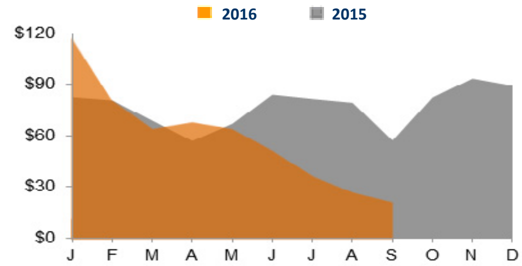
WEBER WEEKLY TANKER REPORT

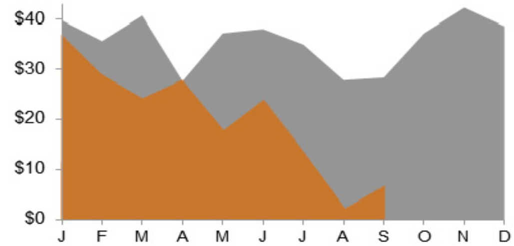
WEEK 36 – 9 SEPTEMBER 2016 | **ISSUE 36 – 2016**

Spot Market	WS/LS	TCE ~$/day	WS/LS	TCE ~$/day
VLCC (13.0 Kts L/B)	2-Sep		9-Sep	
AG>USG 280k (TD1)	23.0	$7,585	23.0	$6,199
AG>USG/CBS>SPORE/AG	--	$23,012	--	$22,470
AG>SPORE 270k (TD2)	33.0	$17,229	33.0	$15,990
AG>CHINA 265k (TD3C)	33.0	$12,722	33.0	$11,461
WAFR>USG 260k (TD4)	37.5	$23,141	37.5	$21,791
WAFR>CHINA 260k (TD15)	37.5	$20,093	37.5	$18,766
CBS>SPORE 270k	$2.50m	--	$2.60m	--
SUEZMAX (13.0 Kts L/B)				
WAFR>USAC 130k	45.0	$9,862	45.0	$8,831
WAFR>UKC 130k (TD20)	47.5	$7,656	47.5	$6,617
BSEA>MED 140k (TD6)	50.0	$9,883	52.5	$10,004
CBS>USG 150k	47.5	$9,593	49.0	$9,656
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k (TD7)	80.0	$9,832	90.0	$19,026
AG>SPORE 70k (TD8)	65.0	$9,097	62.5	$7,628
BALT>UKC 100k (TD17)	52.5	$10,776	70.0	$21,170
CBS>USG 70k (TD9)	97.5	$16,799	100.0	$16,949
MED>MED 80k (TD19)	65.0	$4,657	72.5	$7,044
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k (TD21)	82.5	$165	85.0	$49
CONT>USG 55k (TD12)	87.5	$9,168	82.5	$7,017
ECU>USWC 50k	125.0	$15,581	125.0	$14,618
CPP (13.0 Kts L/B)				
UKC>USAC 37k (TC2)	80.0	$3,775	75.0	$2,135
USG>UKC 38k (TC14)	57.5	$854	50.0	$(1,201)
USG>UKC/UKC>USAC/USG	--	$5,618	--	$3,240
USG>CBS (Pozos) 38k	$275k	$3,848	$250k	$1,597
USG>CHILE (Coronel) 38k	$950k	$11,179	$900k	$9,158
CBS>USAC 38k	92.5	$7,008	87.5	$5,468
AG>JPN 35k	99.0	$6,297	92.5	$4,840
AG>JPN 75k (TC1)	100.0	$19,603	92.0	$16,474
AG>JPN 55k (TC5)	108.5	$14,422	96.0	$10,988

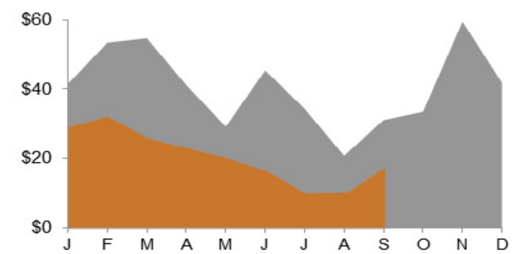
Time Charter Market *$/day (theoretical)*	1 Year	3 Years
VLCC	$29,000	$27,000
Suezmax	$19,000	$19,000
Aframax	$17,000	$17,000
Panamax	$14,000	$16,000
MR	$13,000	$14,000



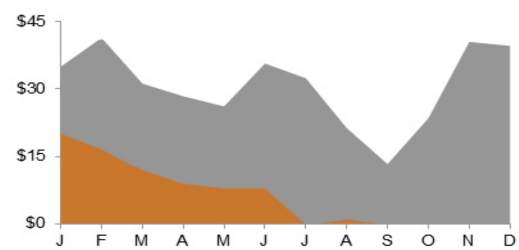
VLCC TCE AG-USG / CBS-SPORE/AG[1] | **MTD Average ~$21,417/Day** | **Month y/y ▼ -63%**



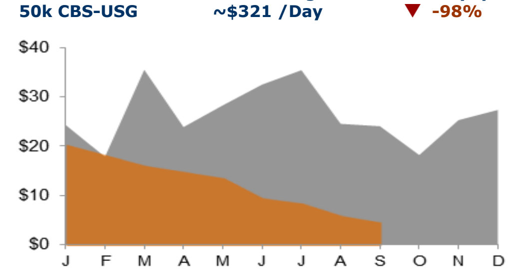
S'MAX TCE 130k WAF-UKC | **MTD Average ~$7,043/Day** | **Month y/y ▼ -75%**



A'MAX TCE 70k CBS-USG | **MTD Average ~$17,414/Day** | **Month y/y ▼ -44%**



P'MAX TCE 50k CBS-USG | **MTD Average ~$321 /Day** | **Month y/y ▼ -98%**



MR TCE USG-UKC/ UKC-USAC/USG | **MTD Average ~$4,783/Day** | **Month y/y ▼ -80%**

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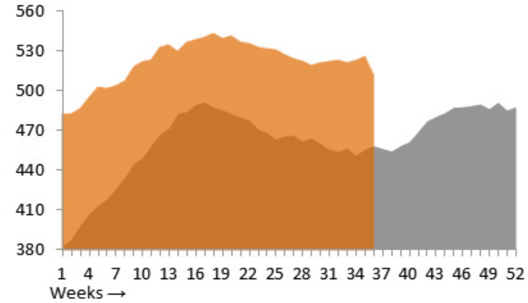
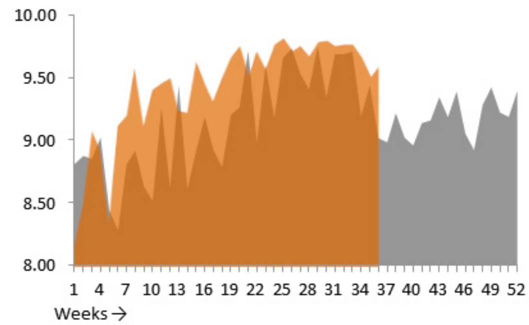
SPOT MARKET SUMMARY



US Crude Stocks (EIA)	Last Week 511.4 MnBbls	Week y/y ▲ +11.7%



US Gasoline Demand (EIA)	Last week 9.595 MnB/d	Week y/y ▲ +6.4%

2016 2015

VLCC

Despite a very active early part of the week in the Middle East market, a fresh period of quiet thereafter prevented owners from observing rate gains. Ultimately, the Middle East market experienced an 11% weekly decline to 25 fixtures. Elsewhere, demand in the West Africa market was unchanged with just four fixtures reported. The slowing of Middle East demand by mid-week saw charterers receive more offers for their fresh requirements as owners scrambled to achieve spot coverage and this, combined with the ongoing presence of disadvantaged units (which again were fixing at levels well below market) offset owners' earlier bullish sentiment.

Fundamentally, the supply/demand imbalance appears to have further disjointed in the key Middle East market; we note that with 110 September cargoes covered to date, a further 20 are anticipated against which 45 units are available. Once factoring for likely draws on Middle East availability for West Africa cargoes, the implied surplus at the conclusion of the month's program is 22 units. This compares with 20 at the conclusion of the August program and suggests limited, if any, rate upside potential to accompany a progression into October dates.

In terms of market positioning, we believe that VLCCs have remained under considerable negative pressure resulting from a reduction of demand in the West Africa market in recent months due to forces majeure on significant volumes of Nigeria's crude supply which have exacerbated seasonal headwinds. This has provided a multiple-fold impact to VLCC fundamentals by simultaneously reducing West Africa draws on Middle East position lists, reducing competition for Middle East cargoes, reducing ton-miles, reducing the geographic distribution of voyage originations (and improving class efficiency) and, due to the starker hit to Suezmax rates, boosting Suezmax competition for VLCC cargoes. Additionally, the imbalance between USG arrivals and regional outbound cargoes has seen units ballast to West Africa to service cargoes there, furthering the reduction of the latter market's draws on and competition for Middle East units. A normalizing of Nigerian exports will thus represent a key element towards supporting a Q4 rebound. To this end, the reported decision by Nigerian militant group Niger Delta Avengers to cease operations appears to have legs with Shell lifting force majeure on Bonny Light and reports indicating a likely resumption of exports from Forcados. Collectively, the two streams represent 400,000 b/d – or about 45% of August's disrupted volume. While this represents a positive development for crude tankers overall and could help to improve regional VLCC demand, we note that a resumption of the remaining volumes (Qua Iboe and Brass River) are likely necessary to normalize West African grades pricing against alterative grades and incentivize a stronger return of Asian VLCC charterers in the region in order to rebalance VLCC fundamentals and significantly improve rates.

Middle East

Rates to the Far East concluded unchanged from a week ago at ws33. Corresponding TCEs eased 4% w/w to conclude at ~$15,140/day. Rates to the USG via the Cape were also unchanged at ws23. Triangulated Westbound trade earnings gained 2% w/w to conclude at ~$22,949/day basis the current CBS-SPORE rate.

Atlantic Basin

Rates in the West Africa market took their cue from the Middle East, closing the week unchanged with the WAFR-FEAST route standing at ws37.5.

The Caribbean market was modestly more active this week which saw regional rates post a modest rebound from last week's low. The CBS-SPORE route added $100k to conclude at $2.60m lump sum.

Suezmax

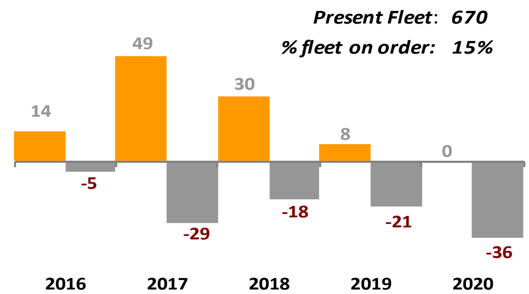
Rates in the West Africa Suezmax market were unchanged this week following earlier gains with the WAFR-UKC holding at ws47.5. A total of 17 regional fixtures were reported, representing a 70% w/w gain. As much of the demand strength was already priced in to the sentiment which drove earlier gains, owners were unsuccessful in extending the rally this week. However, fresh gains could materialize during the upcoming week given low VLCC coverage levels to-date of the September program and expectations for cargo availability to rise on this week's resumption of Bonny Light exports and next week's resumption of Forcados, and with a small number of late-VLCC cargoes on subjects having failed. Moreover, with a concerted progression into the October program looming, a more balanced supply/demand positioning in the region should help to support further rate gains.

Elsewhere, the Caribbean Suezmax market was modestly firmer this week on the back of recent West Africa gains and stronger regional Aframax rates. The CBS-USG route added 1.5 points to conclude at ws49 (though TCEs observed little corresponding upside due to rising bunker prices).

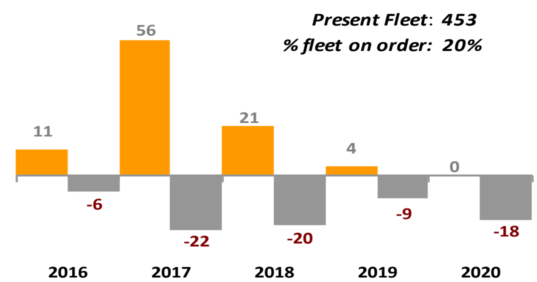
Aframax

The Caribbean Aframax market commenced the week with owner bullishness amid a short closure of the Houston Ship Channel, a tight list of prompt tonnage and expectations for demand to remain strong following the holiday weekend. Rate gains followed and the CBS-USG route rose 7.5 points to a four-month high of ws105 by midweek. Though the demand expectations did not pan out, owners were able to hold on to the gains through the remainder of the week. The regional fixture tally concluded at a two-month low of just seven fixtures (though the four-week moving average stands at 15, maintaining the pace of demand observed during August and matching the 52-week average). As a result, availability levels have expanded and are weighing on rates. The regional benchmark retreated five points at the close of the week to conclude at ws100 and a further correction is likely early during the upcoming week after additional units populate position lists.

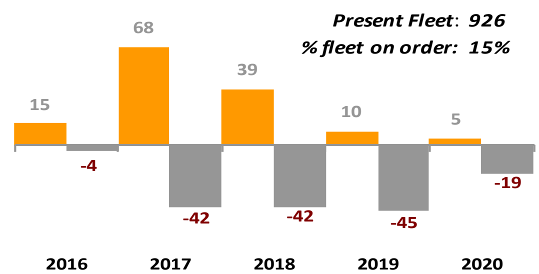
VLCC Projected Deliveries/Removals



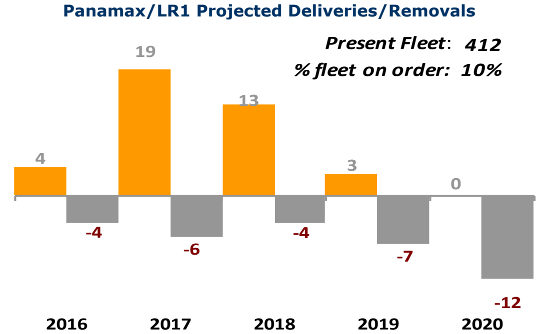
Suezmax Projected Deliveries/Removals



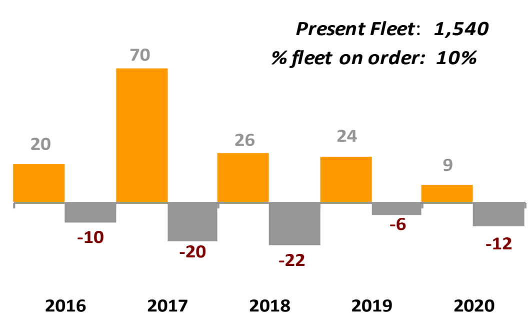
Aframax/LR2 Projected Deliveries/Removals



Panamax/LR1 Projected Deliveries/Removals



MR Projected Deliveries/Removals



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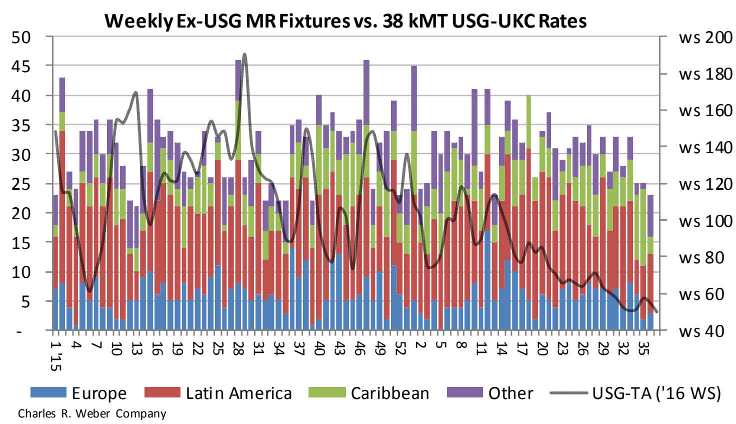
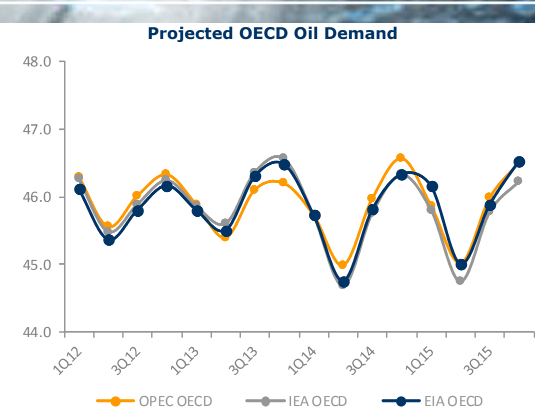
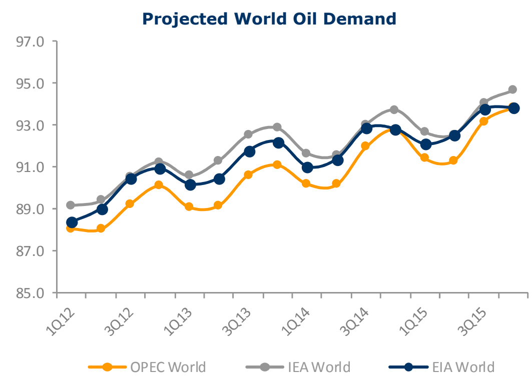
MR

The USG MR market saw rates shed last week's gains on the back of a slower pace of demand and significant fresh availability builds. A total of 23 fixtures were reported, representing an 8% w/w loss and 28% fewer than the 52-week average. Falling rates in the UKC market failed to exert usual positive pressure on ex-USG rates as a function of onward trade prospects as the supply/demand positioning was firmly in charterers' favor. Rates on the USG-UKC route shed 7.5 points to conclude at ws50 while the USG-CBS route lost $25k to conclude at $250k lump sum. Immediate near-term prospects appear bleak with availability levels overwhelming demand. However, a progression into a higher than normal fall maintenance program in Europe specifically and elsewhere globally could curtail inbound tonnage while USG exports are unlikely to ease much further below present levels as high PADD3 distillate inventories offer a cushion. Moreover, further rate downside in the UKC market could boost owner resistance for USG-UKC routes with carryover effects on round-trip intraregional routes from the USG.







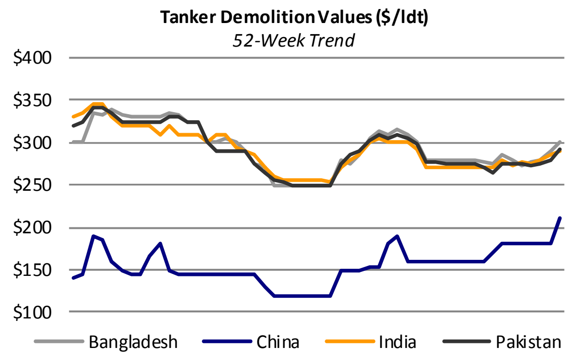
REPORTED TANKER SALES

"Princimar Americas" 19,707/04 – Usuki – DH – IMO II/III
-Sold for $18.5m to UK buyers (Tufton Oceanic) with TC attached.

"Diamond Orchid" 19,702/08 – Fukuoka Nagasaki – DH – IMO II/III
-Sold for $20.0m to UK buyers (Tufton Oceanic).

REPORTED TANKER DEMOLITION SALES

There are no reported tanker demolition sales for week 36.



[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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