

WEBER WEEKLY TANKER REPORT

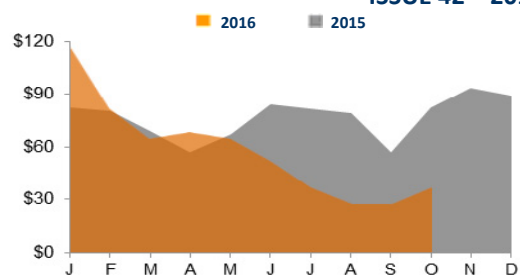


WEEK 42 – 21 OCTOBER 2016

ISSUE 42 – 2016

Spot Market	WS/LS	TCE ~\$/day	WS/LS	TCE ~\$/day
VLCC (13.0 Kts L/B)	14-Oct		21-Oct	
AG>USG 280k (TD1)	38.5	\$21,189	39.0	\$21,386
AG>USG/CBS>SPORE/AG	--	\$52,833	--	\$51,110
AG>SPORE 270k (TD2)	65.0	\$50,451	65.0	\$50,334
AG>CHINA 265k (TD3C)	65.0	\$44,414	65.0	\$44,295
WAFR>USG 260k (TD4)	65.0	\$49,370	65.0	\$49,070
WAFR>CHINA 260k (TD15)	67.0	\$48,368	65.0	\$45,943
CBS>SPORE 270k	\$4.50m	--	\$4.30m	--
SUEZMAX (13.0 Kts L/B)				
WAFR>USAC 130k	72.5	\$22,439	67.5	\$19,640
WAFR>UKC 130k (TD20)	72.5	\$18,638	65.0	\$19,730
BSEA>MED 140k (TD6)	75.0	\$24,373	85.0	\$32,096
CBS>USG 150k	75.0	\$28,368	72.5	\$26,378
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k (TD7)	92.5	\$20,546	100.0	\$28,311
AG>SPORE 70k (TD8)	65.0	\$7,665	97.5	\$17,384
BALT>UKC 100k (TD17)	72.5	\$21,769	75.0	\$23,542
CBS>USG 70k (TD9)	110.0	\$20,117	92.5	\$13,448
MED>MED 80k (TD19)	62.5	\$2,459	70.0	\$5,364
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k (TD21)	100.0	\$3,041	115.0	\$6,543
CONT>USG 55k (TD12)	85.0	\$7,038	82.5	\$6,286
ECU>USWC 50k	127.5	\$14,553	127.5	\$14,461
CPP (13.0 Kts L/B)				
UKC>USAC 37k (TC2)	80.0	\$2,492	87.5	\$3,937
USG>UKC 38k (TC14)	52.5	\$(1,246)	67.5	\$1,504
USG>UKC/UKC>USAC/USG	--	\$3,665	--	\$6,721
USG>CBS (Pozos) 38k	\$250k	\$1,160	\$350k	\$7,837
USG>CHILE (Coronel) 38k	\$825k	\$6,572	\$1.00m	\$11,537
CBS>USAC 38k	80.0	\$3,566	95.0	\$6,391
AG>JPN 35k	92.0	\$4,228	97.5	\$4,953
AG>JPN 75k (TC1)	75.0	\$10,647	87.5	\$14,323
AG>JPN 55k (TC5)	85.0	\$7,884	92.5	\$9,466

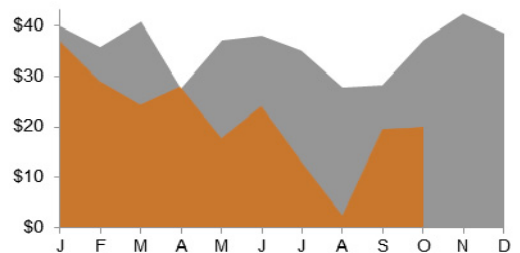
Time Charter Market \$/day (theoretical)	1 Year	3 Years
VLCC	\$30,000	\$29,000
Suezmax	\$20,000	\$19,000
Aframax	\$17,000	\$17,000
Panamax	\$14,000	\$15,000
MR	\$12,000	\$14,000



VLCC TCE
AG>USG /
CBS>SPORE/AG¹

MTD Average
~\$37,204/Day

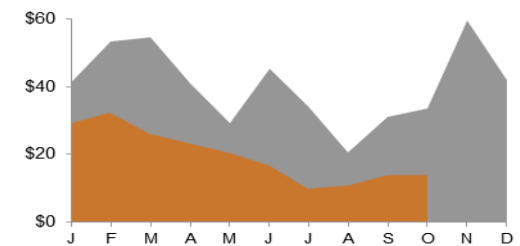
Month y/y
▼ -55%



S' MAX TCE
130k WAF>UKC

MTD Average
~\$20,018/Day

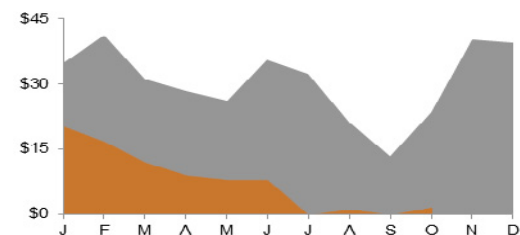
Month y/y
▼ -46%



A' MAX TCE
70k CBS>USG

MTD Average
~\$13,729/Day

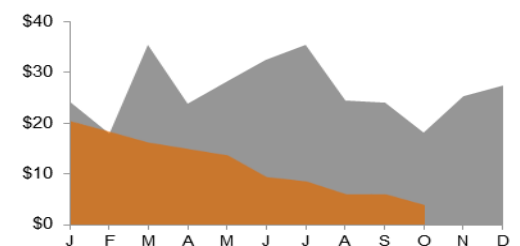
Month y/y
▼ -59%



P' MAX TCE
50k CBS>USG

MTD Average
~\$1,706 /Day

Month y/y
▼ -93%



MR TCE
USG>UKC/
UKC>USAC/USG

MTD Average
~\$3,940/Day

Month y/y
▼ -78%

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WEBER WEEKLY TANKER REPORT



SPOT MARKET SUMMARY

VLCC

VLCC rates remained firm through the first half of the week on owners' resistance and following a recent surge of West Africa fixtures which drew on Middle East positions and led to a tighter supply/demand profile. Extremely light demand this week, however, weakened sentiment by the close of the week and led rates to erase the week's earlier gains. The Middle East market extended last week's demand slump; a total of 15 fixtures were reported, representing a weekly gain of one fixture but just 58% of the 52-week average. In the West Africa market, just one fixture was reported, off by seven from last week's tally and representing the lowest count in six months. The latter likely factored more heavily into the eroding of earlier sentiment given that participants are more accustomed to the Middle East market's volatile weekly activity and mindful of the relative stability of monthly cargo programs. By contrast, the West Africa market observes less consistent monthly programs which can oscillate between favoring Suezmax and VLCC tonnage; as such, demand fluctuations have been key drivers of both Middle East and West Africa rates in recent years. The influence exerted by West Africa demand swings is two-fold with demand swings impacting rates on a near-term basis, by reducing Middle East availability levels, and a forward basis, by contributing ton-miles and thus reducing forward availability as performing units take longer to ballast to West Africa and longer to delivery covered cargoes to their destinations, relative to eastbound voyages from the Middle East. In the case of this week's performance, the former is the case while the latter will follow the earlier West Africa demand surge to support rates later during the quarter.

In the interim, we expect that rates will continue to observe modest downside ahead of a start to the second decade of the November Middle East program, likely by late next week, at which point the supply/demand balance should narrow, leading to stronger rates. We note that with 25 first decade cargoes covered thus far, a further 10-15 remain likely uncovered. Against this, there are 30 units available. Draws to service West Africa demand should rise from this week's light level and consume some of the Middle East positions, though the extent is difficult to ascertain with Saudi OSPs favoring Asian buyers with an eastbound OSP discount of \$0.45/bbl but Nigeria also more aggressively pricing its crude to attract buyers, having announced this week an OSP discount of at least \$1/bbl for all buyers. Balancing the two, we estimate that four to five West Africa draws will materialize leaving a Middle East surplus of between 10 and 16 at the close of November's first decade. The spread is wide and the actual balance will likely heavily influence rates accordingly. Nevertheless, once charterers move in the incrementally more active second and third decades, the stronger demand against lower position replenishments due to the earlier West Africa surge should prove highly supportive of rates.

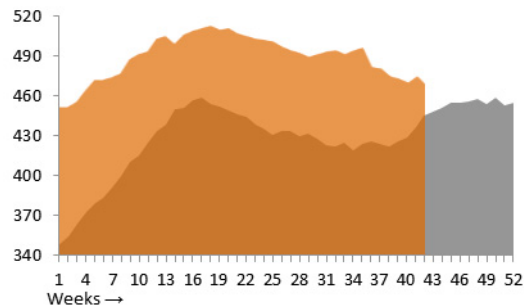
Middle East

Rates on the AG-FAEST route concluded unchanged w/w at ws65, having reached into the ws70s earlier during the week. Corresponding TCEs concluded at ~\$48,117/day, off 0.4%. Rates to the USG via the Cape concluded at ws39, representing a 0.5-point w/w gain. Triangulated Westbound trade earnings concluded nominally lower at ~\$52,944/day.

Atlantic Basin

The West Africa market was unchanged this week. Rates on the WAFR-FAEST route concluded unchanged at ws65.

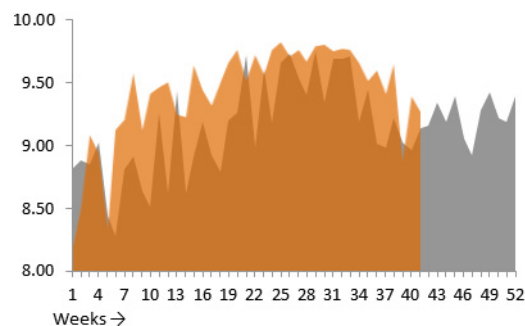
The Caribbean market was quieter this week which, together with building regional availability and easing sentiment elsewhere in the Atlantic basin, saw rates move into negative territory. The CBS-SPORE route shed \$200k to conclude at \$4.3m lump sum.



US Crude Stocks (EIA)

Last Week
468.7 MnBbls

Week y/y
▲ +5.4%



US Gasoline Demand (EIA)

Last week
8.798 MnB/d

Week y/y
▼ -3.9%

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Suezmax

After observing modest downside at the start of the week on higher availability following the weekend and amid souring sentiment due to strong earlier VLCC coverage in the region, rates stabilized from midweek as participants became cognizant of a likely imminent demand boost. Rates on the WAFR-UKC route concluded with a 7.5 A total of 12 fixtures were reported for the week, representing a gain of one on last week's tally. Meanwhile, VLCC fixture activity in the region was at its lowest pace in six months. Together with returning Qua Iboe cargoes from earlier force majeure and expectations that November's Nigerian supply rate will exceed 2.0 Mnb/d for the first time since January, this implies stronger forward Suezmax demand. VLCC coverage of regional cargoes has declined markedly in the November program; to-date, VLCC charters for cargoes loading during the first two decades stand 62% below the same period during October. As charterers progress further into November Suezmax stems, the greater cargo availability should help to narrow the supply/demand positioning and support fresh rate gains.

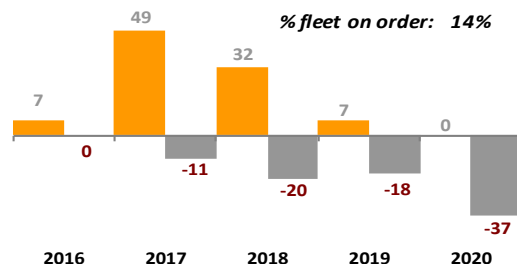
Aframax

Demand in the Caribbean Aframax market eased 25% w/w to 12 fixtures and while the four-week moving average remains unchanged at 13 for the third consecutive week, the supply/demand balance loosened on rising availability, allowing charterers to capitalize on the weekly pullback. The CBS-USG route shed 17.5 points to conclude at ws92.5. Given the likelihood of further availability builds over the weekend, rates could post further losses at the start of the upcoming week. Thereafter, we expect that any cargoes opportunistically delayed until softer rates prevail will materialize and, in contributing to normal demand, should help to stabilize rates.

VLCC Projected Deliveries/Removals

Present Fleet: 675

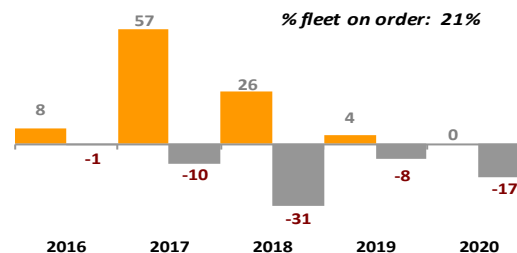
% fleet on order: 14%



Suezmax Projected Deliveries/Removals

Present Fleet: 458

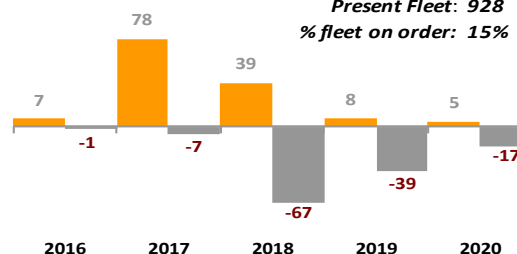
% fleet on order: 21%



Aframax/LR2 Projected Deliveries/Removals

Present Fleet: 928

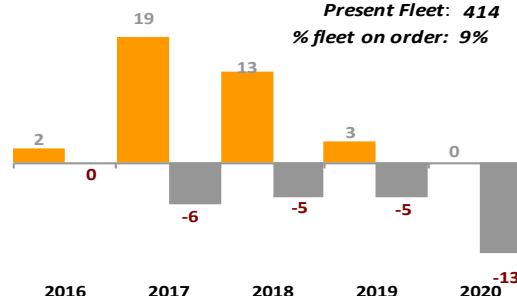
% fleet on order: 15%



Panamax/LR1 Projected Deliveries/Removals

Present Fleet: 414

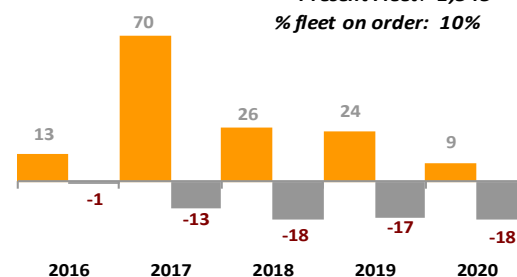
% fleet on order: 9%



MR Projected Deliveries/Removals

Present Fleet: 1,545

% fleet on order: 10%



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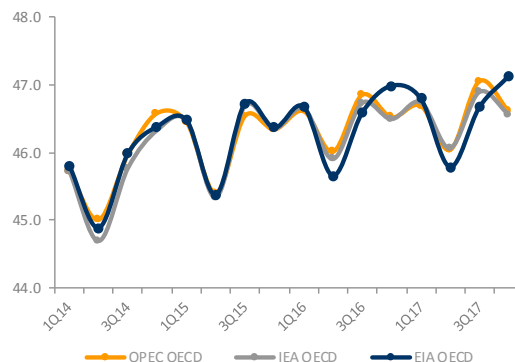
MR

The USG MR market was markedly stronger this week with a surge of fixtures pushing the weekly tally to its highest level in nearly two years. Early during the week, a knee-jerk reaction to announced work on the Colonial Pipeline saw some arbitrage opportunities open up, driving some of this week's demand, but prices normalized quickly thereafter making the source of this week's demand uncertain. A total of 49 fixtures were reported; among these, 11 were bound for points in Europe – some 8 more than last week and the most in six months, 36 were bound for points in Latin America and the Caribbean (+5, w/w) and the remainder were yet to be determined or bound for alternative locations. Voyages to Latin America include a number of fixtures to places further afield than the CBS and ECMex-bound voyages which have dominated the destination profile for much of the year; though this could bode well for rate developments as the quarter progresses, it does not likely do much to help support rates in the immediate near-term.

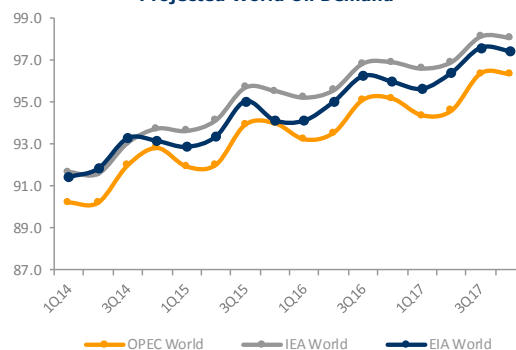
The USG-UKC route jumped 15 points to conclude at ws67.5 while the USG-CBS route added \$100k to conclude at \$350k lump sum. The latter, an indicator of intraregional earnings, is yielding a TCE of ~\$7,837/day which bests triangulated Atlantic earnings of ~\$6,721/day and handily exceeds those on the UKC-WAFR route of just ~\$3,376/day. As the latter is an indicator of round-trip voyages from the UKC area, the relative strength of ex-USG rates has incentivized units freeing on the USAC to ballast towards the USG for their next voyage – whereas a week ago return ballasts to the UKC was the clear strategy. As a result, two-week forward USG availability has risen by one unit w/w to 42 units.

While rates observed upside this week on the back of the hectic pace of demand, the inability for availability to decline could arrest the positive momentum. We note that historically, strong weekly demand fluctuations are accompanied by corresponding rate changes during the following week – largely due to a lagging realization of fundamentals swings. An analysis of our data since 2013 shows that weekly demand changes exceeding 30% either up or down are followed by a USG-UKC rate change of at least 5 points in the same direction 70% of the time. Challenging the historical trend is low PADD3 refinery utilization rates amid maintenance (86.1% last week) and the lingering high availability; thus, failing an unlikely recurrence of this week's demand, rates are likely to ease from this week's highs during the upcoming week.

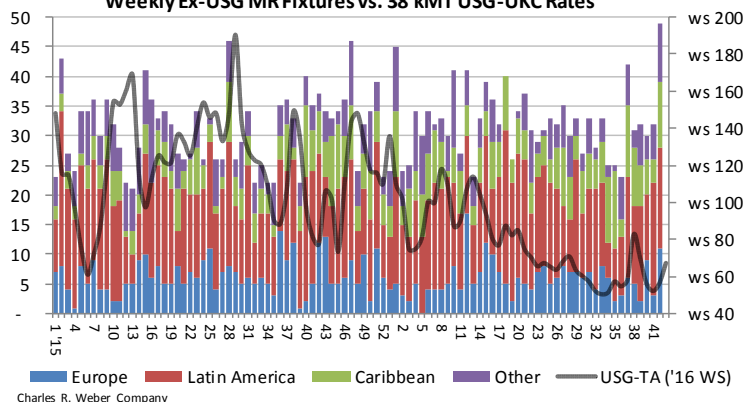
Projected OECD Oil Demand



Projected World Oil Demand



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



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REPORTED TANKER SALES

"DHT Chris" – 309,285/01 – Hyundai Ulsan – DH
-Sold on subjects for \$24.0m to Hong Kong buyers (Agritrade Resources).

"Astro Chorus" 305,704/01 – Daewoo – DH
-Sold for \$24.0m to undisclosed Russian buyers.

"Compassion" 72,782/06 – Dalian – DH
"Compass" 72,768/06 – Dalian – DH
-Sold en bloc to Chinese buyers (Bank of Communications) including 7-year BBBs on undisclosed terms.

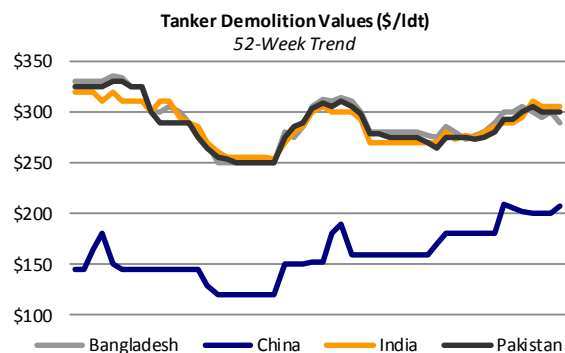
"Theresa Venus" 39,656/91 – Uljanik – DH – IMO II
-Sold for \$4.7m to Indian buyers (Tag Offshore).

"Red Oak" 13,020/09 – 21st Century – DH – IMO II
-Sold for \$11.5m to undisclosed buyers.

REPORTED TANKER DEMOLITION SALES

Bangladesh

"Progress" 297,237/94 – 38,752 LDT – DH
-Sold on private terms; Oct '14 scrap deal shelved Jan '15 in favor of storage TC.



**Monthly 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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