

WEBER WEEKLY TANKER REPORT

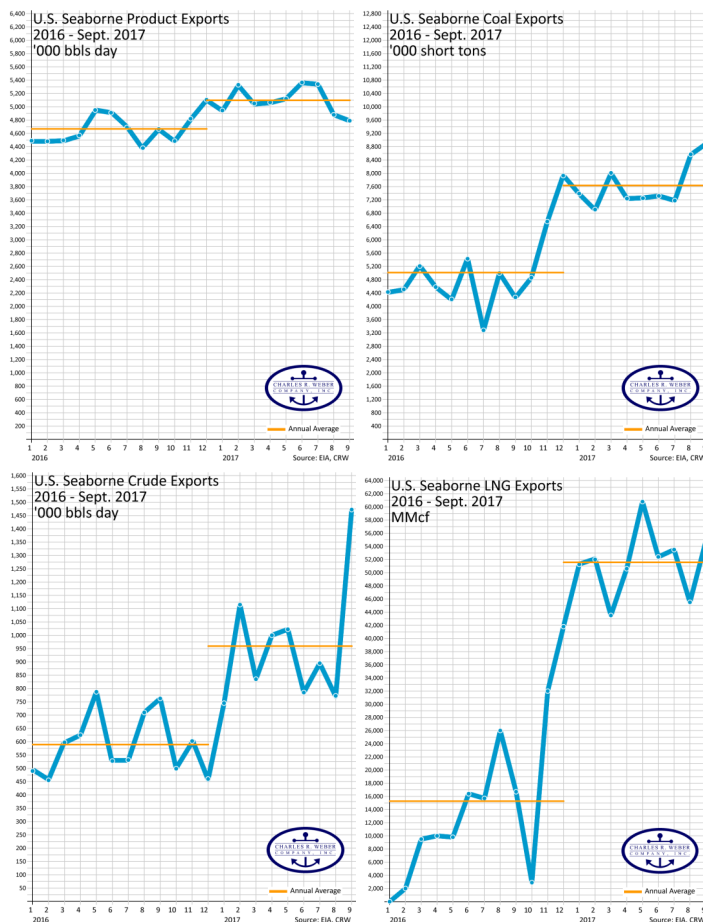


WEEK 50 – 15 DECEMBER 2017

The American Energy Express

By John M. Kulukundis

The U.S. has transformed itself into a fossil fuel export express! In their latest Short Term Energy Outlook the EIA estimates that U.S. crude oil production averaged 9.7 million barrels per day in November, up 360,000 b/d October. Most of the increase is in the Gulf of Mexico, where production was 290,000 b/d higher than in October as production returned post hurricanes. The EIA forecasts total U.S. crude oil production to average 9.2Mnbd for all of 2017 and 10Mnbd in 2018, which would mark the highest annual average production, surpassing the previous record of 9.6Mnbd set way back in 1970.

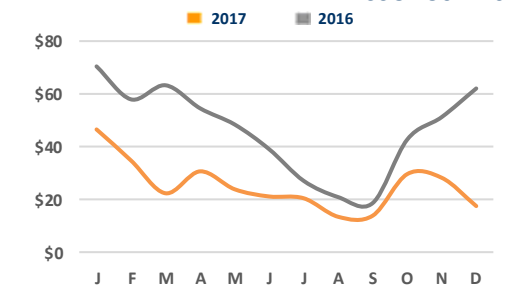


For dry natural gas production the EIA forecasts an average 73.5 Bcf/d in 2017, a 0.7 Bcf/d increase from the 2016 level. In 2018 they forecast that nat gas production will be 6.1 Bcf/d higher than the 2017 level. In 2016 LNG exports averaged 15,323MMcf vs 51,587MMcf Q1-Q3 2017.

On the dry side, U.S. coal exports for the first three quarters of 2017 were 69 MMst, 68% (28 MMst) higher than exports for the same period in 2016. This total for the first three quarters of 2017 is already 14% (8 MMst) higher than total annual coal exports in 2016. The EIA expects that exports will total 89 MMst in 2017 and 74 MMst in 2018.

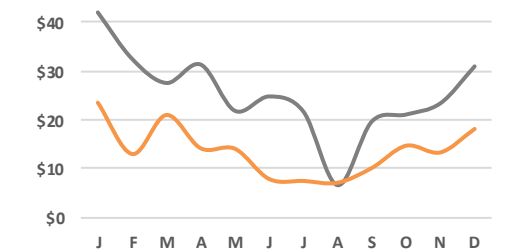
After a weak 2H16 (+1% y/y), which curtailed annual 2016 growth to just 2.8%, growth in US refined product exports have been accelerating through 2017 (+7.1% y/y based on trade statistics up to third quarter 2017). The momentum was maintained despite the damage caused by Hurricanes in late August, indeed third quarter growth (+9.2% y/y) was the highest since 2Q16.

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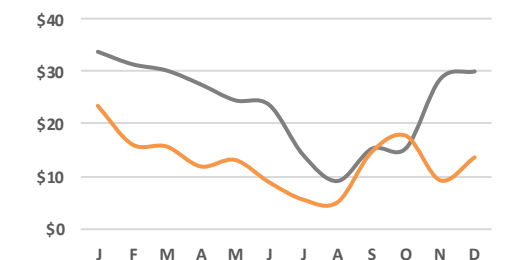
MTD Average
~\$17,560/Day

Month y/y
▼ -72%



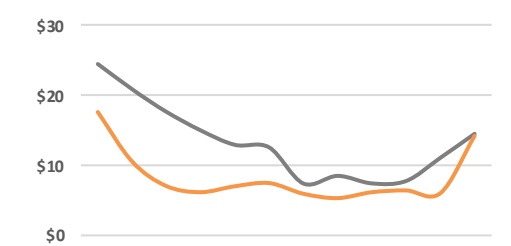
MTD Average
~\$18,318/Day

Month y/y
▼ -41%



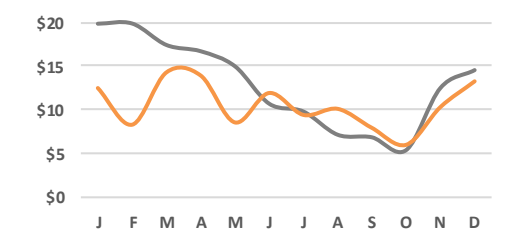
MTD Average
~\$13,670/Day

Month y/y
▼ -54%



MTD Average
~\$14,082/Day

Month y/y
▼ -3%



MTD Average
~\$13,190/Day

Month y/y
▼ -9%

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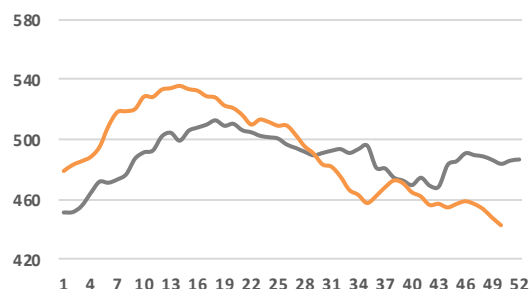


Naphtha has been by far the best performing product export up 34% y/y. Gasoil/diesel has been the next best performer up 10.5% y/y followed by kerosene/jet fuel (+7% y/y), and gasoline (+5% y/y). Focusing on the top 30 largest trades of 2017 for the year to date, the most important growth trades include gasoil/diesel exports to Brazil (+200% y/y) and gasoil/diesel to Peru (+60% y/y).

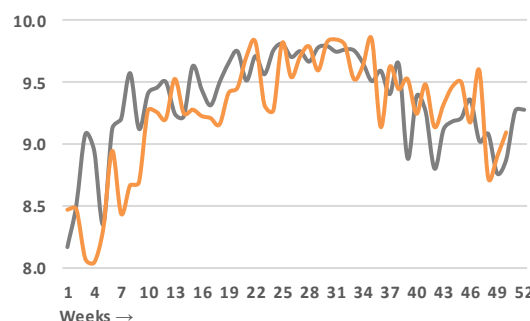
There are a number of factors underlying the strength of US product exports, not least the discount of WTI to other crude benchmarks and the resurgence of US shale production against improving oil prices. The latest US Total production figures for week two of December hit a new all-time high of 9.78Mmbd, a sixth consecutive week when the record had been broken - having initially surpassed the previous record set 5 June 2015 of 9.61Mmbd in early November.

Strong domestic demand coupled with rising production has seen refinery throughputs hit record levels. The strength of the post hurricane recovery, along with the continued growth in US production - with the EIA predicting an increase of 700,000 b/d in US production next year - suggests that the acceleration in US product export growth might have further to run and "The American Energy Express" may be gaining momentum.

A much more in depth analysis of US product exports in our upcoming Weber Quarterly Product Report.



US Crude Stocks (EIA) **Last Week** 443.0 MnBbls **Week y/y** ▼ -8.3%



US Gasoline Demand (EIA) **Last Week** 9.091 MnB/d **Week y/y** ▲ +2.4%

2017 2016

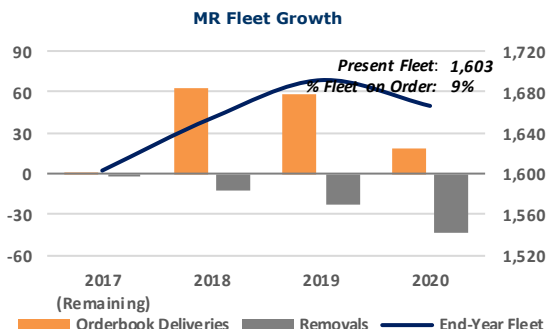
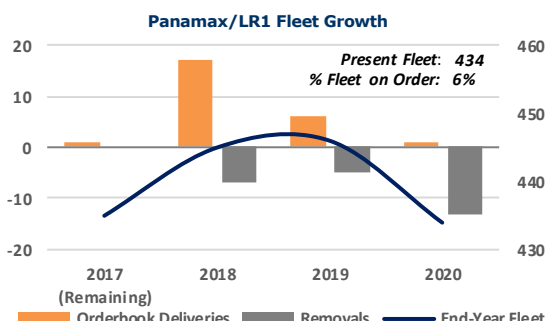
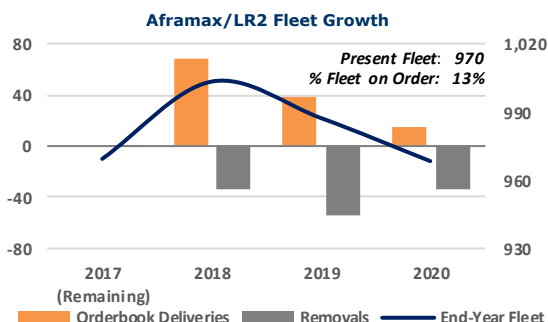
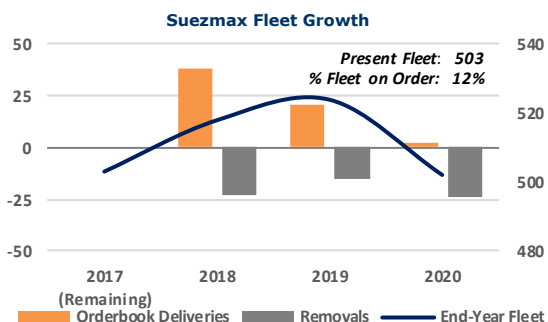
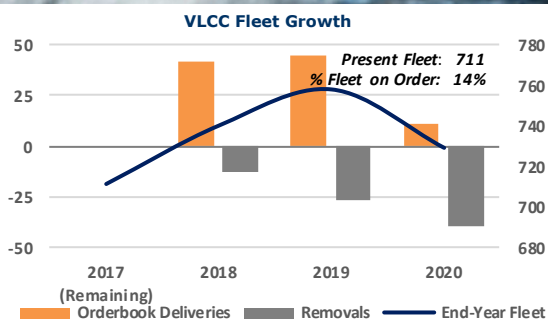
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Spot Market	WS/LS	TCE	WS/LS	TCE
VLCC (13.0 Kts L/B)	8-Dec		15-Dec	
AG>USG 280k	23.0	\$(5,259)	24.0	\$(4,950)
AG>SPORE 270k	52.0	\$15,299	51.0	\$13,791
AG>JPN 265k	49.0	\$15,626	49.0	\$14,895
AG>CHINA 270k	52.0	\$14,938	50.0	\$12,569
WAFR>CHINA 260k	53.5	\$17,870	55.0	\$18,641
CBS>SPORE 270k	\$4.00m	\$24,668	\$4.00m	\$24,237
AG>USG/CBS>SPORE/AG	--	\$24,389	--	\$24,563
VLCC Average Earnings		\$16,832		\$16,057
SUEZMAX (13.0 Kts L/B)				
WAFR>USG 130k	87.5	\$17,794	85.0	\$16,392
WAFR>UKC 130k	92.5	\$19,133	90.0	\$18,033
BSEA>MED 140k	95.0	\$12,933	92.5	\$12,155
CBS>USG 150k	90.0	\$24,599	92.5	\$25,747
USG>UKC 130k	77.5	--	70.0	--
CBS>USG/USG>UKC/WAFR	--	\$20,752	--	\$18,352
AG>USG 140k	40.0	--	37.5	--
USG>SPORE 130k	\$2.90m	--	\$2.90m	--
AG>USG/USG>SPORE/AG	--	\$19,010	--	\$17,912
Suezmax Average Earnings		\$19,048		\$18,125
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k	95.0	\$4,302	105.0	\$12,113
BALT>UKC 100k	70.0	\$5,142	67.5	\$3,312
CBS>USG 70k	175.0	\$26,578	145.0	\$17,450
USG>UKC 70k	125.0	--	110.0	--
CBS>USG/USG>UKC/NSEA	--	\$33,995	--	\$25,066
MED>MED 80k	90.0	\$4,479	110.0	\$11,103
AG>SPORE 70k	100.0	\$7,298	110.0	\$9,186
Aframax Average Earnings		\$14,230		\$12,389
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k	200.0	\$16,775	195.0	\$15,546
CONT>USG 55k	145.0	\$13,030	127.5	\$9,055
ECU>USWC 50k	175.0	\$14,080	175.0	\$14,083
Panamax Average Earnings		\$15,443		\$13,089
LR2 (13.0 Kts L/B)				
AG>JPN 75k	110.5	\$10,314	107.5	\$9,171
AG>UKC 80k	\$1.65m	\$9,337	\$1.65m	\$9,056
MED>JPN 80k	\$2.06m	\$13,014	\$2.12m	\$13,662
AG>UKC/MED>JPN/AG	--	\$18,175	--	\$18,529
LR2 Average Earnings		\$12,932		\$12,287
LR1 (13.0 Kts L/B)				
AG>JPN 55k	137.0	\$10,689	107.5	\$9,171
AG>UKC 65k	\$1.33m	\$7,247	\$1.27m	\$5,857
UKC>WAFR 60k	137.5	\$6,755	139.0	\$6,769
AG>UKC/UKC>WAFR/AG	--	\$13,733	--	\$12,854
LR1 Average Earnings		\$12,211		\$11,586
MR (13.0 Kts L/B)				
UKC>USAC 37k	150.0	\$7,458	160.0	\$8,701
USG>UKC 38k	145.0	\$7,750	155.0	\$8,984
USG>UKC/UKC>USAC/USG	--	\$14,468	--	\$16,234
USG>CBS (Pozos Colorados) 38k	\$550k	\$19,411	\$675k	\$27,649
USG>CHILE (Coronel) 38k	\$1.35m	\$19,824	\$1.48m	\$23,251
CBS>USAC 38k	160.0	\$11,655	170.0	\$13,043
MR Average Earnings		\$14,019		\$15,958
Handy (13.0 Kts L/B)				
MED>EMED 30k	180.5	\$18,315	200.0	\$22,701
SPORE>JPN 30k	180.0	\$8,541	180.0	\$8,275
Handy Average Earnings		\$14,019		\$13,468

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	\$19,250
Aframax	\$15,500	\$17,500
Panamax	\$12,250	\$14,500
MR	\$14,000	\$14,500
Handy	\$12,500	\$13,250



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SPOT MARKET SUMMARY

VLCC

The VLCC market experienced a strengthening of demand in the Middle East market and a surge in West Africa demand to a six-year high. The Middle East market observed 33 fixtures, representing a 27% w/w gain. In the West Africa market, 13 fixtures were reported – the most since late 2011 and ten more than last week's tally. Monday's halting of the Forties crude network due to the discovery of a crack stoked a firmly open arbitrage window for US crude exports and raised expectations of a surge in USG regional demand; however, these failed to come to fruition with a number of participants noting US tax disincentives to loading crude cargoes before year-end. It is unclear if US export fixtures will rise in the coming week as charterers move further into January loading dates though with Forties operator Ineos declaring force majeure on Thursday, noting that repairs are likely to take weeks, the economics of US crude exports seems to be bolstered. EIA data shows that US crude production rose last week for an eight-consecutive week, extending a directional rise that has seen volumes rise by 10% since the start of the year. After surging in October, VLCC demand to service US crude exports pulled back sharply in November but have been expected to normalize towards the YTD trend line in the coming months, which raises prospects for a modest improvement in rates during Q1. Meanwhile, the supply-side looks equally promising during Q1, when VLCC newbuilding deliveries will offer a temporary respite. We are projecting six deliveries during the quarter (including slippage of remaining 2017 units) before rebounding to 11 and 17 units during Q2 and Q3, respectively. Already, fundamentals have narrowed slightly. The number of surplus Middle East positions we project for the conclusion of the December program has dropped to 18 from 22 a week ago, reflecting draws to West Africa above expectations. On this basis – and provided that demand remains elevated during the upcoming week as charterers seek to cover remaining December and early-January cargoes ahead of the holidays – rates could experience further modest gains during the upcoming week.

Middle East

Rates on the AG-JPN route were unchanged at ws49. Corresponding TCEs fell 5% to conclude at ~\$14,895/day. Rates to the USG via the Cape were posted a one-point gain to ws24. Triangulated Westbound trade earnings rose by 1% to ~\$24,237/day.

Atlantic Basin

Rates in the West Africa market were soft early during the week on a lagging correlation to the Middle East before rebounding at the end of the week on strong regional demand to conclude with gains for the week. Rates on the WAFR-FEAST route added 1.5 points to conclude at ws55 with corresponding TCEs rising by 4% to ~\$18,641/day.

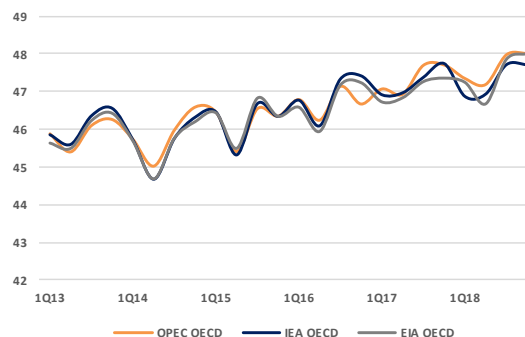
Rates in the Atlantic Americas steadied on stronger demand for Brazil loadings and earlier ballasts away from the region. The CBS-SPORE route was unchanged at \$4.0m with corresponding round-trip TCEs off by 2% to ~\$24,237/day.

Suezmax

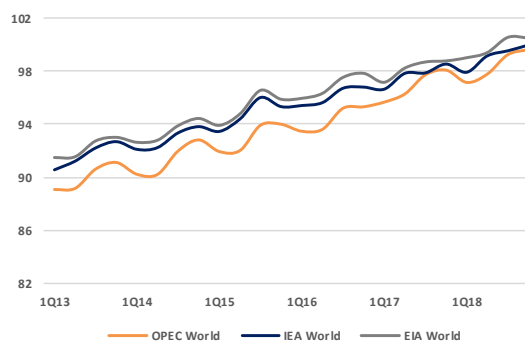
Rates in the West Africa Suezmax market were slightly soft this week as expected demand gains materialized but were insufficient to counter fresh availability builds. There were 13 reported fixtures representing a 63% w/w gain – and the loftiest tally in two months. Rates on the WAFR-UKC route shed 2.5 points to conclude at ws90.

In the Caribbean market, rates experienced modest gains following last week's strong ex-USG demand. The CBS-USG route added 2.5 points to conclude at ws92.5. Softer regional Aframax rates have expanded the Suezmax class' \$/mt freight premium which could start to impinge rates, depending on how charterers manage specific requirements between the two classes.

Projected OECD Oil Demand (Mnb/d)



Projected World Oil Demand (Mnb/d)



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Aframax

The Caribbean Aframax market was softer this week as rates were guided south by normalizing vessel availability levels from the constraints of earlier ECMex delay issues. The CBS-USG route shed 30 points to conclude at ws145. With some units disappearing from position lists at the close of the week, however, owners are bullish on prospects for the upcoming week; while this could guide sentiment at the start of the week, the extent of demand ahead of the holiday weekend will likely guide the market's direction.

MR

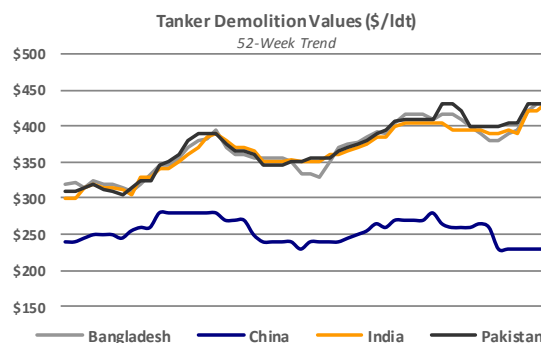
Rates in the USG MR market remained firm this week on the back of narrowing fundamentals and sporadic bursts of demand during the week amid industry holiday parties. Though this week's fixture tally was off w/w, the two-week forward view of available tonnage also declined. A total of 32 fixtures were reported, off 42% from last week's 11-month high. Following on last week's destination profile, long-haul destinations remained en vogue though those to Europe declined to a three-week low. The count of units available over the next two weeks declined 19% w/w to 30 units, which is 30% below the YTD average. As availability replenishment looks set to remain light given the recent long haul voyages and relatively light demand for voyages to the USAC. On this basis, rates could remain firm during the upcoming week on fundamentals as sentiment may bolstered further by a rush by charterers to cover end-year requirements ahead of the holidays.

REPORTED TANKER DEMOLITION SALES

India

"Golden Queen" – 1,616/96 – 368 LTD – SH

-Sold on private terms.



REPORTED TANKER SALES

Hyundai Samho 5813 – 113,284/18 – Hyundai Samho – DH

-Sold for \$44.3m to Greek buyers (Niovis Shipping SA).

"Chemstar Yuka" – 19,961/10 – Usuki – DH – IMO II/III

-Sold for \$18.5m to Dutch buyers (Ace Tankers).

"Chemstar Seven" – 19,870/05 – Fukuoka Nagasaki – DH – IMO II/III

-Sold for \$12.38m to South Korean buyers (Saehan Marine).

"Copenhagen" – 2,945/03 – Torlak – DH – IMO II

-Sold for \$3.2m to undisclosed buyers.



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