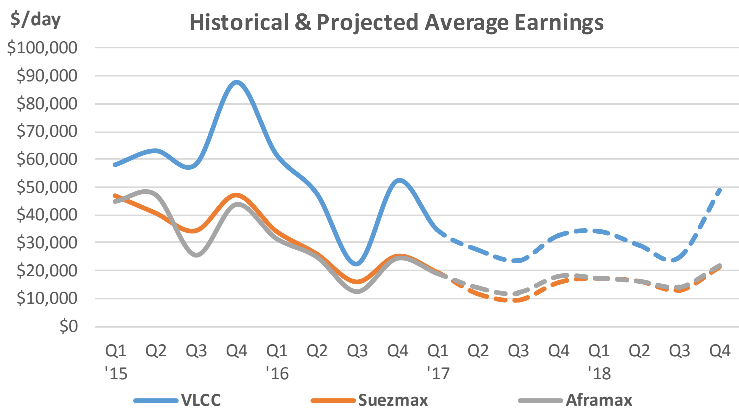
WEBER WEEKLY
TANKER REPORT
CHARLES R. WEBER COMPANY, INC.

WEEK 16 – 21 APRIL 2017 ISSUE 16 – 2017

Crude Tanker Earnings Outlook



Charles R. Weber Company

VLCC

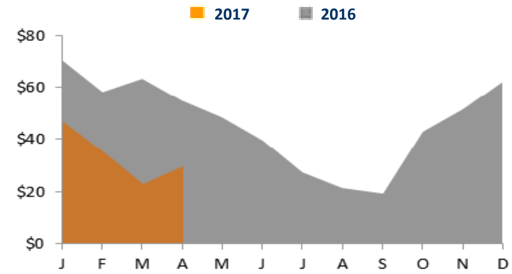
VLCC spot ton-miles surged to a record high during 1Q17 as rising Asian crude imports amid stable Middle East demand supported a greater number of longer-haul voyages to Asia from West Africa and Latin America. The present VLCC rally -- which has seen earnings rise into the mid-$30,000/day range -- is partly a function of the Q1 demand surge on slower reappearances of units on Middle East position lists and partly a function of sustained demand for West African crude by Asian buyers sourcing VLCC tonnage as Middle East cargoes compete more aggressively for units. This underscores our belief that the OPEC agreement to cut oil production during 1H17 offers a positive impact to VLCC demand trends and cushioning cyclical lows. Structurally, we retain our view that the bottom of the cycle will occur during 2017 with a slow recovery materializing during 2018 before a healthier recovery prevails from 2019 as deliveries of the current orderbook subside and phase-outs accelerate in response to the regulatory environment. We are concerned, however, with the extent of recent newbuilding contracting and note that if low newbuilding prices continue to entice ordering at the pace observed in recent weeks, we would likely see an observable recovery delayed at least into 2019.

Suezmax

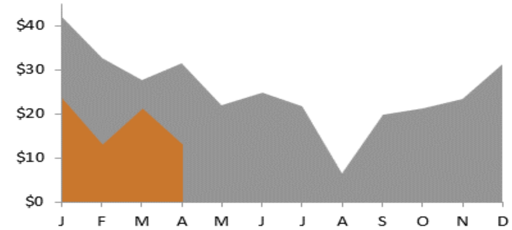
Suezmax rates were cushioned during Q1 as strong demand trends in the USG/CBS and Middle East markets and delay issues in the Caribbean and Turkish straits constrained overall tonnage availability. Nevertheless, with delay issues having subsided, demand trends in West Africa are proving highly unfavourable to Suezmaxes (as more of the region's supply is being serviced by VLCCs), and net fleet growth for the year projected at nearly 10%, we remain pessimistic on near- and intermediate-term fundamentals. As with VLCCs, we expect that 2017 will represent a low in the present cycle and note that a recovery could materialize by 2H18 as 2018 net fleet growth is projected at just 0.59% with the bulk of the year's deliveries during H1 and a likely surge in phase-outs expected during H2. Additionally, we note that investment appetite in the size class has been warded off by the large orderbook (representing 17% of the current fleet), raising less of a threat for a longer-term recovery than with VLCCs.

Aframax

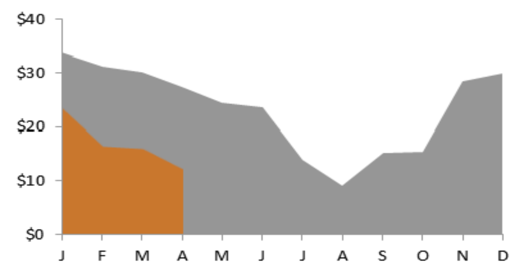
Aframaxes faced lower competition from Suezmaxes during Q1 than expected which together with delay issues in the Caribbean and Turkish straits helped to keep rates relatively elevated. Volatile exports from Libya remain a marked challenge and we expect that Suezmax competition will rise during the coming months as the larger class' fleet expands well out of step with demand, applying negative pressure on rates and earnings. Limited fleet growth in the Aframax and Suezmax classes during 2018 should help to support a recover during 2H18.



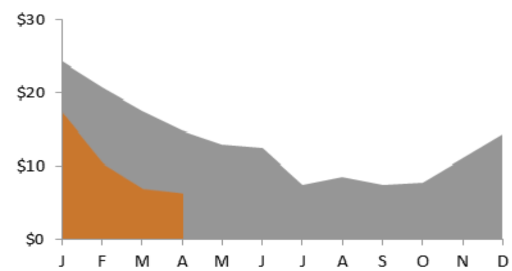
VLCC Average Earnings	MTD Average ~$29,460/Day	Month y/y ▼ -46%



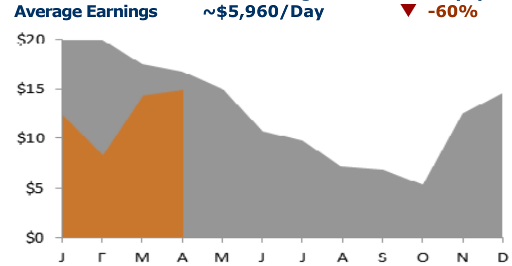
Suezmax Average Earnings	MTD Average ~$13,217/Day	Month y/y ▼ -58%



Aframax Average Earnings	MTD Average ~$11,969/Day	Month y/y ▼ -56%



Panamax Average Earnings	MTD Average ~$5,960/Day	Month y/y ▼ -60%



MR Average Earnings	MTD Average ~$14,768/Day	Month y/y ▼ -12%

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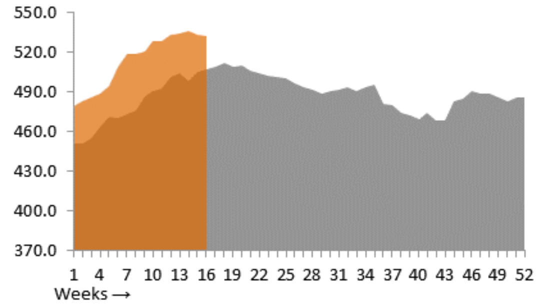
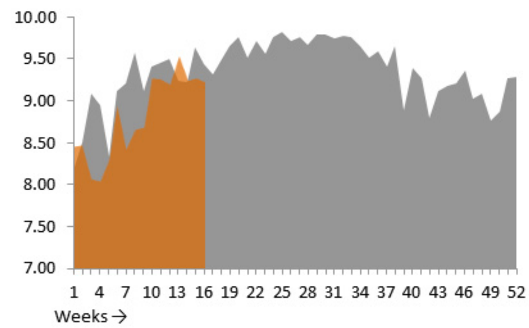


US Crude Stocks (EIA)	Last Week	Week y/y
	532.3 MnBbls	▲ +4.9%



US Gasoline Demand (EIA)	Last week	Week y/y
	9.223 MnB/d	▼ -2.3%

Spot Market	WS/LS	TCE	WS/LS	TCE
VLCC (13.0 Kts L/B)	13-Apr		21-Apr	
AG>USG 280k	37.0	$7,935	40.0	$11,082
AG>USG/CBS>SPORE/AG	--	$38,581	--	$42,844
AG>SPORE 270k	70.0	$31,642	80.0	$40,377
AG>CHINA 265k	67.0	$32,249	77.5	$38,884
WAFR>USG 260k	75.0	$38,646	77.5	$41,412
WAFR>CHINA 260k	70.0	$33,481	72.5	$36,261
CBS>SPORE 270k	$4.25m	--	$4.40m	--
VLCC Average Earnings		*$32,526*		*$39,977*
SUEZMAX (13.0 Kts L/B)				
WAFR>USG 130k	72.5	$13,121	75.0	$14,790
WAFR>UKC 130k	77.5	$10,523	80.0	$12,129
BSEA>MED 140k	82.5	$9,223	85.0	$10,509
CBS>USG 150k	72.5	$15,730	67.5	$13,289
Suezmax Average Earnings		*$12,593*		*$13,741*
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k	105.0	$16,717	107.5	$19,395
AG>SPORE 70k	120.0	$12,960	120.0	$13,458
BALT>UKC 100k	90.0	$17,676	90.0	$18,344
CBS>USG 70k	100.0	$5,503	100.0	$6,014
MED>MED 80k	100.0	$9,910	105.0	$12,099
Aframax Average Earnings		*$11,425*		*$12,439*
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k	112.5	$211	110.0	$156
CONT>USG 55k	115.0	$7,202	107.5	$6,112
ECU>USWC 50k	160.0	$12,378	155.0	$11,719
Panamax Average Earnings		*$5,934*		*$5,386*
CPP (13.0 Kts L/B)				
LR2 Average Earnings		*$8,220*		*$7,757*
LR1 Average Earnings		*$6,901*		*$6,826*
UKC>USAC 37k	155.0	$9,524	172.5	$12,576
USG>UKC 38k	140.0	$8,244	90.0	$1,294
USG>UKC/UKC>USAC/USG	--	$15,578	--	$11,531
USG>CBS (Pozos Colorados) 38k	$625k	$25,435	$375k	$8,894
USG>CHILE (Coronel) 38k	$1.45m	$23,691	$1.15m	$15,337
CBS>USAC 38k	190.0	$17,430	155.0	$12,187
MR Average Earnings		*$14,723*		*$11,148*
Handy Average Earnings		*$12,012*		*$13,777*

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

Time Charter Market *$/day (theoretical)*	**1 Year**	**3 Years**
VLCC	$29,000	$29,000
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

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SPOT MARKET SUMMARY

VLCC

Fixture activity in the Middle East market rebounded this week as last week's late release of Basrah stems was followed by this week's Saudi stem confirmations, leaving charterers a number of cargoes to work as they returned from the Easter weekend. Whereas positive pressure was building last week, stronger gains then were limited by the inactivity of charterers' pause between the April and May programs, this week's stronger demand allowed owners to fully capitalize on relatively balanced fundamentals by offering them more options to consider for their units. A total of 26 fixtures were reported, representing a 53% w/w gain. India led the discharge profile, accounting for nine of this week's fixtures and marking the strongest such demand in five years.

Daily supply from Basrah is shown up 2% from April based on the May program, though we expect that VLCC loadings from the terminal will be unchanged once co-loadings of Suezmax cargoes are accounted for. Whilst the Saudi program is less transparent, we expect that volume there will be largely unchanged from April – and we expect this will be the case for the sum of remaining regional producers. A cut to Saudi OSPs for Asian buyers should continue to incentivize voyages in that direction for light cargoes.

With 37 May Middle East cargoes now covered, we anticipate that a further 25 will materialize for loading through mid-month. Against this, there are 40 units available, which will likely be reduced to 35 once draws to service West Africa demand are accounted for, implying an availability surplus at mid-month of 10 units. Though this is unchanged from April's end-month surplus, rates could remain firm as availability during the second half of the month may be tighter due to rising instances of discharge delays in China. Moreover, available tonnage visibility appears to be higher than during recent weeks with recent rate gains likely having reduced hidden positions from large commercial managers.

Middle East

Rates to the Far East concluded the week with a gain of 10.5 points to ws77.5 and corresponding TCEs increased by 28% to conclude at ~$40,377/day. Triangulated Westbound trade earnings rose by 11% to conclude at ~$42,844/day.

Atlantic Basin

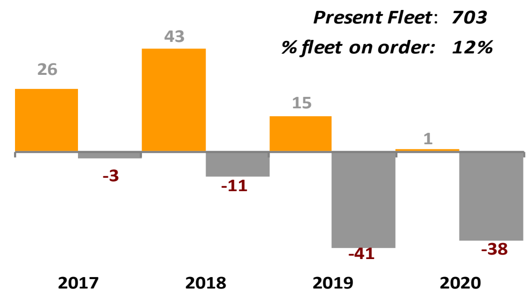
Rates in the West Africa market were untested this week as the region's only two fixtures were covered under COAs. Assessed rates show a 2.5-point gain to ws72.5 with corresponding TCEs rising by 8% to conclude at ~$36,261/day.

Rates in the Caribbean market posted further modest improvements on a return of regional demand from last week's lull and rising overall sentiment. The CBS-SPORE route gained $150k to conclude at a two-month high of $4.40m lump sum.

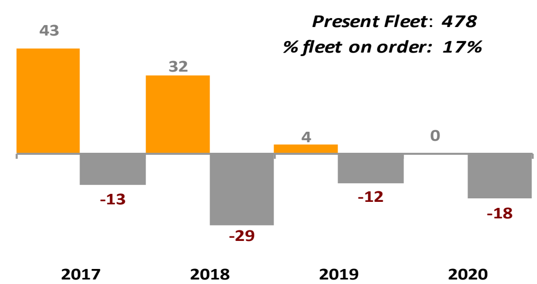
Suezmax

Suezmaxes in the West Africa market observed modest rate upside this week as charterers remained active covering early May cargoes. First decade cargoes serviced by spot Suezmax tonnage have jumped to their highest level since March's final decade and currently represent 90% of cargo covered during the entire April program. Rates on the WAFR-UKC route gained 2.5 points to conclude at ws80. Looking forward, a slowing of VLCC demand during May's second-decade could help to maintain Suezmax demand at elevated levels, subject to the extent of total cargo availability during the date range, and could help to maintain the positive trajectory during the upcoming week.

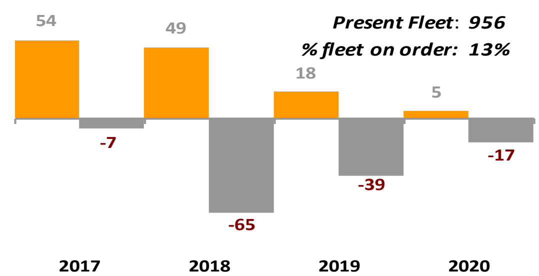
VLCC Projected Orderbook Deliveries/Phase-Outs



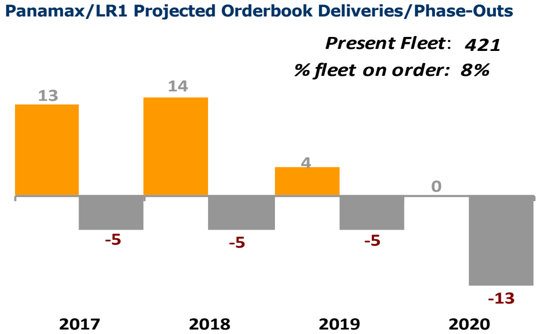
Suezmax Projected Orderbook Deliveries/Phase-Outs



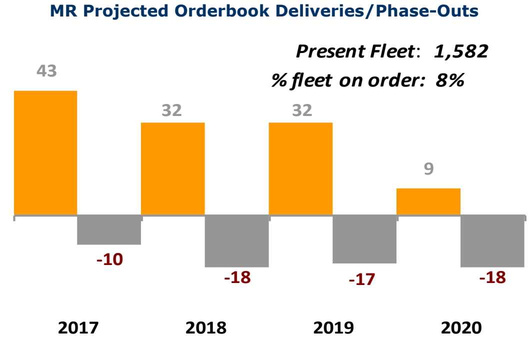
Aframax/LR2 Projected Orderbook Deliveries/Phase-Outs



Panamax/LR1 Projected Orderbook Deliveries/Phase-Outs



MR Projected Orderbook Deliveries/Phase-Outs



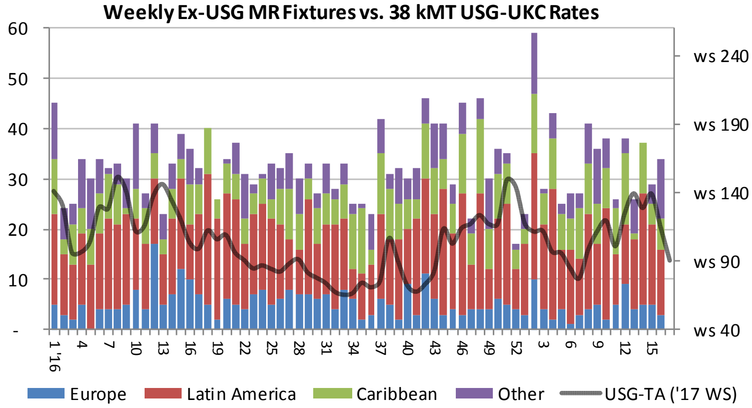
Aframax

The Caribbean Aframax market commenced the week with lingering upside from last week's surge in demand to a five-week high and having built on a small number of date-sensitive fixtures at attractive levels managed to push rates on the CBS-USG route to a one-month high of ws117.5 by mid-week. Thereafter, however, with overall demand having proven sluggish and a Suezmax subsequently taking an Aframax stem for a CBS-USG run at ws102.5, rates quickly turned negative. The CBS-USG route concluded at ws100 and appears likely to remain soft through the start of the upcoming week as fresh positions appearing after the weekend will further disjoint supply/demand fundamentals.

MR

The USG MR market observed an accelerating of rate losses this week as the reality of last week's strong buildup of available tonnage bit. Though availability levels declined this week as a resurgence of rates in the UKC market is drawing units freeing on the USAC and this week's USG fixture tally rose, rates remained disjointed from levels dictated by fundamentals. A total of 34 fixtures were reported this week, a 17% w/w gain. Of these, just three were bound for points in Europe (-2, w/w), 19 were bound for points in Latin America or the Caribbean (-1, w/w) and the remainder were yet to be determined or bound for alternative destinations. Rates on the USG-UKC route shed 50 points to conclude at a five-week low of ws90 while the USG-CBS route shed $250k to conclude at $375k lump sum. Availability remains high at the close of the week with 53 units populating positions through the coming two weeks; although this marks a 12% w/w decline, the volume remains high against a recent low of 25 units and a 52-week average of 41 units. On this basis we expect that rates will continue to correct during the start of the upcoming week before finding a floor around mid-week as demand prospects remain strong and isolated arbitrage opportunities reemerged this week on the back of the declining freight component, which could help to enable trades beneficial to fundamentals.

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



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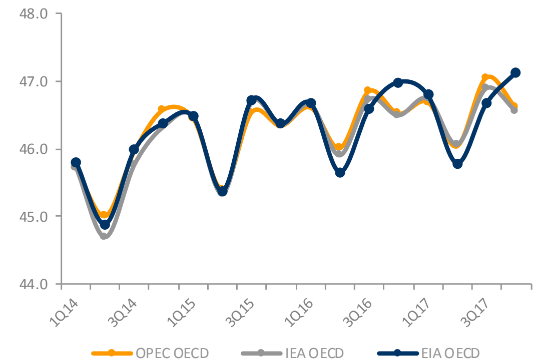
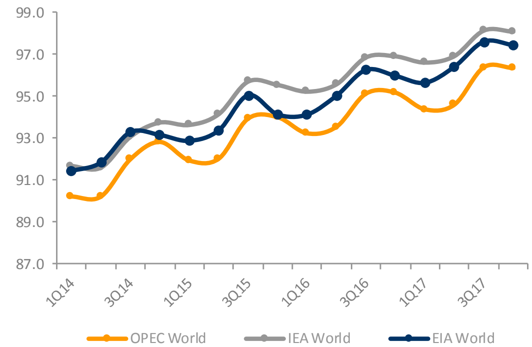
Projected OECD Oil Demand



Projected World Oil Demand



REPORTED TANKER SALES

"Bunga Kasturi" – 299,999/03 – Universal Ariake – DH
-Sold for $31.0m to undisclosed Indian buyers.

"Kanata Spirit" – 113,022/99 – Samsung Geoje – DH
-Sold for $7.8m to Greek buyers (OceanGold Tankers).

"Ratna Shalini" – 105,846/10 – Hyundai Ulsan – DH
-Sold on subjects for $25.0m to Greek buyers (TMS Tankers).

"Miseno" – 51,034/12 – STX Jinhae – DH – IMO III
"Nisida" – 51,034/12 – STX Jinhae – DH – IMO III
-Sold en bloc for $24.0m each to Danish buyers (Maritime Investment Fund I -- backed by PensionDanmark, Danica and Navigare Capital Partners]).

"Oriental Emerald" – 50,379/05 – ShinA – DH
"Oriental Ruby" – 50,379/05 – ShinA – DH
-Sold en bloc for $11.25m each to Greek buyers (Benetech).

"Port Louis" – 37,791/02 – Guangzhou – DH
-Sold on private terms to undisclosed buyers. SS due.

"ST Dare" – 15,015/96 – Sasebo – DH – IMO II/III
-Sold for $6.5m to undisclosed Far East buyers.

"Dubai" – 3,799/09 – Hangzhou Dongfeng – DH
-Sold on private terms to Turkish buyers (Arkas Holding AS).

REPORTED TANKER DEMOLITION SALES

Bangladesh

"Good News" – 314,250/99 – 38,732 LDT – DH
-Sold for $395/ldt.

India

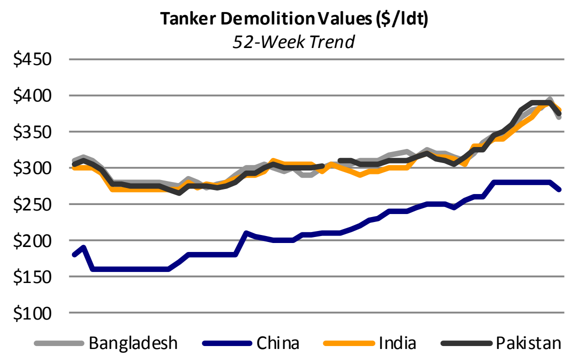
"Catherine Knutsen" – 141,720/92 – 23,057 LDT – DH - Shuttle
-Sold for $362/ldt basis as is, Aruba. Unit converted to shuttle tanker 01/1999.

"Hunter" – 22,700/83 – 8,792 LDT – DH - Museum
-Sold for $302/ldt basis as is, Okpo including 550 MT St St. Unit converted to stationary shipbuilding museum 02/2011.

Unknown

"Santa Cruz I" – 101,605/95 – 16,327 LDT – DH
-Sold for $392/ldt, basis as is, Singapore.

"Astro Arcturus" – 98,805/97 – 16,984 LDT – DH
-Sold for $396/ldt basis as is, Singapore, including ~950 MT bunkers ROB and gas free for hot works only.



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

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