WEBER WEEKLY TANKER REPORT

WEEK 32 – 11 AUGUST 2017 **ISSUE 32 – 2017**

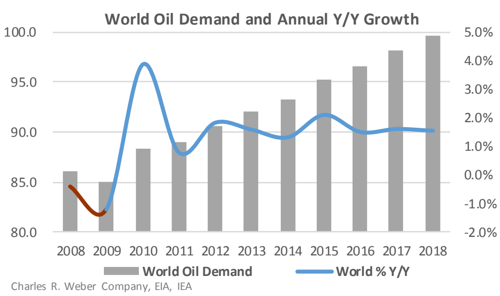
Crude market to hit milestone 100 Mnb/d demand mark during 2H18

…but demand growth remains somewhat lackluster

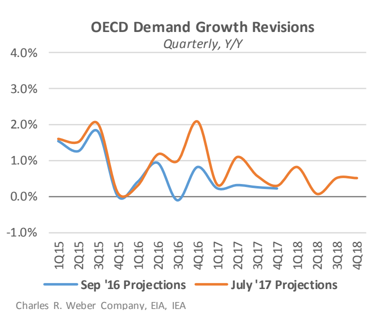
Key forecasting agencies, the US Department of Energy's EIA and the Paris-based IEA, are both forecasting a new milestone for crude oil demand during the latter half of 2018: demand exceeding 100 Mnb/d.

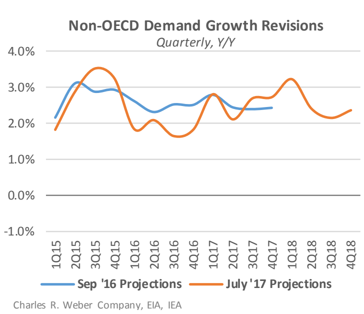
Despite the milestone's positive connotations, 2018's projected global oil demand growth rate of 1.5%, as derived from the average of the two agencies' projections, is hardly much cause for optimism among crude tanker owners. Indeed, it follows a moderately higher rate of growth presently projected for 2017 of 1.6% and comes against our projected crude tanker capacity growth rates of 6.8% and 3.8% during 2017 and 2018, respectively.

Annual demand growth swung violently before and after the global financial crisis with high oil prices and the market crash causing demand destruction during 2008 and 2009 before the recovery and resurgent oil-intensive development in emerging markets propelled 2010 to the highest demand growth rate of the decade so far. Since 2011, demand growth has oscillated between 0.8% (2011) and 2.1% (2015) with the average between 2011 and 2016 pegged at 1.5%.

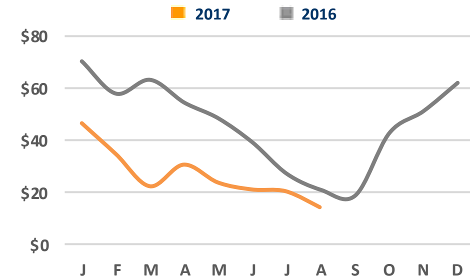


These agencies have a bit of a history of revisions as the forecasted period draws nearer – and quite often well after the fact. This is due to the inherent limitations of forward forecasting – and a lack of transparency in historical trade and consumption data (particularly in outside of the OECD). We note that for the developed world, projections made at the end of 3Q16 underestimated the extent of demand growth during 2016 amid lower fuel costs, declining unemployment and rising consumer sentiment. Simultaneously, demand growth in the non-OECD world was downwardly revised. Total world oil demand was upwardly revised by nearly 900,000 b/d. It would seem that the regular negative revisions of the years following the global financial crisis have given way to positive revisions. Tanker owners will certainly be hoping that the latter remains the norm.

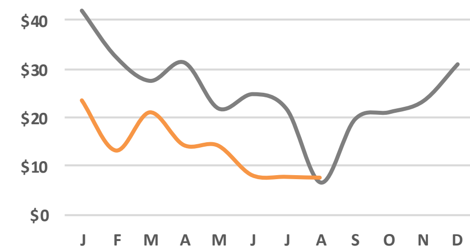




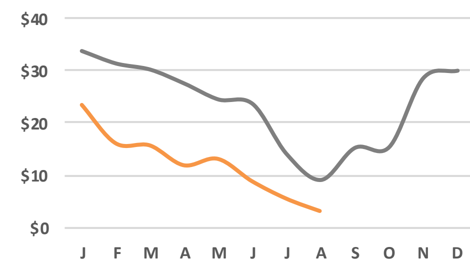
Of course, trade patterns can skew the implications of demand growth for tanker fundamentals strongly. Despite 2016's positive y/y growth, a migrating of crude trades towards shorter distances meant that VLCC ton-miles declined by 4%, y/y. Applying adjustment factors to ton-miles to account for diversification and efficiency of trades, demand contracted by 4%. Simultaneously, during 2015, when world oil demand grew by 2.1%, VLCC ton-miles grew by a much larger 7% and adjusted demand grew by a massive 21%.



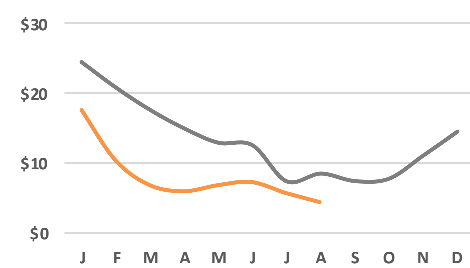
VLCC Average Earnings | **MTD Average** ~$14,393/Day | **Month y/y** ▼ -33%



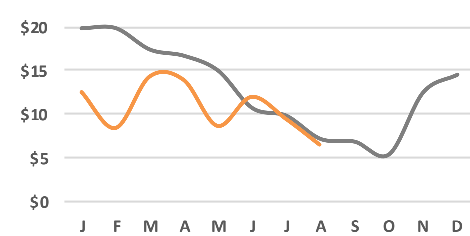
Suezmax Average Earnings | **MTD Average** ~$7,490/Day | **Month y/y** ▲ +15%



Aframax Average Earnings | **MTD Average** ~$3,193/Day | **Month y/y** ▼ -65%



Panamax Average Earnings | **MTD Average** ~$4,482/Day | **Month y/y** ▼ -48%



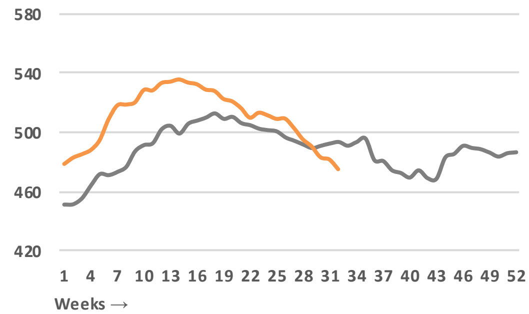
MR Average Earnings | **MTD Average** ~$6,384/Day | **Month y/y** ▼ -10%

WEBER WEEKLY TANKER REPORT

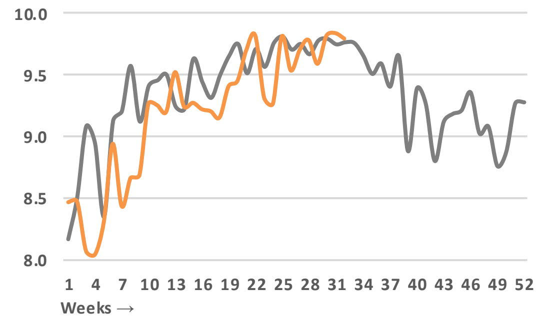
Spot Market	WS/LS	TCE	WS/LS	TCE
VLCC (13.0 Kts L/B)	4-Aug		11-Aug	
AG>USG 280k	24.0	$(906)	23.0	$(2,594)
AG>USG/CBS>SPORE/AG	--	$16,044	--	$20,256
AG>SPORE 270k	48.0	$15,450	42.5	$10,494
AG>JPN 265k	46.0	$16,218	40.0	$10,623
AG>CHINA 270k	48.0	$14,966	41.5	$8,976
WAFR>CHINA 260k	50.0	$17,783	50.0	$17,541
CBS>SPORE 270k	$2.70m	--	$3.25m	--
VLCC Average Earnings		*$16,143*		*$12,741*
SUEZMAX (13.0 Kts L/B)				
WAFR>USG 130k	60.0	$8,474	60.0	$8,335
WAFR>UKC 130k	65.0	$5,751	65.0	$5,612
BSEA>MED 140k	75.0	$4,934	77.5	$6,447
CBS>USG 150k	60.0	$8,324	55.0	$5,126
Suezmax Average Earnings		*$7,249*		*$7,118*
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k	85.0	$(1,658)	85.0	$(1,658)
AG>SPORE 70k	85.0	$5,732	85.0	$5,323
BALT>UKC 100k	60.0	$2,075	60.0	$2,075
CBS>USG 70k	90.0	$3,183	85.0	$1,584
USG>UKC 70k	60.0	--	65.0	--
CBS>USG/USG>UKC/NSEA	--	$5,543	--	$6,029
MED>MED 80k	85.0	$4,280	80.0	$2,421
Aframax Average Earnings		*$3,341*		*$2,783*
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k	105.0	$(985)	105.0	$(1,062)
CONT>USG 55k	105.0	$5,399	105.0	$5,311
ECU>USWC 50k	145.0	$10,471	145.0	$10,582
Panamax Average Earnings		*$4,533*		*$4,472*
LR2 (13.0 Kts L/B)				
AG>JPN 75k	124.0	$15,382	124.0	$14,965
AG>UKC 80k	$1.80m	$13,943	$1.80m	$13,817
MED>JPN 80k	$1.63m	$8,194	$1.,63m	$7,973
AG>UKC/MED>JPN/AG	--	$16,952	--	$16,768
LR2 Average Earnings		*$15,905*		*$15,565*
LR1 (13.0 Kts L/B)				
AG>JPN 55k	127.5	$10,008	134.5	$10,820
AG>UKC 65k	$1.29m	$7,095	$1.39m	$8,983
UKC>WAFR 60k	104.0	$1,867	99.5	$1,025
AG>UKC/UKC>WAFR/AG	--	$10,756	--	$11,580
LR1 Average Earnings		*$6,347*		*$11,200*
MR (13.0 Kts L/B)				
UKC>USAC 37k	117.5	$4,014	112.5	$3,214
USG>UKC 38k	77.5	$(823)	80.0	$(526)
USG>UKC/UKC>USAC/USG	--	$5,161	--	$4,993
USG>CBS (Pozos Colorados) 38k	$300k	$3,692	$350k	$6,999
USG>CHILE (Coronel) 38k	$925k	$8,660	$1.05m	$12,200
CBS>USAC 38k	110.0	$4,864	120.0	$6,394
MR Average Earnings		*$6,347*		*$6,854*
Handy (13.0 Kts L/B)				
MED>EMED 30k	119.5	$4,972	117.5	$4,437
SPORE>JPN 30K	146.0	$6,091	150.0	$6,271
Handy Average Earnings		*$5,688*		*$5,611*

Average Earnings weighted proportionally to regional activity share of each size class' worldwide market (including routes not necessarily shown above).

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**
	475.4 MnBbls	▼ -3.6%



US Gasoline Demand (EIA)	**Last Week**	**Week y/y**
	9.797 MnB/d	▲ +0.3%

2017 2016

Whilst every care has been taken in the production of this study, no liability can be accepted for any loss incurred in any way whatsoever by any person who may seek to rely on the information contained herein. All information is supplied in good faith and Charles R. Weber Company, Inc. accepts no responsibility for any and all errors and omissions contained within this study.

WEBER WEEKLY
TANKER REPORT

SPOT MARKET SUMMARY

VLCC

Rates in the VLCC market were softer this week on a pullback in demand in the Middle East market, sending average earnings to fresh multiple-year lows. In the Middle East, there were 15 fresh fixtures reported, representing a 35% w/w decline. One-third of this week's regional fixture tally were concluded under COAs, making demand there seem lower than it was. In the West Africa market, there were nine fixture reported, representing a tripling of last week's tally.

With 100 Middle East August cargoes covered thus far, there are an estimated 22 outstanding. Against this, there are 53 units available; once accounting for likely West Africa draws, the implied end-August Middle East surplus stands at 24 units, or the highest surplus since the conclusion of the May program. A week ago, the surplus looked set to stand at 19, illustrating a fresh disjointing of supply/demand. As such, rates remain in negative territory and will struggle to find much positive impetus once participants progress into what is widely expected to be a busier September program.

In isolation, rates in the Caribbean basin were stronger this week on declining in-bound USG tonnage, and a fresh round of activity following a prolonged lull.

Middle East
AG-FEAST rates shed six points to conclude at a fresh YTD low of ws40 – with corresponding TCEs dropping 34% to a closing assessment of ~$10,623/day. Rates to the USG via the Cape lost one point to conclude at ws23. Triangulated Westbound trade earnings jumped 26% to conclude ~$20,256/day.

Atlantic Basin
Rates in the West Africa market lagged those in the Middle East with the WAFR-FEAST route shedding concluding unchanged at ws50. Corresponding TCEs were off by 1% to ~$17,541/day.

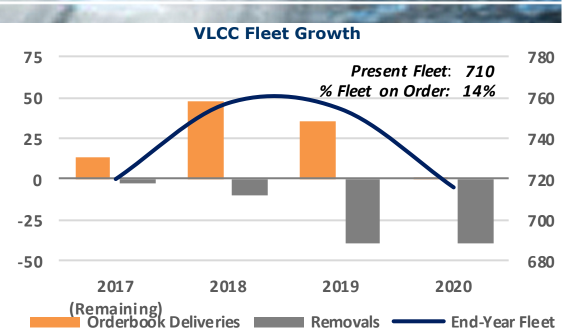
Rates in the Caribbean market were stronger this week on a fresh testing, which showed narrower supply amid slowing USG arrivals. The CBS-SPORE route gained $550k to conclude at a one-month high of $3.25m lump sum.

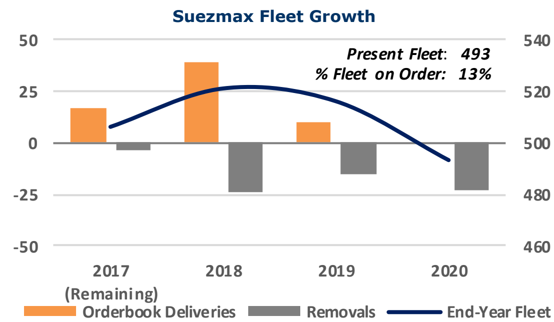
Suezmax

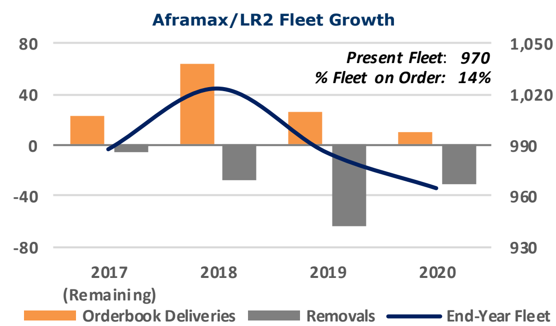
Rates in the West Africa Suezmax market were largely unchanged this week as demand slowed as charterers progressed into later August dates wherein higher VLCC coverage left few cargoes available. This stemmed any positive undertones, which had accompanied relative demand strength during the previous two weeks. This week saw seven fixtures reported, representing a 46% w/w decline. Rates on the WAF-UKC route were unchanged at ws65. Given a fresh round of VLCC demand strength, Suezmax demand appears set to remain muted in the coming weeks, which could lead to a fresh weakening of rates. Adding to negative pressure, Suezmax demand in the Middle East market was markedly lower: just three fixtures were reported, off by 10 from last week's tally. This could lead more ballasters to the West Africa market, adding to the region's oversupply woes.

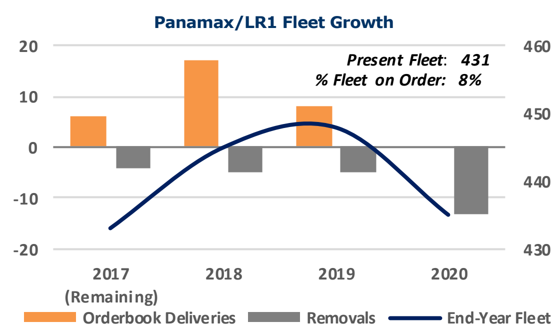
Aframax

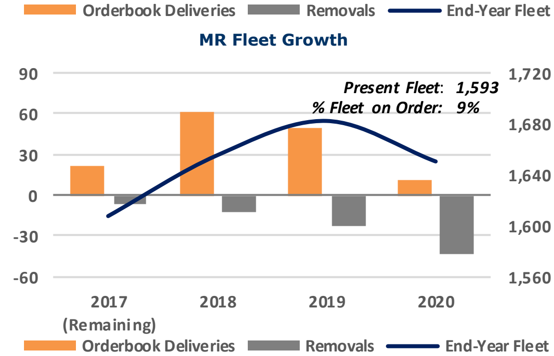
Demand in the Caribbean Aframax market declined for a fourth-consecutive week, despite the reemergence of cargoes for loading in Venezuela. A total of 13 fixtures were reported, or two fewer than last week and 16% fewer than the YTD average. Oversupply remains the defining characteristic of the market and we see little positive signs for a rebalancing in the near-term. Rates on the CBS-USG route shed five points to conclude at ws85.





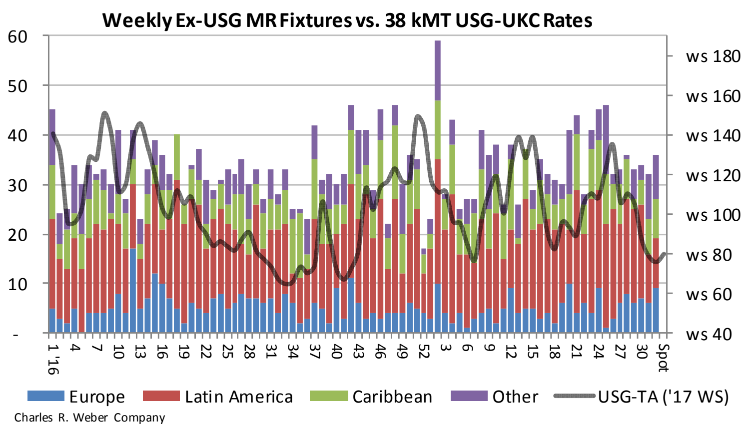


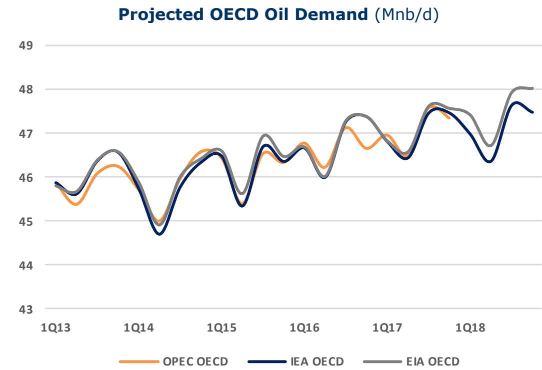


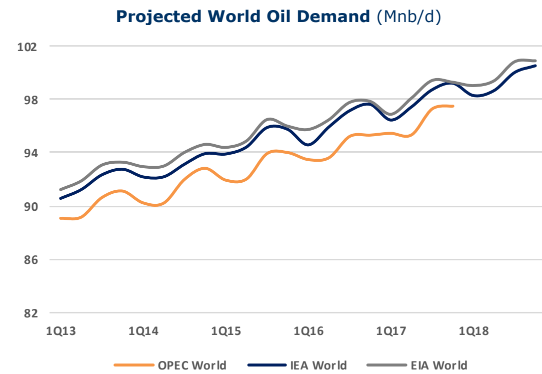


MR

Rates in the USG MR market reached an effective floor early this week before rebounding modestly late during the week on modestly stronger demand and slowing availability replenishment. There were 36 fixtures reported representing a 13% w/w gain. Of these, nine were bound for points in Europe (+3, w/w – and a two-month high), 18 were bound for points in Latin America and the Caribbean (+1, w/w) and the remainder were yet to be determined. The two-week forward view of available tonnage declined 21% w/w to a five-week low of 37 units. Rates on the USG-UKC route rose by 2.5 points to a closing assessment of ws80, having earlier touched the low ws70s. Rates on the USG-Chile route gained $125k to conclude at $1.05m lump sum while the USG-CBS route added $50k to conclude at $350k lump sum. Factoring into the gains, beyond a modest narrowing of the immediate supply/demand view was strong demand for voyages to Europe, which coming against declining rates for onward trades saw owners resist lower levels. These guided short-haul ex-USG routes upward in tandem. Meanwhile, long-haul routes drew strong resistance by owners as they pointed to rising opportunity cost of long trades as rates appear poised to improve more concertedly by end-August, in line with improving fundamentals and normal seasonality. We expect that rates will remain in positive territory during the upcoming week, yielding further minor rate gains.







REPORTED TANKER SALES

"Box" – 50,577/09 – SPP Tongyeong – DH – IMO III
-Sold for $18.6m to undisclosed Greek buyers. Unit due for DD 09/2017.

"Ardmore Sealifter" – 47,472/08 – Onomichi – DH
"Ardmore Sealeader" – 47,463/08 – Onomichi – DH
-Sold on private terms to Japanese buyers including BBB.

"Aulac Angel" – 10,000/03 – Taizhou ZJ – DH
-Sold on private terms to Vietnamese buyers (Viet Sing Shipping JSC).

"Amuleth" – 5,459/16 – Termili Cantieri – DH – IMO II
-Sold for $13.0m to undisclosed Polish buyers.

REPORTED TANKER DEMOLITION SALES

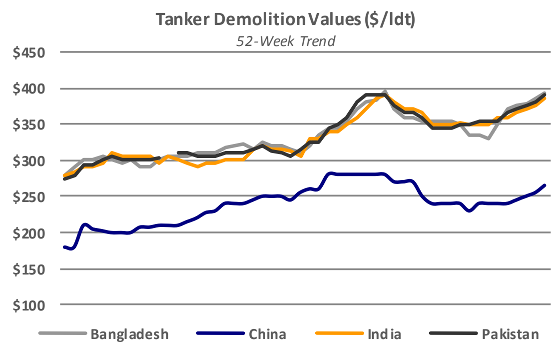
Bangladesh

"Borneo Pioneer" – 16,937/88 – 4,543 LDT – DH – IMO II/III
-Sold for $403/ldt, including 86 MT SUS & 316 MT Sold SS. Unit due for SS/DD 08/2017.

Unknown

"Maran Lyra" – 285,998/95 – 32,900 LDT – DH
-Sold on private terms. Unit due for SS 09/2017.

"Maria Del Carmen" – 2,855/72 – DH
-Sold on private terms.



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
www.crweber.com

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