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

WEEK 22 – 2 June 2017 **ISSUE 22 – 2017**

Strong Libya production growth contributing to Suezmax & Aframax demand profile, but near-term fundamentals outlook remains bleak

Libyan crude production posted strong gains during May, rising from 700,000 b/d at the end of April to a three-year high of 800,000 b/d early during May and subsequently concluding the month at 827,000 b/d, according to the country's National Oil Company. The gains follow a restart of production at the Sahara oil field late during April after a weeks-long closure and a restart of the El Feel (Elephant) field during May after having been offline for two years. A technical issue led to a short blip in production at the Sahara field – the country's largest – during mid-month likely implies that the average production rate for the month will be lower than the headline figures suggest, but directional improvements and multiple-year highs imply a positive demand-side development for Aframax and Suezmax tankers servicing regional cargo flows.

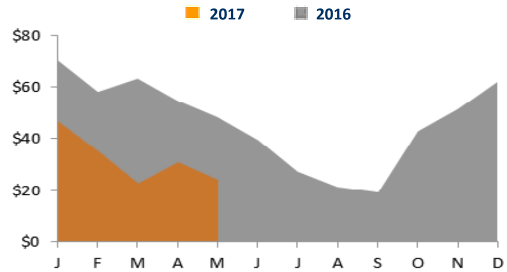
Indeed, a fresh influx of cargoes during late May proved quite supportive of Aframax rates – if only briefly. Aframax TCEs on the MED-MED route jumped from just $10,700/day at the start of the month to over $25,500/day by May 24th. Contributing to the gains were modest supply gains from Ceyhan, as well as coverage of prompt cargo purchases of North Sea crude grades (during a brief Brent contango futures structure ahead of the OPEC production cut extension) which simultaneously propelled NSEA-UKC Aframax TCEs to over $30,000/day. Suezmax rates in the same markets rallied in tandem as they have been trading at an effective floor dictated by Afrramaxes, with $/mt rates matching those of the smaller class. Any cheer among owners was short-lived, however, as Aframax TCEs have largely corrected: presently, the MED-MED route yields ~$9,776/day and the NSEA-UKC route yields ~$11,977/day.

Little near-term optimism for Aframax owners on Suezmax competition

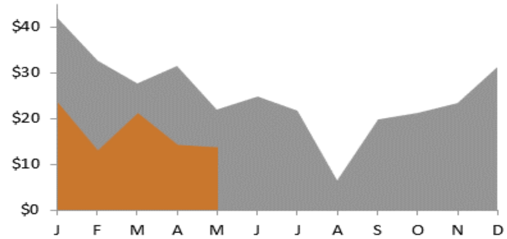
The outlook for the remainder of Q2 and the start of Q3 doesn't appear particularly rosy, despite potential for Libya to yield a steadier and elevated export flow during the coming months. Natural Aframax demand in the North Sea market is set to decline m/m during June, and the July program shows the fewest loadings of 2017. Meanwhile, Ceyhan loadings are unlikely to observe much further upside following May's gains.

Adding to prospective negative pressure, Suezmaxes appear poised for a wider supply/demand imbalance in the West Africa region, which could elevate vies by Suezmax units for Aframax cargoes. Nigeria's Forcados crude stream is poised to return following repairs to the pipeline linking fields to the Forcados terminal. Though notionally positive for Suezmaxes (the traditional workhorse of West African exports) the return of Forcados could weaken regional crude differentials to Brent. This would make West African crude more attractive to Asian buyers seeking to offset a lack of supply growth in the Middle East due to extended OPEC production cuts with purchases elsewhere, thereby supporting VLCCs at the expense of Suezmaxes. On a YTD y/y basis, VLCC demand in West Africa has grown by 28% while Suezmax demand has shrunk by 25%.

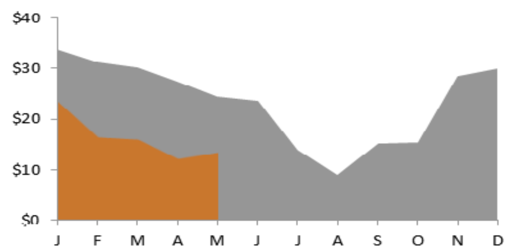
Meanwhile, both the Aframax/LR2 and Suezmax fleets are grappling with extraordinarily high net fleet growth rates as a massive newbuilding delivery program is ongoing amid limited phase-outs of older units. The Aframax/LR2 fleet is has expanded by 2.7% YTD and is projected to conclude the year with a net annual growth rate of 6.9% for 2017 while the Suezmax fleet has expanded by 5.4% YTD and is projected observe a net annual growth rate of 10.0%. Moreover, the majority of this year's newbuildings have yet to enter the Atlantic basin. Our analysis of AIS and fixture data shows that the average Suezmax newbuilding does not appear in the West Africa market for 95 days after delivery – and of the 26 Suezmax units delivered since 1 Jan, just five have traded cargoes from West Africa so far. To put the volume of recently delivered units that have yet to enter the region into perspective, there are around 10 spot market-serviced Suezmax loadings and 17 total Suezmax loadings in West Africa, per week.



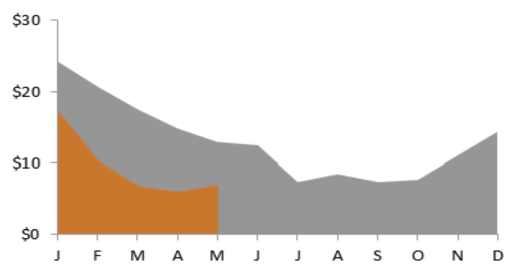
VLCC Average Earnings **MTD Average ~$23,990/Day** **Month y/y ▼ -51%**



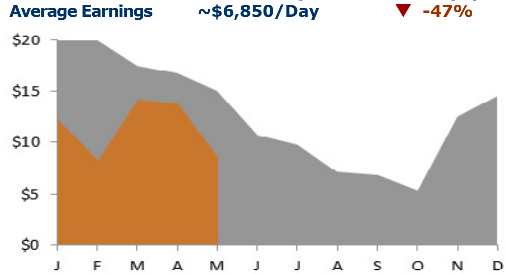
Suezmax Average Earnings **MTD Average ~$14,243/Day** **Month y/y ▼ -35%**



Aframax Average Earnings **MTD Average ~$13,171/Day** **Month y/y ▼ -46%**



Panamax Average Earnings **MTD Average ~$6,850/Day** **Month y/y ▼ -47%**

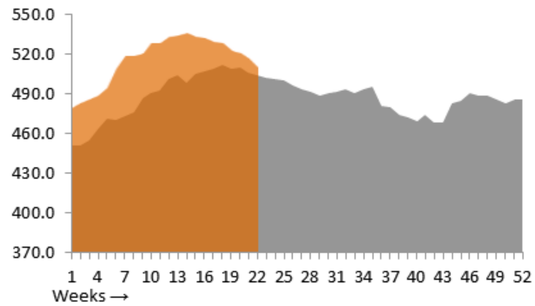


MR Average Earnings **MTD Average ~$8,547/Day** **Month y/y ▼ -43%**

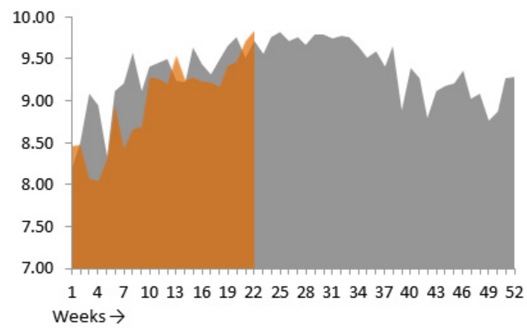
Spot Market	WS/LS	TCE	WS/LS	TCE
VLCC (13.0 Kts L/B)	**26-May**		**2-Jun**	
AG>USG 280k	24.0	$(1,281)	26.0	$956
AG>USG/CBS>SPORE/AG	--	$21,940	--	$22,138
AG>SPORE 270k	50.0	$16,847	55.0	$21,085
AG>JPN 265k	47.0	$16,720	50.0	$19,488
AG>CHINA 270k	50.0	$16,417	55.0	$20,816
WAFR>CHINA 260k	52.5	$20,057	53.0	$21,120
CBS>SPORE 270k	$3.30m	--	$3.10m	--
VLCC Average Earnings		*$17,929*		*$20,613*
SUEZMAX (13.0 Kts L/B)				
WAFR>USG 130k	85.0	$18,898	75.0	$15,265
WAFR>UKC 130k	90.0	$16,007	80.0	$12,595
BSEA>MED 140k	90.0	$13,032	77.5	$6,869
CBS>USG 150k	75.0	$17,955	70.0	$15,402
Suezmax Average Earnings		*$17,588*		*$13,554*
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k	120.0	$30,046	97.5	$11,977
AG>SPORE 70k	102.5	$9,333	100.0	$8,941
BALT>UKC 100k	100.0	$24,186	75.0	$11,034
CBS>USG 70k	137.5	$16,993	112.5	$10,049
MED>MED 80k	120.0	$17,108	97.5	$9,776
Aframax Average Earnings		*$19,377*		*$10,332*
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k	120.0	$2,140	120.0	$2,500
CONT>USG 55k	115.0	$7,722	115.0	$8,130
ECU>USWC 50k	147.5	$10,204	147.5	$10,761
Panamax Average Earnings		*$6,837*		*$7,248*
LR2 (13.0 Kts L/B)				
AG>JPN 75k	84.5	$5,577	89.0	$6,806
AG>UKC 80k	$1.40m	$5,923	$1.40m	$6,354
MED>JPN 80k	$1.60m	$7,261	$1.58m	$7,434
AG>UKC/MED>JPN/AG	--	$7,712	--	$12,387
LR2 Average Earnings		*$6,282*		*$8,665*
LR1 (13.0 Kts L/B)				
AG>JPN 55k	98.0	$4,853	109.5	$6,952
AG>UKC 65k	$1.07m	$2,941	$1.06m	$4,087
UKC>WAFR 60k	101.5	$1,587	103.0	$2,201
AG>UKC/UKC>WAFR/AG	--	$7,712	--	$8,750
LR1 Average Earnings		*$6,282*		*$7,851*
MR (13.0 Kts L/B)				
UKC>USAC 37k	147.5	$8,904	150.0	$9,619
USG>UKC 38k	90.0	$1,312	115.0	$5,299
USG>UKC/UKC>USAC/USG	--	$9,532	--	$13,005
USG>CBS (Pozos Colorados) 38k	$350k	$7,200	$450k	$14,234
USG>CHILE (Coronel) 38k	$975k	$10,222	$1.20m	$17,028
CBS>USAC 38k	130.0	$8,200	140.0	$10,085
MR Average Earnings		*$9,007*		*$11,619*
Handy (13.0 Kts L/B)				
MED>EMED 30k	146.5	$11,274	137.0	$9,273
SPORE>JPN 30K	135.0	$4,760	131.0	$4,447
Handy Average Earnings		*$7,237*		*$6,185*

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	$29,000
Suezmax	$18,500	$19,000
Aframax	$15,000	$17,000
Panamax	$13,000	$14,000
MR	$13,500	$14,500
Handy	$12,000	$13,000



US Crude Stocks (EIA)	Last Week	Week y/y
	520.8 MnBbls	▲ +1.1%



US Gasoline Demand (EIA)	Last week	Week y/y
	9.822 MnB/d	▲ +1.1%

■ 2017 ■ 2016

WEBER WEEKLY TANKER REPORT

CHARLES R. WEBER COMPANY, INC.

SPOT MARKET SUMMARY

VLCC

VLCC rates remained in negative territory through much of the week on the back of the wide supply/demand imbalance that prevailed from the conclusion of the May Middle East program through the first decade of the June program. Adding to negative pressures, disadvantaged units continued to oscillate around 50% of both available positions and concluded fixtures. However, by the close of the week, a modest rebound materialized as demand in the Middle East market improved for a fourth consecutive week, jumping 25% w/w to a 12-week high while the West Africa market also observed a four-consecutive weekly demand gains, rising by two fixtures to an eight week high of nine. Meanwhile, the Middle East market's supply/demand imbalance has been progressively narrowing as the June program progresses as units employed by the late-April/early-May surge in West Africa demand remain off position lists due to their longer employment duration.

We note that through the end of the June Middle East program's second-decade, there are four cargoes remaining against 17 available units. Accounting for likely West Africa draws thereof, surplus tonnage at the end of the decade is likely to stand at around ten units. Through the end of the June program, there are a likely 40 cargoes remaining against which there are 52 units available; factoring for likely West Africa draws, the end-June surplus could narrow to the considerably low tally of just two to four units, accordingly. Though we note that hidden tonnage is likely to increase the end-month surplus at least modestly, it is apparent that fundamentals have improved markedly: at the conclusion of the May Middle East program, surplus tonnage stood at a near three-year high of 25 units. Our modeling of the supply/demand balance (using the comparatively more certain second decade surplus and factoring for the high proportion of disadvantaged units and potential ballasts to West Africa from the Caribbean basin) suggests that AG-FEAST TCEs should rise to around the $34,000/day level. TCEs on these routes are presently yielding around $20,000/day on average, implying that the market could be poised for substantial rate gains during the upcoming week. Further forward, if hidden tonnage proves low and West Africa demand remains elevated, we would not be surprised to see TCEs extend gains sizably.

Middle East

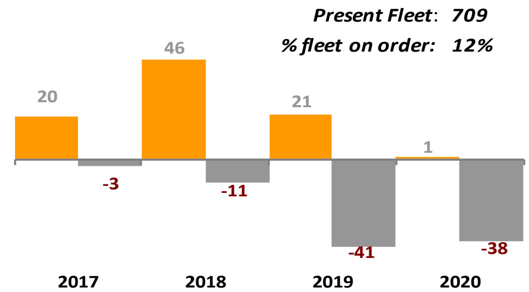
Rates on the AG-JPN route concluded the week with a gain of 3 points to ws50 (having earlier fallen to ws46) with corresponding TCEs gaining 17% to conclude at ~$19,488/day. Rates to the USG via the Cape gained two points to conclude at ws26, after touching a low of ws23 earlier. Triangulated Westbound trade earnings rose by 1% to a closing assessment of ~$22,138/day.

Atlantic Basin

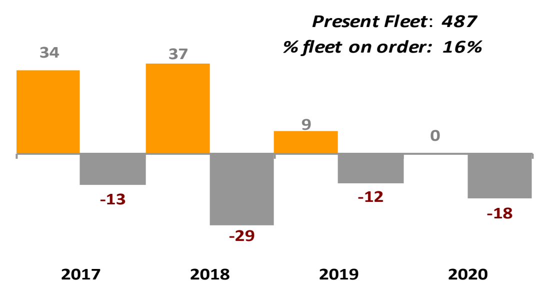
Rates in the West Africa market appear to be at their usual lag of those in the Middle East. The WAFR-FEAST routes were unchanged at ws53 with corresponding TCEs gaining 5% (as a function of lower bunker prices) to conclude at ~$21,120/day.

The Caribbean market observed limited demand this week, allowing regional rates to continue to test fresh YTD lows. The CBS-SPORE route shed $200k to conclude at $3.1m lump sum. Regional rates appear to now be at a floor as rising sentiment in alternative markets and the rising associated option for USG/CBS positions to ballast to West Africa (which the market has already observed) will require local cargoes to compete more aggressively for tonnage.

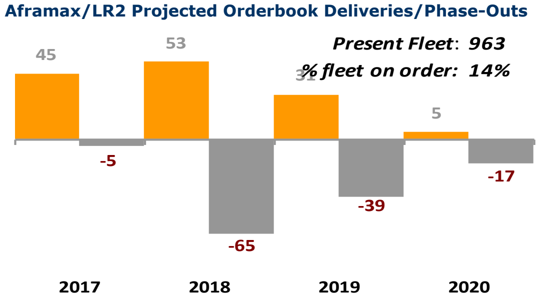
VLCC Projected Orderbook Deliveries/Phase-Outs



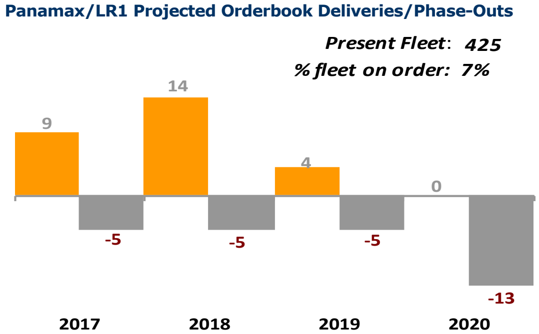
Suezmax Projected Orderbook Deliveries/Phase-Outs



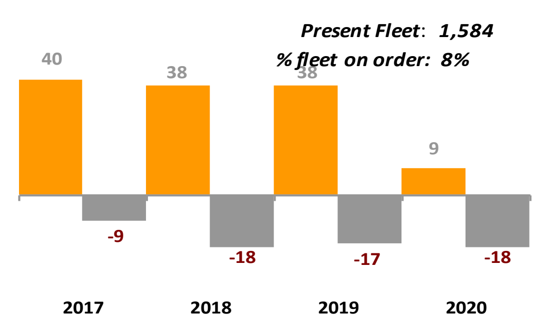
Aframax/LR2 Projected Orderbook Deliveries/Phase-Outs



Panamax/LR1 Projected Orderbook Deliveries/Phase-Outs



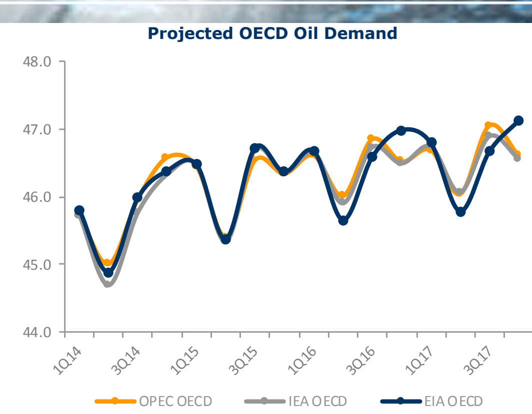
MR Projected Orderbook Deliveries/Phase-Outs



Suezmax

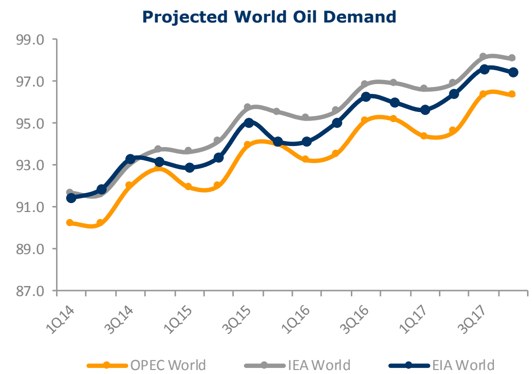
Suezmax rates in a number of markets were correcting this week from last week's rally as an ongoing function of Aframax rates. The Suezmax rally was, in our view, a function of rising Aframax rates – and we note that $/mt freight levels for Suezmaxes have been hovering around the same levels as those for Aframaxes in markets where Suezmaxes compete for Aframax cargoes, accordingly.

As a function of this, Suezmax rates in the West Africa market were buoyed last week, but this reversed this week as regional rates returned to negative territory. The trend was aided further by recent VLCC demand gains, which have left fewer cargoes for Suezmaxes. There were just six fixtures reported this week, off 40% w/w to a nine-week low. Rates on the WAFR-UKC route shed ten points to conclude at ws80. Though June's final decade could yield more Suezmax cargoes than the month's first two decades, rates appear likely to commence the upcoming week with further losses. Thereafter, rates should steady on the stronger demand.



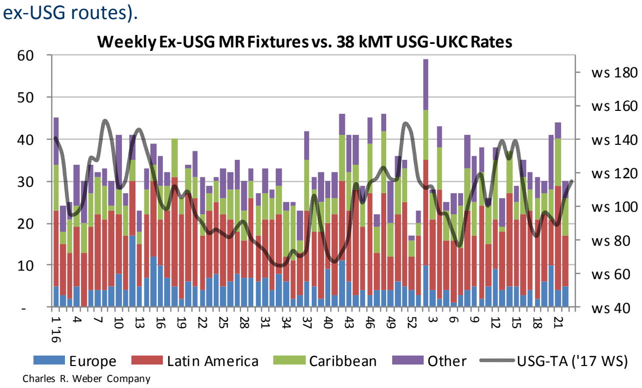
Aframax

Aframax rates were softer across all markets this week. Rates in the North Sea and Mediterranean regions corrected from last week's rally to unsustainable highs as dictated by the supply/demand positioning. The earlier rally was, in our view, largely a kneejerk reaction to a small number of distressed cargoes fixing at premium rates and stronger crude exports from Libya and Ceyhan. Meanwhile, in the Caribbean market, fixture activity this week was nearly half of last week's tally, which was at a one-month high. Just 11 fixtures were reported this week, marking a three-week low. Rates on the CBS-USG route shed 25 points to conclude at ws112.5. Fresh demand strength during the upcoming week could stem the pace of rate erosion; however, failing that, outward ballasts do not appear to be an option given that benchmark TCEs across all western markets are trading in a narrow band between $9,800/day and $12,000/day with those on the CBS-USG route standing at ~$10,049/day.



MR

Rates in the USG MR market strengthened this week, in line with last week's strong demand profile and sustained reduction of available tonnage relative to YTD norms. The rate trend was in line with a usual one-week lag between changes to the market's supply/demand positioning and corresponding rate movements. A total of 30 fixtures were reported this week, off 32% w/w (though adjusted for the shorter work week, the w/w reduction was smaller at 15%). Of this week's tally, voyages to Europe accounted for five (+1, w/w), voyages to Latin America and the Caribbean accounted for 21 (-15, w/w), and the remainder were bound for alternative destinations or have yet to be determined. Rates on the USG-UKC route rose by 25 points to a six-week high of ws115 while the USG-CBS route added $100k to conclude at $450k and the USG-Chile route added $225k to conclude at $1.20m. Despite this week's slower demand, the two-week forward view of available tonnage shows just one more unit than a week ago with 37 units. This compares a YTD and 52-week average which both stand at 42 units. On this basis we expect that rates will remain elevated during the upcoming week (particularly in light of a modest pullback of ex-UKC rates at the close of the week from earlier high levels, which may induce resistance to lower rates on the USG-UKC route which should be supportive of all ex-USG routes).



WEBER WEEKLY

TANKER REPORT

REPORTED TANKER SALES

"Dalian Venture" – 296,722/11 – Dalian – DH
-Sold for $54.0m to Singaporean buyers (Zodiac).

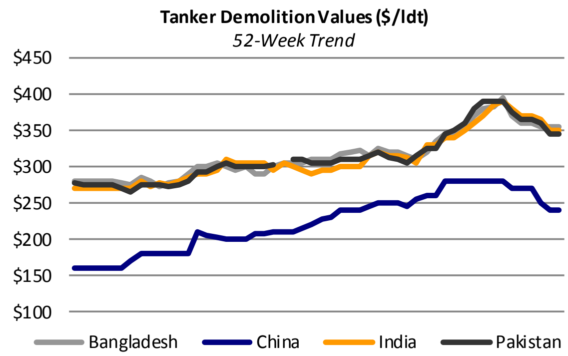
"Fortune Victoria" – 74,998/07 – Minami Nippon – DH
-Sold for $17.2m to Greek buyers (Benetech).

"High Fidelity" – 49,990/14 – Hyundai Vinashin – DH
-Sold for $27.0m to undisclosed Japanese buyers, including 10-Year BBB with purchase options from year three and a purchase obligation at end of period.

"Torm Vita" – 46,308/02 – STX Jinhae – DH
-Sold on private terms to undisclosed buyers, including BBB.

REPORTED TANKER DEMOLITION SALES

There were no reported tanker demolition sales for week 22.



George P. Los
Senior Market Analyst
Charles R. Weber Research

research@crweber.com

Charles R. Weber Company, Inc.

Greenwich Office Park Three,
Greenwich, CT 06831
Tel: +1 203 629-2300
Fax: +1 203 629-9103

www.crweber.com

1001 McKinney Street,
Suite 475
Houston, TX 77002
Tel: +1 713 568-7233
Fax: +1 713 337-6486