WEBER WEEKLY TANKER REPORT

WEEK 48 – 1 DECEMBER 2017 **ISSUE 48 – 2017**

VLCC fundamentals falter early during December Middle East program

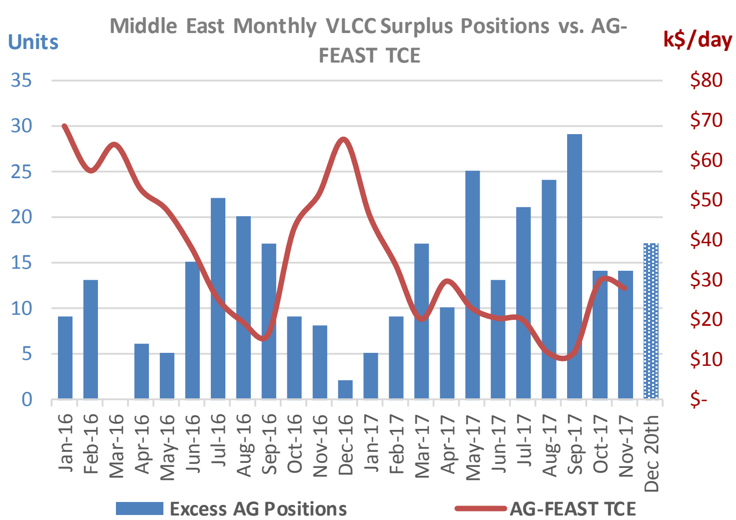
Pre-holidays earnings rally not off the table yet – but any gains to be short lived

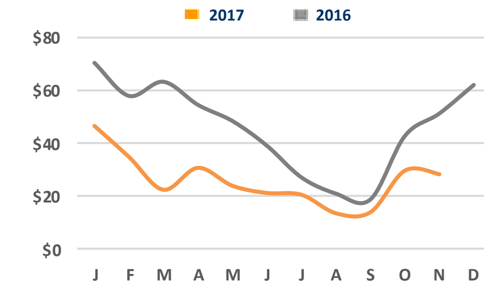
VLCC rate sentiment weakened considerably this week as rising available tonnage continued to disjoint fundamentals. In the Middle East market, there were 25 fresh fixtures this week; although representing a 25% w/w gain and a one-month high, it was still below the YTD average—and well below many participants' expectations. Meanwhile, demand in the West Africa market improved by one fixture to six – though this was also below the YTD average and expectations. The Atlantic Americas market saw muted demand as well; among this week's three fixtures was one for USG loading, marking the first ex-USG crude fixture in three weeks (comparing with an average pace during October of 2.5/week). Compounding negative sentiment, several fixtures failed on Thursday after news of OPEC's agreement to extend cuts surfaced.

Surplus tonnage in the Middle East market has risen progressively since briefly narrowing to nine units early during the November program (its lowest in ten months). By the conclusion of the month the surplus rose to 14 units and has remained in a positive trajectory, presently showing 17 units through December's second decade. Supply fundamentals were considerably worse during the summer and the September program concluded with a three-year high of 29 units. So while the summer's earnings lows approaching $11,000/day is not likely anytime soon, the market appears likely to remain soft early during the coming week as earnings adjust to match prevailing fundamentals.

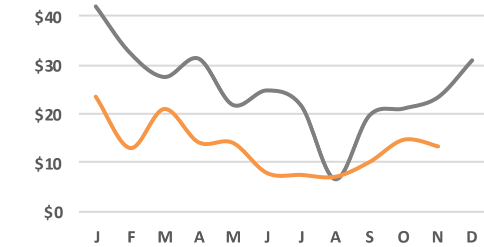
As December progresses, there is potential for a fresh rallying of rates. Periodic rushes to cover cargoes during the weeks ahead of the holidays and amid seasonal holiday events could bolster demand sentiment. Meanwhile, supply surpluses are not likely to rise further for December cargoes as most units currently servicing the October surge in USG crude exports are not projected to be available in the Middle East until January loading dates and our projecting of other units next positions does not indicate a further buildup. The extent to which rates may rally will ultimately be guided by the extent of the remainder of the December program—which itself remains elusive.

Heading into 1Q18, however, fundamentals look set to weaken again. Availability levels could rise rapidly while demand could sag as Middle East OPEC suppliers show early resolve in adhering to their extended quotas, both representing substantial threats to the earnings view.

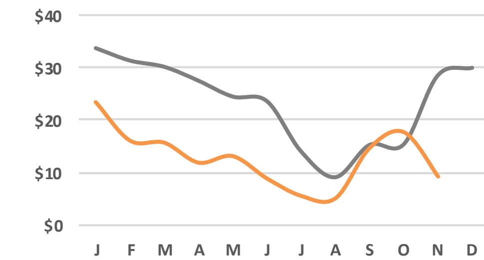




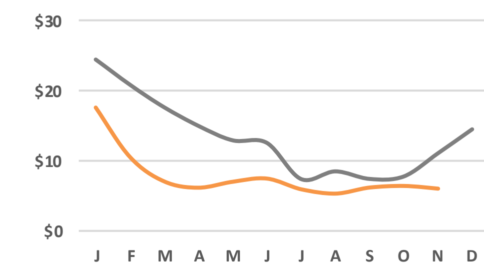
VLCC Average Earnings | **Nov. Average** ~$28,391/Day | **Month y/y** ▼ -4451%



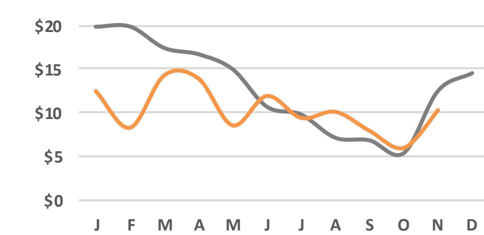
Suezmax Average Earnings | **Nov. Average** ~$13,504/Day | **Month y/y** ▼ -42%



Aframax Average Earnings | **Nov. Average** ~$9,275/Day | **Month y/y** ▼ -67%



Panamax Average Earnings | **Nov. Average** ~$5,864/Day | **Month y/y** ▼ -47%



MR Average Earnings | **Nov. Average** ~$10,277/Day | **Month y/y** ▼ -18%

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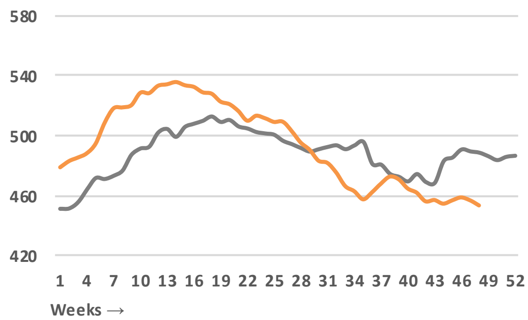
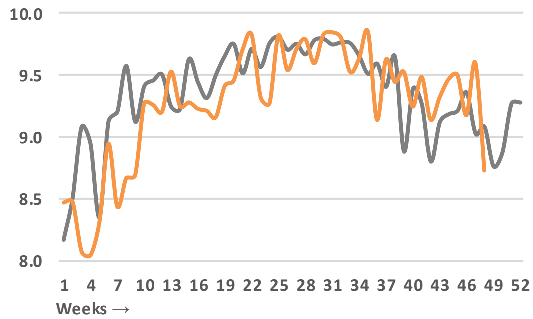
Spot Market	WS/LS	TCE	WS/LS	TCE
VLCC (13.0 Kts L/B)	**22-Nov**		**1-Dec**	
AG>USG 280k	27.0	$(3,010)	26.0	$(3,517)
AG>SPORE 270k	65.0	$24,651	55.0	$16,887
AG>JPN 265k	62.5	$25,873	52.5	$17,728
AG>CHINA 270k	65.0	$24,683	55.0	$16,608
WAFR>CHINA 260k	69.0	$29,390	62.5	$24,446
CBS>SPORE 270k	$4.40m	$28,956	$4.10m	$25,341
AG>USG/CBS>SPORE/AG	--	$29,857	--	$26,681
VLCC Average Earnings		*$26,421*		*$19,582*
SUEZMAX (13.0 Kts L/B)				
WAFR>USG 130k	72.5	$10,993	82.5	$15,359
WAFR>UKC 130k	77.5	$8,003	87.5	$12,139
BSEA>MED 140k	85.0	$7,344	95.0	$12,699
CBS>USG 150k	75.0	$14,819	85.0	$21,219
USG>UKC 130k	62.5	--	70.0	--
CBS>USG/USG>UKC/WAFR	--	$11,778	--	$17,076
AG>USG 140k	42.5	--	42.5	--
USG>SPORE 130k	*$2.75m*	--	*$2.90m*	--
AG>USG/USG>SPORE/AG	--	$18,012	--	$19,534
Suezmax Average Earnings		*$10,714*		*$15,587*
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k	110.0	$16,395	95.0	$4,271
BALT>UKC 100k	90.0	$15,794	70.0	$5,109
CBS>USG 70k	142.5	$16,515	165.0	$23,311
USG>UKC 70k	100.0	--	130.0	--
CBS>USG/USG>UKC/NSEA	--	$21,883	--	$33,561
MED>MED 80k	95.0	$5,702	85.0	$2,407
AG>SPORE 70k	110.0	$9,074	105.0	$7,981
Aframax Average Earnings		*$14,680*		*$13,268*
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k	115.0	$(205)	187.5	$14,139
CONT>USG 55k	115.0	$6,322	135.0	$10,705
ECU>USWC 50k	140.0	$8,535	170.0	$12,850
Panamax Average Earnings		*$5,072*		*$13,187*
LR2 (13.0 Kts L/B)				
AG>JPN 75k	121.5	$12,266	106.5	$8,904
AG>UKC 80k	$1.83m	$12,288	$1.65m	$9,019
MED>JPN 80k	$1.71m	$7,179	$1.98m	$11,439
AG>UKC/MED>JPN/AG	--	$15,868	--	$17,017
LR2 Average Earnings		*$13,465*		*$11,606*
LR1 (13.0 Kts L/B)				
AG>JPN 55k	129.5	$8,964	131.0	$9,278
AG>UKC 65k	$1.35m	$7,243	$1.34m	$7,113
UKC>WAFR 60k	105.0	$1,179	121.5	$3,925
AG>UKC/UKC>WAFR/AG	--	$10,500	--	$12,023
LR1 Average Earnings		*$9,732*		*$10,651*
MR (13.0 Kts L/B)				
UKC>USAC 37k	125.0	$3,409	157.5	$8,460
USG>UKC 38k	137.5	$6,334	100.0	$965
USG>UKC/UKC>USAC/USG	--	$11,232	--	$9,664
USG>CBS (Pozos Colorados) 38k	$475k	$14,053	$350k	$5,728
USG>CHILE (Coronel) 38k	$1.30m	$18,052	$1.13m	$13,091
CBS>USAC 38k	150.0	$9,765	130.0	$6,690
MR Average Earnings		*$11,490*		*$10,201*
Handy (13.0 Kts L/B)				
MED>EMED 30k	159.0	$13,088	189.5	$20,217
SPORE>JPN 30K	195.0	$9,798	187.5	$9,048
Handy Average Earnings		*$10,982*		*$13,069*

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	$30,000
Suezmax	$17,500	$19,000
Aframax	$15,500	$17,500
Panamax	$12,000	$13,500
MR	$13,750	$14,500
Handy	$12,250	$13,000



US Crude Stocks (EIA)	**Last Week** 453.7 MnBbls	**Week y/y** ▼ -7.0%



US Gasoline Demand (EIA)	**Last Week** 8.724 MnB/d	**Week y/y** ▼ -3.9%

2017 2016

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SPOT MARKET SUMMARY

VLCC

Middle East
Rates on the AG-JPN route shed 10 points to conclude at ws52.5. Corresponding TCEs were off 31% w/w to ~$17,728/day. Rates to the USG via the Cape were off by one point to ws26. Triangulated AG-USG/CBS-SPORE/AG TCEs declined by 11% w/w to ~$26,681/day.

Atlantic Basin
Rates on the WAFR-FEAST route shed 6.5 points to conclude at ws62.5. The corresponding TCE was down 17% w/w to ~$24,446/day.

Rates in the Atlantic basin remained soft on sluggish regional demand. Rates on the CBS-SPORE benchmark route shed $300k to conclude at $4.1m lump sum. Round-trip TCEs on the route were off 12% w/w to ~$25,341/day.

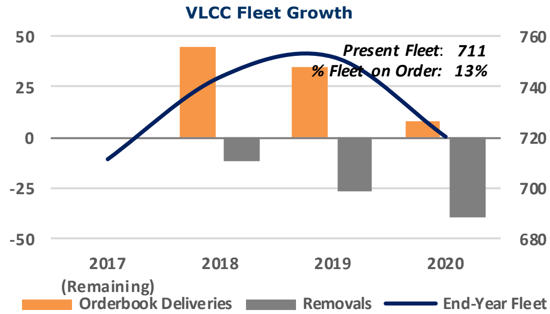
Suezmax

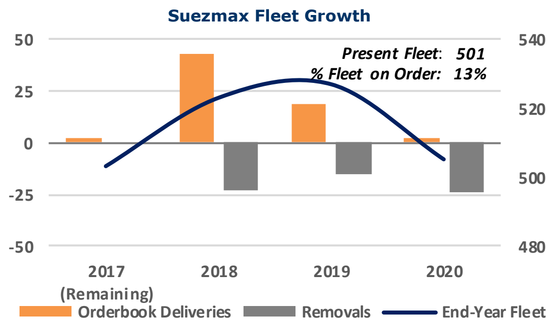
The West Africa Suezmax market was stronger this week on declining availability and an anticipated busy forward demand environment. A total of 10 fixtures were reported this week, off two fixture from last week's tally. Meanwhile, demand in the Middle East market strengthened in recent weeks and rates in the CBS/USG market have followed the upward trajectory of regional Aframaxes, leading to fewer ballasters to the West Africa market. Rates on the WAFR-UKC route added 10 points to conclude at ws87.5. Coverage by VLCCs of the December program is down 32% m/m and Suezmax coverage thus far is down 42%. As VLCCs prepare to move forward into January dates, Suezmax cargo availability is high which should translate to rising demand and rates in the coming weeks.

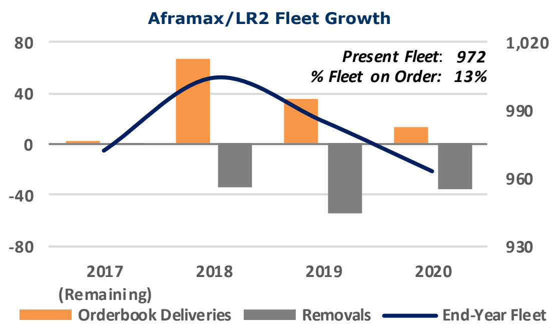
In the Americas, Suezmax rates on the CBS-USG route added 10 points to conclude at 150 x ws85 and rates on the USG-SPORE route rose by $150k to $2.9m lump sum.

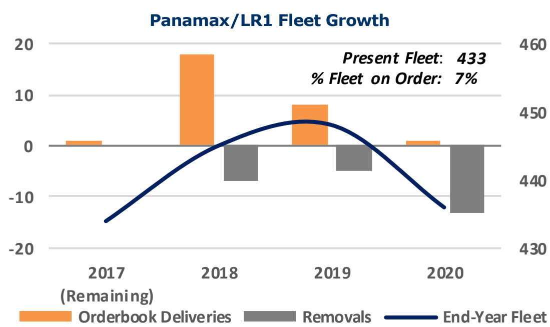
Aframax

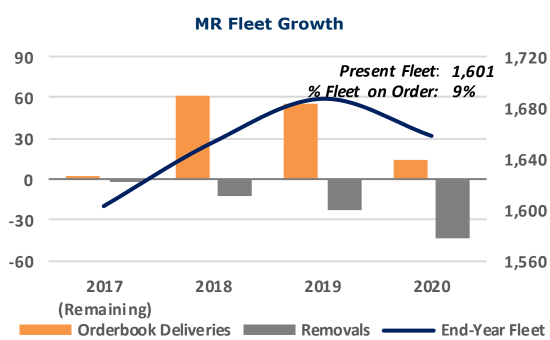
The Caribbean Aframax market was markedly stronger this week with rates posting successive daily gains on steady demand and delays along Mexico's East Coast which tightened availability. An earlier lull of regional rates amid strong rates in European markets had attracted units away from the region, which also contributed to tightening fundamentals. The CBS-USG route added 22.5 points to conclude at ws165 and the USG-UKC route added 30 points to conclude at ws130. Rates could remain elevated through the start of the upcoming week, though a normalization of operational turnaround time in the region could see availability levels start to rise and lead to a correcting of rates, subject to the pace of fresh demand.











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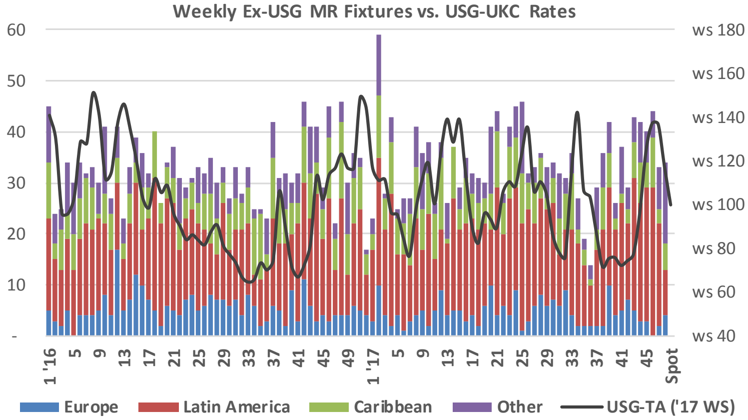
MR

Rates in the USG MR market spent the week correcting from last week's pre-holiday highs after the long weekend led to a strong buildup of available tonnage and demand this week was muted. There were 34 fixtures this week, representing a gain of one from last week's tally across three working days. Three of this week's fixtures were (tentatively) bound for points in Europe, which is double last week's tally – and five were bound for points in Asia, representing the strongest weekly demand in that direction for some time. Rates on the USG-UKC route shed 37.5 points to ws100. Meanwhile, the USG-CBS route shed $125k to settle at $350k lump sum and the USG-CHILE route shed $175k to conclude at $1.125m lump sum. Rates should stabilize early during the upcoming week as demand levels rebound. Thereafter, subject to the extent to which units freeing on the USAC ballast to Europe in lieu of the USG region, rates could return to a positive trajectory. We expect that after a small buildup over the weekend, available positions should start to decline as a large portion of demand in recent week's has been bound for long-haul destinations on the Pacific coast of the Americas and to points in Asia while fixture activity for voyages to the USAC has trended lower recently.

Weekly Ex-USG MR Fixtures vs. USG-UKC Rates



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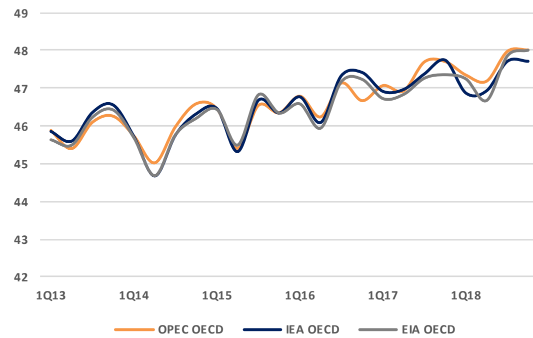
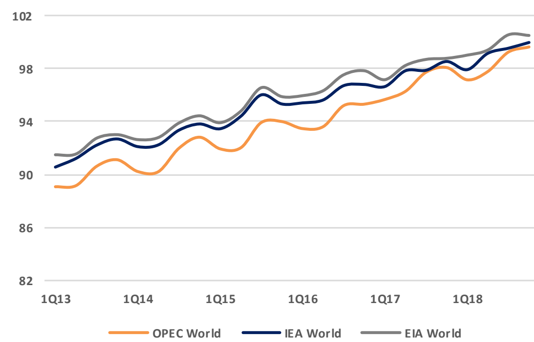
Projected OECD Oil Demand (Mnb/d)



Projected World Oil Demand (Mnb/d)



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REPORTED TANKER SALES

"Meandros" – 309,498/00 – Hyundai Ulsan – DH
-Sold for $20.0m to undisclosed Greek buyers.

"DHT Eagle" – 299,983/02 – Samsung Geoje – DH
"DHT Utah" – 299,498/01 – Daewoo – DH
"DHT Utik" – 299,450/01 – Daewoo – DH
-Sold en bloc for $66.5m to US buyers (Ridgebury Tankers).

"Artois" – 298,330/01 – Hitachi – DH
-Sold for $22.0m to US buyers (Ridgebury Tankers).

"Tiede Spirit" – 159,426/04 – Daewoo – DH
-Sold for $18.8m to Greek buyers (Eurotankers)>

"Dong-A Capella" – 157,500/17 – New Times – DH
-Sold for $47.5m to Malaysian buyers (AET).

"Dong-A Spica" – 157,500/18 – New Times – DH
-Sold for $47.5m to Greek buyers (TMS Tankers).

"Caletta" – 51,745/11 – Hyundai Mipo – DH – IMO III
-Sold for $21.8m to Indian buyers (Palmonji Shipping).

"High Presence" – 48,700/05 – Iwagi Zosen – DH
-Sold for $14.14m to undisclosed buyers including 6-Year BBB.

"Seaways Ariadmar" – 46,205/04 – STX Jinhae – DH – IMO III
"Seaways Andromar" – 46,195/04 – STX Jinhae – DH – IMO III
-Sold en bloc for $22.4m to Greek buyers (Genoa Maritime).

"Edith Kirk" – 37,255/04 – Hyundai Mipo – DH – IMO II/III – Ice 1B
"Marie Kirk" – 37,217/04 – Hyundai Mipo – DH – IMO II/III – Ice 1B
-Sold en bloc for $19.5m to undisclosed Monacan buyers.

"Torm Rhone" – 35,769/00 – Daedong – DH – IMO III
-Sold on private terms to Indonesian buyers (Waruna).

"Orion Express" – 35,407/99 – Daewoo – DH
-Sold for $5.35m to undisclosed buyers.

"FSL Tokyo" – 20,938/06 – Shin Kurushima – DH – IMO II/III
-Sold for $14.5m to undisclosed buyers.

"Ping An" – 16,872/10 – Zhejiang Friendship SY – DH – IMO II
"Ji Xiang" – 16,872/10 – Zhejiang Friendship SY – DH – IMO II
-Sold en bloc for $22.4m to German buyers (Columbia Shipmanagement).

REPORTED TANKER DEMOLITION SALES

Bangladesh

"OS Arcadia" – 298,960/96 – 42,173 LTD – DH
-Sold for $420/ldt.

"Orit" – 46,878/93 – 8,966 LTD – DH
-Sold for $394.5/ldt.

India

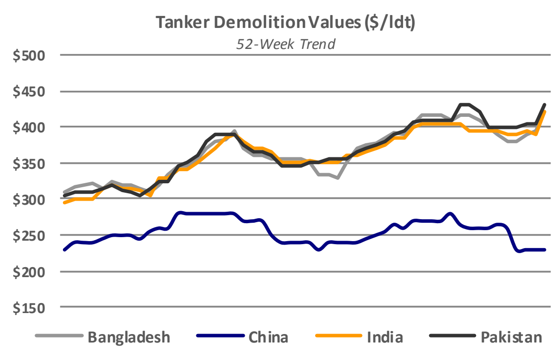
"Pacific Singapore" – 106,042/96 – 15,761 LTD – DH
-Sold on private terms.

"Harsha Prem" – 42,235/93 – 9,140 LTD – DH
-Sold on private terms.

Unknown

"Green Trader" – 156,105/93 – 24,846 LTD – DH
-Sold for $417/ldt basis as is, Singapore.

"New Vision" – 147,916/96 – 22,444 LTD – DH
-Sold for $421/ldt basis as is, Fujairah.



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