

WEBER WEEKLY TANKER REPORT

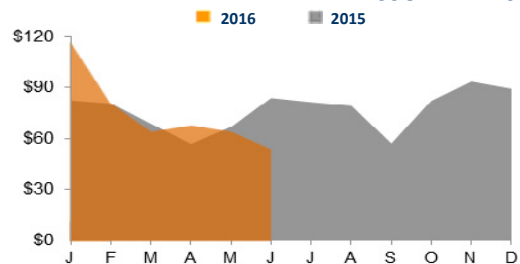


WEEK 22 – 3 JUNE 2016

ISSUE 22 – 2016

Spot Market	WS/LS	TCE ~\$/day	WS/LS	TCE ~\$/day
VLCC (13.0 Kts L/B)				
	27-May		3-Jun	
AG>USG 280k (TD1)	31.5	\$16,832	35.0	\$20,194
AG>USG/CBS>SPORE/AG	--	\$52,509	--	\$44,051
AG>SPORE 270k (TD2)	52.5	\$40,217	67.0	\$56,159
AG>CHINA 265k (TD3C)	52.5	\$34,643	65.0	\$47,769
WAFR>USG 260k (TD4)	62.5	\$49,353	70.0	\$56,900
WAFR>CHINA 260k (TD15)	57.5	\$41,275	65.0	\$48,775
CBS>SPORE 270k	\$4.80m	--	\$4.80m	--
SUEZMAX (13.0 Kts L/B)				
WAFR>USAC 130k	60.0	\$17,769	85.0	\$30,658
WAFR>UKC 130k (TD20)	62.5	\$15,344	87.5	\$27,979
BSEA>MED 140k (TD6)	92.5	\$40,734	100.0	\$45,667
CBS>USG 150k	60.0	\$18,739	72.5	\$28,008
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k (TD7)	100.0	\$27,032	97.5	\$24,976
AG>SPORE 70k (TD8)	87.5	\$19,092	92.5	\$20,597
BALT>UKC 100k (TD17)	82.5	\$32,356	70.0	\$23,457
CBS>USG 70k (TD9)	100.0	\$17,984	100.0	\$17,861
MED>MED 80k (TD19)	112.5	\$30,387	120.0	\$33,770
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k (TD21)	115.0	\$7,721	120.0	\$8,816
CONT>USG 55k (TD12)	115.0	\$16,375	122.5	\$18,287
ECU>USWC 50k	160.0	\$24,156	160.0	\$23,930
CPP (13.0 Kts L/B)				
UKC>USAC 37k (TC2)	115.0	\$10,142	110.0	\$9,103
USG>UKC 38k (TC14)	72.5	\$3,501	70.0	\$2,946
USG>UKC/UKC>USAC/USG	--	\$11,253	--	\$10,273
USG>POZOSCOLORADOS 38k	\$325k	\$7,122	\$315k	\$6,366
CBS>USAC 38k	115.0	\$11,246	105.0	\$9,239
AG>JPN 35k	105.0	\$7,784	104.0	\$7,540
AG>JPN 75k (TC1)	95.0	\$19,044	85.0	\$15,911
AG>JPN 55k (TC5)	101.0	\$13,494	95.0	\$12,045

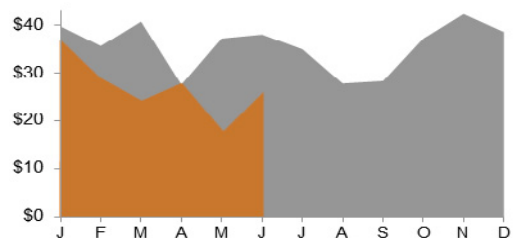
Time Charter Market \$/day (theoretical)	1 Year	3 Years
VLCC	\$38,000	\$35,000
Suezmax	\$27,000	\$26,000
Aframax	\$23,000	\$22,000
Panamax	\$20,000	\$18,000
MR	\$16,000	\$15,000



VLCC TCE
AG-USG /
CBS-SPORE/AG¹

MTD Average
~\$54,702/Day

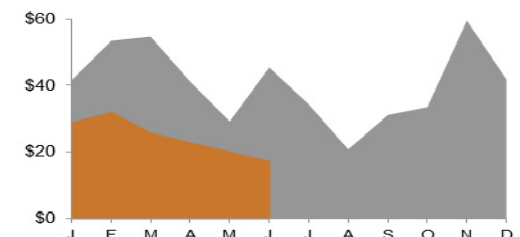
Month y/y
▼ -35%



S' MAX TCE
130k WAF-UKC

MTD Average
~\$26,151/Day

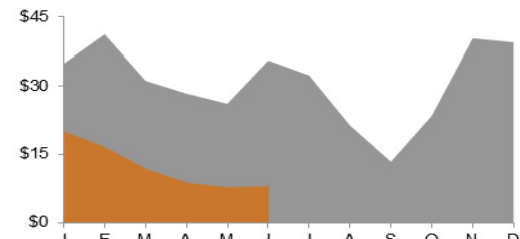
Month y/y
▼ -31%



A' MAX TCE
70k CBS-USG

MTD Average
~\$17,482/Day

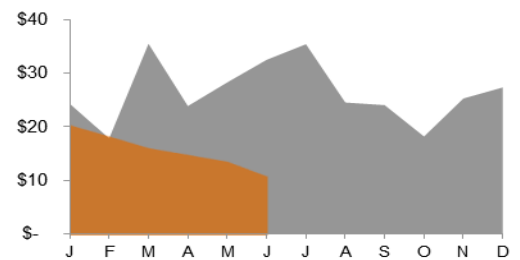
Month y/y
▼ -61%



P' MAX TCE
50k CBS-USG

MTD Average
~\$8,157/Day

Month y/y
▼ -77%



MR TCE
USG-UKC/
UKC-USAC/USG

MTD Average
~\$10,840/Day

Month y/y
▼ -67%

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SPOT MARKET SUMMARY

VLCC

Rates in the VLCC market turned stronger this week after participants in the US and UK returned from the holiday-lengthened weekend to an elevated pace of demand as charterers sought to cover a backlog of June cargoes. Though activity levels moderated thereafter, they did not decrease sufficiently to prompt a paring of the earlier gains. The AG-FEAST benchmark rose from ws51 a week ago to a closing assessment of ws65 (a two-week high).

Also factoring into this week's rate strength was an expectation that global crude production outages are easing from May levels. We estimate that crude outages during May totaled 3.495 MnB/d while new additions totaled just 0.2 MnB/d. Already, outages are declining, currently totaling around 2.64 MnB/d while Iran has indicated new incremental barrels totaling 200,000 b/d imminently and Libya appears poised to pare its recent 300,000 b/d outage and has indicated an additional potential 60,000 b/d, depending on field developments, and Iraq's June loading schedule shows a 415,000 b/d m/m increase. Rebounding production marks a positive step for tanker demand and earnings, but much uncertainty surrounds that in two key VLCC-driving markets. Nigeria represents one such wild card, where 600,000 b/d of capacity remains shut due to persistent attacks on energy infrastructure in the Niger Delta area; though marking a modest improvement, force majeure remains in place for the Qua Iboe, Forcados and Bonny Light grades, to varying extents, and a last minute cancellation by President Buhari to the Niger Delta signals a possible setback in quelling regional violence. Venezuela represents the other with 250,000 b/d of supply estimated to be offline due to credit and liquidity issues and a continued low oil price environment raising questions about how the situation there can improve.

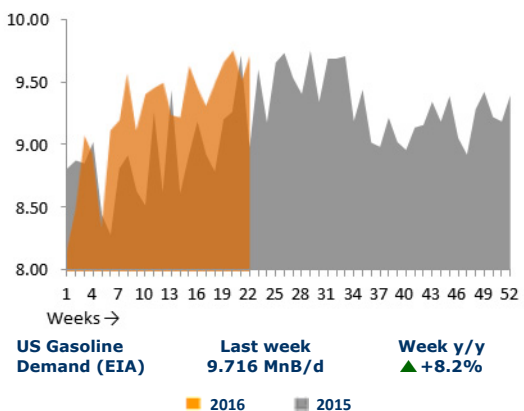
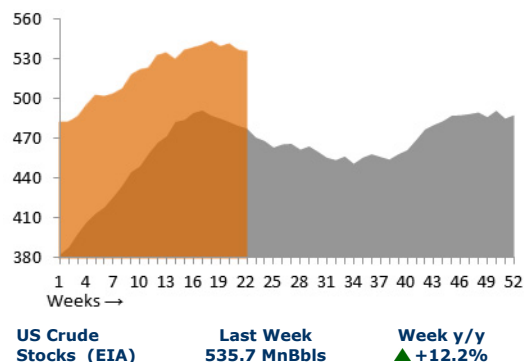
In the nearer-term, Middle East VLCC demand fundamentals do appear to be improving. As noted above, Iraq's export program for June shows a strong m/m gain and supply from Saudi is poised to rise by 100,000 b/d on field production gains while that from the UAE is poised to rise by 100,000 b/d on a concluding of field maintenance last month. Tempering net gains for VLCCs, however, are fewer likely merged smaller cargoes as compared with May. With 88 June Middle East cargoes covered to date, we estimate a further 45 remain uncovered. Against this, there are 55 units available through end-June dates and any potentially hidden positions could be offset by the possibility of itinerary delays for units discharging in Asia. From the pool of available units, as many as eight could be drawn to the West Africa market, where the Nigeria issues for now appear to be impacting Suezmax stems more than VLCCs which are traditionally more active in Angola. The implied surplus on this basis is just two units. On this basis, rates have little possibility of observing downside and a strong possibility of upside, subject to the uncertain positions and how far forward charterers work their cargoes.

Middle East

Rates to the Far East added 14 points to conclude at ws65 with corresponding TCEs rising by 40% to ~\$47,888/day. Rates to the USG via the Cape added 4 points to conclude at ws35 and triangulated TCEs and present AG-USG and CBS-SPORE assessments stand at ~\$55,027/day, representing a 5% w/w gain.

Atlantic Basin

The West Africa market continued to lag the Middle East. Rates on the WAFR-FEAST route added three points to conclude at ws59.5 with corresponding TCEs gaining 7% to ~\$43,219/day. The Caribbean market remained quiet with rates at an effective floor of \$4.8m on a lump sum basis.



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Suezmax

Though the week's total reported fixture tally was down on a w/w basis – to 13 from last week's 20 – the West Africa Suezmax market experienced a strengthening of rates as participants lagged in their reassessing of prevailing supply fundamentals. Earlier pessimism driven by three consecutive decades of low regional demand late during May and early during June, combined with production and supply issues and an earlier slump in both Caribbean and Middle East demand all created negative sentiment which pushed West Africa rates below levels dictated by supply/demand fundamentals. However, after Suezmax coverage rebounded during June's second-decade to a two-month high and with regional production issues easing, sentiment improved and led to strong rate gains. The WAFR-UKC route added 25 points to conclude at a 5-week high of ws87.5. Further strength could prevail as charterers look to increase coverage of June's final decade; however, the extent of further near-term demand remains uncertain due to ongoing Nigeria supply issues. Spot-market coverage of the June program thus far presently equates to 2.63 Mb/d against a YTD average of 3.40 Mb/d while reports indicate that 800,000 b/d of capacity in Nigeria was lost during May with only 200,000 b/d thereof having resumed thus far.

Aframax

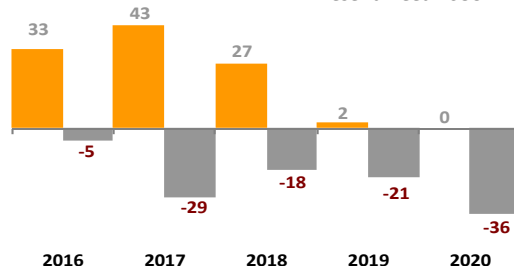
Though more active than last week (+40% w/w to 14 fixtures), demand in the Caribbean Aframax market was lackluster relative to supply. Rates on the CBS-USG were largely unchanged at the ws100 level throughout the week, with the exception of a one-off fixture at ws97.5, which proved unrepeatable. However, with the number of prompt units likely to expand over the weekend, rates may struggle to maintain the status quo.

Panamax

Ongoing relative demand strength in the Caribbean Panamax market saw rates continue to find modest support. The CBS-USG route added 5 points to conclude at ws120. Failing a sharp change to the demand profile, rates should experience further modest upside during the upcoming week – particularly given the prevailing differential between Caribbean and European TCE benchmarks which yield the latter a 107% premium.

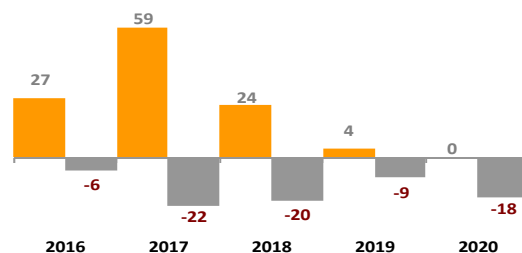
VLCC Projected Deliveries/Removals

Present Fleet: 659



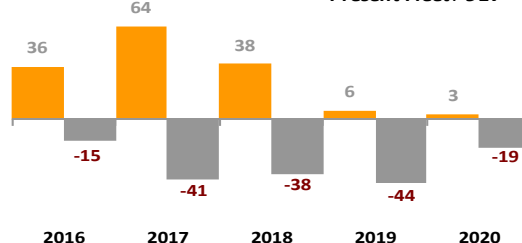
Suezmax Projected Deliveries/Removals

Present Fleet: 442



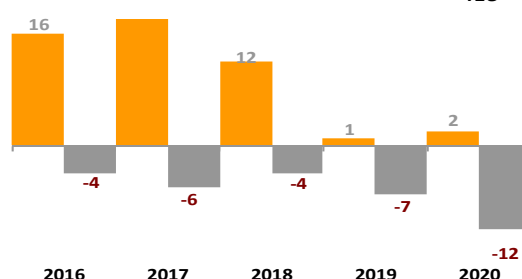
Aframax/LR2 Projected Deliveries/Removals

Present Fleet: 917



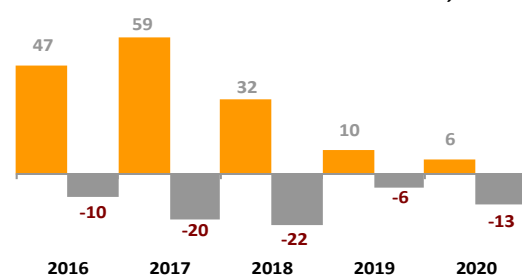
Panamax/LR1 Projected Deliveries/Removals

Present Fleet: 418



MR Projected Deliveries/Removals

Present Fleet: 1,392



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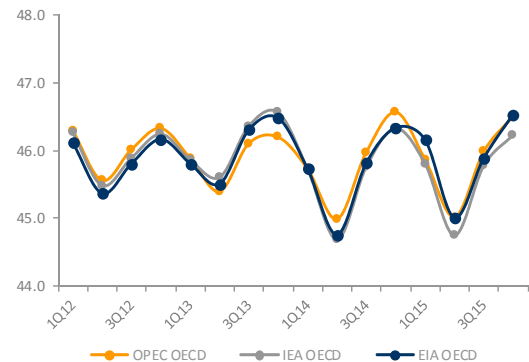


MR

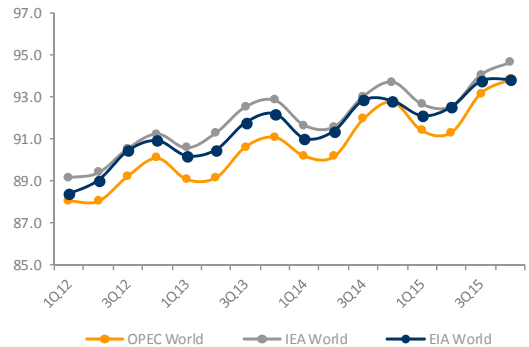
A fresh rebound of availability levels in the USG MR market this week offset last week's strong demand to keep rates in negative territory this week. The USG-UKC route dropped 2.5 points to conclude at ws70, the lowest assessment since mid-January while the USG-POZOS route dropped by \$10k to a six-year low of \$315k lump sum. Triangulated USG-UKC/UKC-USAC/USG earnings stand at ~\$10,273/day while USG-POZOS route yields ~\$6,366/day. The low present earnings environment comes despite relatively elevated activity levels. This week saw 31 fixtures reported; while representing a 16% w/w decline, the level is near the 52-week average. On a four-week moving average basis, the fixture tally stands 14% above year-ago levels. Of this week's tally, four units were bound for points in Europe (off by one, w/w), 18 units were bound for points in Latin America and the Caribbean (off 31% w/w) and nine were bound for alternative destinations or are yet to be determined. Two-week forward availability concludes with 38 units, representing a 27% w/w gain. Additionally, some 10 LR1s are available over the same space of time – and through the end of the month that count expands to 17 LR1s and 1 LR2. The larger units are increasingly willing to perform intraregional voyages, adding to the woes of MR owners who generally compete with the larger tankers for just TA voyages (for which the LRs are brought closer to traditional load ports). Moreover, whereas often the larger tankers offer charterers economy of scale where suitable (something particularly attractive for outsize arbitrage plays), a number of fixtures have materialized recently for LR1s to carry MR-sized 38,000 MT cargoes.

These factors are calling into question the length of this year's summer seasonal rally with participants noting increasing pessimism over its likely occurrence altogether. We remain guardedly optimistic that rates will experience upside during June and July, though we have tempered our expectations to peak levels considerably below those observed during 2015. Supporting our expectations, we believe that a full resolving of France's labor unrest (and weather issues) will support an open arbitrage to restock inventories as those in terminals make their way inland amid seasonal European inventory draws – and those associated with stronger demand coinciding with the Euro Championship which commences late next week (which consultancy FGE Energy estimated would add 50,000 b/d of diesel demand to normal consumption. Meanwhile seasonal flows to Latin America should rise as southern points progress to winter diesel demand while Brazil prepares for the Olympics (though a change to allow B20 during the Rio Olympics could temper corresponding diesel import demand prospects).

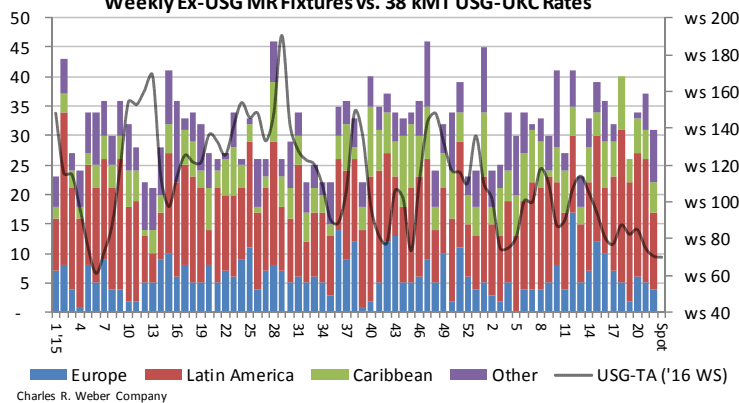
Projected OECD Oil Demand



Projected World Oil Demand



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



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REPORTED TANKER SALES

"E Elephant" 317,800/11 – Hyundai Samho – DH
-Sold at auction (Qingdao) for \$55.6m to Greek buyers (Minerva Marine) basis DD due and with unit declassified.

"Crude Hope" 308,000/16-Sep – Hyundai Ulsan – DH

"Crude Horn" 308,000/16-Nov – Hyundai Gunsan – DH

-Sold en bloc for \$86.0m each to Norwegian buyers (Frontline).

"Crude Med" 308,000/17-Jan – Hyundai Gunsan – DH

"Crude Progress" 308,000/17-Mar – Hyundai Gunsan – DH

-Sold on subjects en bloc for \$84.0m to Norwegian buyers (Frontline).

"Nippon" 298,399/02 – Hitachi Zosen – DH

-Sold for \$31.5m to undisclosed Singaporean buyers.

Daehan 5013 114,900/17-Q1 – Daehan – DH

Daehan 5014 114,900/17-Q2 – Daehan – DH

-Sold for \$46.0m to Greek buyers (NS Lemos).

"CPO Japan" 50,747/10 – Hyundai Mipo – DH – IMO III

"CPO Korea" 50,747/09 – Hyundai Mipo – DH – IMO III

-Sold for \$23.8m and \$22.2m, respectively, to UK buyers (Union Maritime).

"Simoa" 40,354/04 – Hyundai Mipo – DH

-Sold for \$12.9m to undisclosed Greek buyers basis DD due.

"Sira" 20,832/08 – Shin Kurushima – DH – IMO II/III

-Sold for \$20.5m to UK buyers (Tufton Oceanic).

"Golden Pacific" 18,041/12 – Zhejiang Hangchang – DH – IMO II

-Sold for \$12.0m to undisclosed Greek buyers. Unit laid-up since 09/2015; re-commissioning requires additional ~\$1.5m.

"Da Wei Shan" 6,163/09 – China Gezhouba – DH – Asphalt/Bitumen

-Sold for \$12.2m to South Korean buyers (Motardship Co Ltd).

"Bow Sailor" 6,008/99 – Szczecinska Stocznia – DH – IMO II – Ice 1C

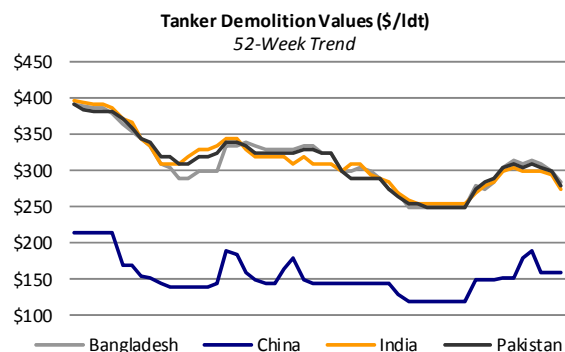
-Sold for \$6.4m to undisclosed buyers.

REPORTED TANKER DEMOLITION SALES

Pakistan

"Alba" 45,831/87 – 8,978 LTD – DH

-Sold for \$300/ldt including 150 MT bunkers ROB.



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



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