WEBER WEEKLY TANKER REPORT

WEEK 45 – 10 NOVEMBER 2017

ISSUE 45 – 2017

Suezmax supply continues to overwhelm demand, despite inroads in non-traditional markets

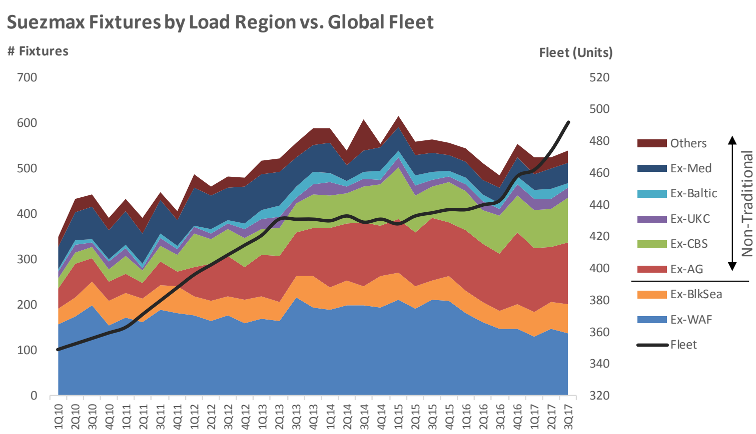
But is a recovery in sight?

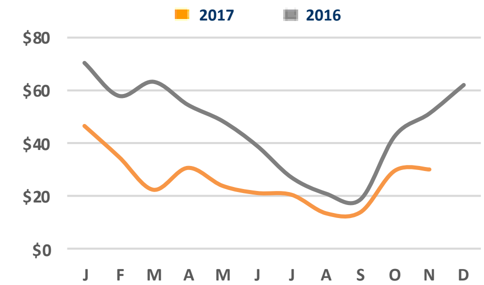
During the first half of the 2010s, a surging Suezmax fleet against tighter fundamentals in alternative crude tanker size classes saw rising levels of encroachment in non-traditional regional markets usually serviced by larger and smaller counterparts. The geographically disjointed nature of these markets decreased Suezmax efficiency rates, helping to minimize earnings downside in soft markets and enhance earnings in stronger markets.

Since the middle of the decade, further demand losses in traditional markets – particularly the West Africa region – and stabilizing overall demand in non-traditional markets, have meant fewer options for owners to cope with a fresh round of fleet growth. There are presently 502 Suezmax trading units, representing a net increase of 17.3% since the start of 2015 and a net increase of 44% since the start of the decade.

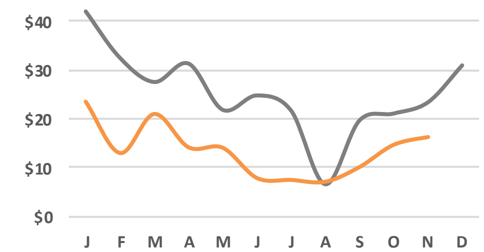
The present balance paints a somber picture for Suezmax owners – and that the disjointed supply demand balances has also contributed to an erosion of asset values certainly doesn't help. Though fleet growth levels are projected to moderate, from a net gain of 9.7% during 2017 to 3.2% during 2018, demand levels appear likely to lag, suggesting that 2018 will remain a challenging year.

By 2019, however, the Suezmax fleet will likely enter into a negative fleet growth territory as aging units reach likely phase-out ages. By then, demand dynamics should also be firmly more supportive. In the West Africa market, Suezmax demand during 2016 was hit heavily by large-scale forces majeure in Nigeria and lower volumes sustained during 2017 as Asian buyers increasingly looked to the region to make up for OPEC supply cuts heavily distributed to the Middle East, boosting the VLCC class' coverage of regional supply. Eventually, this situation should abate, allowing Suezmaxes to command a better share. Elsewhere, US crude exports have been rising and benefitting all crude tanker size classes with Suezmaxes capturing 28% of this trade. As US crude exports continue to mature through the end of the decade, the associated gains for Suezmaxes should help to lead to a fresh and substantial geographic diversification of trades.

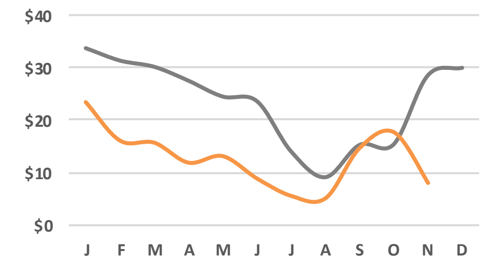




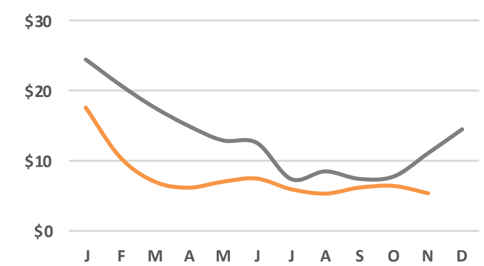
VLCC Average Earnings | MTD Average ~$30,209/Day | Month y/y ▼ -41%



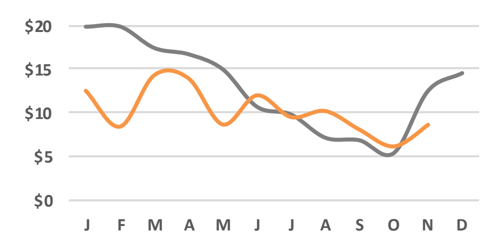
Suezmax Average Earnings | MTD Average ~$16,437/Day | Month y/y ▼ -30%



Aframax Average Earnings | MTD Average ~$8,077/Day | Month y/y ▼ -72%



Panamax Average Earnings | MTD Average ~$5,181/Day | Month y/y ▼ -53%



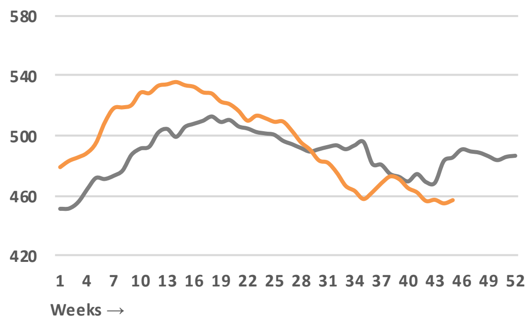
MR Average Earnings | MTD Average ~$8,503/Day | Month y/y ▼ -32%

WEBER WEEKLY TANKER REPORT

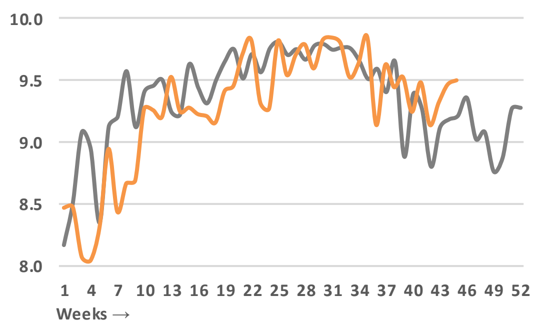
Spot Market	WS/LS	TCE	WS/LS	TCE
VLCC (13.0 Kts L/B)	3-Nov		10-Nov	
AG>USG 280k	29.0	$(848)	28.5	$(2,601)
AG>USG/CBS>SPORE/AG	--	$33,689	--	$31,431
AG>SPORE 270k	72.0	$31,249	72.5	$29,966
AG>JPN 265k	70.0	$32,821	70.0	$31,464
AG>CHINA 270k	70.0	$29,876	72.5	$30,224
WAFR>CHINA 260k	72.0	$32,333	72.0	$30,995
CBS>SPORE 270k	$4.60m	$32,085	$4.55m	$30,088
VLCC Average Earnings		*$31,919*		*$30,711*
SUEZMAX (13.0 Kts L/B)				
WAFR>USG 130k	85.0	$16,700	80.0	$13,643
WAFR>UKC 130k	90.0	$13,421	82.5	$9,501
BSEA>MED 140k	105.0	$18,561	90.0	$10,098
CBS>USG 150k	85.0	$21,573	85.0	$20,600
Suezmax Average Earnings		*$17,784*		*$13,449*
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k	100.0	$8,866	85.0	$(4,292)
BALT>UKC 100k	75.0	$8,341	70.0	$4,780
CBS>USG 70k	95.0	$2,892	110.0	$6,515
USG>UKC 70k	80.0	--	70.0	--
CBS>USG/USG>UKC/NSEA	--	$9,788	--	$8,543
MED>MED 80k	140.0	$21,482	95.0	$5,243
AG>SPORE 70k	127.5	$13,832	125.0	$12,205
Aframax Average Earnings		*$10,446*		*$5,863*
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k	115.0	$161	115.0	$(455)
CONT>USG 55k	115.0	$6,731	115.0	$6,038
ECU>USWC 50k	140.0	$8,925	140.0	$8,295
Panamax Average Earnings		*$5,467*		*$4,804*
LR2 (13.0 Kts L/B)				
AG>JPN 75k	124.0	$13,522	122.5	$12,116
AG>UKC 80k	$1.85m	$13,160	$1.90m	$13,341
MED>JPN 80k	$1.76m	$8,387	$1.75m	$7,330
AG>UKC/MED>JPN/AG	--	$17,075	--	$16,634
LR2 Average Earnings		*$14,705*		*$16,320*
LR1 (13.0 Kts L/B)				
AG>JPN 55k	122.0	$8,260	124.5	$7,815
AG>UKC 65k	$1.34m	$7,265	$1.33m	$6,515
UKC>WAFR 60k	109.0	$2,109	109.0	$1,434
AG>UKC/UKC>WAFR/AG	--	$10,988	--	$10,262
LR1 Average Earnings		*$9,624*		*$9,038*
MR (13.0 Kts L/B)				
UKC>USAC 37k	100.0	$46	112.5	$1,348
USG>UKC 38k	105.0	$1,905	137.5	$6,901
USG>UKC/UKC>USAC/USG	--	$5,693	--	$10,019
USG>CBS (Pozos Colorados) 38k	$425k	$10,965	$450k	$12,129
USG>CHILE (Coronel) 38k	$1.25m	$16,872	$1.28m	$17,050
CBS>USAC 38k	130.0	$6,872	145.0	$8,737
MR Average Earnings		*$7,854*		*$10,109*
Handy (13.0 Kts L/B)				
MED>EMED 30k	130.0	$6,539	125.5	$5,102
SPORE>JPN 30K	175.0	$8,078	180.0	$7,987
Handy Average Earnings		*$7,524*		*$6,948*

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	$27,000	$29,000
Suezmax	$18,000	$19,000
Aframax	$15,500	$17,500
Panamax	$12,000	$13,500
MR	$13,000	$14,500
Handy	$12,000	$13,000



US Crude Stocks (EIA)	**Last Week** 457.1 MnBbls	**Week y/y** ▼ -5.8%



US Gasoline Demand (EIA)	**Last Week** 9.496 MnB/d	**Week y/y** ▲ +3.1%

2017 **2016**

SPOT MARKET SUMMARY

VLCC

The VLCC market commenced with a measure of softer sentiment at the start of the week on uncertainty around the Middle East supply/demand balance and expectations that the week's demand levels would be muted amid industry events in Dubai. As the week progressed, however, demand levels exceeded expectations and participants took stock of what appears increasingly likely to be a more active November Middle East program, prompting rates to pare earlier losses and conclude largely unchanged from a week ago. There were 26 fixtures in the Middle East market this week, one more than last week. Of this week's tally, just two were covered under COAs vs. nine last week, meaning that charterers were actively working more cargoes, which positively influenced sentiment. Demand in the West Africa market was softer, however, as charterers were working fewer cargoes following two successive weeks of strong demand. There were five fixtures concluded there, off from nine last week. In the Atlantic Americas, US crude export cargoes were level at recent highs of two per week while an additional two fixtures materialized in other loading areas in the region, representing a collective gain of one fixture from last week.

With sentiment starting to turn positive and fundamentals supportive, we expect that after spending nearly a month range bound, rates will start to command fresh upside during the upcoming week. For its part, the view of surplus vessels at the conclusion of the November Middle East program stands at 9 units (one more than last week's view). Last year's November program concluded with eight surplus units and AG-FEAST TCEs for the month averaged ~$51,472/day. Successive availability declines occurred during the December '16 program, guiding TCEs to ~$65,284/day. As availability replenishment is likely to decline during the coming weeks as units servicing recent long-haul demand will take longer to reappear than usual, the 4Q17 structure does not appear much different. At present, AG-FEAST TCEs stand at an average of ~$30,518/day – near levels they moved to as the Middle East surplus narrowed from 29 units at the conclusion of the September program to 14 units at the conclusion of the October program.

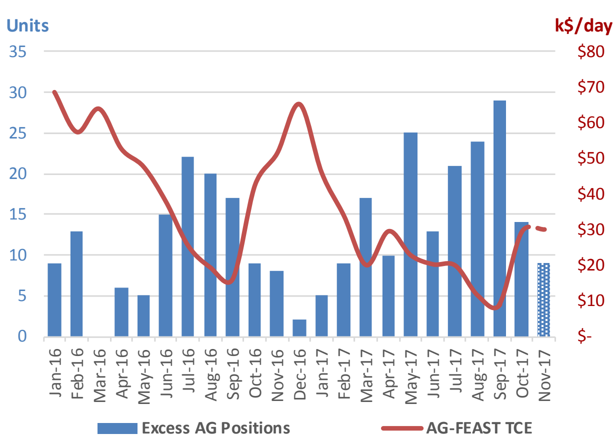
Middle East

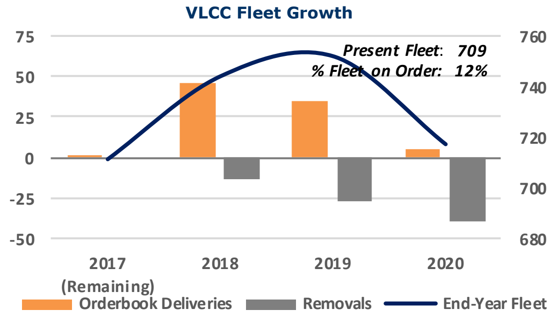
The AG-JPN route concluded unchanged at ws70. The corresponding TCE was off 4% to ~$31,464/day on higher bunker prices. Rates to the USG via the Cape lost 0.5 points to conclude at ws28.5. Triangulated AG-USG/CBS-SPORE/AG TCEs declined by 7% w/w to ~$31,431/day.

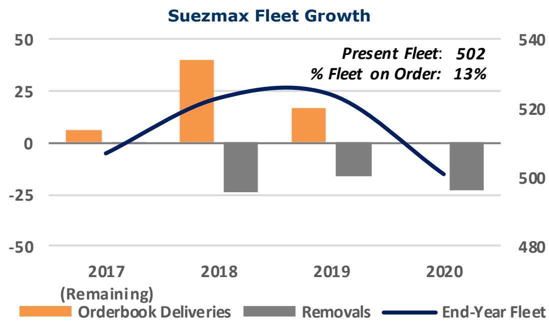
Atlantic Basin

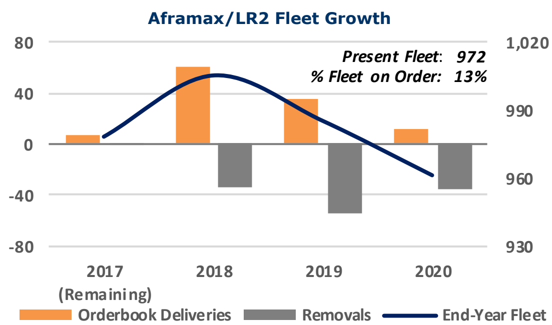
Rates on the WAFR-FEAST route were unchanged at ws72. The corresponding TCE was off 4% to ~$30,995/day.

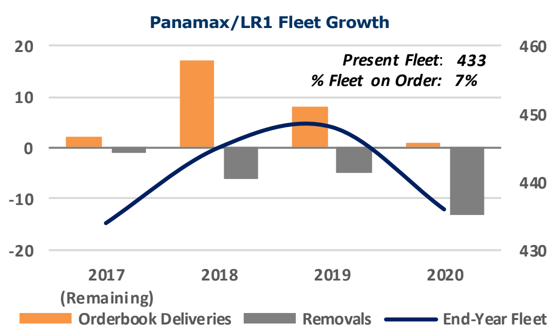
Rates in the Atlantic Americas moderated with the CBS-SPORE benchmark route losing $50k to conclude at $4.55m. Round-trip TCEs on the route concluded off by 6% to ~$30,088/day.

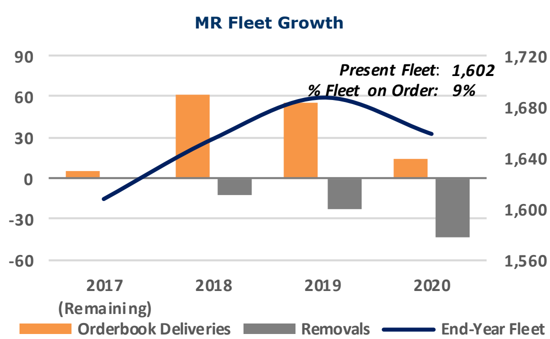












WEBER WEEKLY TANKER REPORT

Suezmax

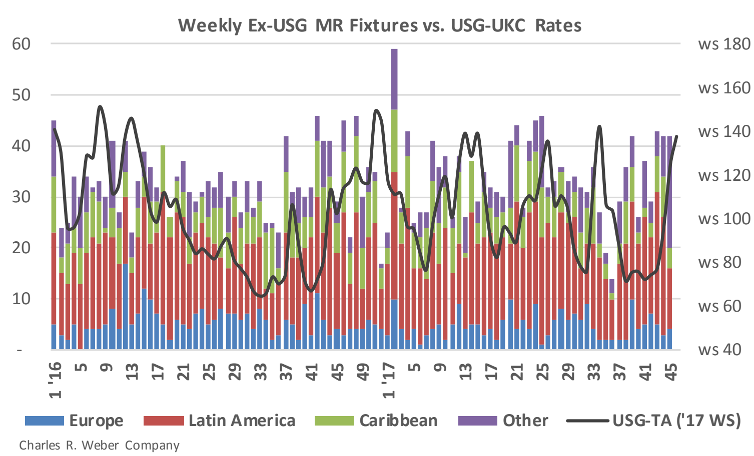
Demand in the West Africa Suezmax market was unchanged from last week with ten reported fixtures. These levels were insufficient to counter rising availability – and follow robust coverage of the November program by VLCCs which reduced the Suezmax class' ability to maintain momentum by capturing rising regional supply. While the November program appears poised to be 9% longer as compared with October, the VLCC class' share of total supply volume for the month stands at a seven-month high of 59%. Rates on the WAFR-UKC route shed 7.5 points to conclude at ws82.5. Slow demand in the Middle East market, where the Suezmax fixture tally dropped 60% w/w to a YTD low, could push more tonnage to the West Africa market in the coming weeks, offsetting any potential demand from a decline in VLCC coverage during the first decade of the December program.

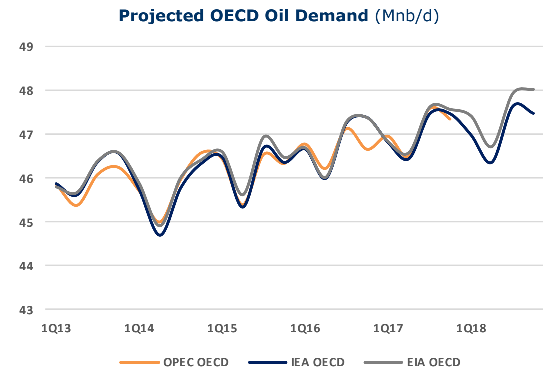
Aframax

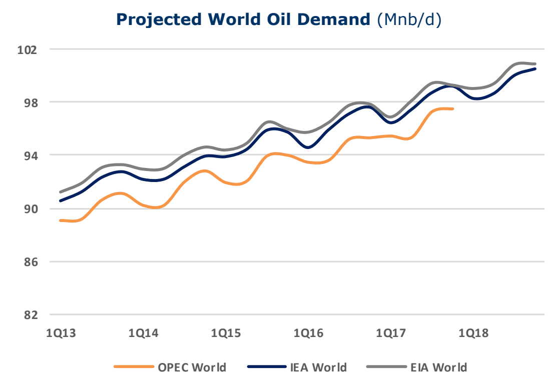
The Caribbean Aframax observed steady demand this week, though the distribution thereof bound for extra-regional destinations was greater, leading to a moderate improvement of the supply/demand positioning. This helped to support fresh rate gains with the CBS-USG route adding 15 points to conclude at ws110. A modest easing, however, appears likely at the start of the upcoming week as fresh units will appear on position lists on Monday and will complicate owners' position.

MR

Demand in the USG MR market remained elevated for a third consecutive week as successive PADD3 refinery utilization hikes supported product exports. There were 42 fixtures reported this week, unchanged from last week's level. Against an earlier decline in voyages to the USAC, and thus USAC-USG ballasts, as well as the recent demand gains, availability levels remained more balanced, allowing rates to observe strong gains. The USG-UKC route led gains on resistance to the comparatively softer ex-UKC market, adding 32.5 points to ws137.5. Round-trip destinations followed with the USG-CBS route adding $25k to $450k lump sum and the USG-CHILE route added $25K to $1.275m lump sum. Having remained lower from last week's close through mid-week, the two-week forward view of available tonnage rose by the end of the week, currently standing at 40 units, or an 18% w/w increase. Against recent demand levels, availability remains balanced, though further supply gains at the start of the upcoming week could possibly lead to a temporary halting of rate gains. Simultaneously, the extent of "hidden" tonnage could be lower than in recent weeks on the recent rate gains tempering immediate near-term downside implications. Further forward, we retain our view of directional rate strength through the remainder of the year, but note that a period of rate downside could occur in the coming weeks as a recent surge in demand for voyages to the USAC has materialized. These units will likely weigh on availability while prospective rate gains in the UKC market could offset resistance to USG-UKC voyages. After initial downside for USG rates, competition between the two markets will likely increase, leading rates in both regions to strength.







WEBER WEEKLY TANKER REPORT

REPORTED TANKER SALES

***Shanghai Waigaoqiao 1321* –** 158,000/18 – Shanghai Waigaoqiao – DH
-Sold for $49.8m to Greek buyers (Polembros). Unit scheduled for delivery 1Q18.

"Liberty Bay" – 114,814/14 – Aker Philadelphia – DH – **Jones Act**
-Sold to US buyers (Crowley Maritime) including BBB on private terms.

"Eagle Bay" – 114,756/15 – Aker Philadelphia – DH – **Jones Act**
-Sold to US buyers (Crowley Maritime) including BBB on private terms.

"Althea" – 105,401/99 – Daewoo – DH
-Sold on private terms to Greek buyers (Aegean).

"Hafnia Africa" – 74,540/10 – STX Jinhae – DH
-Sold to undisclosed Japanese buyers including BBB for 8/4 years on private terms.

"S/R American Progress" – 46,103/97 – Newport News – DH – **Jones Act**
-Sold to US buyers (Crowley Maritime) including BBB on private terms.

"Bengal Orchid" – 19,980/08 – Fukuoka – DH – IMO II/III
-Sold for $13.25m to undisclosed Far East buyers.

"Oceanic Coral" – 13,224/08 – Jinse – DH – IMO II/III
-Sold for $8.75m to undisclosed buyers.

"Besiktas Halland" – 7,701/08 – Karadeniz Gemi Insaa – DH – IMO II – Ice 1A
-Sold for $19.0m to Swedish buyers (Kiltank Shipping).

"Sabs 1" – 6,506/95 – Fukuoka – DH – IMO II/III
-Sold on private terms to undisclosed buyers.

"Oana" – 6,474/08 – Zhenjiang Sopo – DH – IMO II
-Sold at auction for $3.2m to undisclosed Greek buyers.

"Sara Theresa" – 2,954/03 – Samho – DH
-Sold for $4.5m to undisclosed buyers.

REPORTED TANKER DEMOLITION SALES

Bangladesh

"Al Mukhtarah" – 96,314/92 – 15,746 LTD – DH
-Sold on private terms.

"Admiral 1" – 45,692/95 – 10,239 LTD – DH
-Sold for $392/ldt.

India

"Four Moon" – 65,110/84 – 15,746 LTD – DH
-Sold on private terms. Unit converted from OBO, to DH and lengthened 12/2002.

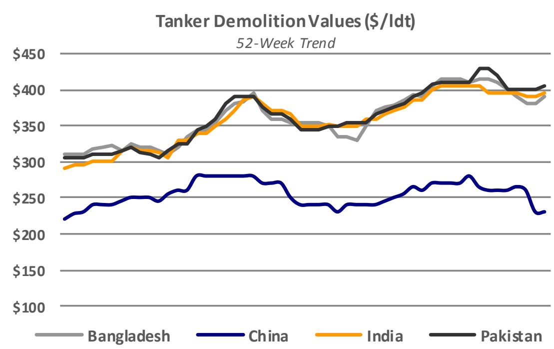
"Sirius 4" – 47,059/92 – 8,787 LTD – DH – Ice 1C
-Sold on private terms.

Unknown

"Constitution Spirit" – 104,623/99 – 17,092 LTD – DH
-Sold on private terms.

"Sentinel Spirit" – 104,621/91 – 17,144 LTD – DH
-Sold on private terms.

"Multi Echo" – 99,999/97 – 16,211 LTD – 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