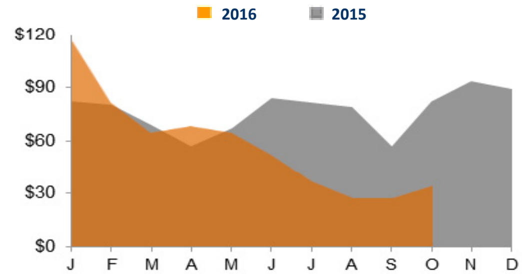
WEBER WEEKLY TANKER REPORT

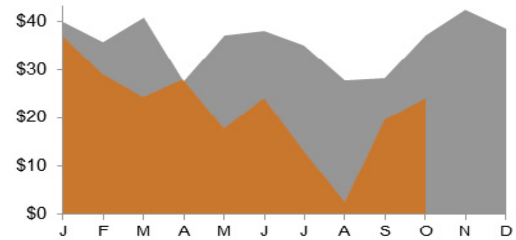
WEEK 40 – 7 OCTOBER 2016 **ISSUE 40 – 2016**

Spot Market	WS/LS	TCE ~$/day	WS/LS	TCE ~$/day
VLCC (13.0 Kts L/B)	**30-Sep**		**7-Oct**	
AG>USG 280k (TD1)	23.5	$6,804	30.0	$12,735
AG>USG/CBS>SPORE/AG	--	$34,658	--	$42,882
AG>SPORE 270k (TD2)	39.0	$22,801	55.0	$39,353
AG>CHINA 265k (TD3C)	39.0	$17,996	55.0	$33,782
WAFR>USG 260k (TD4)	52.5	$37,423	65.0	$49,640
WAFR>CHINA 260k (TD15)	50.0	$31,788	65.0	$53,882
CBS>SPORE 270k	$3.85m	--	$4.20m	--
SUEZMAX (13.0 Kts L/B)				
WAFR>USAC 130k	85.0	$29,752	80.0	$28,230
WAFR>UKC 130k (TD20)	87.5	$27,117	82.5	$23,933
BSEA>MED 140k (TD6)	105.0	$47,199	85.0	$32,480
CBS>USG 150k	85.0	$36,745	70.0	$24,741
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k (TD7)	115.0	$44,260	97.5	$25,623
AG>SPORE 70k (TD8)	65.0	$8,449	65.0	$7,699
BALT>UKC 100k (TD17)	92.5	$35,620	72.5	$21,769
CBS>USG 70k (TD9)	75.0	$7,680	82.5	$10,026
MED>MED 80k (TD19)	90.0	$14,340	75.0	$7,786
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k (TD21)	85.0	$41	85.0	$(434)
CONT>USG 55k (TD12)	80.0	$6,337	80.0	$5,801
ECU>USWC 50k	127.5	$14,710	127.5	$14,114
CPP (13.0 Kts L/B)				
UKC>USAC 37k (TC2)	75.0	$2,092	72.5	$1,102
USG>UKC 38k (TC14)	60.0	$671	52.5	$(1,158)
USG>UKC/UKC>USAC/USG	--	$4,790	--	$2,919
USG>CBS (Pozos) 38k	$260k	$2,278	$250k	$1,247
USG>CHILE (Coronel) 38k	$925k	$9,906	$875k	$8,125
CBS>USAC 38k	85.0	$4,987	85.0	$4,613
AG>JPN 35k	92.5	$4,891	92.0	$4,254
AG>JPN 75k (TC1)	55.0	$5,458	55.0	$4,690
AG>JPN 55k (TC5)	75.0	$6,439	77.5	$6,269

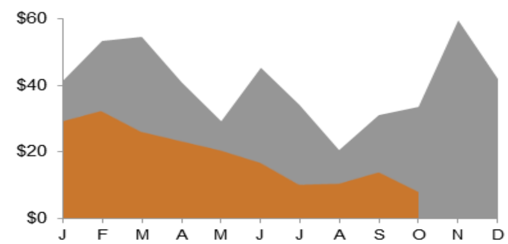
Time Charter Market $/day (theoretical)	1 Year	3 Years
VLCC	$32,000	$28,000
Suezmax	$20,000	$19,000
Aframax	$17,000	$17,000
Panamax	$14,000	$16,000
MR	$13,000	$14,000



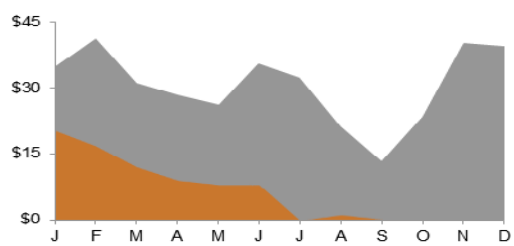
VLCC TCE AG-USG / CBS-SPORE/AG[1] | **MTD Average ~$34,346/Day** | **Month y/y ▼ -58%**



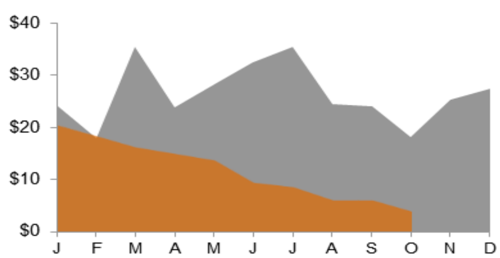
S'MAX TCE 130k WAF-UKC | **MTD Average ~$24,004/Day** | **Month y/y ▼ -35%**



A'MAX TCE 70k CBS-USG | **MTD Average ~$8,049/Day** | **Month y/y ▼ -76%**



P'MAX TCE 50k CBS-USG | **MTD Average ~$(931) /Day** | **Month y/y ▼ -104%**



MR TCE USG-UKC/ UKC-USAC/USG | **MTD Average ~$3,909/Day** | **Month y/y ▼ -79%**

SPOT MARKET SUMMARY

VLCC

VLCC demand in the Middle East remained strong for a second-consecutive week while demand in the West Africa market rebounded, narrowing supply/demand fundamentals in leading rates across all global routes to accelerate the pace of a rally which began last week. The Middle East market observed 40 fixtures for the week, one more than last week's strong pace and 55% more than the 52-week average. Meanwhile, the West Africa market observed six fixtures, representing a 50% w/w gain and boosting the region's four-week moving average of fixtures to a ten-month high).

The demand strength has helped to absorb surplus tonnage and sets the market up well to observe strong Q4 upside. We note that there are currently 25 units remaining available for Middle East loading during October, against which a likely 12 additional cargoes will materialize. Once factoring for West Africa draws, which could draw six of the uncovered units (at least three cargoes are outstanding at writing), the likely-end October surplus is seven units. This compares with a Q3 average of 20 surplus units and is more closely aligned with the 8 monthly surplus units observed during H1, when AG-FEAST TCEs averaged ~$54,748/day.

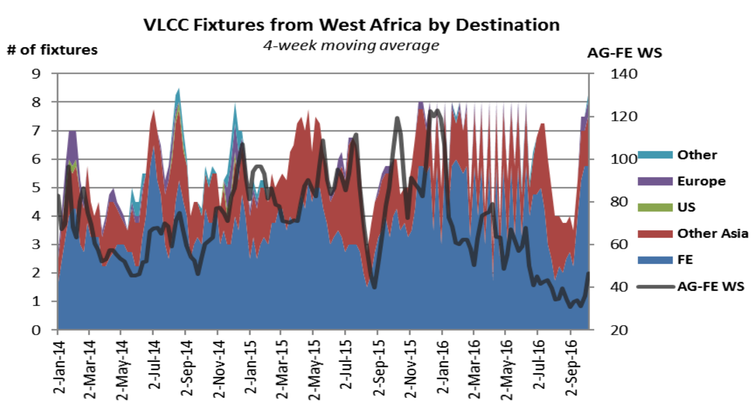
We expect that the low surplus facing charterers as they progress into November Middle East dates will allow rates to extend gains. Thereafter, rates should remain elevated given the likelihood of sustained elevation of West Africa and Middle East demand – with the latter potentially expanding from strong regional refinery maintenance towards the end of 2016 which will leave more cargo available for export. Meanwhile, Venezuelan exports have improved recently and the recent delivery of a light crude diluent cargo which had previously been among a group of tankers waiting to discharge at Puerto La Cruz amid a payments row suggests that blending operations could translate to further export length.

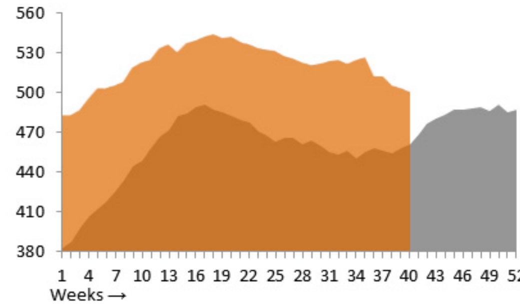
Middle East

Rates to the Far East added 16 points over the course of the week to conclude at ws55. Corresponding TCEs surged 88% to conclude at ~$33,782/day (basis China). Rates on the AG-USG c/c route observed a gain of 8.5 points. Triangulated Westbound trade earnings, benefitting from the stronger AG-USG route and a modest hike in CBS-SPORE rates, jumped 24% to conclude at ~$42,882/day.

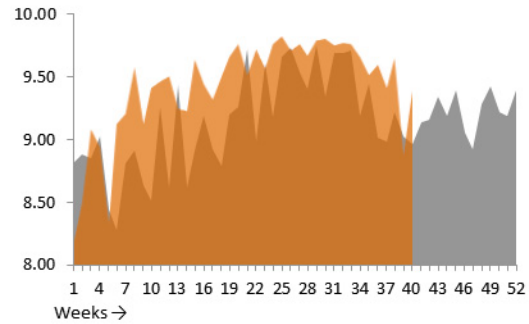
Atlantic Basin

The Atlantic basin remained tight amid the fresh surge in West African demand and after Caribbean supply/demand fundamentals narrowed on earlier regional demand strength and fewer voyages into the region. Rates on the WAFR-FEAST route added 15 points to conclude at ws65 with corresponding TCEs rising 70% to ~$53,882/day. Rates in the Caribbean market were stronger as a spate of fixtures for voyages from Brazil and Uruguay allowed owners to command gains. The CBS-SPORE route added $350k to conclude at $4.20m lump sum.





US Crude Stocks (EIA)	Last Week	Week y/y
	499.7 MnBbls	▲ +8.4%



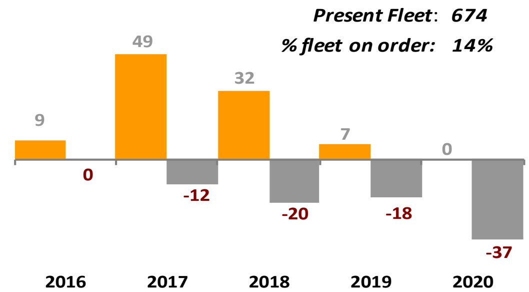
US Gasoline Demand (EIA)	Last week	Week y/y
	9.390 MnB/d	▲ +4.3%

WEBER WEEKLY
TANKER REPORT

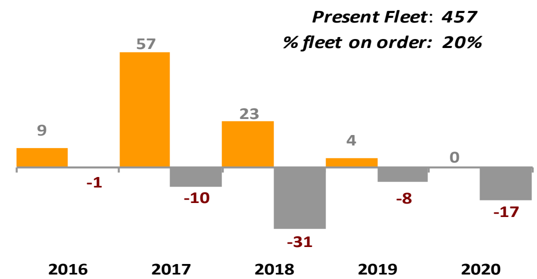
Suezmax
Rates in the West Africa Suezmax market remained under negative pressure this week as low cargo availability saw demand levels decline. Rates on the WAFR-UKC route shed 5 points to conclude at ws82.5. The recent decline in Suezmax rates comes, ironically, in spite of rebounding Nigerian crude supply as the corresponding narrowing of pricing differentials between West African grades and alternatives narrowed and Saudi OSPs disfavorable to Asian buyers pushed a portion of their interest into the West Africa market. These factors enabled the VLCC share of the October program to double from the September share. As such, less cargo has been available for Suezmaxes and the October Suezmax program has observed 40% fewer cargoes than the September program thus far. However, with VLCCs having progressed into November dates, we note that the situation appears to be shifting with VLCC coverage of October's final decade having been low (likely to do with lingering uncertainties regarding the security situation in the Niger Delta region where oil infrastructure is vulnerable to militant attacks). Whereas 15 VLCCs were fixed for cargoes loading during October's second decade, just six were fixed for third-decade loading. Thus, stronger Suezmax demand during the upcoming week is likely and should limit further losses and potentially allow owners to command fresh gains. Further forward, whilst regional VLCC demand is likely to remain elevated from the low levels observed during August and September, it should moderate as Saudi OSPs for November offer discounts to Asian buyers. This implies a more balanced distribution of West African cargoes between VLCC and Suezmax which, together with seasonal factors and progression from European refinery turnarounds, should allow Suezmaxes to observe directional strength during the remainder of Q4.

Aframax
Aframax demand in the Caribbean market rebounded this week with the regional fixture tally rising by 114% w/w. Initially, rates languished at lows touched last week but after demand surged later during the week, supply/demand fundamentals tightened and allowed owners to command fresh gains. The CBS-USG route added 7.5 points to conclude at ws82.5. Rates appear likely to observe further gains during the upcoming week as availability remains tight. Further forward, some support could stem from the fact that voyages to points outside of the region were stronger this week with the MTD fixture tally representing a 133% gain from September levels.

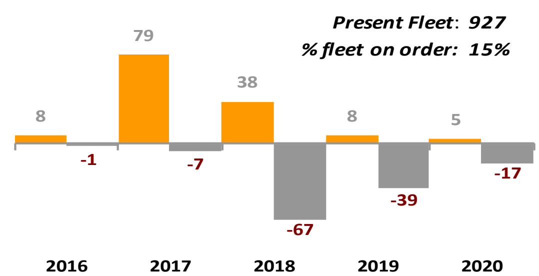
VLCC Projected Deliveries/Removals



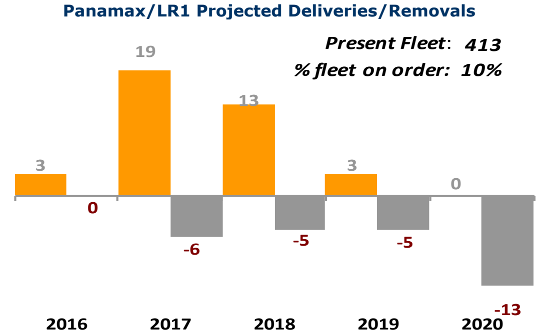
Suezmax Projected Deliveries/Removals



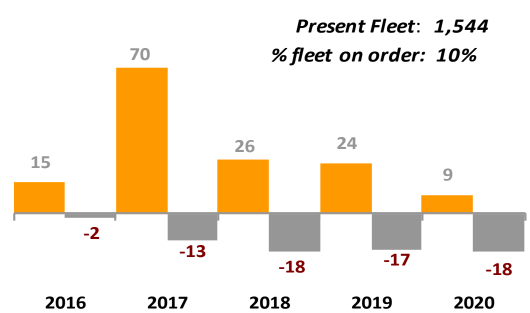
Aframax/LR2 Projected Deliveries/Removals



Panamax/LR1 Projected Deliveries/Removals



MR Projected Deliveries/Removals



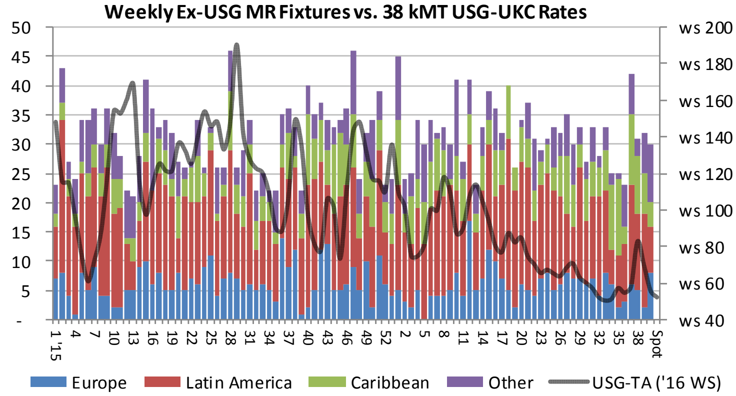
WEBER WEEKLY TANKER REPORT

MR

The USG MR market saw demand levels ease this week with a fixture tally of 30 representing a 6% w/w decline. Of this week's tally, 8 fixtures were bound for points in Europe (+6, w/w – and the most in two months), 12 were bound for points in Latin American and the Caribbean (-11, w/w) and the remainder were bound for alternative destinations or have yet to be determined. Healthier demand on the USG-UKC route specifically, and a modest rise in the average fixture distance more generally should help to contribute to an improvement from the present moribund rate environment which has gripped the regional (and wider) MR market, but owners were hard pressed to find any cause for excitement this week with rates plunging to fresh two-month lows. The USG-UKC route shed 7.5 points to conclude at ws52.5 and the USG-CBS route shed $10k to conclude at $250/day. Perhaps more troubling, the USG-CHILE route, which occupies units for at least 30 days, dropped to a fresh YTD low of $875k. Given the route's long-haul status, the decline underscores the markedly sour sentiment which prevails.

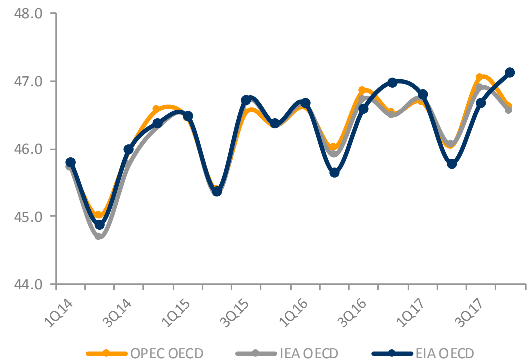
Two-week forward availability remains unchanged w/w at 44 units. Comparing prevailing fundamentals with historical rate and supply/demand correlations show that this week's rate downside was excessive. However, overcoming the negative psychology which has followed months of poor market dynamics is not easy and failing a demand surge wherein weekly fixture tallies rise towards the 40 level, rates are likely to continue to languish around present levels through at least the upcoming week.

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

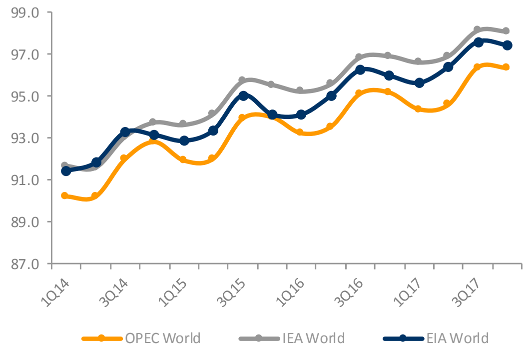


Charles R. Weber Company

Projected OECD Oil Demand



Projected World Oil Demand



REPORTED TANKER SALES

"Nassau Energy" 107,181/98 – Koyo Dockyard – DH
-Sold for $11.8m to Turkish buyers (Karademiz).

"Classy Victoria" 74,993/07 – Onomichi – DH
-Sold for $18.0m to undisclosed buyer as a declared purchase option.

"Stena Image" 49,719/15 – Guangzhou – DH – IMO III
-Sold for $37.5m to undisclosed Japanese buyers including BBB for 8 years with purchase options from year 4.

"Navig8 Tourmaline" 49,513/16 – STX – DH – IMO II
-Sold on private terms to Norwegian buyers (Ocean Yield ASA) with BBB.

"Skazochnyj Most" 47,314/98 – Uljanik – DH
-Sold for $5.5m to undisclosed Singaporean buyers basis DD past due.

"Hugli Spirit" 46,889/05 – Hyundai Mipo – DH – IMO III
-Sold for $13.0m to undisclosed buyers.

"Minitank Six" 8,102/07 – Nokbong – DH – IMO II
"Minitank Five" 8,084/07 – Nokbong – DH – IMO II
-Sold en bloc for $8.0m each to Italian buyers (Amoretti Armatori).

"Bao Zhou" 4,923/08 – Chuandong – DH – Asphalt/Bitumen – Ice FS II
"Jiang Zhou" 4,923/08 – Chuandong – DH – Asphalt/Bitumen – Ice FS II
-Sold en bloc for $5.35m to Greek buyers (Queensway Navigation). Old sale.

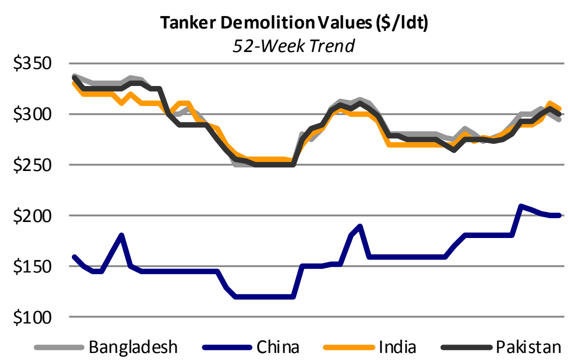
REPORTED TANKER DEMOLITION SALES

China

"Xin tong Yang" 89,090/96 – 21,103 LDT – SH
-Sold on private terms.

Pakistan

"Akama" 41,448/91 – 8,198 LDT – DH
-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