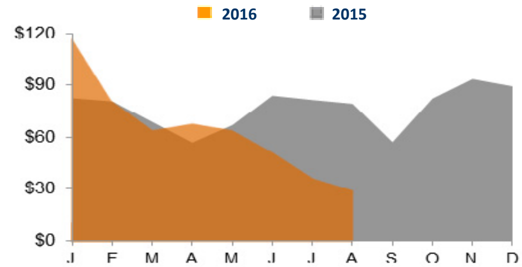
WEBER WEEKLY TANKER REPORT

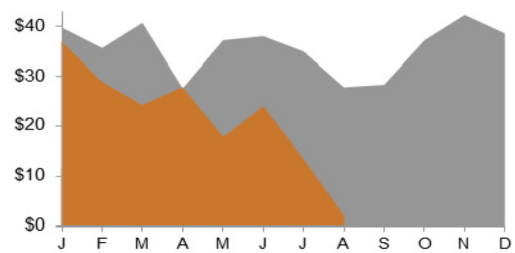
WEEK 33 – 19 AUGUST 2016 **ISSUE 33 – 2016**

Spot Market	WS/LS	TCE ~$/day	WS/LS	TCE ~$/day
VLCC (13.0 Kts L/B)	12-Aug		19-Aug	
AG>USG 280k (TD1)	25.0	$10,238	26.5	$9,831
AG>USG/CBS>SPORE/AG	--	$28,216	--	$24,678
AG>SPORE 270k (TD2)	37.5	$23,014	40.0	$23,916
AG>CHINA 265k (TD3C)	37.5	$18,314	40.0	$19,065
WAFR>USG 260k (TD4)	45.0	$31,492	46.5	$31,150
WAFR>CHINA 260k (TD15)	40.0	$23,276	41.5	$22,954
CBS>SPORE 270k	$2.80m	--	$2.50m	--
SUEZMAX (13.0 Kts L/B)				
WAFR>USAC 130k	35.0	$5,059	32.5	$2,309
WAFR>UKC 130k (TD20)	35.0	$1,671	32.5	$(1,064)
BSEA>MED 140k (TD6)	45.0	$6,890	45.0	$6,917
CBS>USG 150k	42.5	$6,211	42.5	$4,722
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k (TD7)	75.0	$4,965	75.0	$3,646
AG>SPORE 70k (TD8)	80.0	$14,057	75.0	$11,460
BALT>UKC 100k (TD17)	45.0	$6,120	47.5	$6,418
CBS>USG 70k (TD9)	75.0	$8,745	85.0	$11,373
MED>MED 80k (TD19)	65.0	$4,981	62.5	$2,945
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k (TD21)	90.0	$2,204	90.0	$1,212
CONT>USG 55k (TD12)	80.0	$7,438	77.5	$5,642
ECU>USWC 50k	122.5	$16,538	122.5	$15,944
CPP (13.0 Kts L/B)				
UKC>USAC 37k (TC2)	90.0	$5,915	85.0	$4,012
USG>UKC 38k (TC14)	52.5	$137	50.0	$(1,223)
USG>UKC/UKC>USAC/USG	--	$6,130	--	$4,340
USG>CBS (Pozos) 38k	$250k	$2,373	$240k	$910
USG>CHILE (Coronel) 38k	$925k	$10,687	$900k	$9,161
CBS>USAC 38k	95.0	$7,703	80.0	$4,006
AG>JPN 35k	107.5	$7,831	103.0	$6,373
AG>JPN 75k (TC1)	105.0	$21,555	105.0	$20,438
AG>JPN 55k (TC5)	110.0	$15,177	117.0	$15,667

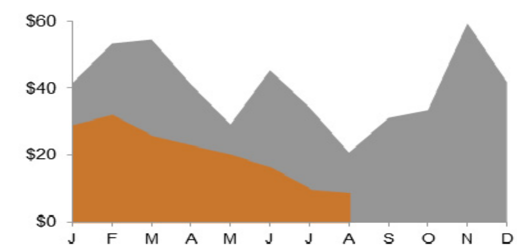
Time Charter Market *$/day (theoretical)*	1 Year	3 Years
VLCC	$30,000	$27,000
Suezmax	$20,000	$19,000
Aframax	$18,500	$17,000
Panamax	$14,000	$16,000
MR	$13,500	$14,000



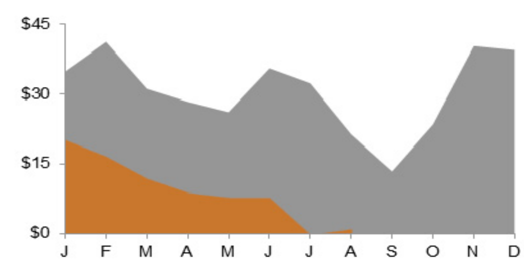
VLCC TCE AG-USG / CBS-SPORE/AG[1] | **MTD Average ~$30,013/Day** | **Month y/y ▼ -62%**



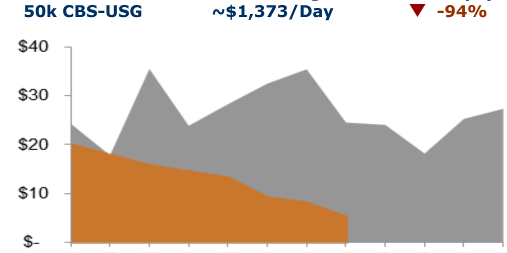
S'MAX TCE 130k WAF-UKC | **MTD Average ~$2,262/Day** | **Month y/y ▼ -92%**



A'MAX TCE 70k CBS-USG | **MTD Average ~$8,929/Day** | **Month y/y ▼ -57%**



P'MAX TCE 50k CBS-USG | **MTD Average ~$1,373/Day** | **Month y/y ▼ -94%**



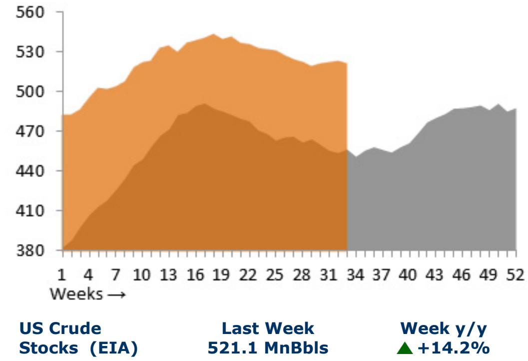
MR TCE USG-UKC/ UKC-USAC/USG | **MTD Average ~$5,700/Day** | **Month y/y ▼ -77%**

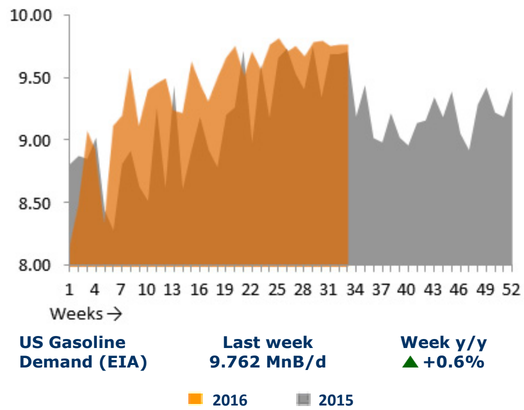
WEBER WEEKLY TANKER REPORT

SPOT MARKET SUMMARY

VLCC

The Middle East VLCC market observed modest gains this week with the AG-CHINA route adding 7.5 points through Wednesday to a high of ws42.5 before paring back gains late in the week to conclude at ws40. The gains came despite a slowing of demand; the week observed 20 Middle East fixtures, representing a 29% w/w decline. Elsewhere, the West Africa market was also slower, with a 33% w/w decline to four fixtures. In isolation, the South America/Caribbean/USG market was markedly more active with fixtures jumping to nine from just two last week. The activity there, however, came after CBS-SPORE rates posted fresh losses, dropping \$200k to a seven-year low of just \$2.60m on a widening regional supply/demand imbalance with participants noting last week's US-bound fixture tally at an 11-month high.





Despite the widely-noted ton-miles generated by stronger recent AG-USG demand (which has jumped 35% y/y as US crude production declines and liberalized exports have narrowed differentials between US and international crude grades), ton-miles have remained pressurized by losses from the West Africa market. That region has seen voyages to points in the East drop 12% y/y. Neither development is productive for rate and earnings development, in our view, against the new paradigm of VLCC supply/demand fundamentals which have prevailed in recent years. The market today is heavily driven by the geographic distribution of voyage origination – with the West Africa market competing for the same Asian return ballasters as the Middle East and AG-USG voyages trading, largely, on the basis of triangulated economics rather than the implied round-trip TCE of agreed rates. During 2015, the geographic distribution continued widening while the number of AG-USG voyages were balanced (or often below) those for onward trades from Americas to the Asia. As the number of USG arrivals has now exceeded demand for onward regional voyages, we have observed units ballasting to West Africa, where demand has been hit by forces majeures and compounding reduced West Africa draws on Middle East positions, creating higher availability there. Evidencing this, we note that YTD ton-mile demand generation is off by just 1.1%, fleet growth has clocked in at 7% since the start of 2015 but earnings are off by 22% YTD y/y (with August poised to observe a 46% y/y earnings decline. As we have noted in the past, ton-miles adjusted to account for geographical distribution of voyage origination are a better way of analyzing the market's demand position and our proprietary model shows that on this basis demand declined by 9% y/y during Q2 (the adjusted demand figure was 14% greater than traditional ton-miles, which compares with adjusted ton-miles during 2Q15 standing 19% above traditional ton-miles). During 2013, adjusted ton-miles were actually below traditional ton-miles, largely due to the efficiency of triangulated trades which represented a larger portion of the overall market.

We remain optimistic that Nigeria's security situation owe to teething problems associated with the start of President Buhari's term in 2015 (which ended eleven years of executive control by the country's PDP party) and as such will resolve in the coming months given the urgency of resolution (at least sufficiently to strongly reduce the volume of exports under force majeure). Though VLCC loadings in the region are more heavily associated with Angolan cargoes, the impact of Nigeria's output losses have reduced interest in West African grades by boosting their price against Brent and Dubai benchmarks.

In the near-term, some supportive prospects are evident in the September Basrah program, which shows a 9% m/m increase in VLCC cargoes (once likely co-loads are accounted for) with the bulk of cargoes centered on the month's final decade. Additionally, recent comments by Saudi Arabia's oil minister pointing to strong demand for Saudi crude and JODI data showing record production during July of 10.67 Mnb/d imply a likely sustaining of export strength through at least the near-term. Corresponding rate strength could materialize once charterers progress into October dates when the stronger end-September program – and the potential for strong draws to service West Africa cargoes to simultaneously rise – could yield a tighter supply/demand position that that which presently prevails. Twenty September fixtures have been covered to date, leaving a further 23 likely uncovered for loading through September 10th. Against this, there are 40 units available for loading during the same space of time, implying a surplus of 15 units, which compares with 20 surplus units observed at the close of the of the August program.

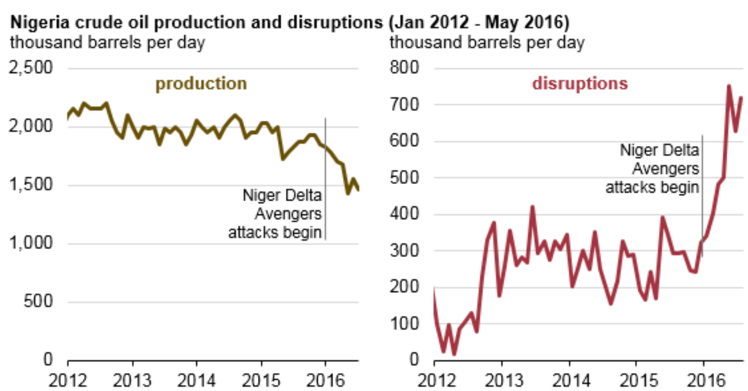
Middle East
Rates to the far east added four points to conclude ws39 with corresponding TCEs gaining 12% to ~$21,324/day. Rates to the USG via the Cape added one point to conclude at ws26. Triangulated Westbound trade earnings declined by 11% to conclude at $25,508/day.

Atlantic Basin
The West Africa market saw rates conclude unchanged despite modest gains at mid-week in line with the Middle East after one unit ballasted from the USG market. The WAFR-FEAST rate concluded at ws40 having earlier tested at ws42.5. As noted above, the Caribbean market was markedly busier this week as charterers reached further forward than usual on dates in order to cover cargoes after rates dropped to a seven-year low. The CBS-SPORE route lost $200k to conclude at $2.60m lump sum

Suezmax

Suezmaxes remain hard hit by declarations of force majeure on a number of Nigerian grades, which have reduced cargo availability and exacerbated the extent of summer seasonal weakness. The August West Africa program yielded 26% less cargo than the average of the first seven months of 2016. Given the importance of this market for the class, this has had a significant impact on rates with TCEs on the WAFR-UKC route reaching negative territory this week (presently ~$(1,064)/day, marking the first time a benchmark ex-West Africa route has reached negative returns since August 2009. It is no coincidence that at that time, similar supply issues had prevailed in Nigeria amid a military offensive against rebel militants in the Niger Delta, before later declaring an amnesty program to quell the violence.

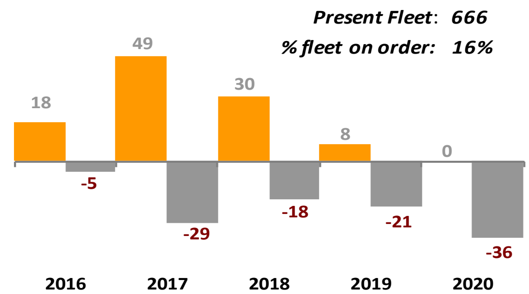
Elsewhere recently, the August Basrah program saw Suezmax-serviced cargo volumes drop by 34% m/m, partly because of a 15% reduction of exports of Basrah heavy amid reduced refining runs in Asia and partly due to economics which made merging of cargoes onto VLCCs more attractive. Additionally, the ability for Suezmaxes to compete in traditionally Aframax markets has been impacted by demand issues in those markets. Issues plaguing Aframax markets include export issues in Libya, economic crude supply reductions from Russia and other FSU producers via Black and Baltic Sea ports and by reduced Iraqi crude exports via Ceyhan due to pipeline outages and productions interruptions stemming from attacks on Kurdish Iraqi oilfields. Additionally, fields in the North Sea have seen limited flows recently because of issues at a processing plant.



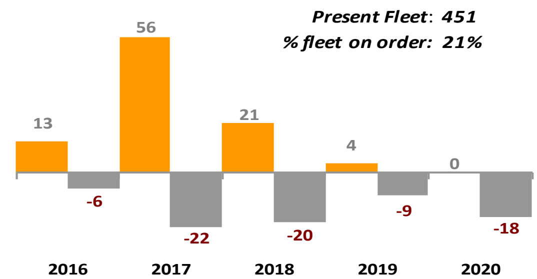
Source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, August 2016

In the West Africa market, demand more than doubled w/w with 13 fixtures reported. This level is roughly in-line with the weekly average observed over the past year. Nevertheless, reports indicate that four key Nigerian grades remain under force majeure representing about 700,000 b/d. The ongoing outages appear to be keeping Asian buyers disinterested in West African crude based on recent fixture tallies which show VLCC coverage of the September program at levels below those of recent months which could lend modest support to Suezmaxes even if September's regional supply remains unchanged from levels observed during the August program. Elsewhere, the Middle East Suezmax market appears set for robust demand for

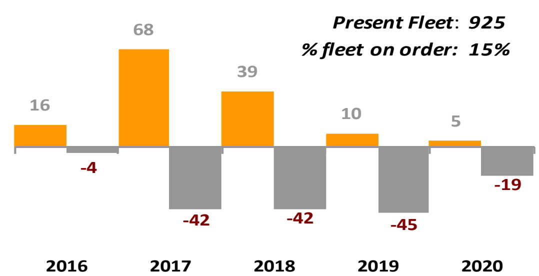
VLCC Projected Deliveries/Removals



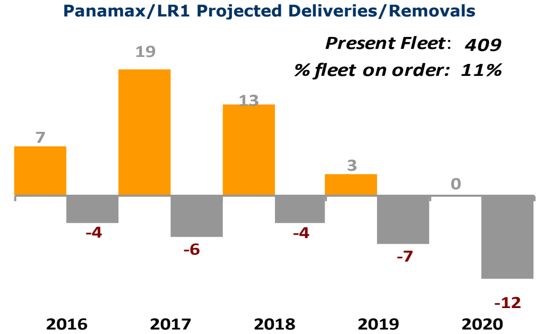
Suezmax Projected Deliveries/Removals



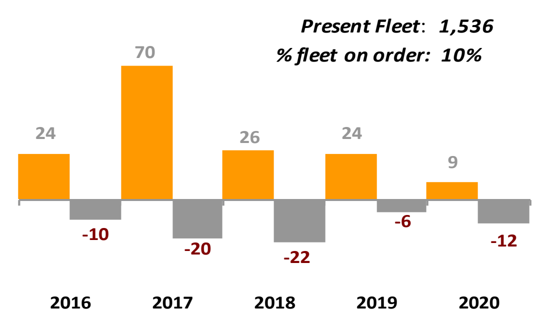
Aframax/LR2 Projected Deliveries/Removals



Panamax/LR1 Projected Deliveries/Removals



MR Projected Deliveries/Removals



September loading with the Basrah program showing a 43% gain in the number of Suezmax cargoes (once reductions for likely co-loads are accounted for). In the Caribbean, fresh upside observed for Aframaxes this week and a spate of fresh fixtures for Suezmaxes to service US crude exports and re-exports with at least three fixtures thereof being for long-haul voyages to Asia. On this basis, we expect that Suezmaxes are likely at or near an effective floor from which modest upside should prevail during the coming weeks. The WAFR-UKC route lost 2.5 points this week to conclude at ws32.5 while the CBS-USG route was unchanged at 150 x ws42.5.

Aframax

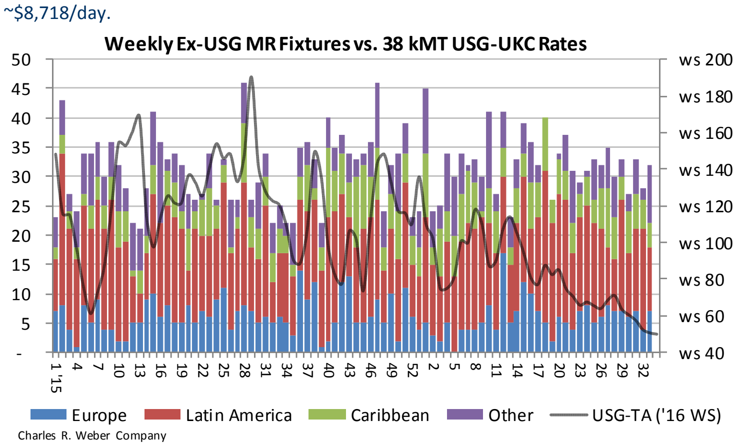
The Caribbean Aframax market observed strong activity this week with the fixture tally rising to a three-month high of 20, driven by strong demand for Caribbean and ECMex loadings – as well as a spate of voyages commencing on the USG. Early during the week, the demand failed to stoke rate upside as an overhang of units kept rates level but by the close of the week charterers looking to cover requirements ahead of the weekend saw rates post fresh gains. The CBS-USG route added 15 points to conclude at ws90. Date sensitivity factors heavily into present assessments and given the likelihood for demand to remain elevated while charterers work remaining August cargoes during which time supply levels are markedly tighter than has been observed during the past several weeks, implying further upside potential remains.

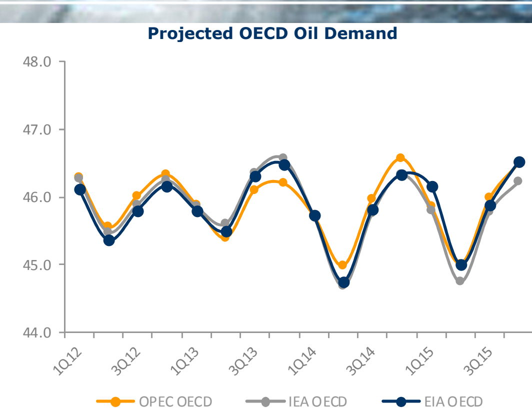
Panamax

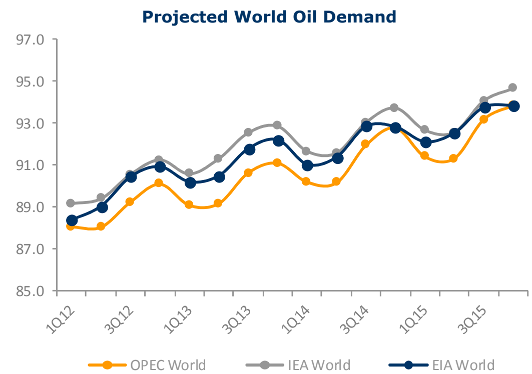
The Caribbean Panamax got off to a strong start this week after a fixture was concluded at a considerably higher level than last done with normal forward laycans. However, as the week progressed it became evident that despite the normal laycans, there were other specifics to the fixture which had supported stronger rates which set sentiment softer. Thereafter, a market cargo was covered at below last-done rates, evidencing that sufficient tonnage remained to cover requirements. The CBS-USG route concluded at ws90, unchanged from a week ago having earlier touched as high as ws97.5. Present supply/demand fundamentals suggest that rate could observe further modest losses, though the extent thereof will likely be limited at the effective floor observed earlier this month. Stronger rates for regional Aframaxes could also limit losses, depending on the development of both markets and specific requirements.

MR

The USG MR market was more active this week with the fixture tally rising 14% w/w to 32, matching the 52-week moving average. The demand gain did little to stem the pace of rate erosion and the USG-UKC route shed a further 2.5 points to conclude at ws50, even as onward trade prospects in the UKC market soured (UKC-USAC rates lost five points to conclude at ws85). As a result, triangulated Atlantic earnings fell to a fresh low of ~$4,340/day – the lowest since August 2012. Further indicative of declining sentiment (which we view as lagging given supply/demand fundamentals), the USG-CBS route lost $10k to a closing assessment of $240k (the route's lowest rate since 2009) with a corresponding TCE of just ~$910/day. Despite this week's rate pressure, we note that supply/demand fundamentals have narrowed to levels suggesting a modest rate rebound. To this end, we note that the two-week forward view of availability shows 36 units available representing a reduction of 38% from a week ago and the lowest availability since early July, when triangulated TCEs stood at ~$9,296/day and USG-CBS TCEs stood at ~$8,718/day.







REPORTED TANKER SALES

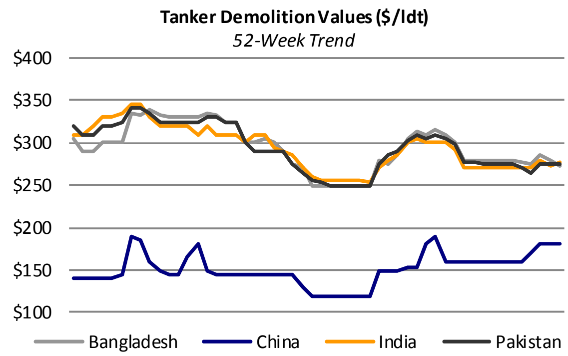
"CSK Valiant" 107,000/03 – Imabari – DH
-Sold for $18.0m to undisclosed Indonesian buyers.

"River Eternity" 105,445/06 – Sumitomo – DH
-Sold on private terms to undisclosed buyers.

"Lyubov Ryl" 6,195/10 – Rongcheng Shenfei – DH
-Sold on private terms to undisclosed buyers.

REPORTED TANKER DEMOLITION SALES

There are no reported tanker demolition sales for week 33.



[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.

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