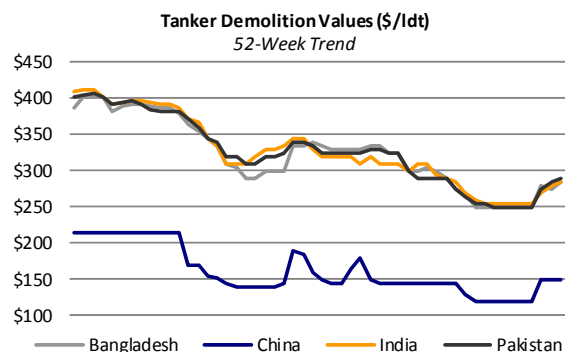
"Zhong Da You 56" 11,094/10 – Wenzhou – DH – IMO II – Ice FS II
-Sold for \$10.5m to undisclosed Chinese buyers.

"Simay G" 6,913/13 – Dearsan – DH – Ice 1C
-Sold for \$11.0m to undisclosed buyers.

"Nan Lian 2" 4,192/10 – Yangzhou – DH – IMO II – Ice FS II
-Sold for \$4.5m to undisclosed buyers.

REPORTED TANKER DEMOLITION SALES

No tanker demolition sales were reported this week.



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