WEBER WEEKLY
TANKER REPORT

WEEK 31 – 5 AUGUST 2016 **ISSUE 31 – 2016**

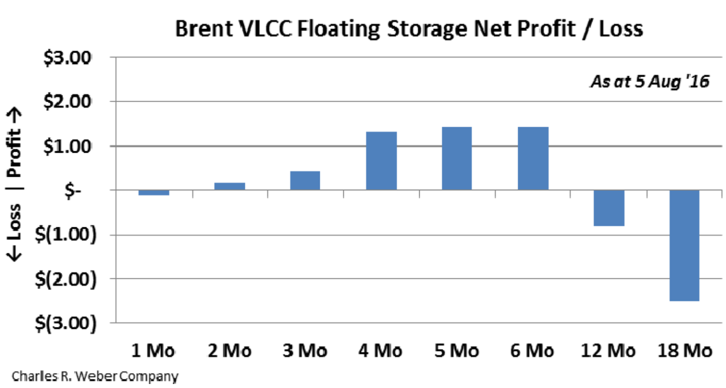
Profitable floating storage reemerges?

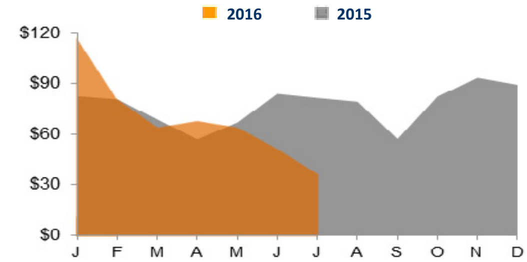
Our regular monitoring of storage economics shows that following the recent front-month crude price correction and amid relatively low VLCC storage costs, potentially profitable storage economics have reemerged. Looking at Brent futures and likely VLCC storage as of mid-day Friday, the key numbers are as follows:

	TC Rate *$/day*	Costs[1] *$/bbl*	Profit/Loss *$/bbl*
1 Mo	$30,000	$0.80	-$0.13
2 Mo	$27,500	$1.24	$0.18
3 Mo	$25,000	$1.61	$0.42
4 Mo	$24,500	$2.02	$1.33
5 Mo	$24,500	$2.45	$1.42
6 Mo	$24,500	$2.88	$1.42
12 Mo	$31,000	$6.74	-$0.81
18 Mo	$30,000	$9.64	-$2.49

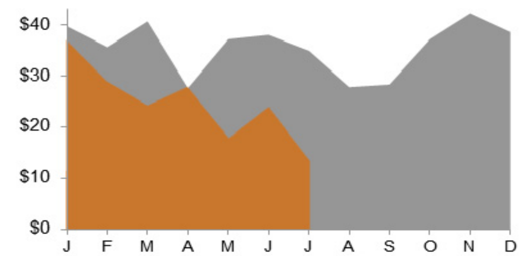
[1]Inclusive of TC rate, bunkers, operational costs, carr and insurance.

Ultimately, a $1.42/bbl gain is quite unlikely sufficient to stoke a storage trend. We note that oscillating differentials between West African grades (the likely crudes to be sourced for storage) and Brent make any presumed gains highly vulnerable. Moreover, many of Nigeria's key grades are trading at strong premiums to Brent due to forces majeures; as these often trade at a discount to Brent, their acquisition cost is likely prohibitive on front-end economics when structuring floating storage plays.

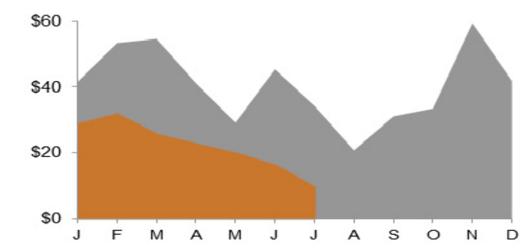




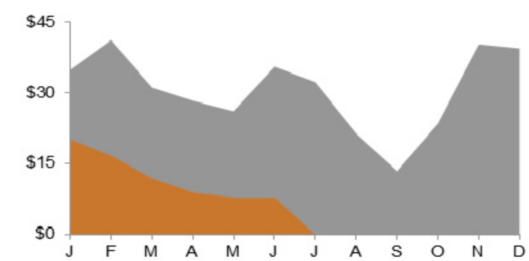
VLCC TCE AG-USG / CBS-SPORE/AG[1]	**July Average ~$36,921/Day**	**Month y/y ▼ -55%**



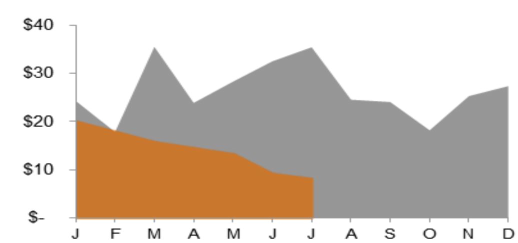
S'MAX TCE 130k WAF-UKC	**July Average ~$13,221/Day**	**Month y/y ▼ -62%**



A'MAX TCE 70k CBS-USG	**July Average ~$9,979/Day**	**Month y/y ▼ -71%**



P'MAX TCE 50k CBS-USG	**July Average ~$82/Day**	**Month y/y ▼ -100%**

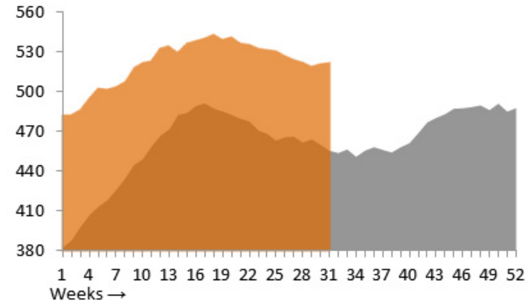


MR TCE USG-UKC/ UKC-USAC/USG	**July Average ~$8,656/Day**	**Month y/y ▼ -76%**

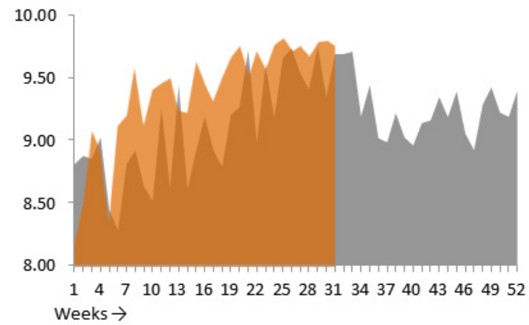
WEBER WEEKLY TANKER REPORT

Spot Market	WS/LS	TCE ~$/day	WS/LS	TCE ~$/day
VLCC (13.0 Kts L/B)	**29-Jul**		**5-Aug**	
AG>USG 280k (TD1)	24.0	$9,865	21.5	$7,277
AG>USG/CBS>SPORE/AG	--	$30,814	--	$27,658
AG>SPORE 270k (TD2)	35.0	$21,050	34.0	$19,523
AG>CHINA 265k (TD3C)	35.0	$16,482	34.0	$14,992
WAFR>USG 260k (TD4)	50.0	$37,315	45.0	$32,113
WAFR>CHINA 260k (TD15)	45.0	$29,041	40.0	$23,880
CBS>SPORE 270k	$3.10m	--	$3.00m	--
SUEZMAX (13.0 Kts L/B)				
WAFR>USAC 130k	40.0	$8,175	39.0	$7,626
WAFR>UKC 130k (TD20)	40.0	$4,746	39.0	$4,206
BSEA>MED 140k (TD6)	50.0	$11,007	50.0	$10,890
CBS>USG 150k	47.5	$10,534	47.5	$10,479
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k (TD7)	80.0	$10,206	77.5	$7,983
AG>SPORE 70k (TD8)	87.5	$16,792	80.0	$14,295
BALT>UKC 100k (TD17)	57.5	$14,834	50.0	$9,846
CBS>USG 70k (TD9)	80.0	$10,985	75.0	$9,106
MED>MED 80k (TD19)	72.5	$8,403	70.0	$7,370
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k (TD21)	85.0	$1,388	85.0	$8,763
CONT>USG 55k (TD12)	97.5	$12,570	85.0	$9,165
ECU>USWC 50k	122.5	$16,143	122.5	$16,594
CPP (13.0 Kts L/B)				
UKC>USAC 37k (TC2)	90.0	$6,293	80.0	$4,309
USG>UKC 38k (TC14)	57.5	$1,409	57.5	$1,377
USG>UKC/UKC>USAC/USG	--	$7,237	--	$6,120
USG>CBS (Pozos) 38k	$300k	$6,037	$275k	$4,326
USG>CHILE (Coronel) 38k	$1.03m	$13,864	$1.00m	$13,125
CBS>USAC 38k	100.0	$8,965	100.0	$8,938
AG>JPN 35k	110.0	$8,545	110.0	$8,364
AG>JPN 75k (TC1)	105.0	$22,044	105.0	$21,800
AG>JPN 55k (TC5)	104.0	$14,317	113.0	$16,065

Time Charter Market *$/day (theoretical)*	1 Year	3 Years
VLCC	$32,000	$30,000
Suezmax	$23,000	$22,500
Aframax	$19,000	$17,500
Panamax	$17,000	$17,000
MR	$14,000	$14,000



US Crude Stocks (EIA) | **Last Week 522.5 MnBbls** | **Week y/y ▲ +14.8%**



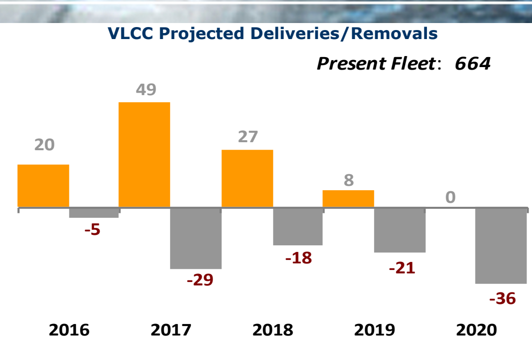
US Gasoline Demand (EIA) | **Last week 9.752 MnB/d** | **Week y/y ▲ +0.7%**

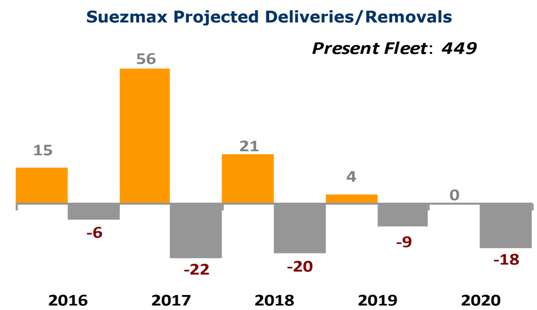
2016 **2015**

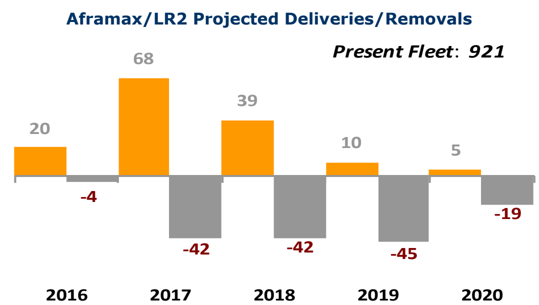
WEBER WEEKLY TANKER REPORT

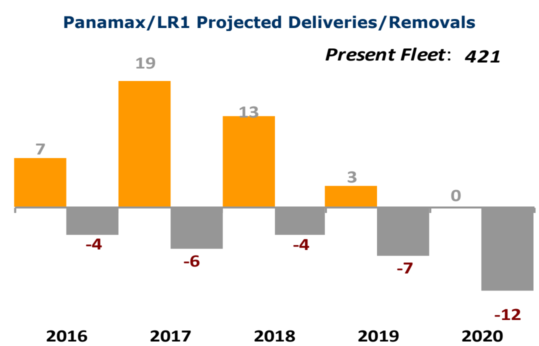
CHARLES R. WEBER COMPANY, INC.

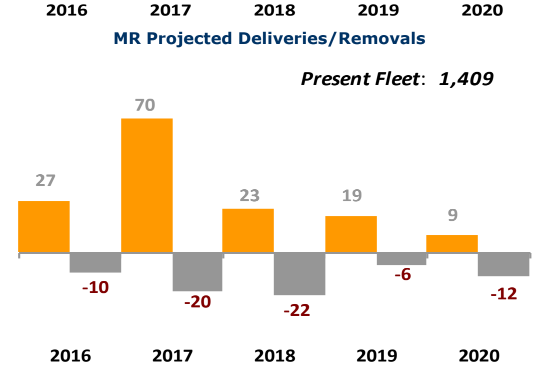
SPOT MARKET SUMMARY











VLCC

Rates in the VLCC market remained weak this week but the pace of rate erosion moderated on the back of stronger demand in the Middle East market. The fixture tally in that region jumped 50% w/w to a one-month high of 27 fixtures. Demand in the West Africa market remained muted but saw the fixture tally increase by one to a total of three. The Caribbean market saw demand increase five-fold to five fixtures, but that level remained insufficient to stem rate downside resulting from a widening supply/demand imbalance created by rising USG arrivals.

The Middle East market has thus far observed 98 August cargoes covered, leaving a further 26 as likely remaining. Against this, there are 46 units showing availability through the end of the month, from which three could be drawn to the West Africa market, implying a surplus at August's conclusion of 17 units (excluding any hidden positions). This represents a slight reduction from the 18 surplus prevailing at the conclusion of the month's second and is 27% below end-July surplus of 22 units. Over the past two years, end-month surplus availability has oscillated from zero to 22 units and has averaged 10. On this basis, the supply/demand position suggests rates are poised to rebound to move TCEs at least into the mid-$20,000/day range but we note that near-term forward sentiment remains weak on the back of the drastic reduction of VLCC fixtures being observed in West Africa amid forces majeures on as much as 700,000 b/d of supply in Nigeria and Saudi's move to strongly discount OSPs to Asian buyers for September loadings.

Though Nigeria's supply reductions should disproportionately impact Suezmaxes, given that VLCCs are relatively more active in Angola, the impact on West African differentials relative to Brent prices is keeping interest from Asian buyers at bay as such purchases must take place further forward while buyers for delivery geographically closer to West Africa can wait until prices become more favorable closer to loading and source cargoes on Suezmaxes. As a result, VLCC ton-mile development could be undermined with draws on Middle East tonnage declining in tandem, bringing both immediate and forward negative pressure on rates in tandem. Meanwhile, Saudi is offering Asian buyers with the biggest discount to Oman-Dubai benchmark prices in nine months for September loadings. Though touted by many as a move back to the market-share game, the move could also be simply opportunistic given the inherent uncertainties in purchases from West Africa. Nevertheless, such moves tend to influence trade flows and will likely contribute to light West Africa-Far East cargo flows with negative implications for ton-miles and rate progression by delaying the Q4 seasonal rally.

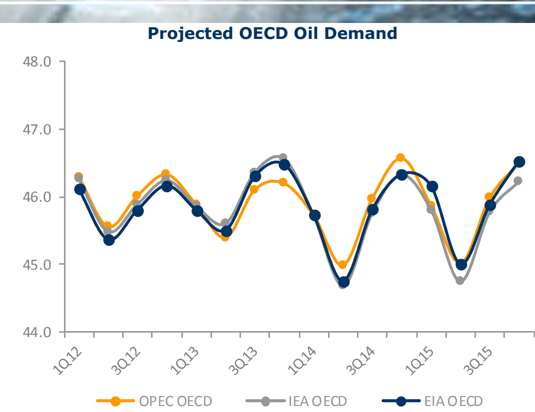
Middle East

Rates to the Far East lost one point over the course of the week to conclude at ws34. Corresponding TCEs eased 9% to ~$14,992/day. Rates to the USG via the Cape lost 2.5 points to conclude at ws21.5. Triangulated Westbound trade earnings fell 10% w/w to conclude at ~$27,658/day, basis onward trades at the current CBS-SPORE rate.

Atlantic Basin

The West Arica market continued to lag the Middle East with the WAFR-FEAST route shedding five points to conclude at ws40. Corresponding TCEs lost 18% to conclude at ~$23,880/day. The Caribbean market remained slow but a slight increase eased the pace of rate erosion. The CBS-SPORE route lost $100k to conclude at $3.0m lump sum.

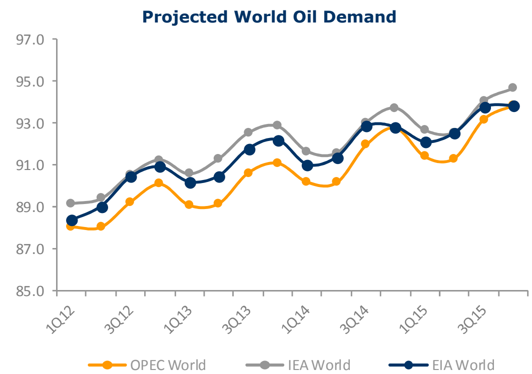
WEBER WEEKLY TANKER REPORT



Suezmax

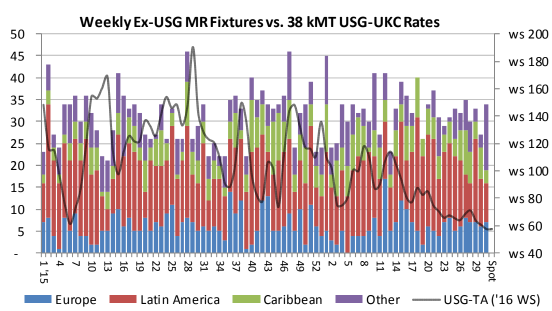
Demand in the West Africa Suezmax market was unchanged this week with just seven fixtures in an extending of the region's slow pace. With over 700,000 b/d of Nigerian supply under force majeure and given VLCC coverage of the August program to-date, there remains only a relatively small volume as likely available for Suezmaxes relative to normal volumes – but the remaining volume could support a modest measure of demand gains during the upcoming week. It is uncertain the extent to which any demand gains will influence rates given the prevailing sharp supply/demand disconnect. This week's sustained lull saw rates post modest losses; the WAFR-UKC route dropped one point to conclude at ws39.

Once charterers progress into September dates, a rebalancing should commence, aided by a number of factors. On the demand side this includes: Saudi Arabia's move to increase OSPs for Asian buyers which will keep VLCC interest in West Africa volumes at bay, the resistance of European refiners to decrease utilization despite low margins which should help WAF-UKC flows favoring Suezmaxes, the potential for a return of full Qua Iboe volumes, and normal seasonality. We note that force majeure on Qua Iboe reportedly resulted from a subsea pipeline leak characterized as a "system anomaly" rather than as a result of an attack as claimed by militants; on this basis a resumption of supply should prevail by September though no revised loading programs for the grade have been issued yet. When the anomaly was discovered in mid-July, reports indicated force majeure would remain in place for a least one month. On the supply side, regional Suezmax availability should be aided by stronger demand for the class in the Middle East market following a short August Suezmax program – as well as a resumption of demand to service PADD 3 imports, both of which should reduce tonnage available in the Suezmax market. Stronger seasonal rates in the Middle East and Caribbean markets should help to influence West Africa sentiment, building upon any boost to sentiment there which accompanies a supply/demand rebalancing.



Aframax

Demand in the Caribbean Aframax market experienced a second-consecutive week of decline, observing a 30% drop to a one-month low of 10 fixtures. This saw rates remain in negative territory through much of the week with the CBS-USG route losing 7.5 points to conclude at ws72.5. At this level, the market appears to be at an effective floor and, consequently, we expect little change during the upcoming week in the absence of any foreseeable upside support.



MR

The USG MR market continued to slide this week with some routes from the region breaking below what appeared earlier in the week to be an effective floor. The fixture tally improved on a w/w basis, rising by 26% to a one-month high of 26. However, availability levels remained high and concluded the week just shy of last week's 20-month high of 53 units. At mid-week the count surpassed 60 units, which prompted fresh rate losses for round-trip voyages from the region. The USG-POZOS route shed \$25k and concluded at \$275k lump sum – the lowest rate observed on the route since 2010. The USG-Chile route shed \$25k to conclude at \$1.00m while the USG-UKC route was unchanged at ws57.5 as owners successfully resisted lower rates given fresh downside in the UKC market. Clearing through the tonnage glut remains unlikely in the immediate near-term given current trade patterns and the influence thereof from high product inventories and the corresponding absence of arbitrage opportunities and as such we see no indications of imminent rate upside.

WEBER WEEKLY TANKER REPORT

REPORTED TANKER SALES

"New Tinos" 305,839/99 – Mitsubishi Nagasaki – DH
-Sold for $29.0m to undisclosed buyers.

"Kaminesan" 303,896/03 – Universal Ariake – DH
-Sold for $28.3m to Greek buyers (Eurotankers).

"Navig8 Solidarity" 109,999/15 – Sungdong – DH
"Navig8 Solace" 109,999/16 – Sungdong – DH
"Navig8 Stability" 109,999/16 – Sungdong – DH
-Sold en bloc for $118.8m to Chinese buyers (Bank of Communications) including 10-Year BBB contracts and purchase options during the charter periods.

"CPO Japan" 51,747/10 – Hyundai Mipo – DH – IMO III
"CPO Korea" 51,747/09 – Hyundai Mipo – DH – IMO III
-Sold en bloc for $40.0m to undisclosed buyers.

"Nave Dorado" 47,999/05 – Iwagi Zosen – DH
-Sold for $14.0m to undisclosed Indian buyers.

"Lynda Victory" 46,087/96 – 3 Maj – DH – IMO III
-Sold for $8.0m to Indian buyers (Seven Islands Shipping).

"North Contender" 19,925/05 – Fukuoka – DH – IMO II/III
-Sold for $18.0m to undisclosed Vietnamese buyers.

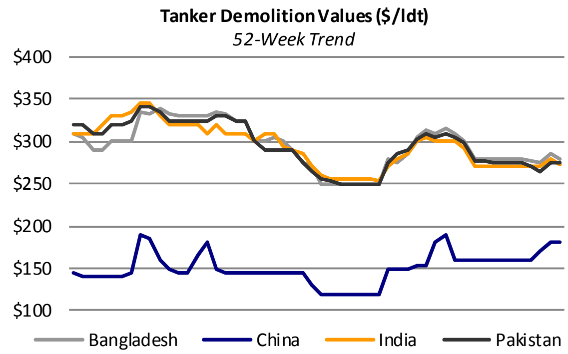
"Alsterstern" 17,034/94 – MTW Schiffswerft – DH – Ice 1A
-Sold for $5.7m to undisclosed buyers.

"Showa Maru" 5,676/07 – Kanasashi – DH
-Sold for $7.0m to Japanese buyers (Uyeno Transtech).

"Long Zhou" 4,881/09 – Chuandong – DH – Asphalt/Bitumen – FS Ice II
-Sold for $4.0m to Malaysian buyers.

REPORTED TANKER DEMOLITION SALES

India
FSO **"Lentera Bangsa"** 127,575/83 – 21,511 LDT – SH
-Sold on private terms. Unit converted from crude tanker 10/2010.



[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