

WEBER WEEKLY TANKER REPORT



WEEK 43 – 28 OCTOBER 2016

US Product Exports on Course for 5.4% y/y Gain

Excerpted from the upcoming Weber US Product Trade Quarterly

US refined product exports continued to perform strongly in 2Q16 (+5.6%). Our estimate for full year growth has been revised up to 5.4% from 2.7% last quarter. This is broadly in line with rates of growth observed during 2014 and 2015, although the double-digit growth returned in the early years of the shale revolution are now firmly in the past.

At the start of the year, falling domestic production triggered by low oil prices coupled with high stock levels seemed to threaten the continued healthy expansion of the US product export trade.

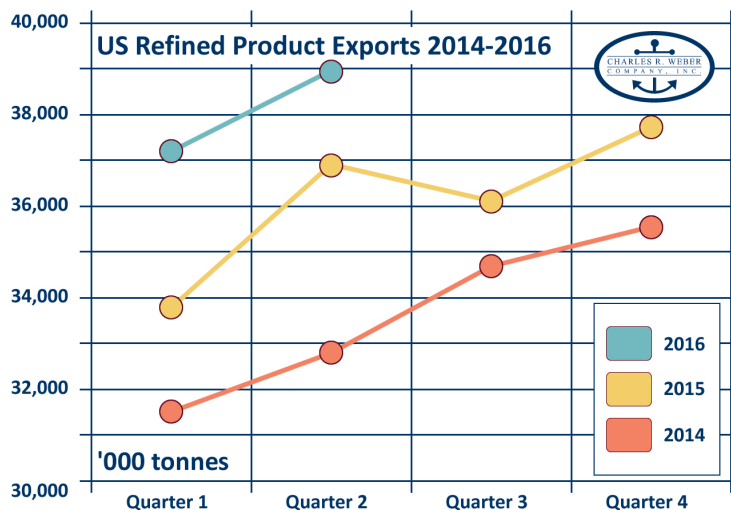
As of July, OECD product stocks were around 150MnBbls higher than the average for 2011-15. However, this headline number gives a misleading impression because most of the exceptional stock build belongs to the "other products" category composed mostly of gas liquids, and chiefly US propane. The build in refined liquid products, namely gasoline, gasoil/diesel and fuel oil was actually reported to be just half the seasonal norm in July.

US exporters face significant downside risk from the global economic outlook. Although the market response to Brexit has been orderly to date, it remains an unfolding event. The IMF felt confident enough to leave its forecast for global economic growth unchanged from its July estimate at 3.1% in 2016 and 3.4% in 2017. However, negotiations to formalize the UK's separation from the EU will take two years, which presages a two-year period of global economic uncertainty.

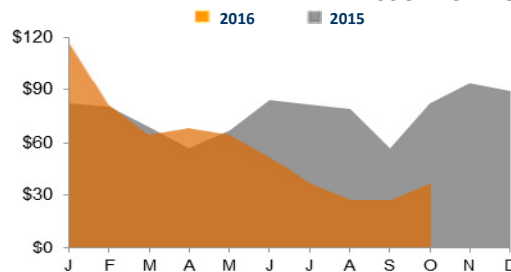
Gasoline remains the star performing export commodity, although the dominant gasoil/diesel market also performed reasonably in 1H16. The other principle seaborne export commodities have all gone backwards this year.

We have observed significant retrenchment in established regional markets - namely South America and Europe, which now account for 92% of US exports up from 90% in 2015. There is little evidence that US exporters are able to build traction in more distant markets.

Even in its traditional markets, performance has been very mixed. In Europe, the Netherlands has provided the bulwark for demand. In South America, Brazil has developed as an important resurgent market.



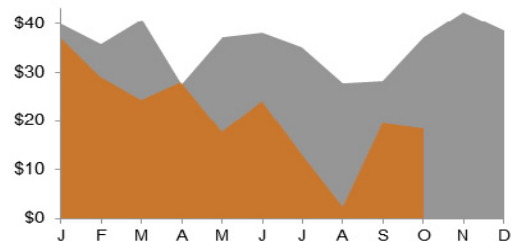
ISSUE 43 – 2016



VLCC TCE
AG-USG /
CBS-SPORE/AG¹

MTD Average
~\$35,219/Day

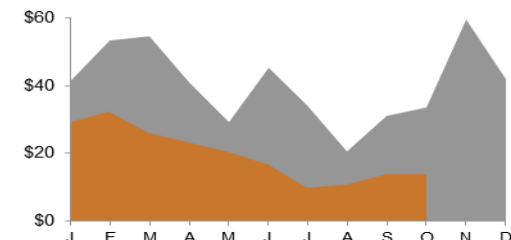
Month y/y
▼ -57%



S'MAX TCE
130k WAF-UKC

MTD Average
~\$18,350/Day

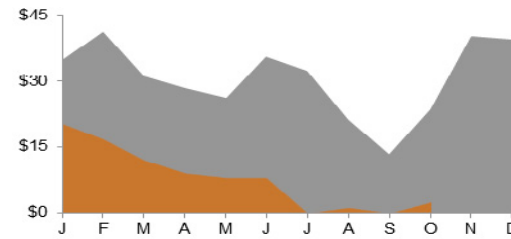
Month y/y
▼ -51%



A'MAX TCE
70k CBS-USG

MTD Average
~\$14,352/Day

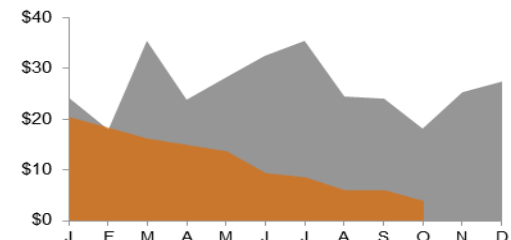
Month y/y
▼ -57%



P'MAX TCE
50k CBS-USG

MTD Average
~\$2,535/Day

Month y/y
▼ -89%



MR TCE
USG-UKC/
UKC-USAC/USG

MTD Average
~\$4,588/Day

Month y/y
▼ -75%

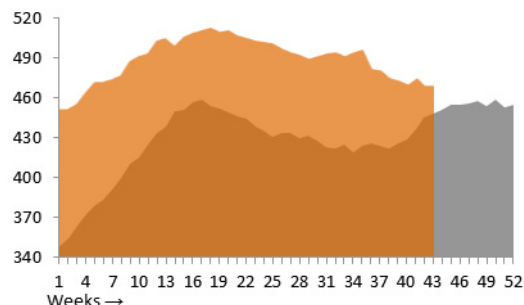
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WEBER WEEKLY TANKER REPORT



Spot Market	WS/LS	TCE ~\$/day	WS/LS	TCE ~\$/day
VLCC (13.0 Kts L/B)				
	21-Oct		28-Oct	
AG>USG 280k (TD1)	39.0	\$21,386	37.0	\$19,552
AG>USG/CBS>SPORE/AG	--	\$51,110	--	\$51,447
AG>SPORE 270k (TD2)	65.0	\$50,334	59.0	\$43,934
AG>CHINA 265k (TD3C)	65.0	\$44,295	59.0	\$37,179
WAFR>USG 260k (TD4)	65.0	\$49,070	65.0	\$49,282
WAFR>CHINA 260k (TD15)	65.0	\$45,943	65.0	\$46,184
CBS>SPORE 270k	\$4.30m	--	\$4.50m	--
SUEZMAX (13.0 Kts L/B)				
WAFR>USAC 130k	67.5	\$19,640	57.5	\$14,561
WAFR>UKC 130k (TD20)	65.0	\$19,730	57.5	\$10,924
BSEA>MED 140k (TD6)	85.0	\$32,096	77.5	\$26,353
CBS>USG 150k	72.5	\$26,378	62.5	\$18,950
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k (TD7)	100.0	\$28,311	100.0	\$28,281
AG>SPORE 70k (TD8)	97.5	\$17,384	95.0	\$16,802
BALT>UKC 100k (TD17)	75.0	\$23,542	67.5	\$18,644
CBS>USG 70k (TD9)	92.5	\$13,448	112.5	\$21,006
MED>MED 80k (TD19)	70.0	\$5,364	67.5	\$4,460
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k (TD21)	115.0	\$6,543	107.5	\$4,825
CONT>USG 55k (TD12)	82.5	\$6,286	82.5	\$6,363
ECU>USWC 50k	127.5	\$14,461	127.5	\$14,375
CPP (13.0 Kts L/B)				
UKC>USAC 37k (TC2)	87.5	\$3,937	87.5	\$3,971
USG>UKC 38k (TC14)	67.5	\$1,504	67.5	\$1,566
USG>UKC/UKC>USAC/USG	--	\$6,721	--	\$6,754
USG>CBS (Pozos) 38k	\$350k	\$7,837	\$350k	\$7,901
USG>CHILE (Coronel) 38k	\$1.00m	\$11,537	\$975k	\$10,892
CBS>USAC 38k	95.0	\$6,391	95.0	\$6,451
AG>JPN 35k	97.5	\$4,953	99.0	\$5,293
AG>JPN 75k (TC1)	87.5	\$14,323	85.0	\$13,748
AG>JPN 55k (TC5)	92.5	\$9,466	88.0	\$8,641

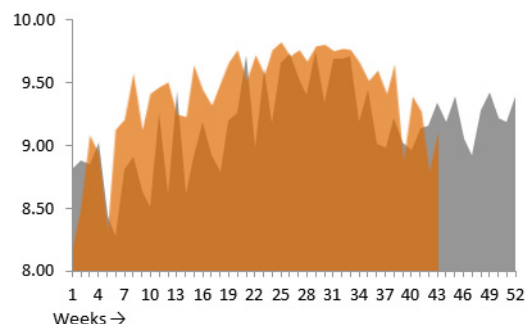
Time Charter Market \$/day (theoretical)	1 Year	3 Years
VLCC	\$30,000	\$29,000
Suezmax	\$20,000	\$19,000
Aframax	\$17,000	\$17,000
Panamax	\$14,000	\$15,000
MR	\$12,000	\$14,000



US Crude
Stocks (EIA)

Last Week
468.2 MnBbls

Week y/y
▲ +4.5%



US Gasoline
Demand (EIA)

Last week
9.118 MnB/d

Week y/y
▼ -2.4%

2016 2015

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SPOT MARKET SUMMARY

VLCC

Following two consecutive weeks of sluggish demand, charterers in the Middle East market sought to take advantage of the corresponding erosion of owners' confidence by holding back on fresh cargoes this week. Though the weekly fixture tally in the Middle East rose 33% w/w to 20 fixtures, the tally was 20% below the 52-week average – and far below the stronger demand levels participants had expected to accompany further progression into the November program. Charterers' strategy succeeded and aided by the presence of a number of disadvantaged units competing aggressively, allowed rates to observe stronger downside. The AG-FEAST route fell to as low as ws50 from last week's closing assessment of ws65. However, with many of the disadvantaged units having been fixed, managers of more competitive units were showing stronger resistance at the close of the week, allowing a paring of the earlier losses with a closing assessment of ws59.

Elsewhere, the West Africa market was busier, having pared last week's six-month low tally to return to exceed the 52-week average with six fixtures. The rebounding demand in the region contributed to the end-week resistance being shown by owners and a sustaining thereof should prove useful to owners next week when charterers have little choice but to accelerate their pace of November Middle East cargo coverage. Overall, the near-term structure of the VLCC market appears healthy – and, in fact, fundamentals have improved. In the Middle East, 54 November cargoes have been covered thus far, leaving an expected 28 cargoes likely uncovered through the second-decade of the month. Against this, there are 37 units available and once accounting for likely West Africa draws, the estimated surplus at the conclusion of the month's second decade is just four units. This compares with 14 surplus units at the conclusion of the month's first decade and is comparable to the 1Q16 average end-month surplus of 7 units, when VLCC earnings averaged ~\$62,060/day. Average earnings presently stand 36% lower at ~\$39,974/day.

Though overall fundamentals have narrowed markedly since Q3, rates have been more vulnerable to downside in recent weeks due to an uneven distribution of Middle East cargoes between each month's three decades. November is showing a similar distribution to October, characterized by a light first-decade and progressively longer second- and third-decades. Moreover, coming on the back of the 3Q16's strong headwinds, owners' confidence has been heavily eroded leading to more aggressive vying for cargoes during the lighter 1st decade periods – which also delays rate upside thereafter. Nevertheless, we expect that rate upside will accompany next week's stronger demand and, thereafter, when charterers progress concertedly into the month's final decade, tighter fundamentals will be plainly evident and lead to a stronger pace of rate upside to bring earnings back towards levels dictated by the overall supply/demand positioning. Given earlier West Africa demand strength, Middle East position replenishment will be lower once charterers move into December dates, which should end the pattern of headwinds accompanying each month's first decade, assuming no significant pull-back to overall crude supply.

Middle East

Rates on the AG-FEAST route concluded with a 6-point decline to ws59. Corresponding TCEs fell 13% to a closing assessment of ~\$41,994/day. Rates to the USG via the Cape lost 2 points to conclude at ws37. Triangulated westbound trade earnings gained 1%, w/w, to conclude at ~\$51,447 /day.

Atlantic Basin

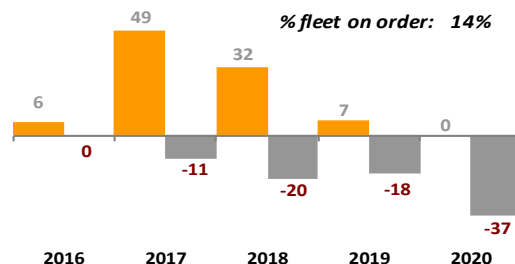
Rates on the WAFR-FEAST concluded unchanged at ws65. Corresponding TCEs rose by 1% to conclude at ~\$46,184/day.

The Caribbean market was modestly more active this week and while owners are showing increasing resistance on the back of rebounding sentiment elsewhere, rates observed little change. The CBS-SPORE route concluded unchanged at \$4.5m. Any observed strength in alternative markets will very likely see Caribbean rates firm in tandem.

VLCC Projected Deliveries/Removals

Present Fleet: 676

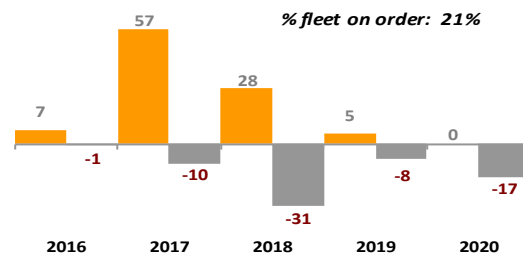
% fleet on order: 14%



Suezmax Projected Deliveries/Removals

Present Fleet: 459

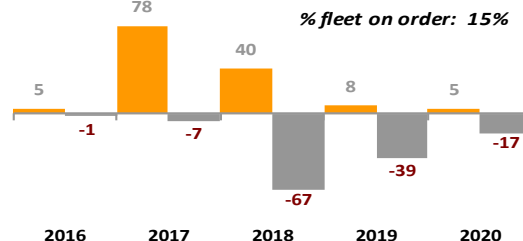
% fleet on order: 21%



Aframax/LR2 Projected Deliveries/Removals

Present Fleet: 930

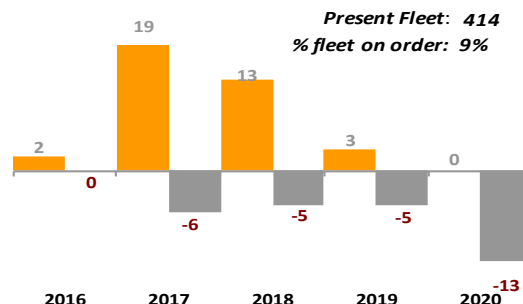
% fleet on order: 15%



Panamax/LR1 Projected Deliveries/Removals

Present Fleet: 414

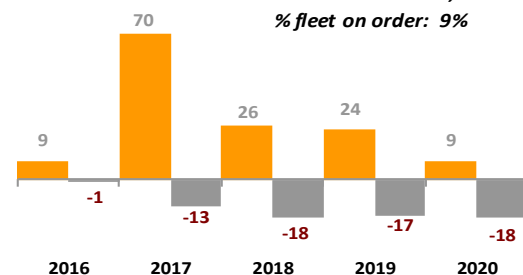
% fleet on order: 9%



MR Projected Deliveries/Removals

Present Fleet: 1,549

% fleet on order: 9%

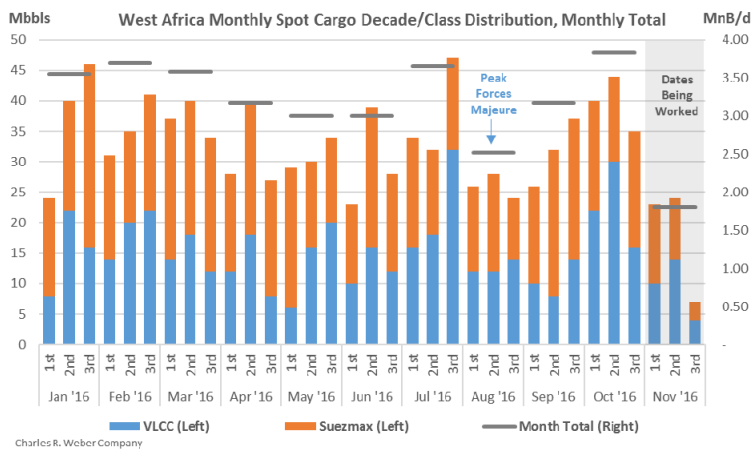


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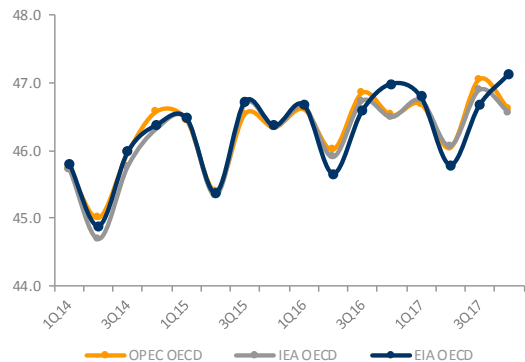


Suezmax

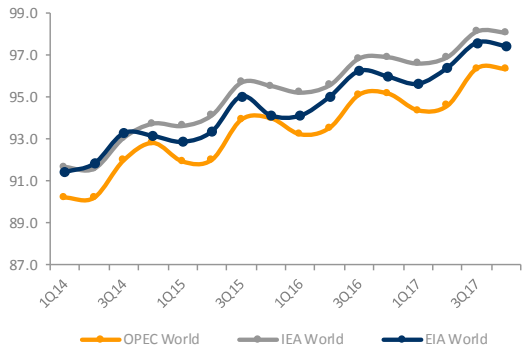
A slow progression into November dates by charterers in the West Africa Suezmax markets further eroded owners' confidence this week, leading to further rate downside. The WAFR-UKC route shed 7.5 points to conclude at ws57.5 with corresponding TCEs dropping 45% to ~\$10,924/day. The sustained slow pace of chartering came despite expectations that a lightly-covered November West Africa program would offer Suezmaxes more demand this week. A view of the November program shows coverage thus far by both VLCCs and Suezmaxes to be off by 54%, m/m with VLCCs off by 59% m/m. With VLCC charterers having moved into November dates, it is presumed, therefore, that a large volume of uncovered cargoes remain for Suezmaxes which should provide fresh rate support when they finally start to materialize more concertedly.



Projected OECD Oil Demand



Projected World Oil Demand



Aframax

After a sluggish start, the Caribbean Aframax market observed strong demand around mid-week which, aided by a premium for an ECMex cargo, saw owners quickly capitalize on the situation and pare last week's rate losses. The CBS-USG route ultimately gained 20 points to conclude at ws112.5. The week concludes with limited tonnage available which will likely see owners remain reluctant to lower rates at the start of the upcoming week; thereafter, the extent of fresh demand will likely dictate the direction rates take and we believe stronger demand than was observed over the full course of this week will be necessary to that end.

MR

Despite remaining active this week, rates in the USG MR market eased on the back of lower inquiry for trans-Atlantic voyages, which saw last week's modest sentiment boost erode. A total of 42 fixtures materialized, representing a 9% w/w decline – but 24% more than the 52-week average. The destination profile included five for voyages to points in Europe (-6, w/w), 21 to points in Latin America and the Caribbean (-9, w/w) and the remainder were for alternative locations or were yet to be determined.

Rates were largely stable; the USG-UKC and USG-CBS routes concluded unchanged at ws67.5 and \$350k, respectively. The USG-CHILE route shed \$25k to conclude at \$975k. The two-week forward view of available tonnage shows 41 units available, one fewer than a week ago. Failing a significant change to the demand profile, there are few indicators to suggest any divergence of rates during the upcoming week.

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REPORTED TANKER SALES

"Madison Orca" – 319,869/10 – Hyundai Ulsan – DH
-Rumored sold on private terms to Belgian buyers (Euronav); unit was converted from ore/oil carrier 04/2015.

"Stena Supreme" 159,031/12 – Samsung Geoje – DH
-Sold on private terms to undisclosed Japanese buyers including BBB for 12-years with purchase option after year three.

"Ice Base" 63,605/08 – STX Jinhae – DH – Ice 1A
-Sold on private terms to Chilean buyers (Ultratank).

"St. Johannis" 51,218/07 – STX Jinhae – DH
"St. Marien" 51,218/07 – STX Jinhae – DH
-Sold en bloc for \$17.75m each to undisclosed South Korean buyers including TCB at ~\$13,500/day for an undisclosed period.

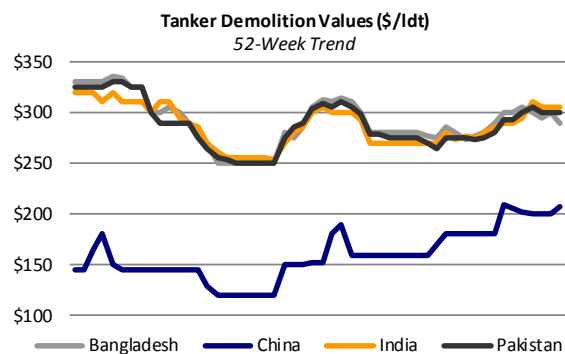
"Pacific Marchioness" 46,710/10 – Hyundai Mipo – DH – IMO III
"Pacific Duchess" 46,697/09 – Hyundai Mipo – DH – IMO III
-Sold en bloc for \$39.60m to Greek buyers (Oceanbulk); sale includes BB to ENOC at \$8,000/day for an undisclosed period.

"Tradewind Union" 10,600/97 – Asakawa – DH – IMO II/III
-Sold for \$5.25m to undisclosed buyers.

REPORTED TANKER DEMOLITION SALES

India

"Charleston" 48,846/83 – 13,702 LDT – DB – Jones Act
-Sold on private terms.



¹Monthly 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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