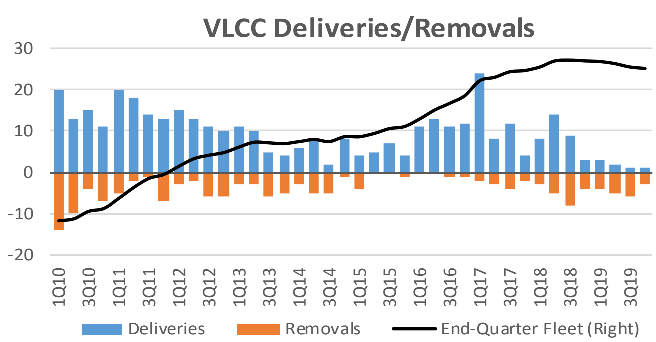
WEBER WEEKLY TANKER REPORT

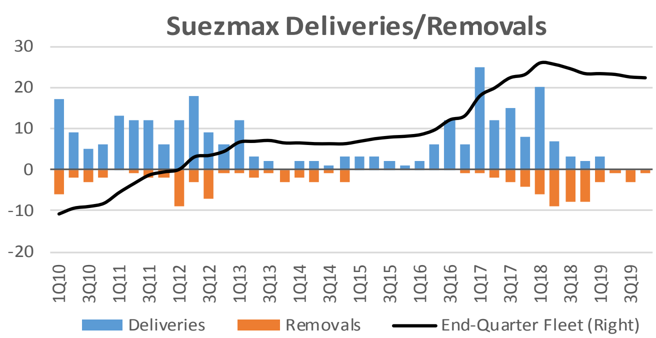
WEEK 4 – 27 JANUARY 2017 **ISSUE 4 – 2017**

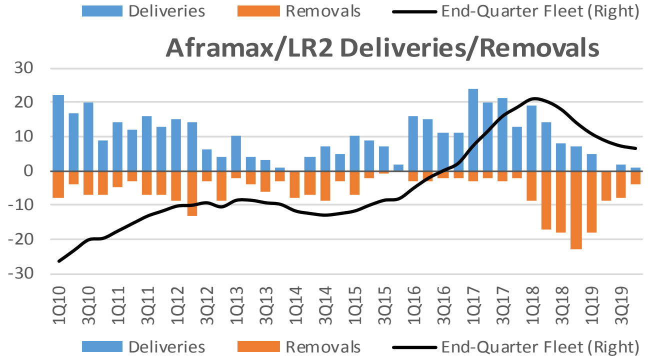
Crude tankers set for peak quarter for deliveries… but fleet growth headwinds to remain through to mid-2018

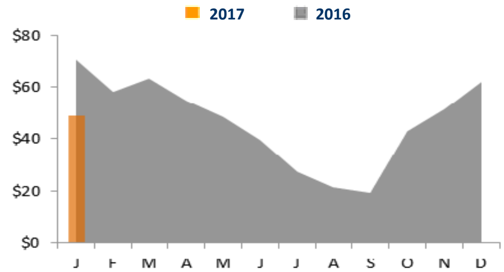
Newbuilding deliveries are set to spike this quarter across each of the crude tanker size classes, putting over 86 MnBbls of new capacity onto the water and marking a peak quarter for the present high-delivery cycle. The surge comes as yards progress into an orderbook built to high levels between 2014 and 2015 when forward fundamentals indicated a narrowing supply/demand balance. Unfortunately for owners, the surge comes against a backdrop of marked near-term demand uncertainty and amid a two-year-long lull in phase-outs, threatening to further decouple a fragile supply/demand balance and maintain headwinds on earnings for quarters to come.

Indeed, supply growth headwinds will likely remain a feature of the market until mid-2018, when we project that the crude tanker fleets will have peaked and phase-outs exceed new deliveries, ushering a period of negative net fleet growth which we expect will last for a few quarters thereafter. By end-2018, the moderating of delivery levels will likely have allowed demand to catch up with supply, which should support the start of a new upcycle for earnings. Given the current decline in asset values and a historically slow reflecting in period rates of changing forward prospects and challenges, we believe that after what will likely be a difficult 2017, participants taking an opportunistic approach may view low asset prices and period rates during the first half of 2018 as attractive entry-points.

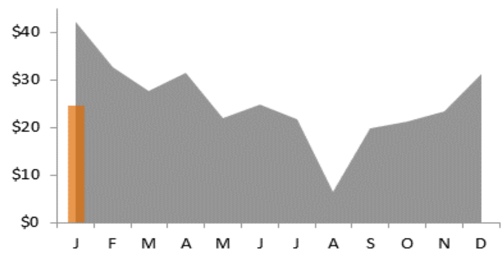




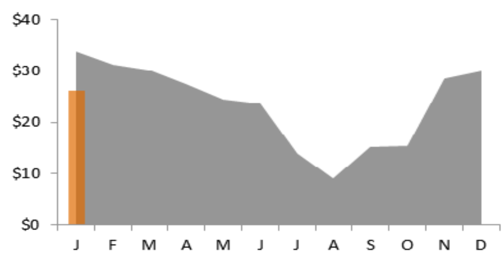




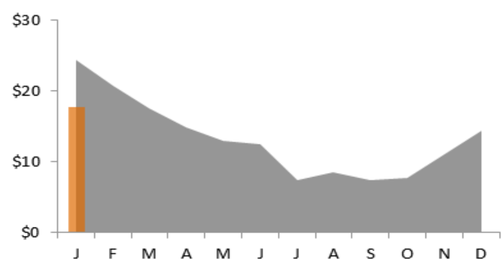
VLCC Average Earnings | **MTD Average ~$47,524/Day** | **Month y/y ▼ -33%**



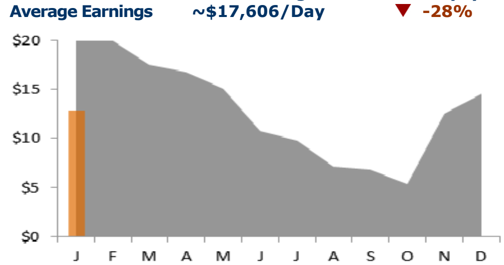
Suezmax Average Earnings | **MTD Average ~$24,614/Day** | **Month y/y ▼ -42%**



Aframax Average Earnings | **MTD Average ~$25,677/Day** | **Month y/y ▼ -24%**



Panamax Average Earnings | **MTD Average ~$17,606/Day** | **Month y/y ▼ -28%**



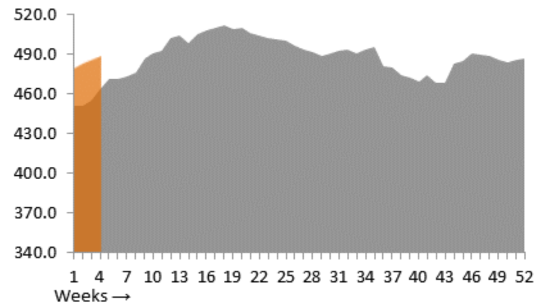
MR Average Earnings | **MTD Average ~$12,819/Day** | **Month y/y ▼ -36%**

WEBER WEEKLY TANKER REPORT

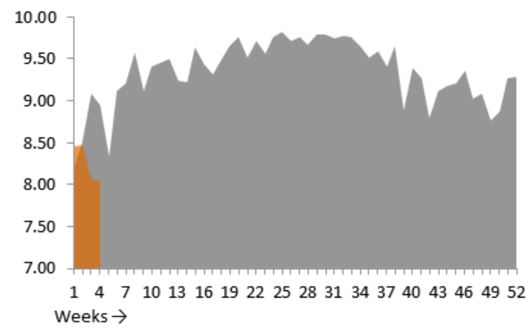
Spot Market	WS/LS	TCE	WS/LS	TCE
VLCC (13.0 Kts L/B)	**20-Jan**		**27-Jan**	
AG>USG 280k (TD1)	49.0	$17,257	43.3	$12,627
AG>USG/CBS>SPORE/AG	--	$54,491	--	$49,556
AG>SPORE 270k (TD2)	90.0	$47,580	81.0	$40,272
AG>CHINA 265k (TD3C)	88.0	$47,231	79.0	$39,665
WAFR>USG 260k (TD4)	87.5	$48,518	75.0	$38,527
WAFR>CHINA 260k (TD15)	82.5	$43,014	76.5	$38,808
CBS>SPORE 270k	$5.10m	--	$5.00m	--
VLCC Average Earnings		*$48,035*		*$41,478*
SUEZMAX (13.0 Kts L/B)				
WAFR>USG 130k	82.5	$17,358	75.0	$14,088
WAFR>UKC 130k (TD20)	87.5	$14,495	80.0	$11,398
BSEA>MED 140k (TD6)	95.0	$14,951	85.0	$10,022
CBS>USG 150k	85.0	$23,543	82.5	$21,829
Suezmax Average Earnings		*$18,207*		*$14,426*
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k (TD7)	97.5	$21,077	115.0	$36,341
AG>SPORE 70k (TD8)	127.5	$16,114	125.0	$15,451
BALT>UKC 100k (TD17)	95.0	$24,495	110.0	$32,496
CBS>USG 70k (TD9)	165.0	$27,746	155.0	$24,606
MED>MED 80k (TD19)	150.0	$28,581	110.0	$14,753
Aframax Average Earnings		*$25,249*		*$25,243*
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k (TD21)	170.0	$11,655	182.5	$13,990
CONT>USG 55k (TD12)	160.0	$16,935	155.0	$15,751
ECU>USWC 50k	190.0	$16,980	190.0	$17,064
Panamax Average Earnings		*$15,969*		*$16,379*
CPP (13.0 Kts L/B)				
UKC>USAC 37k (TC2)	147.5	$8,417	160.0	$10,179
USG>UKC 38k (TC14)	102.5	$2,849	95.0	$1,648
USG>UKC/UKC>USAC/USG	--	$10,619	--	$10,664
USG>CBS (Pozos) 38k	$400k	$10,283	$380k	$8,847
USG>CHILE (Coronel) 38k	$1.10m	$13,572	$1.15m	$14,942
CBS>USAC 38k	130.0	$7,996	130.0	$7,907
MR Average Earnings		*$10,669*		*$10,661*
LR2 Average Earnings		*$13,640*		*$10,027*
LR1 Average Earnings		*$10,263*		*$9,196*
Handy Average Earnings		*$10,238*		*$10,110*

Average Earnings weighted proportionally to regional activity share of each size class' worldwide market.

Time Charter Market *$/day (theoretical)*	1 Year	3 Years
VLCC	$30,000	$29,000
Suezmax	$22,000	$21,500
Aframax	$17,500	$18,000
Panamax	$14,000	$15,000
MR	$13,000	$14,000



US Crude Stocks (EIA)	Last Week 488.3 MnBbls	Week y/y ▲ +5.3%



US Gasoline Demand (EIA)	Last week 8.039 MnB/d	Week y/y ▼ -10.1%

2017 2016

SPOT MARKET SUMMARY

VLCC

Combined Middle East and West Africa demand expanded modestly this week to 39 fixtures (+5%, w/w) as charterers progressed further into the February Middle East program and remained active in the West Africa market. Despite the demand gains, however, rates were softer this week as vessel availability expanded with fresh positions and a large number of potential units while the extent of demand for the Middle East February program's second decade was uncertain. The degree of uncertainty is indeed high: we note that with 61 February Middle East cargoes covered to date, there are further 17-22 cargoes expected through the end of the second decade. Against this, there are 41 units showing availability with a further 10 potentially available. On this basis and assuming that draws from the West Africa market remain around recent averages, the number of surplus Middle East positions at the conclusion of the second decade could be anywhere between 9 and 24 units. The variance is high with materially disparate earnings implied by our models between the high and low ends of the range. Amid all of the uncertainty, what is certain is that surplus supply has expanded with even the low end of the range representing a four-month high (the high end of the range would represent the highest surplus since mid-2014). Thus, while we expect that rates will continue to experience losses during the upcoming week, the extent of rate losses will depend heavily on which supply/demand scenario plays out.

Middle East
Rates to the Far East lost nine points over the course of the week to conclude at ws79 with corresponding TCEs off by 16% to ~$39,665/day. Rates to the USG via the Cape posted a loss of 5.7 points to conclude at ws43.3. Triangulated Westbound trade earnings fell 9% to conclude at ~$49,556/day.

Atlantic Basin
The West Africa market followed the Middle East with the WAFR-FEAST route shedding 6 points to conclude at ws76.5. Corresponding TCEs fell 10% to conclude at ~$38,808/day. The Caribbean market was softer, in line with negative sentiment in the Middle East and West Africa regions. Rates on the CBS-SPORE route lost $0.2m to conclude at $5.0m lump sum.

Suezmax

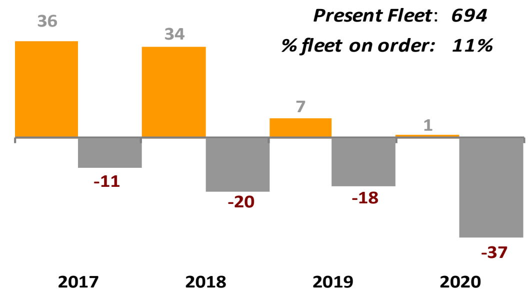
After a stable first half of the week, rates in the West Africa Suezmax market posted fresh losses late during the week as participants reacted to a widening supply/demand imbalance. A total of nine fixtures were reported, one fewer than a week ago and a quarter fewer than the 52-week average. Slow recent demand follows elevated VLCC demand in the region during the January program, which has extended into the February program. Elsewhere, demand in the Middle East market has trended stronger since the start of the year, but remains low as compared with levels observed during 4Q16. An accelerating pace of newbuilding deliveries, however, complicates any positive influence from Middle East demand on the overall Suezmax balance as these units generally seek first trades from the region thus reducing absorption of ballast units from Asia, pushing more onto West Africa position lists. Rates on the WAFR-UKC route shed 7.5 points to conclude at ws80 and the AG-USG route shed 17.5 points to conclude at ws42.5. High coverage of the February program to-date by VLCCs leaves fewer cargoes available for Suezmaxes, which will likely see demand remain during the upcoming week at levels which fail to move the balance of favor from charterers to owners.

Aframax

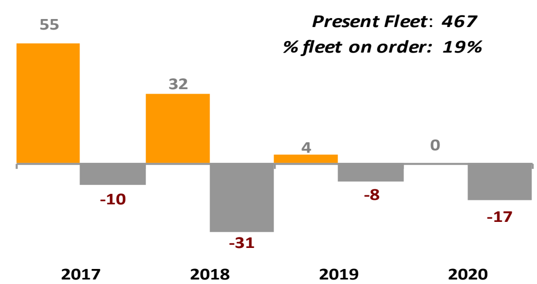
The Caribbean Aframax market commenced with participants expecting rates to correct from last week's highs as earlier weather issues in the USG region had improved, lessening delays and bolstering a position list that had already expanded over the weekend. A series of replacement fixtures materialized as a function of last week's delays, however, encouraging owners and allowing rates to hold at last week's high closing level through to mid-week. Ultimately, demand levels this week were relatively low, leading availability levels higher and weighing negatively on rates with fresh losses observed by the close of the week. We count 11 fixtures reported (though a small number additional fixtures appear to have occurred under the radar), representing a 31% w/w decline to a three-week low. Rates on the CBS-USG route shed 10 points to conclude at ws155. Failing a significant change to the demand profile, supply appears ample which should continue to see rates correct during the upcoming week.

Elsewhere, the North Sea market was stronger this week on fresh demand gains after a missed laycan saw a VLCC stem broken up into Aframax-sized parcels then sold into the market. The availability of these cargoes, sold via STS, weakened Forties differentials, prompting a number of late purchases that boosted Aframax demand. Coming on the back of an earlier draw on units by the stronger Mediterranean market (and amid expectations for a short Baltic February program), the NSEA/BSEA supply/demand balance tightened, permitting owners to command strong rate gains. The NSEA-UKC route added 17.5 points to conclude at ws115 and the BALT-UKC route followed with a 15-point gain to ws110. Meanwhile, the Mediterranean market's supply/demand loosened as the inward ballasts appeared while demand waned on a production outage at Libya's 100,000 b/d Sarir field due to technical issues that took around 60,000 b/d out of the market from last weekend to mid-week (with uncertainty early during the week as to the timing of a

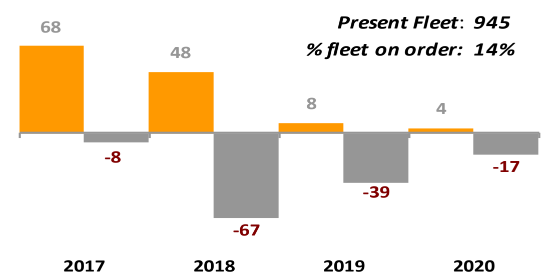
VLCC Projected Orderbook Deliveries/Phase-Outs



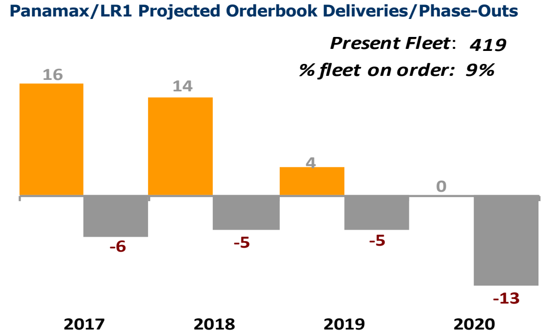
Suezmax Projected Orderbook Deliveries/Phase-Outs



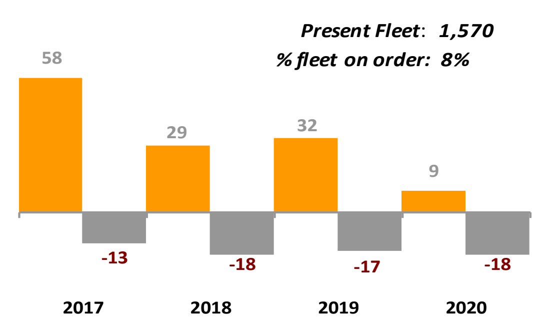
Aframax/LR2 Projected Orderbook Deliveries/Phase-Outs



Panamax/LR1 Projected Orderbook Deliveries/Phase-Outs



MR Projected Orderbook Deliveries/Phase-Outs



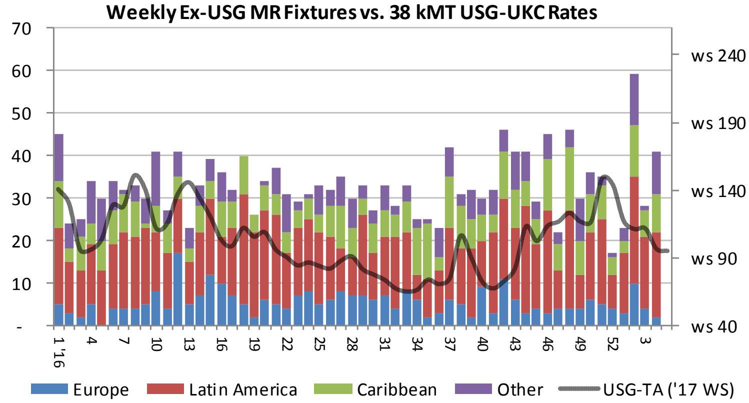
resumption). Further fresh demand during the upcoming week in the North Sea market could help to keep rates there firm, though ultimately the large differential between NSEA and BALT TCEs and those in the MED should see the two markets migrate towards parity, implying downside potential for the NSEA and upside for the MED.

MR

USG MR chartering demand rebounded this week as weak US gasoline and diesel demand figures led to higher inventories and bolstered export demand. A total of 41 fixtures were reported this week, representing a 46% w/w gain and pushing the four-week average tally of fixtures to a two-month high. Voyages to points in Latin America comprised nearly two-thirds of the destination profile. After easing through the start of the week, rates experienced late support from the pace of demand and a position list that moderated from a week earlier. Rates on the USG-CBS route closed with a $20k weekly loss at $380k lump sum, having dropped to $375k at mid-week. Meanwhile, the USG-CHILE route gained $50k from a week ago to conclude at $1.15m lump sum, having dropped to $1.05m at mid-week. The two-week forward view of available tonnage eased 9% w/w to 43 units.

High US refinery utilization rates since the start of the year against bearish gasoline and distillate demand figures have boosted inventories in both the USG and USAC. As a result, export demand in the USG market appears to be on directionally upswing with the spot MR cargo tally up 18% YTD, y/y. The spot MR cargo tally of USAC-bound cargoes is also up 18% YTD, y/y, but has been declining sharply over the past two weeks in-line with gasoline demand figures. Assuming both trends extend, the scenario could prove supportive of USG market rates by providing lower Atlantic basin fleet trading efficiency and greater supply/demand volatility than were the case during 2016.

Weekly Ex-USG MR Fixtures vs. 38 kMT USG-UKC Rates



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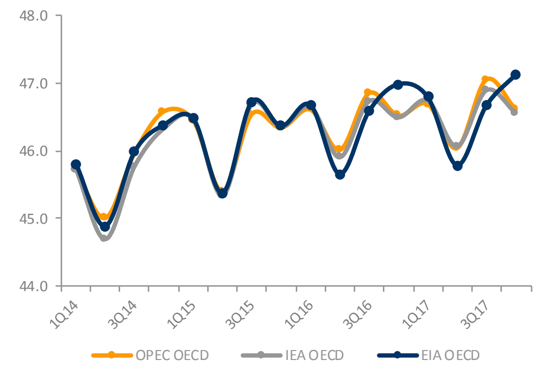
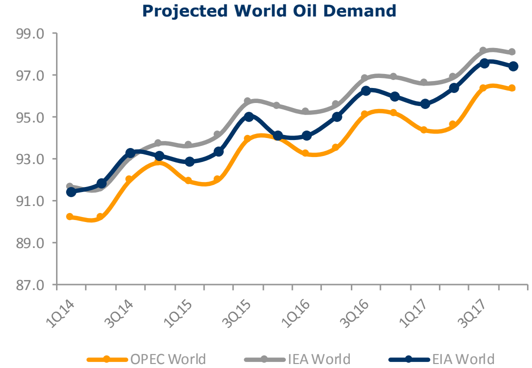
Projected OECD Oil Demand



Projected World Oil Demand



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REPORTED TANKER SALES

"OS Concord" – 301,345/96 – Hyundai Ulsan – DH
-Sold on subjects for $16.5m to Singaporean buyers (Sentek) basis. DD due 04/2017.

"Aegean Navigator" – 159,040/07 – Hyundai Ulsan – DH
-Sold on long subjects for $31.0m to Indian buyers (SCI).

***Hyundai Samho S811* –** 113,284/17 – Hyundai Samho – DH
-Sold on subjects for $43.7m to Greek buyers (Stealth Maritime).

"Ratna Shalini" – 105,849/10 – Hyundai Ulsan – DH
"Ratna Namrata" – 105,830/08 – Hyundai Ulsan – DH
"Ratna Shradha" – 105,777/08 – Hyundai Ulsan – DH
"Ratna Shruti" – 105,746/08 – Hyundai Ulsan – DH
-Sold en bloc on subjects for $92.0m to Greek buyers (Golden Energy Management).

"King Dorian" – 73,611/07 – New Times – DH – IMO III
-Sold for $15.0m to undisclosed Chinese buyers.

"Walnut Express" – 45,729/04 – Minaminippon Shitanoe – DH
-Sold for $10.9m to undisclosed Middle East buyers.

"Fairchem Charger" – 21,206/09 – Usuki – DH – IMO II/III
"Fairchem Friesian" – 21,206/09 – Usuki – DH – IMO II/III
-Sold en bloc for $21.5m to UK buyers (Tufton Oceanic).

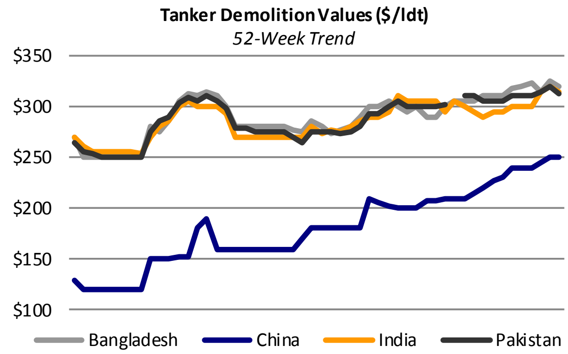
"Global Ceres" – 12,999/09 – Miura Saiki – DH – IMO II/III
-Sold for $12.5m to Thai buyers (AMA Marine).

"Balim" – 10,945/08 – Zhejiang Changhong – DH – IMO II/III
-Sold on private terms to undisclosed buyers.

"Straitview" – 3,550/07 – Dentas Istanbul – DH – IMO II
-Sold for $4.0m to undisclosed Polish buyers.

REPORTED TANKER DEMOLITION SALES

There are no reported tanker demolition sales for week 4.



[1]Monthly triangulated VLCC AG-USG/CBS-SPORE/AG TCE averages based on current-month aveage CBS-SPORE assessments and prior-month AG-USG assessments to reflect the earnings reality for units engaged in this trade.

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