

WEBER WEEKLY TANKER REPORT

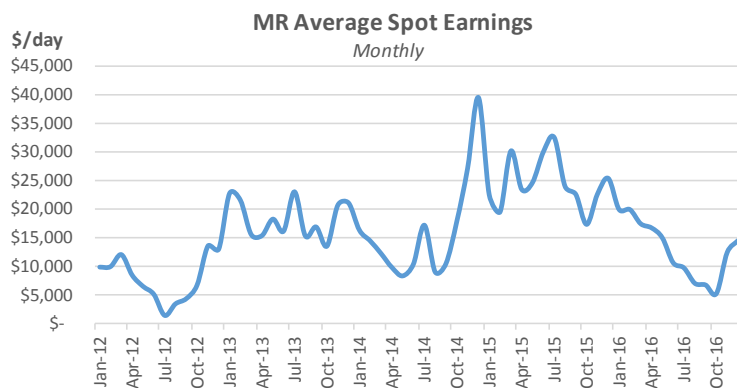


WEEK 2 – 13 JANUARY 2017

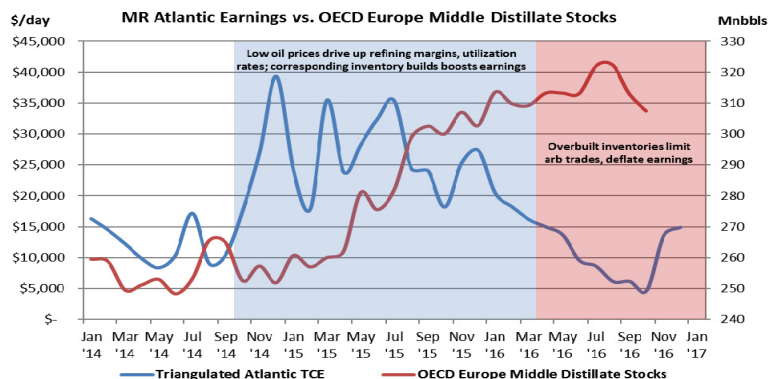
ISSUE 2 – 2017

Worst over for MR tankers?

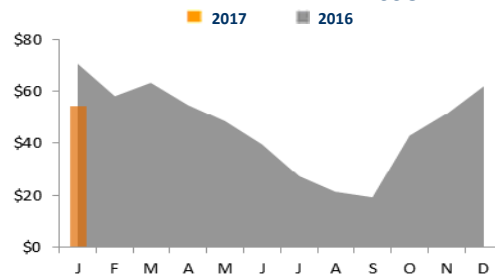
Following a strong 2015 – with earnings at a nine-year high of ~\$24,890/day – MR earnings spent the first ten months of 2016 on a steady directional slide before bottoming during October at a four-year low of just ~\$5,354/day. Despite a modest rebound during November and December, 2016 concluded with a spot earnings average of just ~\$12,997/day, a nearly 50% y/y drop.



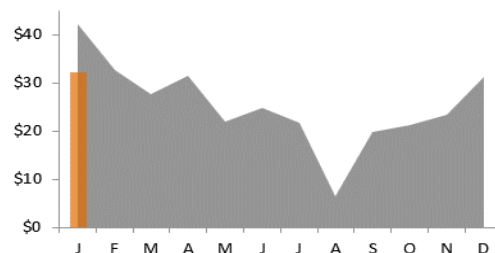
During 2014 and 2015, accelerating of global refining output, boosted by a positive impact on refining margins from lower crude prices and stronger demand and the commissioning of new export-oriented refinery projects, led positive product trade figures that boosted demand and earnings for product tankers. By early 2016, however, global product inventory levels had been massively overbuilt, having overwhelmed demand growth which itself was uneven between different products. Gasoline, for instance, grew during 2016, spurred by fresh intermittent record demand figures in the US, China and India. Diesel, however, likely recorded a modest y/y demand contraction during 2016. With inventories high, trade dynamics became more efficient as arbitrage opportunities requisite to more constructive, geographically diverse trades evaporated. In the USG MR market, for instance, total demand was up by 5%, y/y, but due to demand gains on short-haul routes and losses on long-haul routes, the net impact on fundamentals thereof was negative. Voyages from the region on short-haul routes to Latin America were up by 21% while those to Europe were off by 16% and those to Asia were off by 43%. In Asia, a second-consecutive year of surging product export growth and steady import growth failed to make much of an impact as voyage lengths failed to grow meaningfully in tandem. Simultaneously, though, we found it encouraging for the intermediate and long-term regional supply/demand picture that Pacific triangulated TCE benchmarks bucked their traditional discount to Atlantic triangulated TCE benchmarks a number of times during the year.



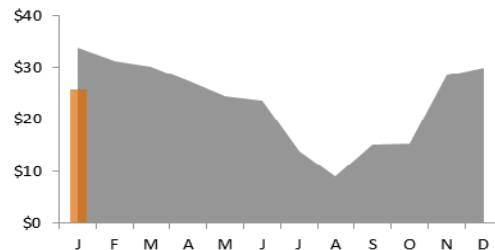
For MR earnings during 2017, we are guardedly more optimistic that earnings will prove stronger on the back of constructive expected developments. In the USG market, total export demand growth should follow 2016's levels in-line with PADD 3



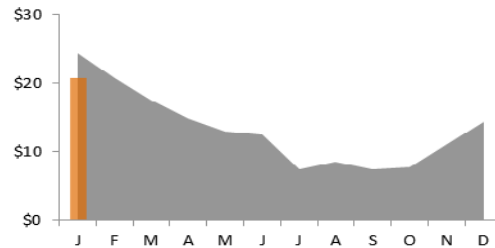
VLCC Average Earnings MTD Average ~\$54,381/Day Month y/y ▼ -23%



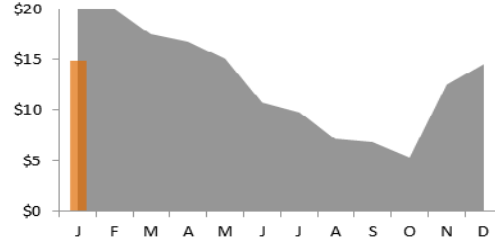
Suezmax Average Earnings MTD Average ~\$32,201/Day Month y/y ▼ -24%



Aframax Average Earnings MTD Average ~\$25,597/Day Month y/y ▼ -24%



Panamax Average Earnings MTD Average ~\$20,640/Day Month y/y ▼ -15%



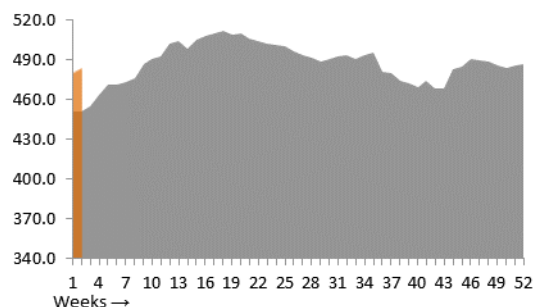
MR Average Earnings MTD Average ~\$14,906/Day Month y/y ▼ -25%

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refining capacity creep – but, more importantly for MR fundamentals, average voyage lengths from the region should rise as well. US product exports to Mexico grew incrementally during 2016 and while further growth could materialize during 2017 on an extending of recent month's trends, further growth from recent levels could be limited by PEMEX's state aims to ramp up refinery utilization rates, allowing for growth on longer-haul routes to ensue. Meanwhile, rising Asian distillate demand growth could reduce flows into Europe, paving the way for US refiners to export more distillate to Europe. IEA data shows that distillate inventories in Europe were moderating from 2Q16 highs at the start of 4Q16, a trend which could be extended if collective inflows from the Middle East and Asia ease up.

On the MR supply front, we expect that net fleet growth will decline to a four-year low of 3.4% as newbuilding deliveries decline for a second-consecutive year. MR fleet growth peaked during 2015 at 7.6% and stood at 5.3% during 2016.



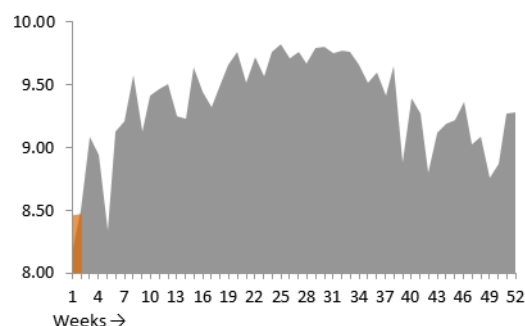
US Crude
Stocks (EIA)

Last Week
483.1 MnBbls

Week y/y
▲ +7.1%

Spot Market	WS/LS	TCE	WS/LS	TCE
VLCC (13.0 Kts L/B)	6-Jan		13-Jan	
AG>USG 280k (TD1)	59.1	\$24,089	49.8	\$17,065
AG>USG/CBS>SPORE/AG	--	\$61,075	--	\$55,089
AG>SPORE 270k (TD2)	91.2	\$46,964	86.1	\$43,186
AG>CHINA 265k (TD3C)	91.2	\$48,269	84.2	\$42,734
WAFR>USG 260k (TD4)	102.3	\$59,206	87.5	\$47,765
WAFR>CHINA 260k (TD15)	91.6	\$49,228	83.7	\$43,208
CBS>SPORE 270k	\$5.20m	--	\$5.20m	--
VLCC Average Earnings		\$50,235		\$45,024
SUEZMAX (13.0 Kts L/B)				
WAFR>USG 130k	104.5	\$25,820	107.5	\$27,208
WAFR>UKC 130k (TD20)	110.7	\$22,906	112.5	\$23,780
BSEA>MED 140k (TD6)	117.0	\$25,995	114.0	\$24,866
CBS>USG 150k	112.8	\$40,042	109.0	\$37,850
Suezmax Average Earnings		\$27,270		\$29,010
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k (TD7)	91.9	\$15,640	100.0	\$22,988
AG>SPORE 70k (TD8)	145.1	\$19,297	110.0	\$11,277
BALT>UKC 100k (TD17)	115.6	\$35,310	105.0	\$29,669
CBS>USG 70k (TD9)	147.5	\$21,903	145.0	\$21,254
MED>MED 80k (TD19)	147.32	\$27,143	187.5	\$41,045
Aframax Average Earnings		\$23,994		\$26,200
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k (TD21)	218.7	\$20,751	190.0	\$15,235
CONT>USG 55k (TD12)	184.8	\$21,677	175.0	\$19,718
ECU>USWC 50k	191.9	\$17,188	190.0	\$16,903
Panamax Average Earnings		\$22,174		\$26,200
CPP (13.0 Kts L/B)				
UKC>USAC 37k (TC2)	205.0	\$16,704	165.0	\$10,773
USG>UKC 38k (TC14)	105.5	\$2,869	118.0	\$4,816
USG>UKC/UKC>USAC/USG	--	\$15,415	--	\$13,640
USG>CBS (Pozos) 38k	\$400k	\$9,920	\$500k	\$16,753
USG>CHILE (Coronel) 38k	\$1.13m	\$13,910	\$1.20m	\$16,164
CBS>USAC 38k	141.4	\$9,457	147.5	\$10,509
MR Average Earnings		\$14,055		\$13,097
LR2 Average Earnings		\$22,915		\$16,396
LR1 Average Earnings		\$13,949		\$10,596
Handy Average Earnings		\$14,748		\$12,138

Time Charter Market \$/day (theoretical)	1 Year	3 Years
VLCC	\$30,000	\$29,000
Suezmax	\$22,000	\$21,500
Aframax	\$17,500	\$18,000
Panamax	\$14,000	\$15,000
MR	\$13,000	\$14,000



US Gasoline
Demand (EIA)

Last week
8.470 MnB/d

Week y/y
▼ -0.4%

2017 2016

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SPOT MARKET SUMMARY

VLCC

Rates in the VLCC market remained under negative pressure through the early part of the week though by the close of the week rising resistance by owners followed both a larger volume of remaining January Middle East cargoes than previously anticipated and an equally unanticipated surge in West Africa demand. Demand in the Middle East market jumped to a five-week high of 33 fixtures, which represents a 27% w/w gain. These were almost entirely oriented to January dates and boosted the January cargo count to 132 fixtures, which exceeds both the December cargo tally and the 2016 monthly average. Meanwhile, the West Africa market saw demand jump to a seven-week high of nine fixtures, representing a 200% w/w gain. The gains in both markets drew heavily on the number of Middle East positions which would otherwise have carried over into February dates, lending support to supply/demand dynamics as charterers prepare to progress forward into February cargoes during the upcoming week.

We note that there are presently 12 units remaining available for January dates in the Middle East market, whilst 2-3 more January cargoes are likely to materialize. Draws on this pool of units to service West Africa demand remains uncertain, but assuming a return to recent averages, the implied number of remaining units that will carry over into February dates is between 5 and 6. This compares with eleven surplus January units projected a week ago and is in-line with the 4Q16 average of 6 units. Earnings during 4Q16 averaged ~\$52,472/day while they presently stand at ~\$45,024/day, suggesting that rates could be poised for gains, failing an uninspiring start to the February program. On that front, we note that the Basrah loading program released this week shows 33 likely VLCC cargoes (once expected co-loadings of Suezmax and Aframax-sized stems onto VLCC tonnage are taken into account). Although marking a reduction from the 41 VLCC cargoes observed during the January program, the decline is partly attributable to the fewer number of days in the month. Across all size classes, the February Basrah program suggests a m/m supply gain of 110,000 b/d, which casts fresh doubts over compliance with the late-2016 OPEC/non-OPEC agreement that called for Iraq to cut 210,000 b/d from its October production rate. Importantly for near-term VLCC rate development, the VLCC program from the terminal is evenly distributed across the February decade date ranges – as opposed to the light first decade distributions

Middle East

Rates to the Far East lost seven points over the course of the week to conclude at ws84.2 with corresponding TCEs dropping by 11% to conclude at ~\$42,734/day. Rates to the USG via the Cape posted a loss of 9.3 points to a closing assessment of ws49.8. Triangulated Westbound trade earnings fell 10% to conclude at ~\$55,089/day.

Atlantic Basin

The West Africa market followed the Middle East with the WAFR-FEAST route losing 7.9 points to conclude at ws83.7 and corresponding TCEs off by 12% to an assessed ~\$47,765/day. The Caribbean market was markedly more active, which has seen positive pressure on rates build though rates were unchanged this week. The CBS-SPORE route was unchanged at \$5.2m lump sum but appears poised to observe fresh upside during the upcoming week, failing a significant decline in regional demand.

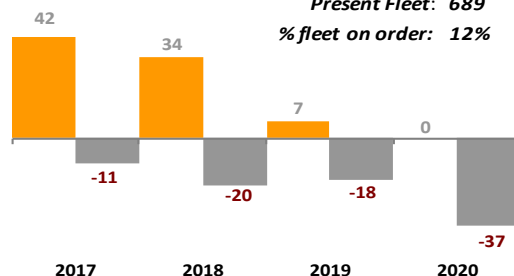
Suezmax

The West Africa Suezmax route was moderately stronger this week as charterers were active covering a backlog of remaining January cargoes against relatively tight positions on the front-end. A total of 13 fixtures were reported, representing a weekly gain of one fixture. Rates on the WAFR-UKC route gained 1.8 points to conclude at ws112.5. Given low VLCC coverage of the January program and observed Suezmax coverage to-date, a number of uncovered January cargoes likely remain uncovered which should keep Suezmax fundamentals tight during the upcoming week and sustain present rates. Thereafter, a robust start to the February program by VLCCs and rising Suezmax ballasters should see the supply/demand ratio loosen and support an easing of rates.

VLCC Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 689

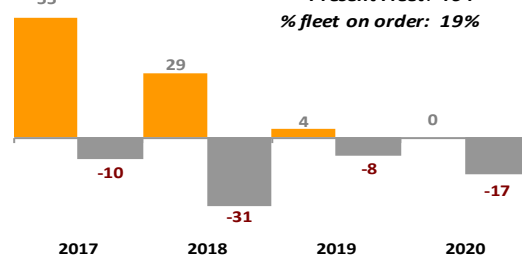
% fleet on order: 12%



Suezmax Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 464

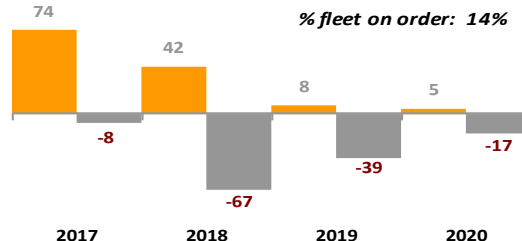
% fleet on order: 19%



Aframax/LR2 Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 940

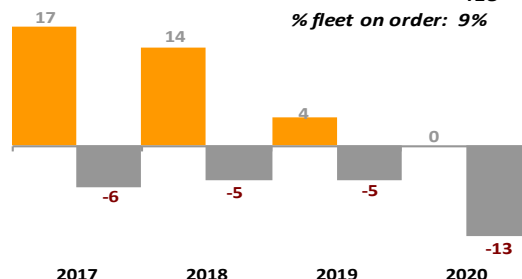
% fleet on order: 14%



Panamax/LR1 Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 418

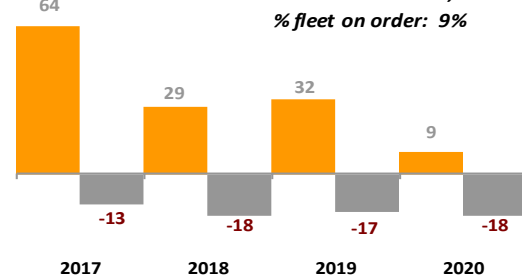
% fleet on order: 9%



MR Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 1,564

% fleet on order: 9%



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Aframax

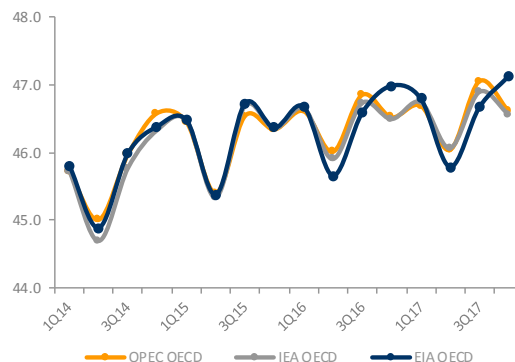
The Caribbean Aframax market commenced the week with an extending of the sour sentiment observed last week which saw early Monday fixtures test fresh lows. Ultimately, however, demand was markedly stronger with a weekly tally of 22 fixtures representing a two-month high and a 144% w/w gain. The surge saw rates rebound and pare Monday's early losses. Rates on the CBS-USG route ended the week off by 2 points at ws145, having fallen into the mid-ws130s at the start of the week. At the close of the week, availability appears more ample which, together with the likely appearance of spot units on Monday, should offset the rising sentiment driven by this week's strong demand to see rates commence the upcoming week around present levels. Thereafter, failing an extending of strong demand, rates are likely to post a fresh retreat.

MR

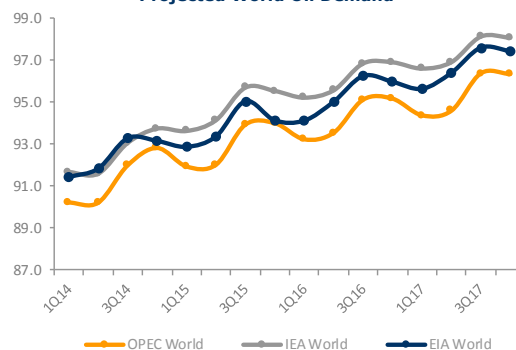
Chartering activity in the USG MR market rose to a record high this week as export demand was bolstered by intermittent arbitrage opportunities while strong PADD 3 refining runs supported the export length. A total of 62 fixtures were reported, representing a 170% w/w gain. Of these, eight are provisionally bound for points in Europe (+5, w/w, and a three-month high), 35 were provisionally bound for points in Latin America and the Caribbean (+18, w/w) and the remainder were for voyages to alternative destinations or were yet to be determined. In part, the demand surge represents a correcting of slow demand during the holidays and the first week of the year, as illustrated by the fact that the 4-week moving average of fixtures stands at 34, which is generally in-line with the average number of weekly fixtures observed during 4Q16 (though slightly ahead of the 2016 full-year average). On this basis, a corresponding positive impact on rates was nominal and largely aided in paring back some of the losses of the past three weeks. Rates on the USG-UKC route commenced softer before rebounding by the close of the week; whilst observing a softer average on a w/w basis, the route closed with a 12.5-point gain from last week's close. The USG-CBS route gained \$100k to conclude at \$500k lump sum.

Factoring into this week's late rate gains are also the facts that Panama Canal transit delays as high as seven days and weather issues on Mexico's east coast kept the front-end of position lists tight. These factors should moderate during the upcoming week which together with a likely correcting of regional demand tempers bullish expectations for rate progression for the upcoming week. Nevertheless, we note that the two-week forward view of available positions shows 36 units available (including likely ballasts from the USAC), representing a 29% w/w decline and a three-week low. Given that the front-end of this list is tighter than the back-end, rate gains should continue to materialize though the start of the upcoming week. Though the extent of demand observed during the upcoming week will likely dictate the direction of rates thereafter, given historical correlations between weekly demand movements and the subsequent-week rate progression, we view it as unlikely rates will soften failing a migration to demand levels significantly below average.

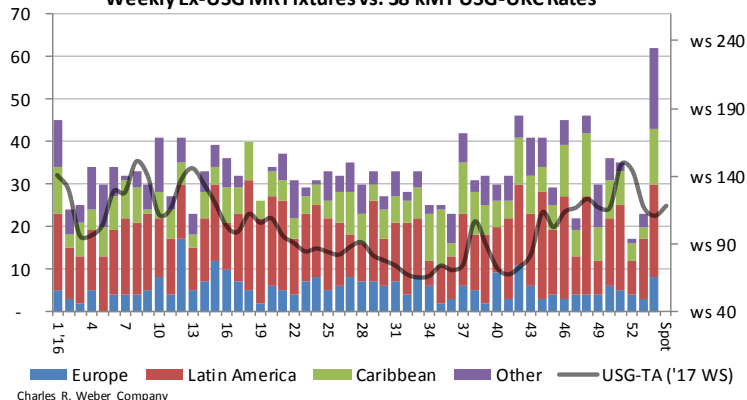
Projected OECD Oil Demand



Projected World Oil Demand



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



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REPORTED TANKER SALES

"BW Utah" – 299,498/01 – Daewoo – DH
-Sold on private terms to undisclosed buyers.

"Sifnos" – 150,875/99 – NKK – DH
-Sold for \$12.0m to undisclosed Indian buyers.

"Nissos Delos" – 115,691/12 – Samsung Geoe – DH
"Nissos Kythnos" – 115,674/11 – Samsung Geoe – DH
-Sold en bloc for \$30.0m and \$27.0m, respectively, to Greek buyers (Minerva Marine).

"Imbondeiro" – 45,999/98 – Daedong – DH – IMO III
-Sold for \$5.0m to undisclosed buyers.

"Quercianella" – 13,776/04 – Nuovi Cantieri Apuania – DH – IMO II
-Sold at auction for \$6.6m to undisclosed buyers.

"Crystal Nord" – 8,143/94 – Boelwerf – DH – IMO II – Ice FS II
-Sold for \$3.5m to undisclosed buyers.

"Mediator" – 5,706/08 – Qingdao Hyundai – DH – IMO II/III
-Sold for \$6.5m undisclosed South Korean buyers.

"Melanie" – 2,562/83 – NKK – DH – Ice 1B
-Sold for \$0.7m to undisclosed buyers.

REPORTED TANKER DEMOLITION SALES

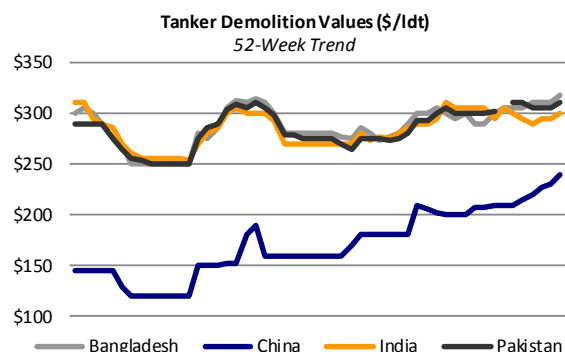
India

"Pacific Stream" 24,728/85 – 7,835 LDT – DH – IMO II/III
-Sold for \$520/ldt, including ~850 MT solid stainless steel.

Unknown

"Varada Blessing" 299,994/93 – 41,150 LDT – DH
-Sold for \$299/ldt basis as is, Hong Kong. Unit withdrawn from trading 2014.

"Joud 1" 39,008/85 – 8,950 LDT – DH
-Sold on private terms.



**Monthly triangulated VLCC AG-USG/CBS-SPORE/AG TCE averages based on current-month average CBS-SPORE assessments and prior-month AG-USG assessments to reflect the earnings reality for units engaged in this trade.*



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