

WEBER WEEKLY TANKER REPORT



WEEK 6 – 10 FEBRUARY 2017

ISSUE 6 – 2017

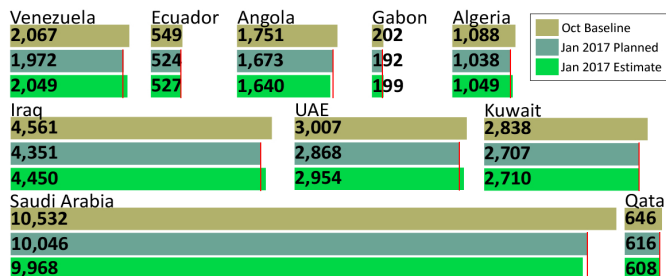
OPEC: Best Compliance Rate in History?

By John M. Kulukundis

Based on initial data OPEC has reportedly achieved 90% of their planned production cuts at the end of the first month

'000 Barrels

Sources: C.R. Weber, Reuters, Bloomberg, IEA



According to various news outlets, based on initial data from the IEA, OPEC has reportedly achieved about 90% of their pledged compliance cuts. If this proves to be correct, it would be the best compliance rate in its history at the outset of a production cut agreement.

The International Energy Agency (IEA) - one of OPEC's six sources - commenting on the initial figures said "Some producers, notably Saudi Arabia, are appearing to cut by more than required." According to one source; OPEC's own data, derived from six external sources including the IEA, showed a compliance rate of 92 percent. The organization will publish the statistics in its monthly report on Monday February 13, and it should be noted that the figures could be revised before they are published.

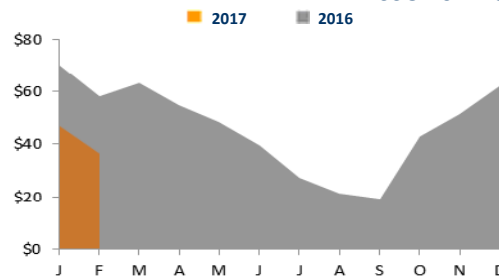
OPEC has pledged to cut its crude output by about 1.2 million bpd from January 1, 2017 to prop up oil prices and reduce a supply glut. Russia and 10 other non-OPEC countries agreed to cut half as much. However, the 11 non-OPEC producers that joined the deal have not cut as much, delivering 40 percent of their promised curbs in January, two OPEC sources said, citing OPEC calculations based on data from the IEA. Non-OPEC's lower compliance figure to date is partly due to the phased implementation of the deal by Russia, the largest non-OPEC producer cooperating with the organisation.

The group uses two sets of figures to monitor its output -- figures provided by each country and by secondary sources that include industry media. This is a legacy of old disputes over how much countries were really pumping. The secondary sources used by OPEC are: the IEA, Platts, Argus, the EIA, CERA and Petroleum Intelligence Weekly.

In tandem with the scheduled cuts, the industry does expect significant increases in production from non-member countries such as Brazil, Canada and the US whose combined output is expected to grow by 750 kb/d in 2017. The net change for non-OPEC production in 2017, taking into account cuts by eleven countries, is close to a 400 kb/d increase. In the United States, recent increases in drilling activity suggest that production will recover and the IEA's forecast is growth of 175 kb/d for the year as a whole with production in December expected to be 520 kb/d up on a year earlier.

On the demand side, the IEA have revised global demand upwards for the third month in a row and for 2016 it is now seen at 1.6 mb/d. Stronger than expected growth in Europe, partly influenced by colder weather in 4Q16, is a key factor alongside the long-term growth in China, India and non-OECD countries. In 2017, assuming normal weather conditions the IEA expect demand to grow by 1.4 mb/d, an increase of 0.1 mb/d from their last estimate.

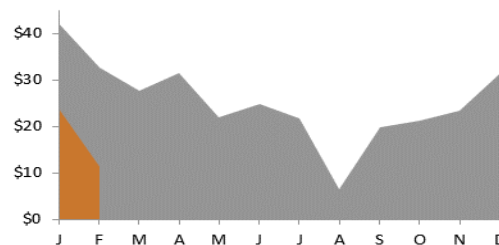
The continued existence of high stocks, plus caution from the markets in assessing the level of output cuts and how other producers might grow production, explains why Brent crude oil prices have remained at the mid-\$50s/bbl since mid-December after receiving a post-output deal boost of close to \$10/bbl. The oil market is very much in a wait-and-see mode and as such this has reverberated through the tanker market.



VLCC Average Earnings

MTD Average
~\$36,126/Day

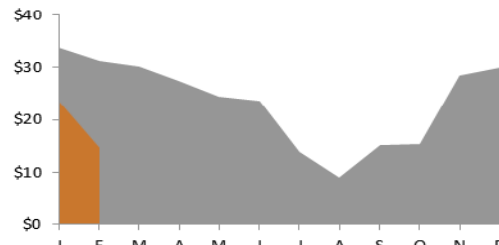
Month y/y
▼ -38%



Suezmax Average Earnings

MTD Average
~\$11,299/Day

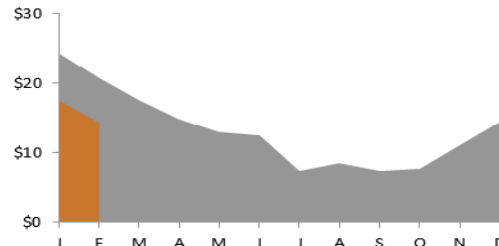
Month y/y
▼ -65%



Aframax Average Earnings

MTD Average
~\$14,540/Day

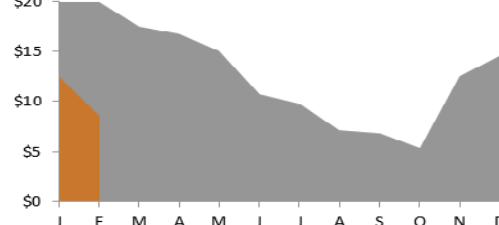
Month y/y
▼ -54%



Panamax Average Earnings

MTD Average
~\$14,187/Day

Month y/y
▼ -32%



MR Average Earnings

MTD Average
~\$8,552/Day

Month y/y
▼ -57%

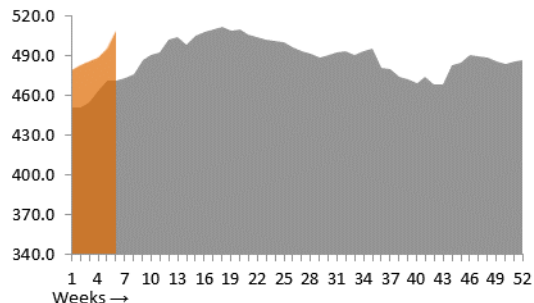
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Spot Market	WS/LS	TCE	WS/LS	TCE
VLCC (13.0 Kts L/B)		3-Feb		10-Feb
AG>USG 280k	38.0	\$8,696	40.0	\$10,366
AG>USG/CBS>SPORE/AG	--	\$45,753	--	\$45,815
AG>SPORE 270k	72.0	\$32,982	77.5	\$37,483
AG>CHINA 265k	70.0	\$32,117	75.0	\$36,363
WAFR>USG 260k	70.0	\$34,727	70.0	\$34,845
WAFR>CHINA 260k	71.5	\$34,973	75.0	\$37,887
CBS>SPORE 270k	\$4.95m	--	\$4.80m	--
VLCC Average Earnings		\$35,134		\$38,668
SUEZMAX (13.0 Kts L/B)				
WAFR>USG 130k	66.75	\$10,725	67.5	\$11,125
WAFR>UKC 130k	71.75	\$8,223	72.5	\$8,605
BSEA>MED 140k	82.5	\$9,127	80.0	\$7,655
CBS>USG 150k	70.0	\$14,146	72.5	\$15,774
Suezmax Average Earnings		\$10,975		\$11,322
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k	100.0	\$21,685	95.0	\$17,329
AG>SPORE 70k	117.5	\$12,263	112.5	\$11,161
BALT>UKC 100k	95.0	\$22,541	95.0	\$22,608
CBS>USG 70k	127.5	\$13,598	95.0	\$4,089
MED>MED 80k	87.5	\$5,891	97.5	\$9,399
Aframax Average Earnings		\$15,395		\$12,128
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k	165.0	\$10,584	137.5	\$5,137
USG>CBS 50k	--	--	115.0	--
CBS-USG/USG-CBS	--	\$16,730	--	\$11,394
CONT>USG 55k	150.0	\$14,721	142.5	\$13,042
ECU>USWC 50k	190.0	\$17,575	190.0	\$17,451
Panamax Average Earnings		\$15,111		\$11,210
CPP (13.0 Kts L/B)				
LR2 Average Earnings		\$9,700		\$8,419
LR1 Average Earnings		\$8,487		\$8,321
UKC>USAC 37k	135.0	\$6,401	135.0	\$6,450
USG>UKC 38k	90.0	\$936	80.0	\$(480)
USG>UKC/UKC>USAC/USG	--	\$7,982	--	\$6,850
USG>CBS (Pozos) 38k	\$350k	\$6,849	\$300k	\$3,519
USG>CHILE (Coronel) 38k	\$1.10m	\$13,536	\$975k	\$9,962
CBS>USAC 38k	127.5	\$7,531	115.0	\$5,581
MR Average Earnings		\$8,519		\$7,320
Handy Average Earnings		\$9,786		\$8,587

Average Earnings weighted proportionally to regional activity share of each size class' worldwide market.

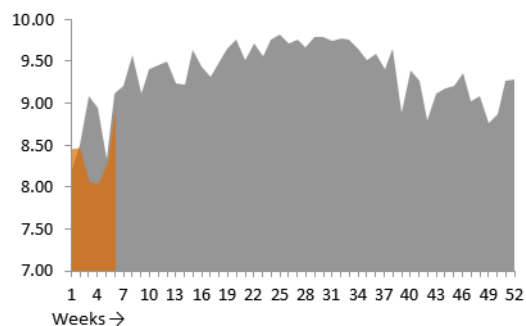
Time Charter Market \$/day (theoretical)	1 Year	3 Years
VLCC	\$30,000	\$29,000
Suezmax	\$22,000	\$21,500
Aframax	\$17,500	\$18,000
Panamax	\$14,000	\$15,000
MR	\$13,000	\$14,000
Handy	\$11,250	\$13,000



US Crude
Stocks (EIA)

Last Week
508.6 MnBbls

Week y/y
▲ +8.1%



US Gasoline
Demand (EIA)

Last week
8.941 MnB/d

Week y/y
▼ -2.0%

2017 2016

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SPOT MARKET SUMMARY

VLCC

Following the completion of the Chinese New Year holiday's it was not surprising that inquiry picked up this week. While the increased activity was expected, the volume of the February program proved surprisingly high with the middle decade of the month yielding one of the highest tallies over the past six months and the cargoes per day for February (4.5 pd) out-pacing both January (4.42 pd) and December (4.23 pd) with several cargoes still outstanding for the month. The aggressive pace of activity through the middle and final decades of February increased Owners resolve, putting upward pressure on rates. Add to this a busy West Africa sector where March program in Nigeria expects to see exports climb and we get the almost twenty percent increase witnessed in eastbound rates this week.

Charterers did look to slow the momentum with the prospect of a lull ahead of the March program, but as February cargoes flowed, no such break appeared with one charterer reaching to secure March tonnage. While most March stems confirmations are still over a week away, the Basrah stems could appear as early as tomorrow and how quickly we progress into March will determine the sustainability of the current upward swing.

Middle East

Rates to the Far East gained about ten points on both "distressed" and modern tonnage. The older ships (and new builds) moved from ws59, up to ws70, while modern, approved tonnage saw rates increase almost ten points to the ws77.5 level which was concluded for a voyage to the Philippines and shows a tce of about \$37,500 pdpr. Triangulated Westbound trade earnings held steady with a closing assessment of ~\$47,100/day.

Atlantic Basin

The West Africa market followed the Middle East and the WAFR-FEAST route gained almost 5 points to conclude at the ws75 level. The Caribbean market remained quiet as March stems have yet to come into play, the inactivity exerting downward pressure on sentiment. The rate to Singapore arguably just below the \$5.0 mil level.

Suezmax

Rates in the West Africa Suezmax market stabilized this week as charterers were active covering final-decade February cargoes. Eleven fixtures were reported – a 38% w/w gain. Light forward coverage of the month's final decade by VLCCs, relative to the first two decades, together with low coverage thus far by Suezmaxes, implies that demand should remain elevated in the near-term and thus contribute to a limiting of further rate downside ahead of the start of the March program. Rates on the WAFR-UKC route inched up 0.75 to ws72.5 early during the week and held at that level thereafter. Stronger recent demand in the Middle East and Caribbean markets have provided fresh support to rates in both regions, which should help to keep inward ballasts to the West Africa market limited in the coming weeks. Meanwhile, the start of the March program should show a modest m/m gain given a slight reduction of early-month cargoes by VLCCs and rising exports from Nigeria's Brass River.

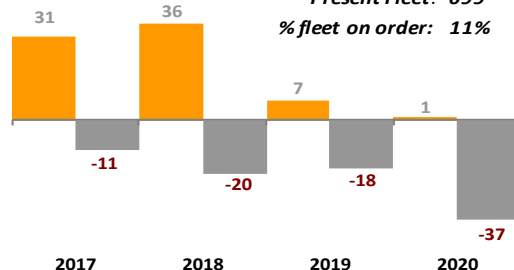
Aframax

Demand in the Caribbean Aframax market rose to a four-week high of 21 fixtures (a 50% w/w gain). Despite this, rates continued to correct from the late-January highs which had been driven by strong demand and significant regional weather delays. Rates were under particularly strong negative pressure at the start of the week on the back of a slow start by charterers and a position list heavily populated by prompt units. By the close of the week, the CBS-USG route had shed 32.5 points to ws95. With prompt units covered by the close of the week, supply/demand fundamentals have narrowed markedly and owners are already exhibiting a more bullish outlook, we expect this will see rates post modest improvements from current lows, failing a strong pullback in demand.

VLCC Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 699

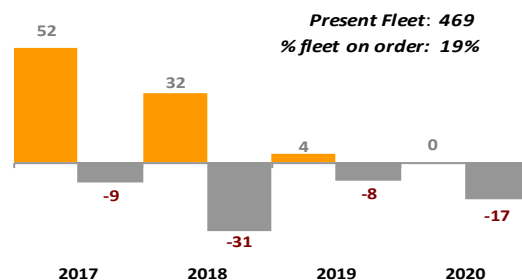
% fleet on order: 11%



Suezmax Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 469

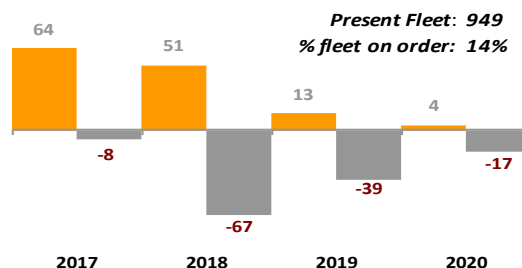
% fleet on order: 19%



Aframax/LR2 Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 949

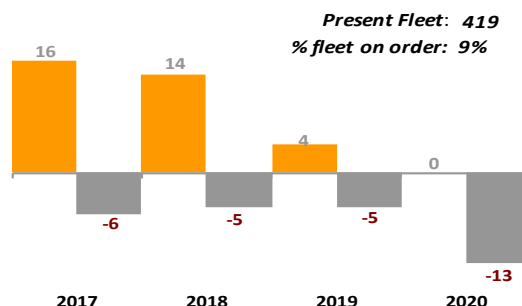
% fleet on order: 14%



Panamax/LR1 Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 419

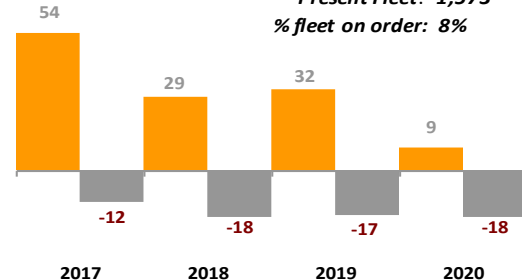
% fleet on order: 9%



MR Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 1,573

% fleet on order: 8%

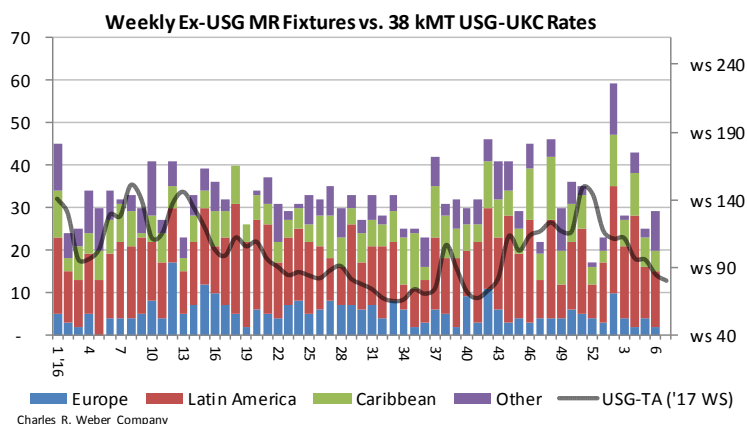


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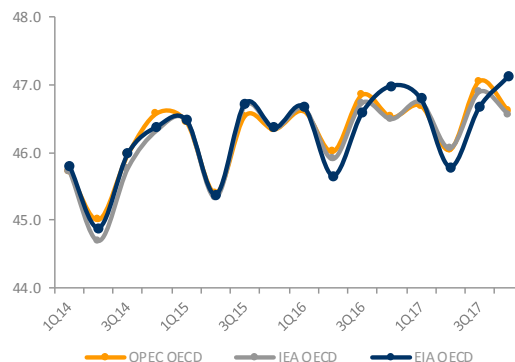


MR

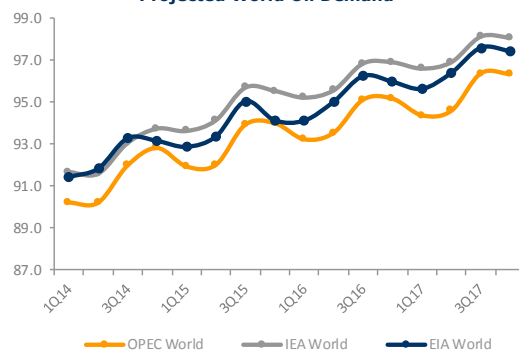
Rates in the USG MR market remained under negative pressure throughout the week as participants became considerably more bearish on the region's supply/demand position following last week's available tonnage buildup. Despite this, we note that fundamentals appear slightly tighter after demand posted a w/w gain and the end-week forward view of available tonnage declined. A total of 29 fixtures materialized, representing 16% w/w gain; of these, two were bound for points in Europe (-2, w/w) 31 were bound for points in Latin America and the Caribbean (-1, w/w) and the remainder were bound for alternative destinations or have yet to be determined. Tonnage availability over the next two-weeks stands at 48 units, four fewer than a week ago. Slow overall recent demand levels are illustrated by the four-week moving average of weekly fixtures, which dropped to its lowest point since the start of the year at 31. Meanwhile, the PADD3 region appears well poised to open up to greater exports given high levels of both gasoline and distillate inventories. Some participants note expectations that the upcoming peak Atlantic basin seasonal refinery maintenance period could provide price supports to boost export levels to enable stronger exports – and indeed we view a strong potential near-term positive, but which likely remains a few weeks away. During the upcoming week, units freeing on Mexico's east coast will likely keep rates under modest negative pressure as their availability dates become more certain.



Projected OECD Oil Demand



Projected World Oil Demand



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REPORTED TANKER SALES

"Athinea" – 107,160/06 – Daewoo – DH
-Sold for \$21.0m to undisclosed Asian buyers.

"Batissa" – 51,506/08 – STX Jinhae – DH – IMO II
-Sold for \$18.0m to undisclosed buyers.

"Ardmore Seatrader" – 47,141/02 – Onomichi – DH
-Sold for \$9.3m to undisclosed buyers including BBB on undisclosed terms.

"Atlantic Hope" – 47,128/08 – Hyundai Mipo – DH – IMO III
-Sold for \$18.0m to undisclosed buyers.

"Bro Combo" – 16,597/03 – Kyokuyo – DH – IMO II
-Sold for \$10.5m to undisclosed buyers.

"ASL Troubadour" – 12,306/07 – Sasaki Osakikamijima – DH – IMO II/III
-Sold for \$10.7m to undisclosed Vietnamese buyers.

REPORTED TANKER DEMOLITION SALES

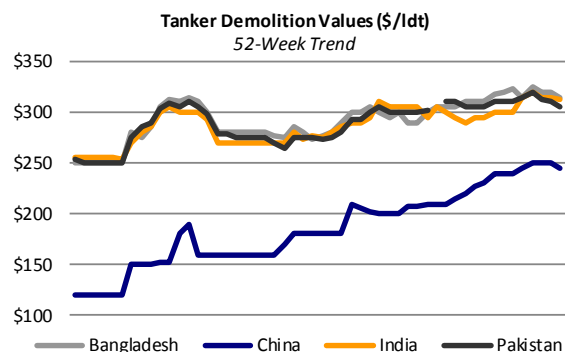
India

"Chryssi" – 154,970/92 – 20,502 LDT – DH
-Sold for \$331/ldt, basis as is, Fujairah.

"Lobato" – 44,600/93 – 10,979 LDT – SH – IMO II/III
-Sold for \$222/ldt, basis as is, Rio de Janiero

Other/Unknown

"Eiwa Maru 3" – 1,116/93 – DH – IMO II/III
-Sold on private terms.



¹Monthly 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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