WEBER WEEKLY TANKER REPORT

WEEK 39 – 29 SEPTEMBER 2017 **ISSUE 39 – 2017**

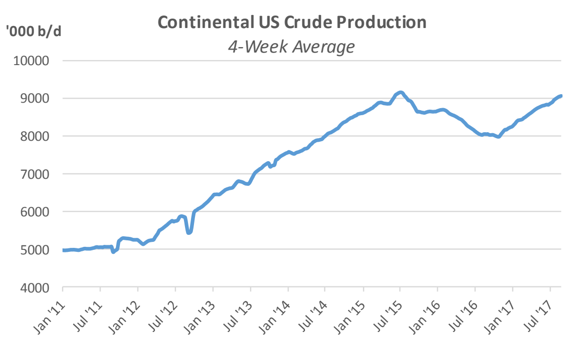
US crude export tanker fixtures at record high in September

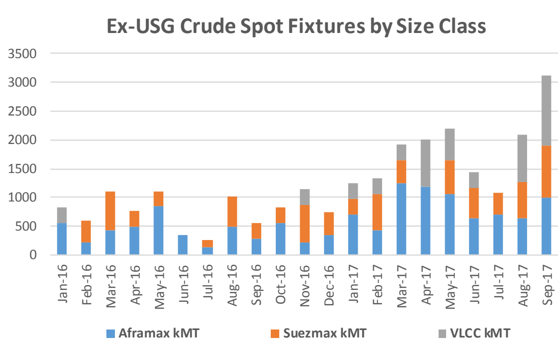
Crude tanker fixtures servicing US crude exports jumped to a record high of 3.1 Mnbbls in September, building on directional gains since the start of the year, aided by offline refining capacity due to Hurricane Harvey, rising US crude production and advantageous pricing for US crude grades against Brent.

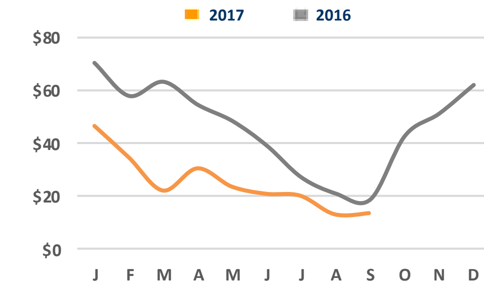
In part, the surge owes to the aftermath of Hurricane Harvey. EIA data shows that PADD3 refinery utilization, which covers the US' Gulf Coast region, dropped to a low of 60.7% during the week following Harvey's Texas landfall and subsequent flooding. This was the lowest utilization rate since the height of the global financial crisis in the fall of 2008. During the first eight months of the year, utilization rates in the region average 92.8% -- which compared with 91.0% during the same period in 2016.

Whereas Hurricane Harvey's role likely facilitated some of the surge on a temporary basis, resurgent domestic crude production points to a directional trend unlikely to abate anytime soon. EIA data shows that continental US crude production has risen sharply since 2H16. Technological advances have enabled selective production at wells, which has greatly reduced sensitivity of production levels to crude prices. Baker Hughes data shows a US crude rig count of 750 this week, which is a 131% gain from a year ago. As a result, crude oil production stands at 9.547 Mnb/d – just shy of a 2015 peak of 9.610 Mnb/d in mid-2015 and a strong gain on a mid-2016 low of 8.428 Mnb/d. Prior to 2016, US crude exports were restricted. Moreover, Hurricane Harvey saw the production rate temporarily drop to a low of 8.781 Mnb/d, implying that just as refining capacity was shuttered, so too was a share of crude production, thus tempering the implications of the lost refining capacity for crude exports.

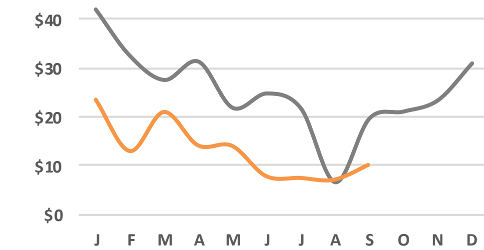
Additionally, prevailing prices make US crude attractive to export markets. Compared with the spot Brent price, on Thursday's close WTI was trading at a discount of $7.18/bbl, or 12%, while LLS was at a discount of $2.05/bbl, or 4%.



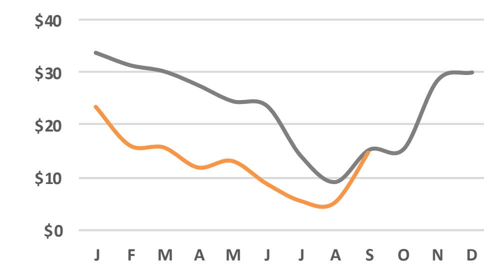




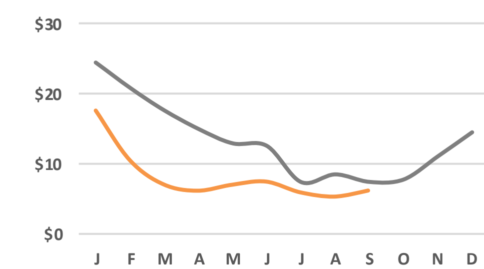
VLCC Average Earnings	Sept. Average ~$13,910/Day	Month y/y ▼ -27%



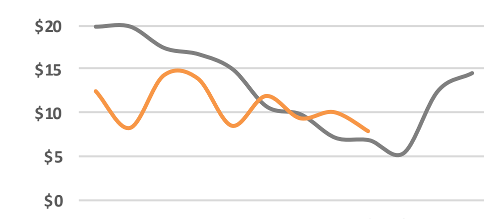
Suezmax Average Earnings	Sept. Average ~$10,317/Day	Month y/y ▼ -48%



Aframax Average Earnings	Sept. Average ~$14,725/Day	Month y/y ▼ -3%



Panamax Average Earnings	Sept. Average ~$6,004/Day	Month y/y ▼ -20%



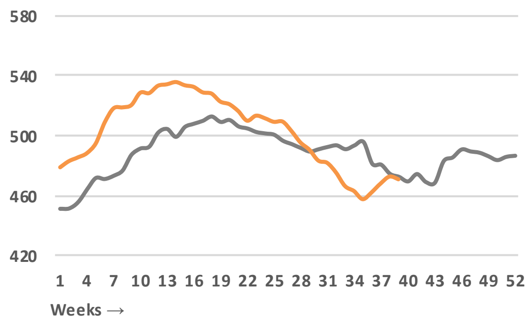
MR Average Earnings	Sept. Average ~$7,930/Day	Month y/y ▲ +16%

WEBER WEEKLY TANKER REPORT

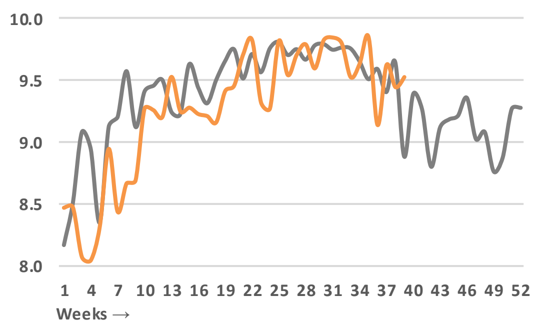
Spot Market	WS/LS	TCE	WS/LS	TCE
VLCC (13.0 Kts L/B)	22-Sep		29-Sep	
AG>USG 280k	23.0	$(3,984)	23.0	$(3,975)
AG>USG/CBS>SPORE/AG	--	$25,796	--	$25,804
AG>SPORE 270k	47.5	$13,130	55.0	$18,630
AG>JPN 265k	45.0	$13,397	52.5	$19,137
AG>CHINA 270k	47.5	$12,564	54.0	$17,471
WAFR>CHINA 260k	51.5	$17,525	60.0	$24,309
CBS>SPORE 270k	$4.00m	--	$4.00m	--
VLCC Average Earnings		*$15,422*		*$20,453*
SUEZMAX (13.0 Kts L/B)				
WAFR>USG 130k	60.0	$7,155	77.5	$14,449
WAFR>UKC 130k	65.0	$4,441	80.0	$10,355
BSEA>MED 140k	77.5	$6,198	82.5	$8,758
CBS>USG 150k	67.5	$11,469	77.5	$17,671
Suezmax Average Earnings		*$6,995*		*$13,099*
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k	107.5	$15,116	102.5	$11,054
AG>SPORE 70k	105.0	$9,173	110.0	$10,080
BALT>UKC 100k	87.5	$15,250	80.0	$11,210
CBS>USG 70k	140.0	$16,924	130.0	$13,984
USG>UKC 70k	110.0	--	100.0	--
CBS>USG/USG>UKC/NSEA	--	$25,308	--	$21,124
MED>MED 80k	107.5	$11,163	97.5	$7,727
Aframax Average Earnings		*$16,049*		*$12,776*
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k	120.0	$963	120.0	$982
CONT>USG 55k	112.5	$5,864	107.5	$4,829
ECU>USWC 50k	140.0	$8,733	140.0	$8,767
Panamax Average Earnings		*$5,358*		*$4,890*
LR2 (13.0 Kts L/B)				
AG>JPN 75k	122.0	$13,671	141.5	$17,875
AG>UKC 80k	$1.70m	$10,982	$1.90m	$14,909
MED>JPN 80k	$1.51m	$5,414	$1.72m	$8,593
AG>UKC/MED>JPN/AG	--	$13,698	--	$17,937
LR2 Average Earnings		*$13,680*		*$17,895*
LR1 (13.0 Kts L/B)				
AG>JPN 55k	143.5	$11,602	153.5	$13,051
AG>UKC 65k	$1.62m	$12,642	$1.77m	$15,587
UKC>WAFR 60k	94.0	$(572)	99.5	$303
AG>UKC/UKC>WAFR/AG	--	$13,343	--	$15,882
LR1 Average Earnings		*$12,473*		*$14,466*
MR (13.0 Kts L/B)				
UKC>USAC 37k	130.0	$4,873	125.0	$4,145
USG>UKC 38k	70.0	$(2,794)	80.0	$(1,311)
USG>UKC/UKC>USAC/USG	--	$4,364	--	$5,149
USG>CBS (Pozos Colorados) 38k	$300k	$2,950	$325k	$4,650
USG>CHILE (Coronel) 38k	$900k	$7,233	$950k	$9,317
CBS>USAC 38k	110.0	$4,090	115.0	$4,902
MR Average Earnings		*$6,886*		*$7,300*
Handy (13.0 Kts L/B)				
MED>EMED 30k	189.5	$20,739	201.5	$23,515
SPORE>JPN 30K	210.0	$12,142	200.0	$10,927
Handy Average Earnings		*$15,237*		*$15,459*

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	$25,000	$28,000
Suezmax	$17,000	$18,500
Aframax	$15,000	$17,000
Panamax	$12,000	$13,500
MR	$12,750	$14,500
Handy	$12,000	$13,000



US Crude Stocks (EIA)	Last Week	Week y/y
	471.0 MnBbls	▼ -0.2%



US Gasoline Demand (EIA)	Last Week	Week y/y
	9.522 MnB/d	▲ +7.2%

■ 2017 ■ 2016

WEBER WEEKLY TANKER REPORT

SPOT MARKET SUMMARY

VLCC

Rates in the VLCC market extended gains this week as market participants took stock of narrowing fundamentals and as fresh demand strength bolstered owners' sentiment. The Middle East market observed 33 fixtures, representing a 22% w/w gain while the tally in the West Africa market posted a gain of one fixture to seven. These demand levels built upon the earlier exiting of some October Middle East positions to the Atlantic basin to allow a further balancing of the supply/demand positioning. With the Middle East market now firmly in second decade of the October program, we note that surplus availability has declined further. With 57 October cargoes covered to-date, we anticipate a further 26 will materialize for loading through October 20th. Against this, there are 46 units showing availability during the same period and, once accounting for likely draws to the Atlantic basin, the projected surplus is 14 units. This compares with 17 surplus units at the conclusion of the month's first decade and 29 surplus units at the end of the September program. Earnings appear to be lagging the narrower fundamentals; a week ago we noted that first decade's reduced surplus suggested an AG-FEAST TCE of around $22,750/day. While strong gains have already materialized, our model suggests that further near-term upside potential remains.

Middle East

Rates on the AG-JPN route gained 7.5 points to conclude at ws52.5 with corresponding TCEs rallying 43% to ~$19,137/day. Rates to the USG via the Cape added were unchanged at ws23 with triangulated AG-USG/CBS-SPORE/AG TCEs standing at ~$25,804/day.

Atlantic Basin

Rates in the West Africa market were stronger, in-line with the Middle East market. The WAFR-FEAST rose by 8.5 points to conclude at ws60 with corresponding TCEs surging 39% to a closing assessment of ~$24,309/day.

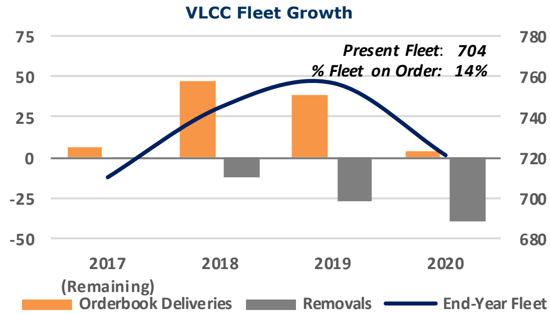
Rates in the Caribbean market remained strong on a tight regional supply/demand positioning. However, as inward ballasts have now filled the shortage of tonnage, rates appear to be at a near-term ceiling. Rates on the CBS-SPORE route were steady at $4.0m lump sum.

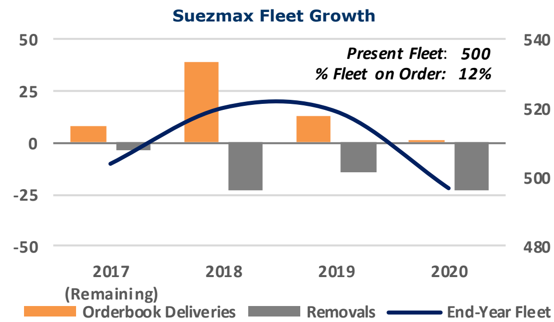
Suezmax

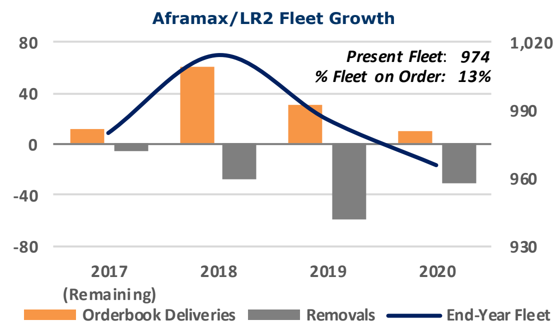
Suezmax rates were stronger this week across the board on improving demand in the West Africa, Middle East and Caribbean/USG markets amid tightening supply and a halting of loadings at Novorossiysk in the Black Sea due to adverse weather conditions.

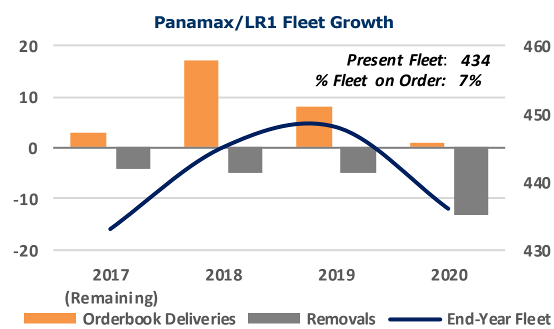
The West Africa market recorded 11 reported fixtures, representing a gain of two on last week and the most in a month. Stronger cargo availability from October's second decade loading program helped to support the demand gains. Rates on the WAFR-UKC route added 15 points to conclude at ws80. The Middle East market saw 15 reported fixtures (a five-week high), with rising VLCC rates and an improved cargo program helping to support the gains. Rates on the AG-USG route jumped 12.5 points to a five-month high of ws40. Rates in the Caribbean region were also stronger on strong demand for loadings off the USG and Mexico's east coast. These fixtures were heavily oriented to extra-regional destinations, building on a recent trend and reducing regional availability. Rates on the CBS-USG route added 10 points to conclude at 150 x ws77.5.

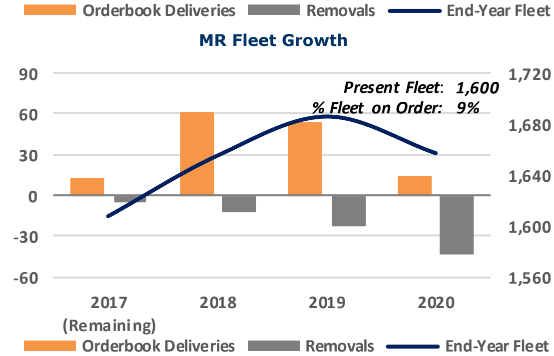
Availability levels in all regions appear likely to stay tighter through at least the upcoming week; stronger demand in the Caribbean and Middle East regions and delays in the Black Sea of several days imply fewer ballasters to West Africa and tighter combined West Africa and Black Sea availability, accordingly. Further rate gains could materialize on this basis. Meanwhile, the Caribbean market has seen reduced availability due to the stronger extra-regional demand. The ability for rates to maintain the positive momentum, however, will be subject to and extending of this type of demand as a migration back to competition with Aframaxes for intraregional voyages will place the larger class at a strong disadvantage. Freight rates on a $/mt basis between the two classes on CBS-USG voyages place the smaller class at a 50% discount.









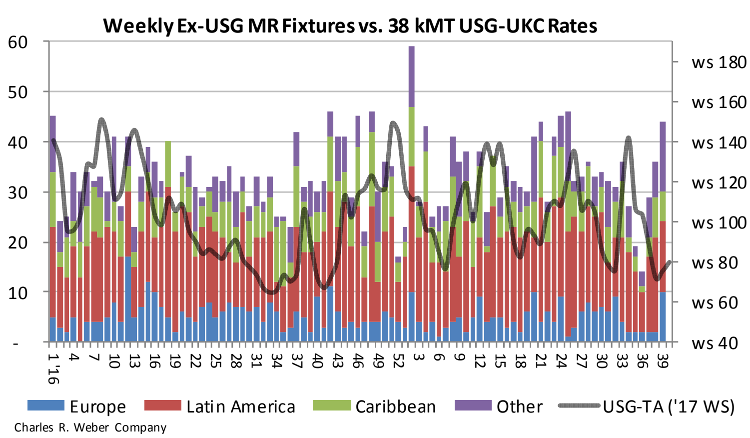


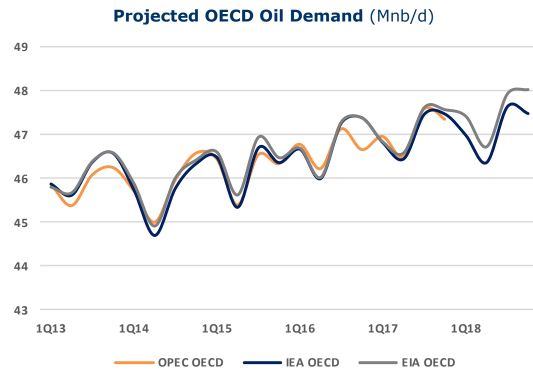
Aframax

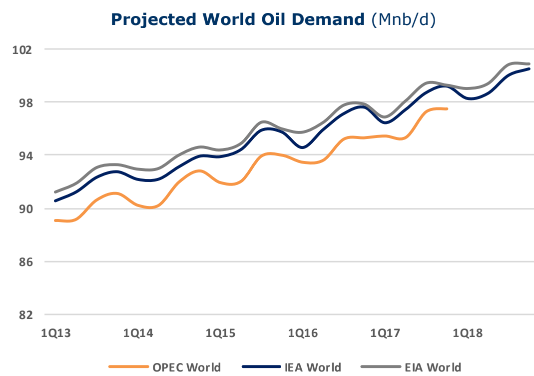
The Caribbean Aframax market started the week with a supply/demand positioning which favored charterers. Initially, due to strong sentiment by owners, rates held up irrespective to the fundamentals. However, as the week progressed, the fundamentals positioning became harder for charterers to ignore and rates on the CBS-USG route tested a sharp decline, losing 10 points from last week's closing assessment and the last-done rate to ws130 at mid-week. The market remained at that level for the remainder of the week thereafter. During the upcoming week, while we expect that with regional supply levels normalizing from the crunch of last month's hurricanes with further rate losses likely, our expectations for the extent of downside is tempered by the fact that the Suezmax alternative for charterers is firmly out of position due to markedly more expensive $/mt freight levels for the larger class.

MR

Demand levels in the USG MR market jumped to a three-month high this week on rebounding PADD3 refinery utilization rates. There were 44 reported fixtures, representing a 22% w/w gain. Of this week's fixtures, 10 were bound for points in Europe – matching the YTD high last observed in mid-May, and eight more than a week ago – while 20 were bound for points in Latin America and the Caribbean (-7, w/w) and the remainder were bound for alternative areas or have yet to be determined. The demand surge came on the heels of a concerted trend of units freeing on the USAC to ballast to Europe in lieu of the USG market as USG rates had been hovering at YTD lows, leading to a modestly shorter supply of vessels. Two-week forward availability at the close of the week stands at 48 units, off 13% w/w. Rates in the region took their cue from the stronger demand and tightening fundamentals to observe their first gains since early September. The USG-UKC route added ten points to conclude at ws80 while the USG-CBS route added $25k to conclude at $325k lump sum. Recent rate losses in the UKC market could raise resistance to voyages in that direction with the USG-UKC route leading any further gains in the USG market, accordingly. With availability at the front-end of position lists tighter, as charterers progress on October loadings the probability of further rate gains seems to be further bolstered, at least modestly.







REPORTED TANKER SALES

"STI Amber" – 49,990/12 – Hyundai Mipo – DH – IMO II
"STI Garnet" – 49,990/12 – Hyundai Mipo – DH – IMO II
"STI Onyx" – 49,990/12 – Hyundai Mipo – DH – IMO II
"STI Ruby" – 49,990/12 – Hyundai Mipo – DH – IMO II
"STI Topaz" – 49,990/12 – Hyundai Mipo – DH – IMO II
-Sold for $27.5m each to Chinese buyers (Bank of Communications) including 7-year BBB.

"Atlantic Blue" – 47,128/07 – Hyundai Mipo – DH – IMO III
"Atlantic Diana" – 47,128/07 – Hyundai Mipo – DH – IMO III
-Sold en bloc for $16.0m each to undisclosed bueyrs.

"High Priority" – 46,847/05 – Nakai Zosen – DH
-Sold for $16.0m each to Jersey-based buyers (Sole Shipping Special Opportunities II) including 5-year BBB.

"Orient Sunshine" – 45,994/08 – Shin Kurushima – DH
-Sold for $15.2m to Greek buyers (Product Shipping & Trading).

"Sofia" – 7,744/91 – Asakawa – DH – IMO II/III
-Sold for $2.1m to undisclosed buyers.

"New Glory" – 4,147/96 – Shin Kurushima – DH
-Sold for $2.4m to undisclosed buyers.

"Bokwang No. 1" – 1,879/86 – Kishigami – DH
-Sold on private terms to undisclosed buyers.

REPORTED TANKER DEMOLITION SALES

Bangladesh

"La Paz" 299,700/95 – 40,970 LDT – DH
-Sold for $415/ldt basis as is, Singapore and gas free.

"Kanata Spirit" 113,022/99 – 18,034 LDT – DH
-Sold for $413/ldt.

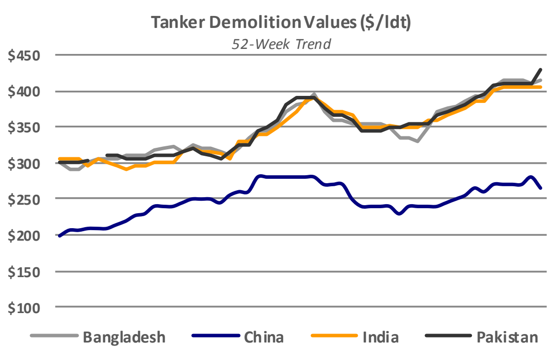
"Silver Bridge" 107,212/99 – 16,665 LDT – DH
-Sold for $432/ldt.

India

"Pishon" 47,067/91 – 8,777 LDT – DH
-Sold on private terms.

Unknown

"DS Crown" 311,176/99 – 41,816 LDT – DH
-Sold for $395/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

www.crweber.com

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