WEBER WEEKLY TANKER REPORT

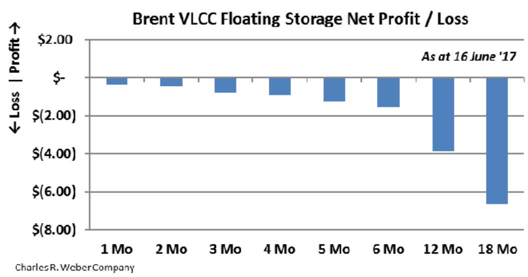
WEEK 24 – 16 June 2017 **ISSUE 24 – 2017**

VLCCs servicing floating storage on the rise

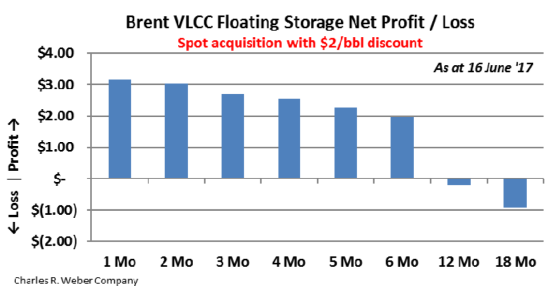
Floating storage appears to be rising as the number of VLCCs laden and idle for longer than two weeks has risen by 30% over the past month. Some 26 units appear to be so-employed based on AIS data and proprietary intel – and the tally is poised to rise imminently as some cargo owners struggle to find onward buyers while others are taking advantage of spot crude price discounts to make contango plays profitable.

In addition to vessels already observably storing, five units were reportedly fixed this week for short-term time charters with storage intentions – and we understand that units in charterers' internal programs or on spot voyages are likely to join the tally through exercised storage options.

Recent crude price weakness has widened the contango structure in crude futures markets. However, the economics of traditional contango plays are prohibitive once accounting for the various costs associated with floating storage – even in light of a recent drop for short-term storage period costs to around just $16,000/day. Based on floating storage structured from the front-month, associated losses escalate from ~$(0.35)/bbl for one month to ~$(6.64)/bbl for 18 months.

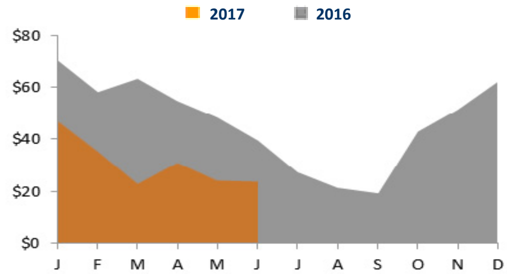


Purchasing spot barrels at a discount to market – which a rebound in excess global crude supply appears to have enabled – can make floating storage plays profitable. Applying a discount of $2/bbl to the spot Brent price yields a potential profit of ~$3.15/bbl for one month; though the contango structure against escalating storage costs erode profits progressively for longer periods.

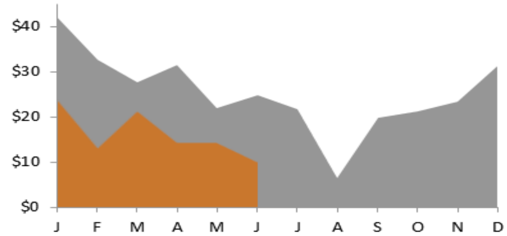


VLCC fundamentals improving

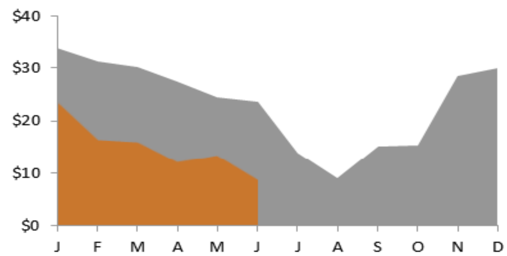
For VLCC supply/demand dynamics, the growing list of units engaged in floating storage is helping to stem the market's oversupply situation. Just a month ago, when the May cargo program in the Middle East market concluded, there were 25 uncovered units – marking the greatest oversupply in three years. The surplus is set to narrow to 13 units at the conclusion of the June program on the back of rising floating storage and a rebound in draws on Middle East units to service cargoes emanating from West Africa.



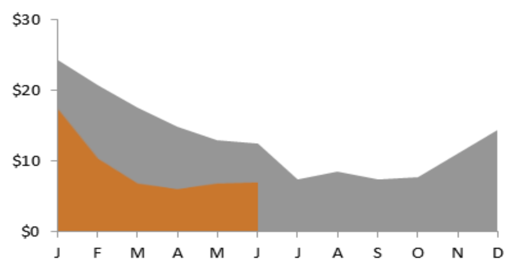
VLCC Average Earnings	MTD Average ~$23,635/Day	Month y/y ▼ -40%



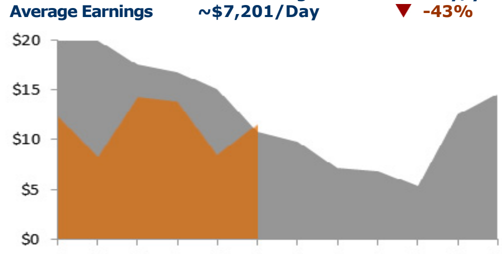
Suezmax Average Earnings	MTD Average ~$10,135/Day	Month y/y ▼ -59%



Aframax Average Earnings	MTD Average ~$8,539/Day	Month y/y ▼ -64%



Panamax Average Earnings	MTD Average ~$7,201/Day	Month y/y ▼ -43%



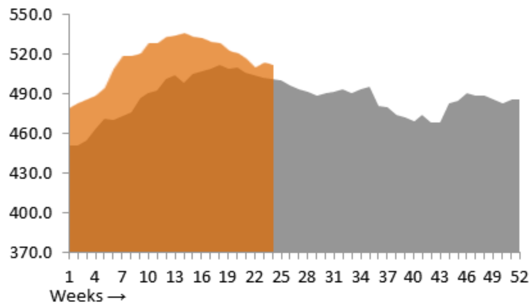
MR Average Earnings	MTD Average ~$11,535/Day	Month y/y ▲ +8%

WEBER WEEKLY TANKER REPORT

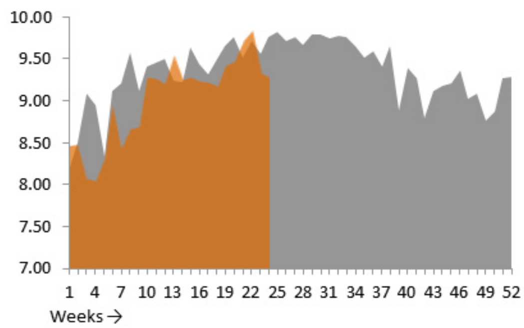
Spot Market	WS/LS	TCE	WS/LS	TCE
VLCC (13.0 Kts L/B)	**9-Jun**		**16-Jun**	
AG>USG 280k	26.0	$1,501	26.0	$1,702
AG>USG/CBS>SPORE/AG	--	$21,775	--	$22,917
AG>SPORE 270k	53.0	$19,688	52.0	$19,018
AG>JPN 265k	51.0	$20,492	50.0	$19,791
AG>CHINA 270k	53.0	$19,359	52.0	$18,660
WAFR>CHINA 260k	55.0	$23,199	56.5	$24,577
CBS>SPORE 270k	$3.00m	--	$3.01m	--
VLCC Average Earnings		*$20,795*		*$20,699*
SUEZMAX (13.0 Kts L/B)				
WAFR>USG 130k	62.5	$10,527	55.0	$7,574
WAFR>UKC 130k	65.0	$7,153	60.0	$5,350
BSEA>MED 140k	75.0	$5,827	72.5	$4,857
CBS>USG 150k	65.0	$12,832	57.5	$8,383
Suezmax Average Earnings		*$9,297*		*$6,781*
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k	95.0	$10,561	100.0	$14,902
AG>SPORE 70k	97.5	$8,472	97.5	$8,548
BALT>UKC 100k	67.5	$7,630	75.0	$11,970
CBS>USG 70k	92.5	$4,506	90.0	$3,898
MED>MED 80k	95.0	$9,207	95.0	$9,316
Aframax Average Earnings		*$7,092*		*$8,505*
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k	112.5	$1,379	115.0	$1,991
CONT>USG 55k	115.0	$8,524	115.0	$8,662
ECU>USWC 50k	155.0	$12,473	152.5	$12,091
Panamax Average Earnings		*$7,114*		*$7,410*
LR2 (13.0 Kts L/B)				
AG>JPN 75k	90.5	$7,269	86.5	$6,432
AG>UKC 80k	$1.40m	$6,707	$1.40m	$6,835
MED>JPN 80k	$1.60m	$8,057	$1.72m	$9,926
AG>UKC/MED>JPN/AG	--	$12,929	--	$14,245
LR2 Average Earnings		*$9,145*		*$9,034*
LR1 (13.0 Kts L/B)				
AG>JPN 55k	104.5	$6,211	105.0	$6,361
AG>UKC 65k	$1.11m	$4,482	$1.09m	$4,164
UKC>WAFR 60k	107.0	$3,123	110.0	$3,706
AG>UKC/UKC>WAFR/AG	--	$9,486	--	$9,586
LR1 Average Earnings		*$7,849*		*$7,974*
MR (13.0 Kts L/B)				
UKC>USAC 37k	140.0	$8,479	120.0	$5,590
USG>UKC 38k	110.0	$4,871	120.0	$6,446
USG>UKC/UKC>USAC/USG	--	$11,924	--	$11,552
USG>CBS (Pozos Colorados) 38k	$450k	$14,492	$460k	$15,259
USG>CHILE (Coronel) 38k	$1.20m	$17,270	$1.25m	$18,806
CBS>USAC 38k	140.0	$10,356	145.0	$11,251
MR Average Earnings		*$11,123*		*$11,006*
Handy (13.0 Kts L/B)				
MED>EMED 30k	129.0	$7,566	138.0	$9,702
SPORE>JPN 30K	132.0	$4,620	135.0	$4,982
Handy Average Earnings		*$5,680*		*$6,681*

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

Time Charter Market *$/day (theoretical)*	1 Year	3 Years
VLCC	$26,000	$29,000
Suezmax	$17,000	$18,500
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
	511.5 MnBbls	▲ +2.1%



US Gasoline Demand (EIA)	Last week	Week y/y
	9.269 MnB/d	▼ -5.1%

2017 2016

WEBER WEEKLY TANKER REPORT

SPOT MARKET SUMMARY

VLCC

The VLCC market observed a very small measure of rate erosion at the start of the week on the appearance of a number of previously hidden positions before steadying as an effective standoff ensued between owners and charterers, with each pointing to data points that can be interpreted as being in their respective favor. In the Middle East market, fixture activity slowed on a pause between the June and July programs; just 17 fixtures were reported, representing a five-week low. Though charterers sought to use this lull to their benefit, demand in the West Africa market remained elevated for a fourth consecutive week, yielding nine fixtures (a w/w gain of two) which pushed the four-week moving average up for a fifth consecutive week – to an eight-week high – and offset the Middle East's slow pace. Elsewhere, the Caribbean market was considerably more active than it has been for some time.

On the supply side, we note that the June program is now likely to conclude with a larger surplus than previously expected as a result of the appearance of hidden positions. Whereas a week ago the end-month surplus appeared likely to conclude with seven units (which would have been the fewest since January), the projection now stands at 13 units. With TCEs hovering around levels dictated by the 25 units uncovered at the conclusion of the May program, we believe that at least modest upside prospects should be evident. Adding to likely support which are likely to narrow the supply/demand positioning during the July program, demand in the West Africa market appears likely to remain elevated and maintain competition for Middle East units. Moreover, short-term storage contracts appear to be rising, which will further reduce availability as charterers progress into the July program. Moreover, the number of units two-weeks or longer for storage contracts has risen by 6 units over the past month – and this number is poised to rise further as five short-term storage fixtures were reported this week while other charterers are reportedly exercising storage options in existing spot and period charters.

Middle East

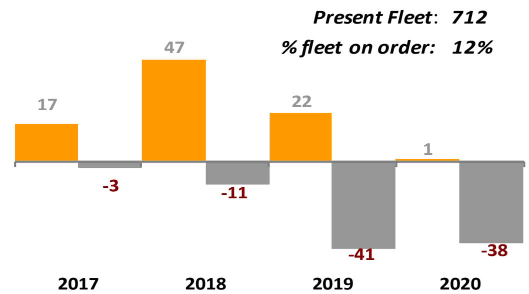
Rates to the Far East shed one point to conclude at ws52 with corresponding TCE on the AG-JPN route dropping 3% to conclude at ~$19,791/day. Rates to the USG via the Cape were steady at ws26. Triangulated Westbound trade earnings rose by 5% to conclude at ~$22,917/day.

Atlantic Basin

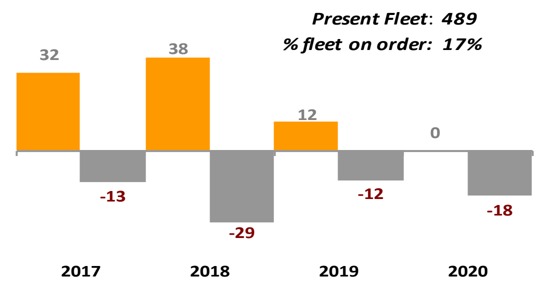
Rates in the West Africa market improved modestly and out of step with the Middle East market as a stronger demand profile in the Caribbean/USG area eased the specter of inward ballasters. The WAFR-FEAST route gained 1.5 points to conclude at ws56.5 with corresponding TCEs rising by 6% to conclude at ~$24,577/day.

Fresh demand strength in the Caribbean market saw rates there pare last week's losses. The CBS-SPORE route added $100k to conclude at $3.10m lump sum. Further near-term gains, however, will likely require an extending of strong demand levels and an improvement of VLCC sentiment across global markets.

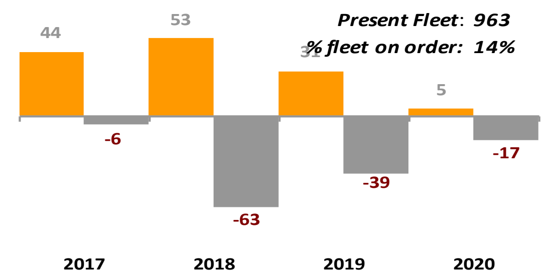
VLCC Projected Orderbook Deliveries/Phase-Outs



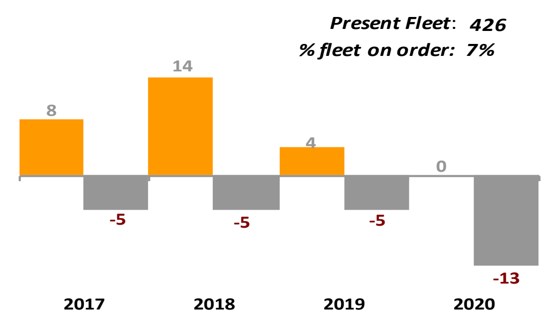
Suezmax Projected Orderbook Deliveries/Phase-Outs



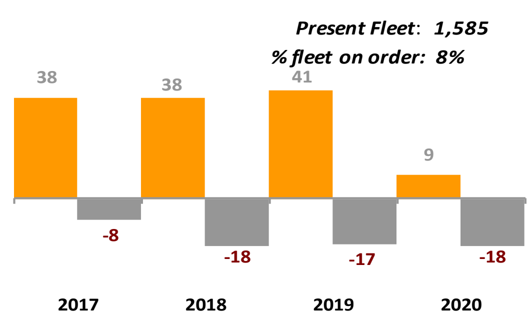
Aframax/LR2 Projected Orderbook Deliveries/Phase-Outs



Panamax/LR1 Projected Orderbook Deliveries/Phase-Outs

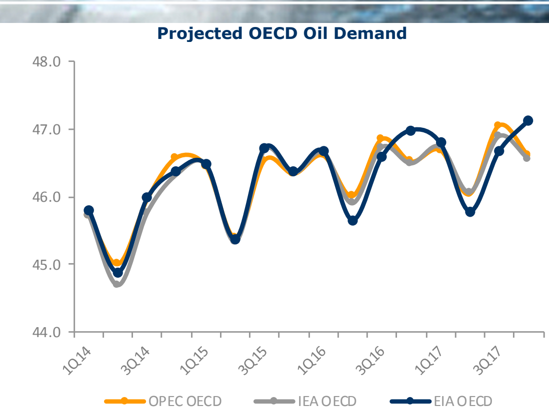


MR Projected Orderbook Deliveries/Phase-Outs



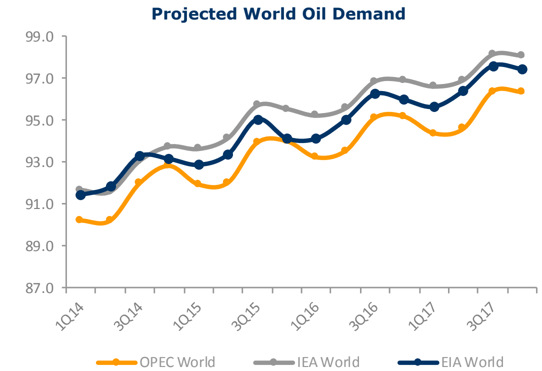
Suezmax

The West Africa Suezmax marked remained under strong negative pressure this week with rates testing fresh YTD lows. Fixture activity was very strong as charterers covering late June purchases coincided with a normal progression in earnest into July dates. A total of 21 fixtures were reported, representing the most in 18 months and a 163% w/w gain. A long list of uncovered June units, however, together with a sour near-term outlook, offset any positive pressure the active market might have offered. The WAFR-UKC route shed five points to conclude at ws60, accordingly. VLCC coverage during July's first decade has been robust with the most spot fixtures concluded for any monthly decade since late April, leaving a smaller balance for Suezmaxes. Meanwhile, force majeure was declared on Bonny light due to a pipeline leak, reducing the stream's July supply to a planned 164,000 b/d vs. 203,000 b/d supplied during June which partly offsets gains from the resumption of Forcados supply. We expect that light fixture activity during the upcoming week will lower the floor on regional rates, though the extent of downside could be limited by TCEs already below OPEX.



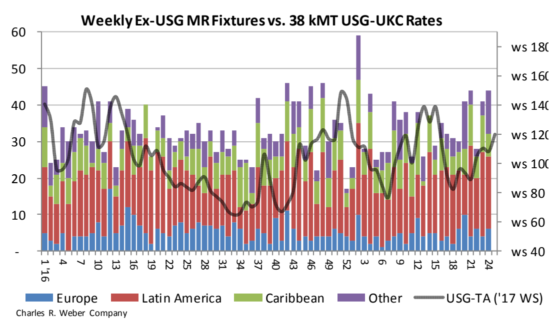
Aframax

Chartering activity in the Caribbean Aframax market jumped 48% w/w to 20 fixtures but did little to improve the overall regional supply/demand positioning with rates extending their decent to a three-month low. The CBS-USG route shed 2.5 points to conclude at ws90, which is also the YTD low. TCEs on the route stand at just ~$3,898/day; at this level, further downside appears limited. For their part, charterers are confident that the fundamentals remain firmly in their favor.



MR

Demand in the USG MR market strengthened further this week with the fixture tally representing the second strongest week of the year so far. A total of 44 fixtures were reported, representing a w/w gain of 7% -- and maintaining the four-week moving average at a YTD high of 39. Of this week's tally, six were bound for points in Europe (+2, w/w) aided by minor, intermittent arbitrage opportunities; 26 were bound for points in Latin America and the Caribbean (-7, w/w) and the remainder were bound for alternative destinations or have yet to be determined. The sustained demand helped to remove negative pressure on rates that prevailed at the start of the week due to last week's 22% w/w hike in availability. Building on the positive momentum, owners were more resistant to trans-Atlantic voyages in light of markedly softer ex-UKC rates which lent momentum to all ex-USG rates. The USG-UKC route concluded with a 10-point gain to ws120, having dropped into the high ws90s at midweek. The USG-CBS route concluded $10k stronger at $460k lump sum, having dipped to $400k earlier and the USG-Chile route rebounded from an intraweek low of $1.10m to conclude with a $50k w/w gain to $1.25m lump sum.



The two-week forward view of viable availability shows a 2% w/w gain to 46 units. Although higher than the YTD average, we note that this is relatively manageable in light of seasonal demand strength. Some risk emanates from this week's surge in UKC-USAC fixture activity, though this could be minimized by options for alternative discharge locations. We anticipate that many of these options will be exercised – and that fixture UKC-USAC fixture activity will ease during the coming week given increasingly sour US gasoline figures. EIA data shows strong gasoline inventory builds last week in both the US generally and the PADD1B region (which includes NYH) specifically. Moreover, US gasoline demand last week was 5.1% below year-earlier levels; this compares with a YTD y/y demand erosion of 2.8%, making it increasingly likely that 2017 will conclude with the first full-year of negative demand growth. In addition to limiting fixtures into the USAC, the situation should be supportive of USG gasoline exports. Meanwhile, operational delays remain rampant on Mexico's east coast and a fire at the 330,000 b/d Salina Cruz refinery, which followed a flooding-related closure of the facility, appears to be exacerbating the situation. Collectively, these factors suggest that while rates may be static during the upcoming, fresh strength should materialize later during June and early during July.

WEBER WEEKLY

TANKER REPORT

REPORTED TANKER SALES

"Poliegos" – 157,540/17 – Sungodng – DH
-Sold for $54.0m to Norwegian buyers (Ocean Yield ASA), including BBB for 14 years with purchase options from year seven.

"Dong-A Capella" – 157,500/17 – New Times – DH
"Dong-A Spica" – 157,500/17 – New Times – DH
-Sold en bloc for $52.0m each to undisclosed buyers.

"Oriental Emerald" – 50,379/05 – ShinA – DH
"Oriental Ruby" – 50,379/05 – ShinA – DH
-Sold en bloc for $10.5m each to Greek buyers (Avin International).

"Kirstin" – 50,078/09 – SPP – DH – IMO III
-Sold for $19.25m to Danish buyers (Norden).

"Nord Integrity" – 48,026/10 – Iwagi Zosen – DH
-Sold for $17.5m to undisclosed Greek buyers.

"Maersk Rapier" – 34,985/00 – Guangzhou – DH
-Sold for $6.5m to undisclosed Greek buyers.

"CTG Platinum" – 25,000/18 – AVIC Dingheng – DH – IMO II – StSt
"CTG Titanium" – 25,000/18 – AVIC Dingheng – DH – IMO II - StSt
"CTG Tungsten" – 25,000/18 – AVIC Dingheng – DH – IMO II - StSt
"CTG Palladium" – 25,000/17 – AVIC Dingheng – DH – IMO II - StSt
"CTG Neon" – 25,000/17 – AVIC Dingheng – DH – IMO II - StSt
-Sold en bloc for $40.0m to Danish buyers (Odfjell).

"Dong-A Rigel" – 8,831/03 – Murakami Hide – DH – IMO II/III
-Sold for $8.0m to undisclosed far east buyers.

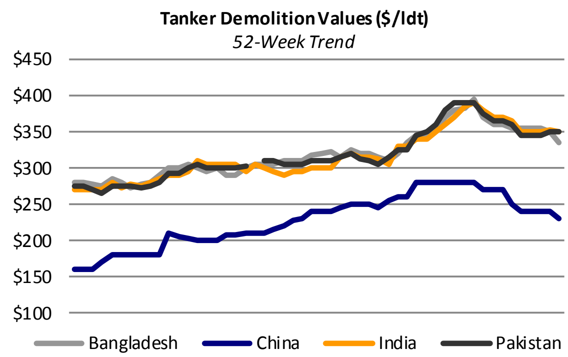
"Pelagia" – 3,348/85 – Murakami Hide – DH
-Sold on private terms to Sri Lankan buyers (Lanka Marine Services Pvt Ltd).

.

REPORTED TANKER DEMOLITION SALES

China

"No. 8 Kokomaru" – 2,999/94 – 1,589 LDT – DH – Molten Sulphur
-Sold for $215/ldt.



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