

WEBER WEEKLY TANKER REPORT



WEEK 12 – 24 MARCH 2017

ISSUE 12 – 2017

Weekly MR earnings jump to YTD high on tight Atlantic basin

MR rates throughout the Atlantic basin have experienced considerable gains this week as an emerging shift in trade patterns and intermittent delay issues have enabled a markedly tighter supply/demand positioning.

-USG exports have become more diverse since the start of the year. Voyages to Mexico's east coast have been directionally softer since the start of the year, in line with reports indicating a hike in Mexico's refinery utilization rates from January. Our data shows that ECMex has accounted for 15% of all ex-USG fixtures MTD and 18% YTD, as compared with 20% consistently during 2016. This has enabled exports to migrate to longer-haul routes with gains observed for voyages to points in Brazil, Chile and Asia. Voyages to Brazil, for instance, have moved from accounting for 11% of all ex-USG voyages during 2016 to 13% YTD and 15% MTD.

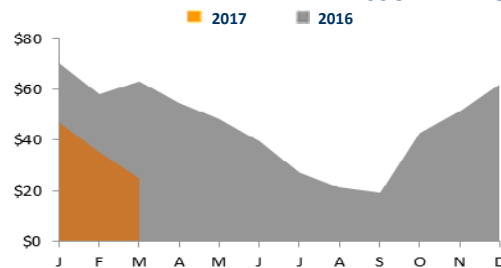
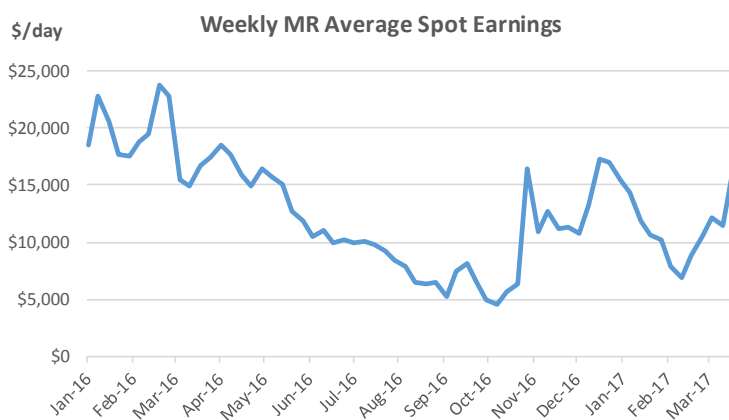
-USAC arrivals declined during February following a build up to peak PADD1B (Mid-Atlantic) gasoline inventories and waning US gasoline demand growth and overall cargo flows from Europe to the Americas declined in March as European refineries moved to peak seasonal maintenance levels. As a result, arrivals into the Americas of units trading cargoes from Europe has declined, reducing USG/CBS regional availability. We note that at the start of this week, USG forward availability was at a 15-month low. This has seen ex-USG rates extend gains.

-Meanwhile, following lower USAC gasoline arrivals and amid seasonal refinery maintenance at PADD1 and PADD3, an arbitrage opportunity reemerged earlier this week, driving an resurgence in UKC-USAC fixtures which further drew on tight availability and leading to strong gains in both the UKC and USG market as both vie for units freeing in the USAC, BRZL/ARG, and WAF regions.

-Delays have become an increasing issue: operational turnaround delays for units arriving at Mexico's east coast have been supplanted by delays in Brazil, Argentina, West Africa and the Turkish straits. We note that Handy tanker plying the cross-Med route are earning in excess of \$40,000/day presently.

-Voyages from the Atlantic basin to points in Asia have increased modestly, plying cargoes of vegoils and naphtha, moving more units out of the Atlantic basin.

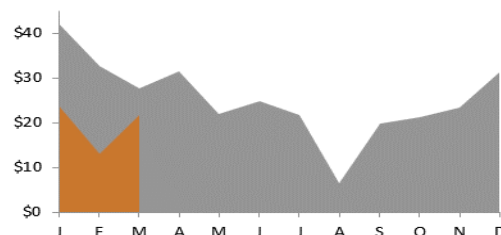
-Additional structural factors we note tying into the stronger Atlantic basin include stronger diesel demand in Asia which reduces flows into the European market and refinery turnarounds in some OPEC and non-OPEC member states (partly to coincide with agreed production cuts during the current agreement period covering 1H17).



VLCC Average Earnings

MTD Average
~\$23,760/Day

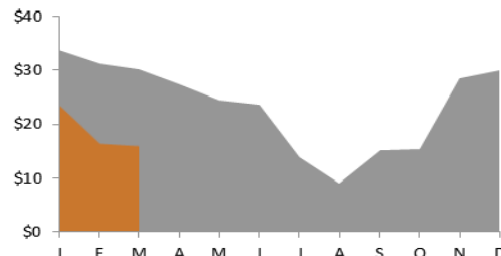
Month y/y
▼ -62%



Suezmax Average Earnings

MTD Average
~\$21,240/Day

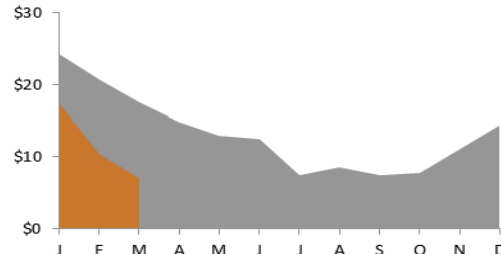
Month y/y
▼ -23%



Aframax Average Earnings

MTD Average
~\$15,949/Day

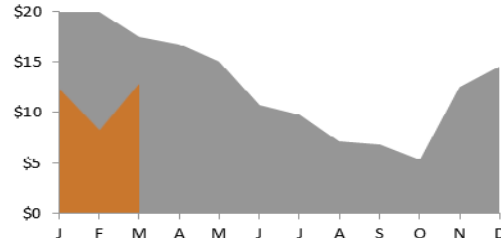
Month y/y
▼ -47%



Panamax Average Earnings

MTD Average
~\$6,879/Day

Month y/y
▼ -61%



MR Average Earnings

MTD Average
~\$12,846/Day

Month y/y
▼ -26%

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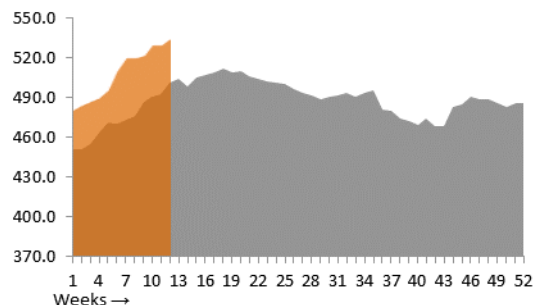
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Spot Market	WS/LS	TCE	WS/LS	TCE
VLCC (13.0 Kts L/B)		17-Mar		24-Mar
AG>USG 280k	27.0	\$1,732	25.0	\$776
AG>USG/CBS>SPORE/AG	--	\$30,774	--	\$28,688
AG>SPORE 270k	55.0	\$21,322	46.0	\$14,563
AG>CHINA 265k	52.0	\$19,183	45.0	\$13,826
WAFR>USG 260k	66.0	\$33,105	58.0	\$27,394
WAFR>CHINA 260k	63.5	\$30,036	53.5	\$22,657
CBS>SPORE 270k	\$3.95m	--	\$3.80m	--
<i>VLCC Average Earnings</i>		<i>\$23,731</i>		<i>\$18,178</i>
SUEZMAX (13.0 Kts L/B)				
WAFR>USG 130k	87.5	\$20,577	85.0	\$19,944
WAFR>UKC 130k	90.0	\$16,604	87.5	\$16,025
BSEA>MED 140k	97.5	\$16,625	97.5	\$17,011
CBS>USG 150k	105.0	\$37,041	102.5	\$35,865
<i>Suezmax Average Earnings</i>		<i>\$21,258</i>		<i>\$20,656</i>
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k	92.5	\$5,691	110.0	\$20,313
AG>SPORE 70k	130.0	\$16,397	125.0	\$15,497
BALT>UKC 100k	87.5	\$18,727	100.0	\$25,770
CBS>USG 70k	95.0	\$4,990	95.0	\$5,341
MED>MED 80k	107.5	\$13,633	107.5	\$13,995
<i>Aframax Average Earnings</i>		<i>\$11,640</i>		<i>\$14,950</i>
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k	112.5	\$1,052	112.5	\$1,300
CONT>USG 55k	115.0	\$8,179	112.5	\$7,910
ECU>USWC 50k	172.5	\$15,364	172.5	\$15,329
<i>Panamax Average Earnings</i>		<i>\$6,996</i>		<i>\$6,984</i>
CPP (13.0 Kts L/B)				
<i>LR2 Average Earnings</i>		<i>\$13,982</i>		<i>\$14,055</i>
<i>LR1 Average Earnings</i>		<i>\$12,618</i>		<i>\$13,474</i>
UKC>USAC 37k	165.0	\$11,779	200.0	\$17,250
USG>UKC 38k	102.5	\$3,538	140.0	\$9,262
USG>UKC/UKC>USAC/USG	--	\$12,758	--	\$20,285
USG>CBS (Pozos Colorados) 38k	\$450k	\$14,268	\$700k	\$31,355
USG>CHILE (Coronel) 38k	\$1.15m	\$15,641	\$1.50m	\$26,014
CBS>USAC 38k	125.0	\$7,820	170.0	\$15,213
<i>MR Average Earnings</i>		<i>\$12,041</i>		<i>\$19,438</i>
<i>Handy Average Earnings</i>		<i>\$14,512</i>		<i>\$19,810</i>

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

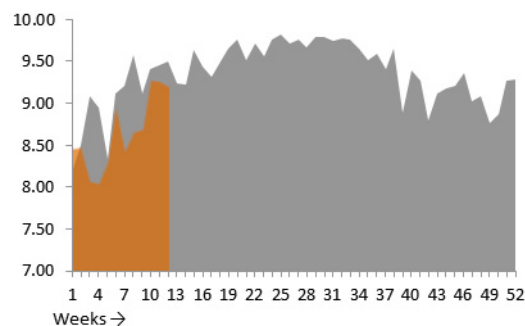
Time Charter Market \$/day (theoretical)	1 Year	3 Years
VLCC	\$27,000	\$26,000
Suezmax	\$18,500	\$19,000
Aframax	\$16,500	\$17,000
Panamax	\$13,000	\$14,000
MR	\$12,750	\$14,000
Handy	\$11,250	\$13,000



US Crude
Stocks (EIA)

Last Week
533.1 MnBbls

Week y/y
▲ +6.3%



US Gasoline
Demand (EIA)

Last week
9.200 MnB/d

Week y/y
▼ -3.2%

2017 2016

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SPOT MARKET SUMMARY

VLCC

Despite an improvement in demand, rates across the VLCC market continued to fall this week as a growing oversupply situation in the Middle East market's early April program became clearer. Through the first ten days of the program, there are 30 units vying for an estimated two remaining cargoes; once accounting for likely draws to service requirements in West Africa, the implied surplus is 25 units. This compares with 17 surplus units at the conclusion of the March Middle East program. Though there is an inherent uncertainty about the supply/demand balance beyond then (particularly as positions are being increasingly hidden by large commercial managers), we note once the April program is eventually completed, the number of surplus units could stand at a three-year high with over 30 units.

Compounding the growing surplus' impact on rates, disadvantaged units continue to populate the position list in large numbers whilst COA fixtures appear to be taking an increasingly large share of the spot cargo balance and decreasing the number of options for commercial managers to consider. This week, COA fixtures accounted for 35% of the Middle East spot fixture tally; on a YTD basis, COAs have accounted for 22% of the Middle East spot market versus 17% during 2016.

While near-term prospects appear bleak, there are some signs that fundamentals should prove modestly more positive further forward. Key among these, West Africa VLCC demand this week rebounded to a four-week high of nine units and the pace of newbuilding deliveries should halve from six units per month during Q1 to 3 units per month during the balance of the year. West Africa demand influences the market in two ways: immediately (competition for units with the Middle East market) and on a ton-mile basis (voyages from West Africa to Asia have a longer voyage duration and thus longer time for reappearance on Middle East position lists). We note that the present availability gains follows a drop in West Africa demand around mid-December/early-January, and thus are optimistic that rebounding demand there will help to reduce overall availability around late-May. Tempering the extent of upside this may offer around that time, we project that the fleet to have grown by 28 units since the start of the year, or by 4.1% on a net basis.

Middle East

Rates to the Far East concluded the week with a 7-point loss to ws45. Corresponding TCEs fell by 28% to conclude at ~\$13,826/day. Rates to the USG via the Cape shed 2 points to conclude at ws25. Triangulated Westbound trade earnings fell by 7% to conclude at ~\$28,688/day.

Atlantic Basin

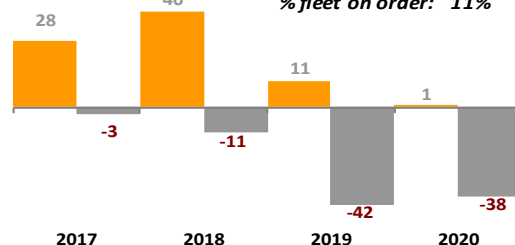
The West Africa market experienced comparatively stronger losses than the Middle East, bringing TCEs in the two markets to closer parity. Rates on WAFF-FAEST routes shed 10 points to conclude at ws53.5. Corresponding TCEs were down 25% to ~\$22,657/day.

The Caribbean market continued to decline as incoming units outweighed fresh regional requirements. The CBS-SPORE route shed \$50k to conclude at \$3.80m lump sum. Given an ongoing lull in the region and negative sentiment around the VLCC market more generally, we expect that further losses will be observed during the upcoming week.

VLCC Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 702

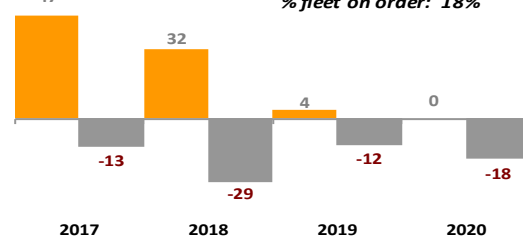
% fleet on order: 11%



Suezmax Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 474

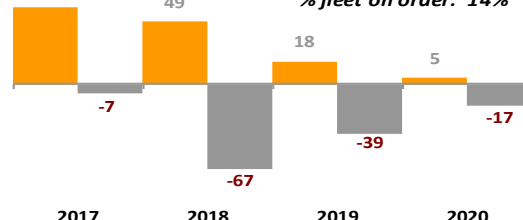
% fleet on order: 18%



Aframax/LR2 Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 952

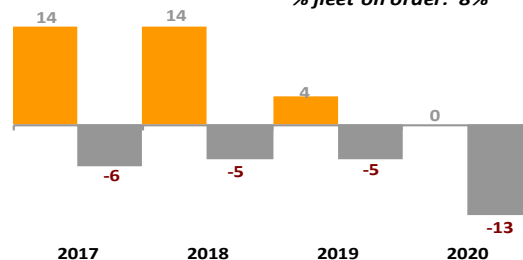
% fleet on order: 14%



Panamax/LR1 Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 421

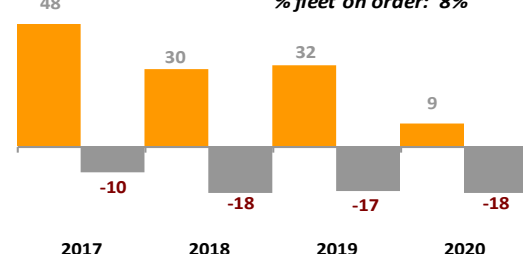
% fleet on order: 8%



MR Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 1,577

% fleet on order: 8%



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Suezmax

Rates in the West Africa Suezmax market were modestly softer this week as charterers moved slowly into the April program and availability levels increased. Rates on the WAFR-UKC route lost 2.5 points to conclude at ws87.5. Given a light distribution of early April cargoes onto VLCCs, we expect that Suezmax demand is poised to expand from late-March levels. This could help to maintain a floor on rates in the immediate near-term, though as more newbuilding tonnage enters the West Africa market following early trades elsewhere, upside prospects are likely to be elusive.

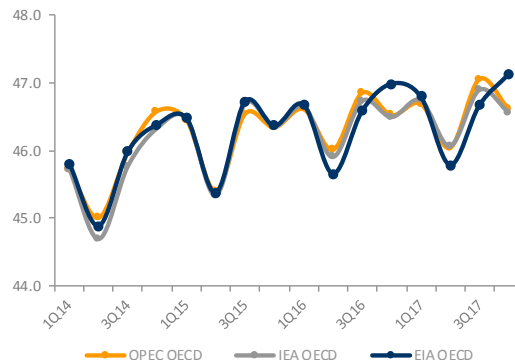
Aframax

The Caribbean Aframax market saw rates hover around an effective floor this week as fresh demand clawed back to a four-week low against further availability builds. The CBS-USG route traded around the ws95 level throughout the week, with the corresponding TCE concluding at ~\$5,341/day, or just 36% of the worldwide weighted average. Though demand has proven relatively robust in recent weeks (the four-week moving average stands at 21 fixtures, or 40% above the 52-week average), availability remains excessive after a period of relative weakness in alternative markets early during the month saw more units enter the Caribbean market, just as delay issues in the Caribbean market subsided. With alternative markets now yielding handsome TCE premiums, some units are likely to exit the Caribbean area, which could see rates receive fresh support in the near-term. However, with availability at the close of the week ample and likely to be further populated – and particularly with prompt units – at the start of the upcoming week, rates should remain mired at present levels during at least the first half of the week.

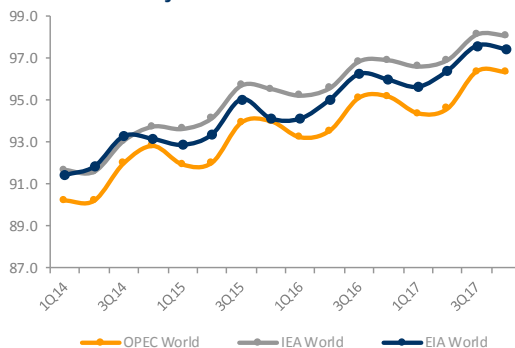
MR

Rates in the USG MR market observed sharp gains this week on low levels of availability and an increase in fresh demand. A total of 36 units were reported fixed this week (+38%, w/w), including nine bound for points in Europe (+4, w/w and a ten-week high), 23 bound for points in Latin America and the Caribbean (+4, w/w) whilst the remainder are bound for alternative destinations or have yet to be determined. Rates on the USG-UKC route jumped 37.5 points to conclude at a YTD high of ws40 while those on the USG-CBS route gained \$250k to conclude at a YTD high of \$700k lump sum. The two-week forward tally of available and workable positions dipped to a 13-month low of just 25 units at the close of the week (-17%, w/w). On this basis, we expect that rates will remain elevated through at least the upcoming week.

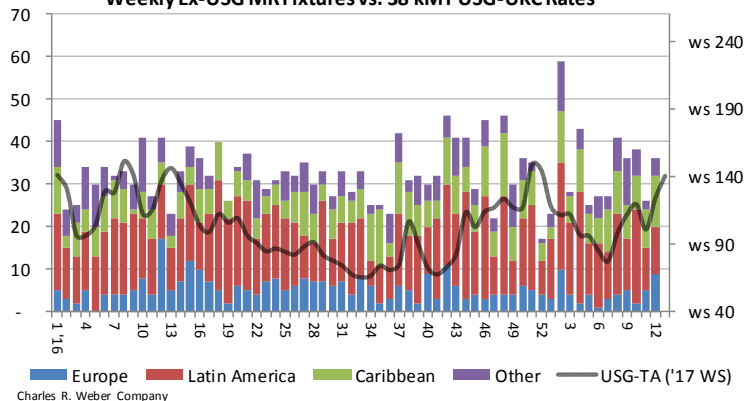
Projected OECD Oil Demand



Projected World Oil Demand



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



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REPORTED TANKER SALES

"BW Lotus" – 320,142/11 – Bohai – DH
"BW Opal" – 320,105/12 – Daewoo – DH
"BW Peony" – 320,014/11 – Bohai – DH
Daewoo 5437 – 318,000/18 – Daewoo – DH
Daewoo 5438 – 318,000/18 – Daewoo – DH
"BW Edelweiss" – 301,021/08 – Daewoo – DH
"BW Bauhinia" – 301,19/07 – Daewoo – DH
"BW Utah" – 299,498/01 – Daewoo – DH
"BW Utik" – 299,450/01 – Daewoo – DH
"BW Lake" – 298,564/04 – Daewoo – DH
"BW Lion" – 298,563/04 – Daewoo – DH
 -Sold en bloc to Norwegian buyers (DHT Holdings) for \$537.52m, including \$256m of DHT capital stock, \$177.36m in cash and \$104.16m of assumed debt.

"Kyeema Spirit" – 113,357/99 – Samsung Geoje – DH
 -Sold for \$7.7m to undisclosed buyers basis DD due 07/2017.

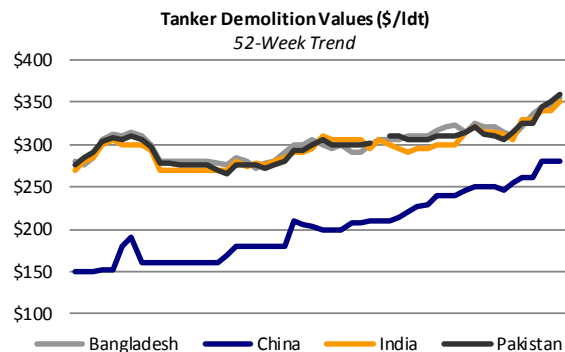
"Maritime Dinar" – 45,357/99 – Dalian – DH – IMO II
 -Sold for \$6.50m to undisclosed Middle East buyers.

"Rio Dauphin" – 12,713/09 – STX Jinhae – DH – IMO II
 -Sold for \$11.2m to undisclosed Far East buyers.

REPORTED TANKER DEMOLITION SALES

Bangladesh

"CE-Venture" – 93,716/91 – 16,623 LDT – DH
 -Sold for \$390/ltd basis as is, Singapore.



**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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