WEBER WEEKLY TANKER REPORT

WEEK 21 – 27 MAY 2016 ISSUE 21 – 2016

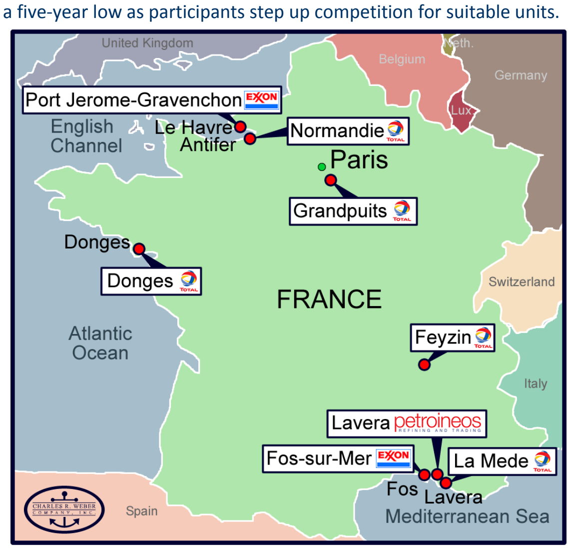
France labor unrest limiting USG-TA arbitrage opportunity for now

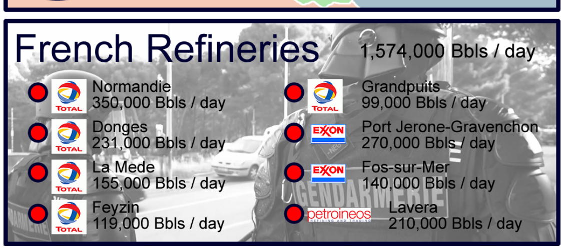
…but raise prospects for USG MRs once resolved

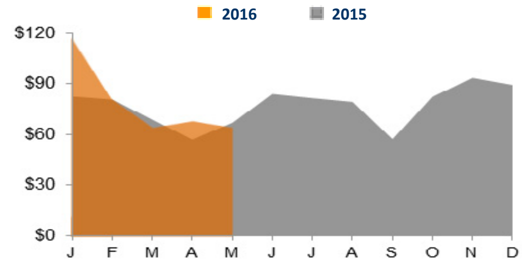
Labor disputes in France over a law which reduces overtime pay and liberalizes firing practices with an aim of reducing high unemployment reached a fever pitch this week with strikes at several French refineries and terminals being augmented by barricaded fuel depots and port terminals – complete with images of burning tires, tear gas and violent clashes. Reports indicate that between one fifth and one third of the country's petrol stations are now out of stock while long queues have developed at those with remaining inventory as motorists scramble to fuel up in anticipation of a worsening of the situation. Indeed, on Friday, key workers' unions called for the "rallies and blockades" to be *stepped up* in an effort to force a complete withdrawal of the bill. Contradictory reports complicate assessments of the status of France's refining and distribution system, but as much as 725,000 b/d of refining capacity may be impacted, representing around 46% of the country's total in-service capacity. Intermittent blockages at sites needed to maintain refining operations, import and export crude and product processing and internal distribution have exacerbated refinery idlings.

Distillate inventories in northern Europe stand at a 9+ year high of more than 3.2 MnMT while, together with Germany and Italy, France has been part of a longstanding Strategic Petroleum Reserve agreement that ensures collective crude and product reserves of 90 days. On this basis, there is no imminent supply crunch. Thus, rather than opening the trans-Atlantic diesel arbitrage window, the issues in France have contributed to its being held shut. For MR tanker demand in the USG market, the lack of arbitrage plays have been furthered by an effective halting of non-arbitrage, program product movements to France as traders look to avoid potentially costly demurrage time if port issues prevail.

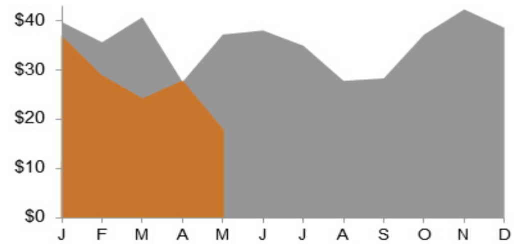
Once the labor dispute issues are resolved, however, a surge in French diesel inventory draws to facilitate a rushed inland distribution will likely lead to an opening of the arbitrage – even if temporarily. Though PADD 3 (USG) distillate inventories have declined strongly for six of the past seven weeks since peaking in early April, they remain 14% above year ago levels, leaving ample availability on the US-side to support arbitrage economics. A rush to cover any corresponding arbitrage plays would help to clear a recent USG market supply/demand imbalance while the concentrated rush to move cargoes itself should help to elevate regional rates from current lows with some intraregional voyages trading at a five-year low as participants step up competition for suitable units.



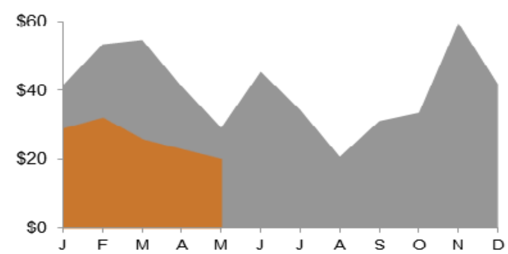




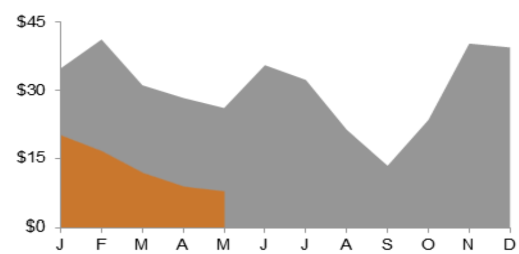
VLCC TCE AG-USG / CBS-SPORE/AG¹	MTD Average ~$64,539/Day	Month y/y ▼ -4%



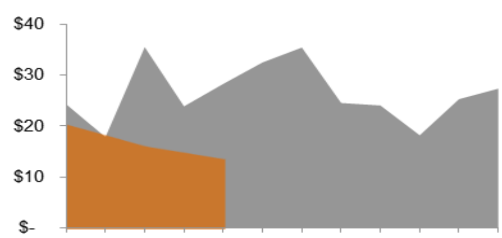
S'MAX TCE 130k WAF-UKC	MTD Average ~$17,773/Day	Month y/y ▼ -52%



A'MAX TCE 70k CBS-USG	MTD Average ~$20,225/Day	Month y/y ▼ -31%



P'MAX TCE 50k CBS-USG	MTD Average ~$7,889/Day	Month y/y ▼ -70%



MR TCE USG-UKC/ UKC-USAC/USG	MTD Average ~$13,734/Day	Month y/y ▼ -51%

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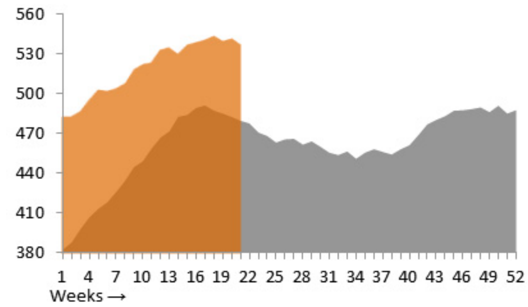
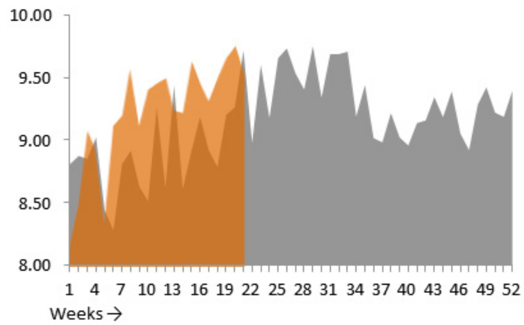
Spot Market	WS/LS	TCE ~$/day	WS/LS	TCE ~$/day
VLCC (13.0 Kts L/B)	20-May		27-May	
AG>USG 280k (TD1)	37.0	$22,495	31.5	$16,832
AG>USG/CBS>SPORE/AG	--	$57,364	--	$52,509
AG>SPORE 270k (TD2)	57.0	$44,946	52.5	$40,217
AG>CHINA 265k (TD3C)	55.0	$37,018	52.5	$34,643
WAFR>USG 260k (TD4)	62.5	$49,373	62.5	$49,353
WAFR>CHINA 260k (TD15)	59.5	$43,280	57.5	$41,275
CBS>SPORE 270k	$4.80m	--	$4.80m	--
SUEZMAX (13.0 Kts L/B)				
WAFR>USAC 130k	57.5	$16,528	60.0	$17,769
WAFR>UKC 130k (TD20)	57.5	$12,871	62.5	$15,344
BSEA>MED 140k (TD6)	72.5	$26,912	92.5	$40,734
CBS>USG 150k	70.0	$26,444	60.0	$18,739
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k (TD7)	105.0	$31,472	100.0	$27,032
AG>SPORE 70k (TD8)	90.0	$19,743	87.5	$19,092
BALT>UKC 100k (TD17)	97.5	$43,435	82.5	$32,356
CBS>USG 70k (TD9)	95.0	$16,157	100.0	$17,984
MED>MED 80k (TD19)	110.0	$29,184	112.5	$30,387
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k (TD21)	110.0	$6,650	115.0	$7,721
CONT>USG 55k (TD12)	110.0	$15,162	115.0	$16,375
ECU>USWC 50k	150.0	$21,580	160.0	$24,156
CPP (13.0 Kts L/B)				
UKC>USAC 37k (TC2)	125.0	$12,259	115.0	$10,142
USG>UKC 38k (TC14)	80.0	$5,010	72.5	$3,501
USG>UKC/UKC>USAC/USG	--	$13,623	--	$11,253
USG>POZOSCOLORADOS 38k	$375k	$10,567	$325k	$7,122
CBS>USAC 38k	115.0	$11,328	115.0	$11,246
AG>JPN 35k	110.0	$8,361	105.0	$7,784
AG>JPN 75k (TC1)	98.5	$19,921	95.0	$19,044
AG>JPN 55k (TC5)	103.5	$13,880	101.0	$13,494

Time Charter Market $/day *(theoretical)*	1 Year	3 Years
VLCC	$39,000	$36,000
Suezmax	$28,500	$26,000
Aframax	$24,000	$22,000
Panamax	$19,500	$18,500
MR	$16,000	$15,000



US Crude Stocks (EIA)	Last Week 537.1 MnBbls	Week y/y ▲ +12.0%



US Gasoline Demand (EIA)	Last week 9.516 MnB/d	Week y/y ▼ -2.0%

■ 2016 ■ 2015

SPOT MARKET SUMMARY

VLCC

Rates in the VLCC market remained soft this week despite stronger activity as availability levels rose relative to prevailing demand. There were a total of 30 fixtures in the Middle East market and six in the West Africa market, marking w/w gains of 50% and 100%, respectively. The distribution of demand thereof, however, was uneven and after a concentration of fixtures early during the week, a subsequent pullback caused participants to reassess their view of fundamentals; whereas a factor limiting negative rate progression early this week was the anticipation of stronger demand to come, once that demand had come and then seemingly past, participants pointed to its inability to have absorbed sufficient tonnage to maintain prevailing rates.

We note that with 53 June Middle East cargoes now covered, there are just 27 anticipated through the end of the month's second decade. Against this, however, there are 40 units available. Once factoring for draws from the pool of available units to service West Africa demand, there is an implied surplus of seven units. While relatively balanced (compared with five surplus units at the conclusion of the May program and an average monthly surplus of 8 units over the past year), there is a likely high number of hidden positions being noted by participants as likely to create a wider supply/demand imbalance. Moreover, we note that the share of recent chartering activity for voyages to India's West Coast relative to the Middle East market's total is at nearly a one-year high and with all of the performing units thus returning to the market in time for late-June cargoes (excluding itinerary delays), availability looks set to expand by the end of the month which is likely factoring into present negative sentiment. Limiting the extent of expected rate downside, however, a large volume of cargo remains uncovered through both the second decade and the remainder of the month. June's Basrah VLCC stems remain at the second-highest level ever (for a second consecutive month) while regional leader Saudi Arabia supply remains high with impacts from field maintenance now past and recent reports indicating stronger Saudi offerings. Moreover, forward supply from the kingdom could benefit from an expansion of the Shaybah field which contributes to the Arab Extra Light grade. A surge in demand to cover the expected volume of cargo could counter negative sentiment to either limit downside or potentially lead to psychologically-driven upside.

Middle East

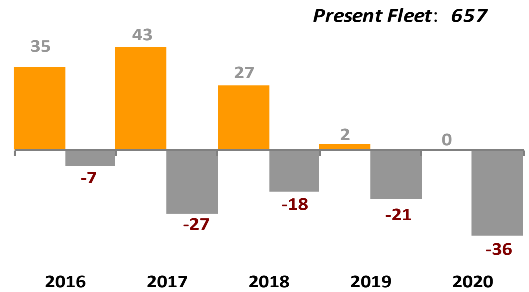
Rates to the Far East concluded at ws52.5 – off 2.5 points from a week ago. Corresponding TCE dropped 6% to ~$34,643/day. Rates to the USG via the Cape were assessed at ws31.5, representing a weekly loss of 5.5 points. Triangulated Westbound trade earnings conclude the week off by 8% at ~$52,509/day, basis current AG-USG and CBS-SPORE assessments.

Atlantic Basin

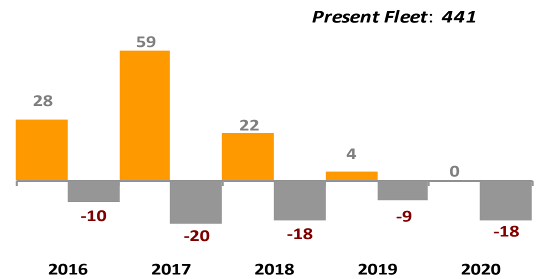
Rates in the West Africa market continued to lag behind those in the Middle East. The WAFR-FEAST route dropped 2 points to conclude at ws57.5 with corresponding TCEs losing 5% to conclude ~$41,275/day.

In the Caribbean, inactivity and uncertainty over forward demand continue to pervade the market. However, with fewer recent USG arrivals, prevailing supply/demand was generally unchanged. On this basis, rates on the CBS-SPORE route were generally unchanged in the high $4.0m range.

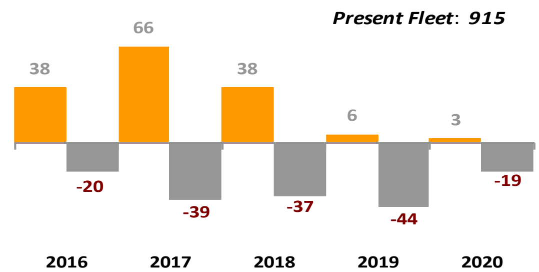
VLCC Projected Deliveries/Removals



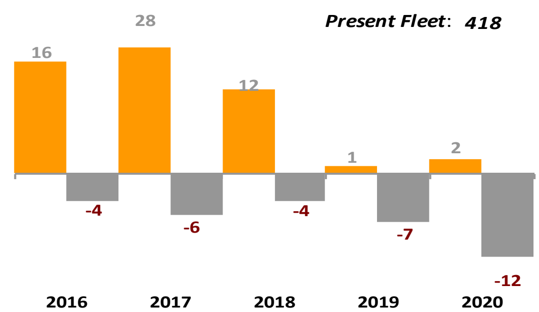
Suezmax Projected Deliveries/Removals



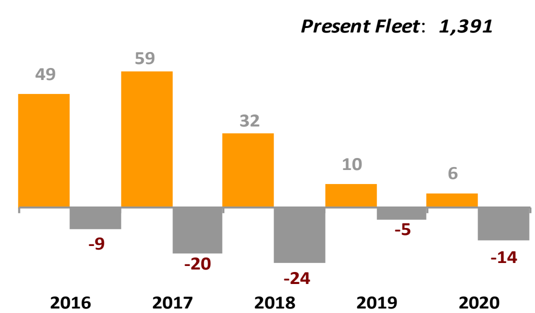
Aframax/LR2 Projected Deliveries/Removals



Panamax/LR1 Projected Deliveries/Removals



MR Projected Deliveries/Removals



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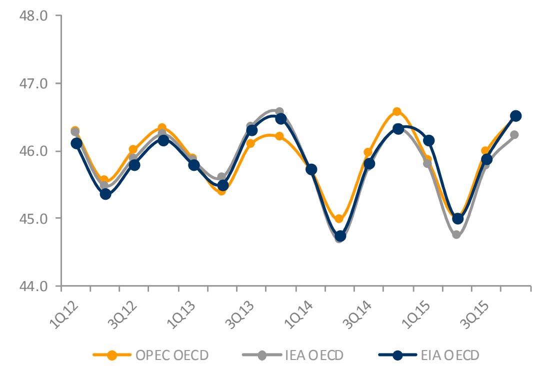
Suezmax

The West Africa Suezmax market was more active this week with regional demand doubling to 18 fixtures. Rates remained soft through much of the week on a softening Caribbean market and the earlier lackluster West Africa demand, but by the close of the week the more active pace translated into an improved supply/demand position and led to fresh rate upside. The WAFR-UKC route concluded the week at ws62.5, up 5 points from a week earlier. An attack on an EIN pipeline has led to force majeure for Brass Terminal exports and has seen production cut by 4,200 b/d, according to reports. Meanwhile, cargoes at Qua Iboe are facing delays up to two weeks which has tempered demand for June loadings and a backlog of unsold cargoes remain. Later purchases of these would benefit Suezmaxes but corresponding Suezmax demand is likely more than a week away. As such, further upside could be limited – particularly with the long weekend in the US and UK allowing availability to expanding.

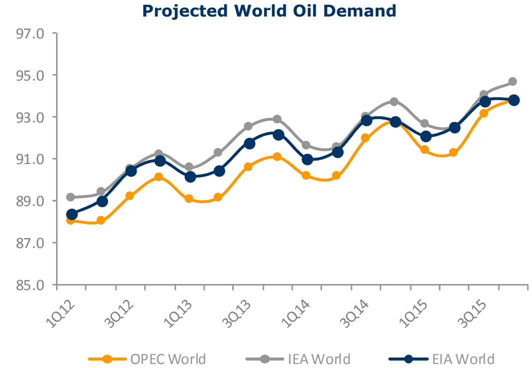
Projected OECD Oil Demand



Aframax

Demand in the Caribbean Aframax market slipped to a nine-week low this week. An early-week clearing of some prompt units, combined with an anticipated rush ahead of the Memorial Day weekend saw rates on the CBS-USG inch up 5 points to the ws100 level but with the rush failing to materialize further gains proved difficult. With availability (and prompt positions) expected to expand over the long weekend, stronger demand will be needed for the market to hold at present levels. Failing that, rates could be poised for a modest pullback.

Projected World Oil Demand



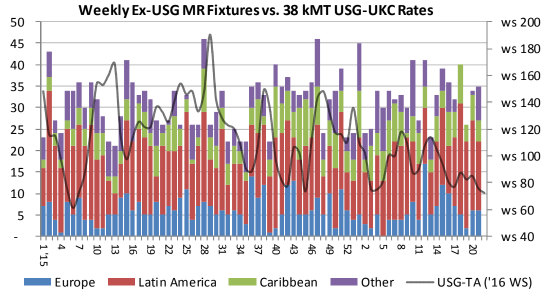
Panamax

The Caribbean Panamax market was stronger this week on an expansion of demand and moderately tighter supply/demand positioning. The CBS-USG route added 5 points to conclude at ws115. If demand levels hold up, owners could seek further gains to bring regional TCEs more in line with those of alternative markets.

MR

Despite rising activity and a shorter list of available units, the USG MR market saw rates remain weak this week. A total of 35 fixtures were reported, representing a 3% w/w gain; of these, six were bound for points in Europe (unchanged w/w), 21 were bound for points in Latin America and the Caribbean (-22% w/w) and the remainder were yet to be determined or destined for alternative locations. The two-week forward view of tonnage concludes the week with 30 units, representing a 19% w/w reduction. With many units recently bound for ECMex on short voyages, the effective supply/demand implications are less attractive than suggested by recent fixture tallies and availability views, we note, resulting in the softer rates being observed. A fair measure of psychological sentiment also pervades the market, we believe, as evidenced by the extent of rate losses on round-trip voyages within the USG market – and particularly on those for longer-haul round-trip voyages like USG-Chile. USG-POZOS rates conclude off by $50k to $325k with a corresponding paltry TCE of just ~$7,122/day. Those on the USG-UKC route are at a YTD low of ws72.5 while triangulated TCEs with present UKC-USAC rates stand at ~$11,253/day. Participants have shown stronger resistance for longer-haul voyages locking them into returns over relatively long periods, as evidenced by the present USG-CHILE assessment of $1.15m (basis Quintero discharge) which yields a much better TCE of ~$18,824/day. We believe that rates are at or near a bottom given PADD 3 refining activity, high regional inventories and the start of the summer driving season all likely to support overall forward near-term demand and contribute to a tighter supply/demand profile.

Weekly Ex-USG MR Fixtures vs. 38 kMT USG-UKC Rates



Charles R. Weber Company

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REPORTED TANKER SALES

"Hamilton Spirit" 158,769/09 – Hyundai Samho – DH
"Bermuda Spirit" 158,143/09 – Hyundai Samho – DH
-Sold en bloc for $45.0m each to Greek buyers (Centrofin) as an exercised fixed-rate purchase options under existing long-term TCs.

OBO **"SKS Tyne"** 109,891/96 – Hyundai Ulsan – DH
-Sold for $7.0m to Turkish buyers (Karadeniz); unit currently trading wet (dirty).

"Marlin Amethyst" 50,000/15 – Guangzhou – DH
-Sold for $35.5m to US buyers (Sea Capital).

"Signal Maya" 46,843/05 – Naikai Zosen – DH
-Sold for $15.5m to Greek buyers (Benetech).

"King Emerald" 38,850/04 – Guangzhou – DH – IMO III – Ice 1B
"King Edward" 37,384/04 – Hyundai Mipo – DH – IMO III – Ice 1B
"King Everest" 37,229/01 – Hyundai Mipo – DH – IMO III – Ice 1B
"King Ernest" 36,997/04 – Hyundai Mipo – DH – IMO III – Ice 1B
-Sold en bloc for $45.0m to German buyers (CP Offen).

"Frida Maersk" 31,687/01 – Hanjin Busan – DH
-Sold for $12.0m to undisclosed Indonesian buyers basis DD due.

"Aegean Champion" 23,400/91 – Lindenau – DH – 1A
-Sold for $5.8m to Emirati buyers (Emirates Shipping Co LLC).

"Fairchem Bronco" 19,776/07 – Fukuoka Nagasaki – DH
-Sold for $20.5m to undisclosed UK buyers; sale includes TCB for 3 years at $15,000/day.

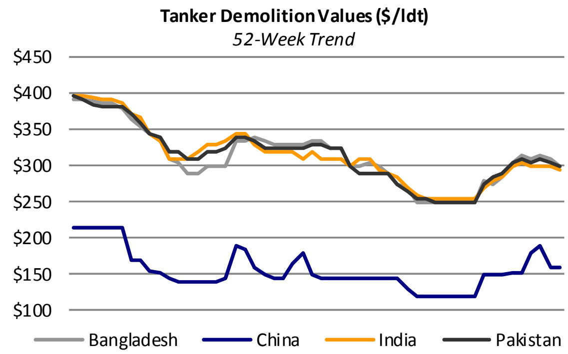
"Golden Crest" 12,898/08 – Samho Tongyoung – DH
"Golden Dominance" 12,898/08 – Samho Tongyoung – DH
-Sold en bloc for $25.0m to undisclosed South Korean buyers.

"Sankei Maru" 2,051/95 – Shirahama – DH
-Sold for $0.75m to undisclosed buyers.

REPORTED TANKER DEMOLITION SALES

India

"Stolt Topaz" 38,818/86 – 11,411 LTD – DB
-Sold on private terms.



[1]Monthly triangulated VLCC AG-USG/CBS-SPORE/AG TCE averages based on aveage CBS-SPORE assessments and prior-month AG-USG assessments to reflect earnings reality for units engaged in this trade.

George P. Los
Senior Market Analyst
Charles R. Weber Research
research@crweber.com

Charles R. Weber Company, Inc.
Greenwich Office Park Three,
Greenwich, CT 06831
Tel: +1 203 629-2300
Fax: +1 203 629-9103
www.crweber.com

1001 McKinney Street,
Suite 475
Houston, TX 77002
Tel: +1 713 568-7233
Fax: +1 713 337-6486