

WEBER WEEKLY TANKER REPORT



WEEK 14 – 7 APRIL 2017

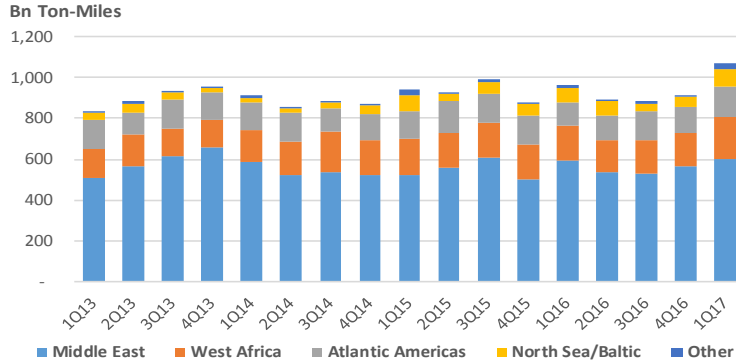
ISSUE 14 – 2017

VLCC spot ton-miles surged to record high during Q1

An absence of meaningful crude oil supply growth in the Middle East during the first prompted strong Asia-bound trades from alternative markets during Q1, spurring record spot market-generated VLCC ton-miles.

A total of 1.10 trillion ton-miles were fixed on the spot market during the quarter, surpassing the previous record of 1.02 trillion ton-miles observed during 1Q12 during the run-up to sanctions against Iran's petroleum sector. Ton-miles generated by voyages originating in the Middle East gained just 0.5% y/y, meanwhile those originating on the Atlantic side of the Americas jumped 33% and those originating in West Africa jumped 26%. Smaller markets also logged their contributions: The North Sea market, which accounted for 8% of total ton-miles, observed a y/y rate of growth during the quarter of 9%. Remaining loading regions, which collectively accounted for 3% of total ton-miles, more than doubled from the same period during 2016.

VLCC Spot Ton-Mile Demand by Loading Region

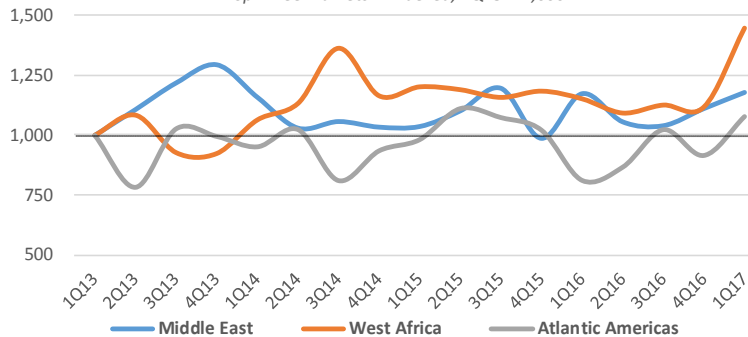


Charles R. Weber Company

The implied diversification of VLCC trades follows an agreement by OPEC states and a group of non-OPEC states to curb production during 1H17. As we noted following the agreement, with more than three quarters of the cuts distributed to Middle East producers and a Nigeria exemption allowing for a net increase from West Africa producers, Asian crude purchases migrating to West Africa raised prospects for ton-mile demand gains.

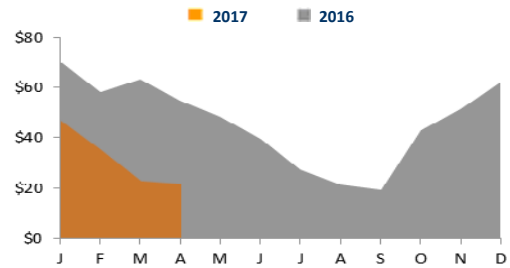
Quarterly Spot VLCC Ton-Mile Growth by Loading Region

Top Three Markets -- Indexed, 1Q13 = 1,000

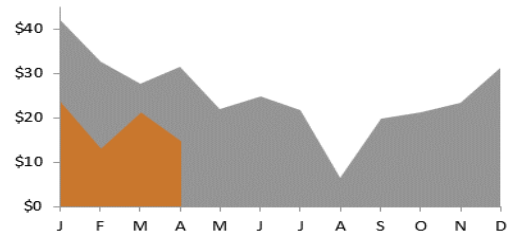


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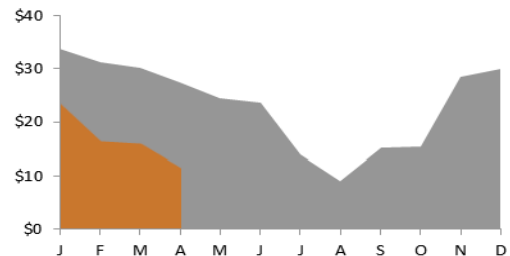
On the supply side, the VLCC fleet has grown by 18 units, or 2.6%, since the start of the year and the average fleet size during Q1 was 7.6% larger than during 1Q16. The impact of increased tonnage supply was compounded by the fact that newbuilding units are commercially disadvantaged on their first trades which in no small part complicated any positive influence from the ton-mile demand surge as those voyages were fixed. Indeed, at its highest point during Q1, the number of surplus VLCC units available in the Middle East matched the number of YTD deliveries. VLCC



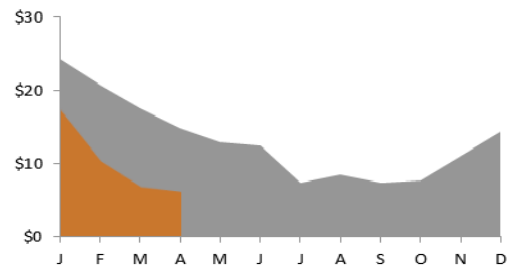
VLCC Average Earnings MTD Average ~\$21,404/Day Month y/y ▼ -61%



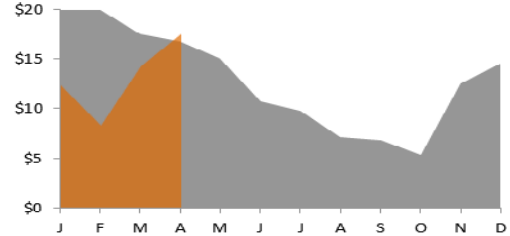
Suezmax Average Earnings MTD Average ~\$14,773/Day Month y/y ▼ -53%



Aframax Average Earnings MTD Average ~\$11,356/Day Month y/y ▼ -59%



Panamax Average Earnings MTD Average ~\$6,234/Day Month y/y ▼ -58%



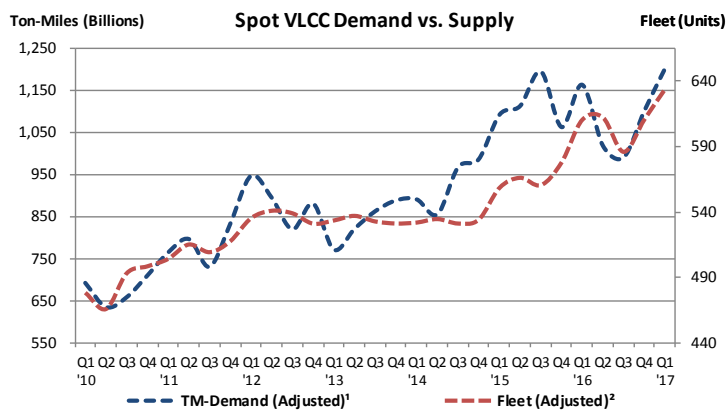
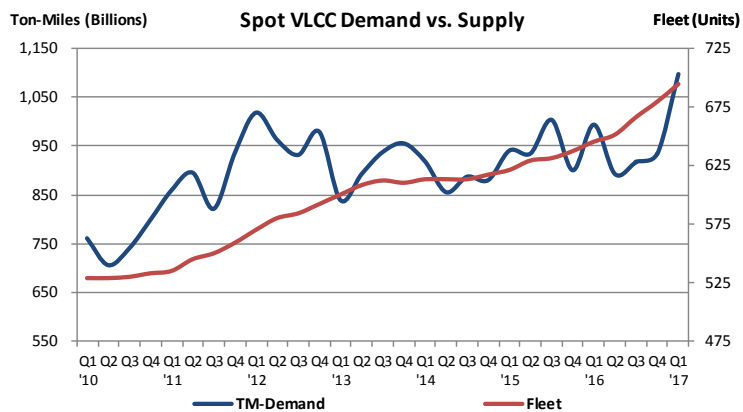
MR Average Earnings MTD Average ~\$17,415/Day Month y/y ▲ +4%

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average earnings declined to ~\$34,781/day during Q1, off 34% from 4Q16 and 46% from 1Q16.

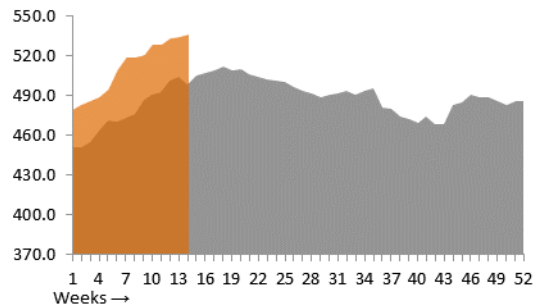
As we have long maintained, ton-miles represent an antiquated measure of the market's positioning, having been most useful when most voyages had equal laden and ballast legs and just one major loading region. Widening geographic distribution of trades and greater instances of triangulation present additional factors to consider when assessing demand – just as highly elastic ballast speeds, ullage delay issues and storage time bring additional factors to consider when assessing supply. To account for these issues, we regularly monitor ton-miles and fleet size with the inclusion of proprietary adjustment factors to provide a more indicative comparison. Even when viewed on this basis, overall ton-mile/supply developments during Q1 appear positive.



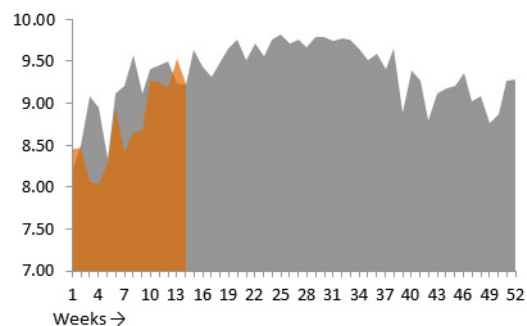
¹Ton-miles adjusted for the impact of wider geographic distribution.

²Fleet adjusted for slow-steaming (vs. 14.5 kts laden/ballast), storage, lay-ups, delays.

Any changes to the ton-mile/supply positioning impacts earnings both immediately as the voyages are being fixed (as charterers and regions compete for tonnage) and subsequently following a lag period as ton-mile demand swings start to impact availability replenishment. Given that a sizeable portion of the Q1 ton-miles were fixed relatively late during the quarter, the market has only just started to witness a positive impact on earnings stemming from the immediate impact. The lagging impact is not expected to become evident until later during Q2 and early during Q3, but we believe that the floor on earnings during both quarters is now modestly higher than it appeared just a few weeks ago on this basis.



US Crude Stocks (EIA) Last Week **535.5 MnBbls** Week y/y **▲ +7.4%**



US Gasoline Demand (EIA) Last week **9.245 MnB/d** Week y/y **▲ +0.2%**

■ 2017 ■ 2016

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Spot Market	WS/IS	TCE	WS/IS	TCE
VLCC (13.0 Kts L/B)		31-Mar		7-Apr
AG>USG 280k	25.0	\$(35)	29.0	\$2,077
AG>USG/CBS>SPORE/AG	--	\$27,825	--	\$32,223
AG>SPORE 270k	48.0	\$15,390	55.0	\$19,632
AG>CHINA 265k	46.0	\$13,871	55.0	\$19,936
WAFR>USG 260k	57.5	\$26,214	65.0	\$31,147
WAFR>CHINA 260k	55.0	\$23,070	65.0	\$30,087
CBS>SPORE 270k	\$3.80m	--	\$4.10m	--
<i>VLCC Average Earnings</i>		<i>\$18,315</i>		<i>\$23,993</i>
SUEZMAX (13.0 Kts L/B)				
WAFR>USG 130k	85.0	\$19,338	70.0	\$12,380
WAFR>UKC 130k	87.5	\$15,426	72.5	\$12,366
BSEA>MED 140k	97.5	\$16,930	82.5	\$8,939
CBS>USG 150k	97.5	\$32,174	72.5	\$16,037
<i>Suezmax Average Earnings</i>		<i>\$19,793</i>		<i>\$11,922</i>
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k	105.0	\$15,665	105.0	\$15,110
AG>SPORE 70k	115.0	\$12,664	120.0	\$12,951
BALT>UKC 100k	97.5	\$23,834	90.0	\$19,127
CBS>USG 70k	90.0	\$3,369	95.0	\$4,245
MED>MED 80k	120.0	\$17,819	100.0	\$10,367
<i>Aframax Average Earnings</i>		<i>\$13,939</i>		<i>\$11,341</i>
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k	115.0	\$1,382	110.0	\$(72)
CONT>USG 55k	115.0	\$7,975	115.0	\$7,437
ECU>USWC 50k	165.0	\$13,826	165.0	\$13,429
<i>Panamax Average Earnings</i>		<i>\$6,931</i>		<i>\$6,030</i>
CPP (13.0 Kts L/B)				
<i>LR2 Average Earnings</i>		<i>\$13,678</i>		<i>\$10,863</i>
<i>LR1 Average Earnings</i>		<i>\$12,469</i>		<i>\$8,374</i>
UKC>USAC 37k	202.5	\$17,254	190.0	\$14,948
USG>UKC 38k	115.0	\$5,233	137.5	\$8,111
USG>UKC/UKC>USAC/USG	--	\$17,195	--	\$18,408
USG>CBS (Pozos Colorados) 38k	\$525	\$19,217	\$650k	\$27,278
USG>CHILE (Coronel) 38k	\$1.20m	\$16,988	\$1.45m	\$23,838
CBS>USAC 38k	165.0	\$14,087	170.0	\$14,501
<i>MR Average Earnings</i>		<i>\$14,809</i>		<i>\$17,012</i>
<i>Handy Average Earnings</i>		<i>\$13,230</i>		<i>\$8,541</i>

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

Time Charter Market	1 Year	3 Years
<i>\$/day (theoretical)</i>		
VLCC	\$27,000	\$29,000
Suezmax	\$18,500	\$19,000
Aframax	\$16,500	\$17,000
Panamax	\$13,000	\$14,000
MR	\$12,750	\$14,000
Handy	\$11,250	\$13,000

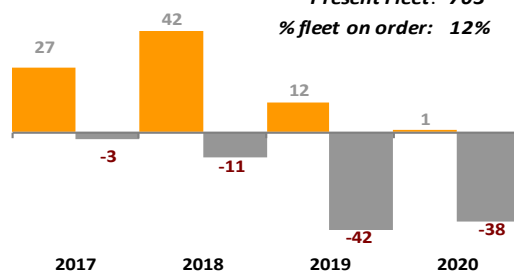
SPOT MARKET SUMMARY

VLCC

Following last week's late bounce from YTD lows, rates remained in positive territory as participants continued to react to a markedly tighter supply/demand positioning during the second and third decades of the April Middle East program. The tightening commenced on the back of last week's surging West Africa demand, when the regional fixture tally jumped to a two-year high of 12 fixtures. This week, the West Africa fixture tally was unchanged from that level, boosting the region's four-week moving average to a record high. West Africa cargoes are generally – and often exclusively – reliant upon Middle East positions for tonnage and the corresponding draws have reduced the Middle East market's surplus tonnage considerably. Whereas prior to the surge, the first decade of April's Middle East program appeared set to conclude with a three-year high of 25 surplus units, the balance has now narrowed considerably. There are presently 42 units remaining available through the conclusion of the Middle East April program against an expected 25 further Middle East cargoes and 7 further West Africa draws, implying a

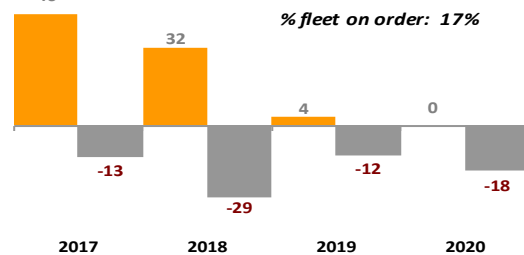
VLCC Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 703
% fleet on order: 12%



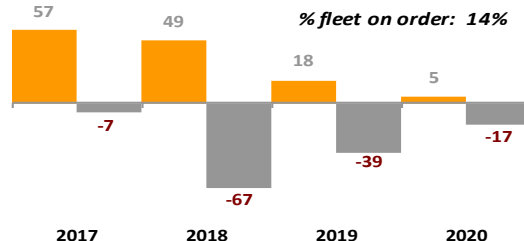
Suezmax Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 475
% fleet on order: 17%



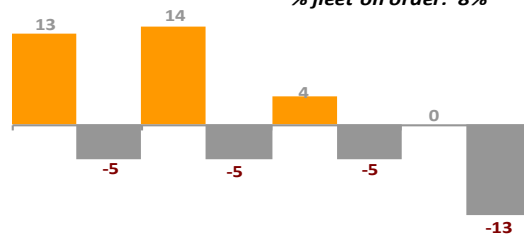
Aframax/LR2 Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 955
% fleet on order: 14%



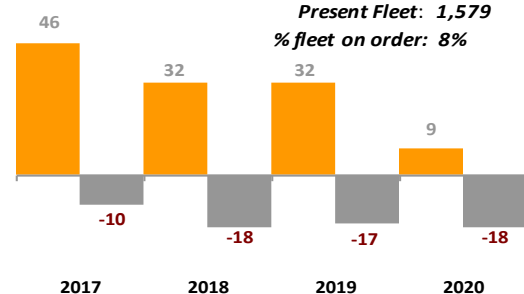
Panamax/LR1 Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 421
% fleet on order: 8%



MR Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 1,579
% fleet on order: 8%



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surplus of 10 units. Historically, this balance has dictated AG-FEAST TCEs in the low \$30,000s/day range while these routes presently yield around \$20,000/day, illustrating potential near-term upside.

Achieving AG-FEAST TCEs over \$30,000/day during the upcoming week could be complicated, however, by uncertainty over forward Middle East demand (Basrah May stems remain a week away) and this week's appearance of four fresh oil company relets into the spot market, both of which appear to have been factors behind this week's relatively limited rate gains. Moreover, reports indicating that commercial managers are concertedly reducing ballast speeds do not appear to be indicative; our analysis of unfixed spot units presently ballasting towards the Middle East shows an average speed of 11.5 kts, which represents a reduction of just 0.3 kts, or 2.5%, from the Q1 average. Spot units already fixed are ballasting at a markedly higher average speed of 13.7 kts.

Middle East

Rates to the Far East concluded the week with a gain of 9 points to ws55 and corresponding TCEs increased by 44% to conclude at ~\$19,936/day. Rates to the USG via the Cape posed a gain of 4 points to conclude at ws29. Triangulated Westbound trade earnings rose by 16% to conclude at ~\$32,223/day.

Atlantic Basin

Rates in the West Africa market were guided by gains in the Middle East, with consideration afforded to the longer length of Eastbound voyages relative to those from the Middle East. The WAFR-FEAST route gained 10 points to conclude at ws65 with corresponding TCEs gaining 30% to conclude at ~\$30,087/day.

The Caribbean market saw rates post modest gains from last week's YTD low as collective demand from the Caribbean, Brazil and the USG all boosted sentiment. Much of the demand gains in the Caribbean, however, were guided by the fact that Venezuela will be closed next week for the Easter holiday, prompting charterers to work cargoes in advance. The CBS-SPORE route gained \$200k to conclude at \$4.0m lump sum. Given that demand should moderate during the upcoming week, rates will likely hold around present levels.

Suezmax

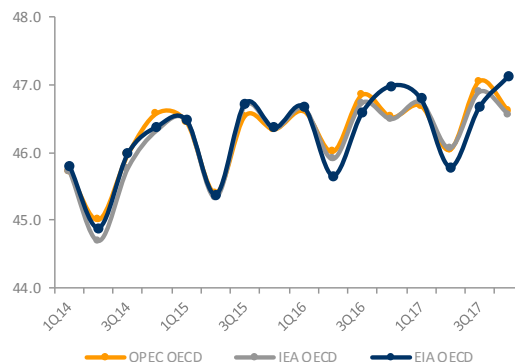
Demand for Suezmaxes in the West Africa market remained sluggish this week as a large share of the spot-oriented balance during the latter two decades of the April program was captured by VLCCs, leaving few cargoes for the smaller class during the month during which total regional exports were already slated to slow from March's YTD record high. Just seven fixtures materialized this week, which pushed the four-week average to its lowest level since 3Q16, when large-scale forces majeure constrained regional crude supply. Coming amid further availability builds, the demand slowing extended a slide in rates with the WAFR-UKC route shedding 15 points this week to conclude at ws72.5. With high levels of available tonnage expected to meet inquiries as charterers progress in earnest into the May program during the upcoming week, rates are likely to remain soft.

In alternative regions, the Caribbean market was softer this week as attractive Aframax freights kept that class in vogue for intraregional voyages while VLCCs retained the advantage for Asia-bound voyages. The CBS-USG route shed 25 points to conclude at 150 x ws72.5. In the Black Sea market, an earlier moderating of delay issues in the Turkish straits and rising overall Suezmax availability relative to demand saw rates on the BSEA-MED route shed 15 points to conclude at ws82.5.

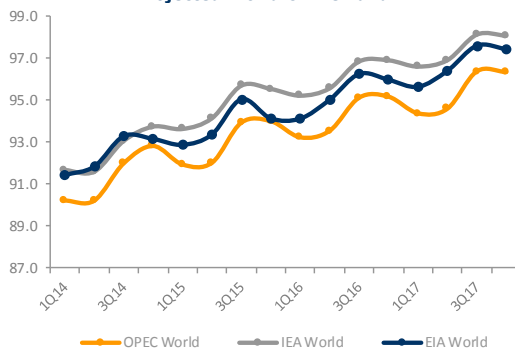
Aframax

Rates in the Caribbean Aframax market posted a modest bounce this week after touching eight-year lows last week. This came following a relatively busy Monday when charterers were active for both shot- and long-haul voyages. Ultimately, however, with availability remaining high relative to demand and with charterers having quieted by mid-week, owners' grappled with limited arguing points to extend the gains. The CBS-USG route concluded with a five-point gain to ws95. Corresponding TCEs remain well-below OPEX levels, yielding just ~\$4,245/day.

Projected OECD Oil Demand



Projected World Oil Demand



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MR

The USG MR market commenced the week with bearish undertones following a late retreating of rates from YTD highs observed midway through last week. As the week progressed, however, a fresh strengthening of demand prevailed and was met with a list of available tonnage that notionally appeared adequate to meet demand but remained tight on the front end. A total of 37 fixtures materialized, representing a 42% w/w gain. Of the tally, five units were bound for points in Europe (+1, w/w), 22 were bound for points in the Caribbean and Latin America (+7, w/w) and the remainder were yet to be determined or bound for alternative destinations. Rate on the USG-UKC route added 22.5 points to conclude at ws137.5 while the USG-CBS route gained \$125k to \$650k lump sum and the USG-CHILE route added \$250k to conclude at \$1.45m lump sum. Rates appear likely to remain firm through the start of the upcoming week as front-end availability remains tight. Thereafter, the rally appears likely to break as units presently delayed in the Caribbean are likely to complete discharge operations and join a growing list of units freeing on the US' East Coast looking towards onwards trades in the USG following a recent surge in UKC-USAC voyages. The two-week forward view of available tonnage has risen 18% w/w to a four-week high of 39 units.

REPORTED TANKER SALES

"Front Scilla" – 302,561/02 – Kawasaki – DH
-Sold for \$21.5m to undisclosed buyers.

"Kiowa Spirit" – 113,269/99 – Samsung Geoje – DH
-Sold for \$7.8m to undisclosed buyers.

"Ambrosia" – 105,363/06 – Sumitomo Yokosuka – DH
-Sold on long subjects for \$21.0m to undisclosed buyers.

"Bursa" – 51,463/08 – STX Jinhae – DH – IMO III
-Sold for \$17.4m to undisclosed buyers.

"Freja Maersk" – 31,632/01 – Hanjin Busan – DH – IMO II
-Sold for \$8.0m to undisclosed buyers.

"Chassiron" – 9,995/00 – Niestern Sander – DH – IMO II
-Sold for \$4.75m to undisclosed buyers.

"Yanee" – 2,930/87 – Higaki – DH – IMO II/III
-Sold for \$0.68m to undisclosed buyers.

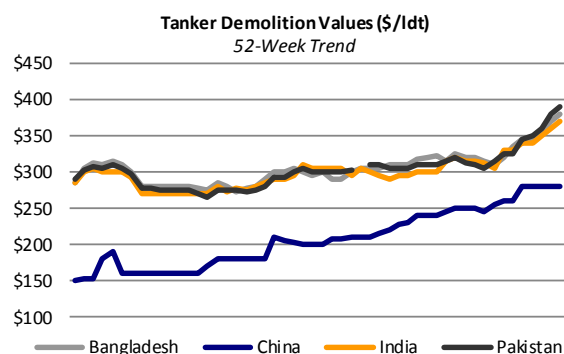
REPORTED TANKER DEMOLITION SALES

Bangladesh

"Mar" – 69,999/97 – 12,824 LDT – DH (Conv. 05/2008)
-Sold on private terms.

India

"Stolt Hill" – 39,005/92 – 10,583 LDT – DH
-Sold on private terms.



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



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