

WEBER WEEKLY TANKER REPORT

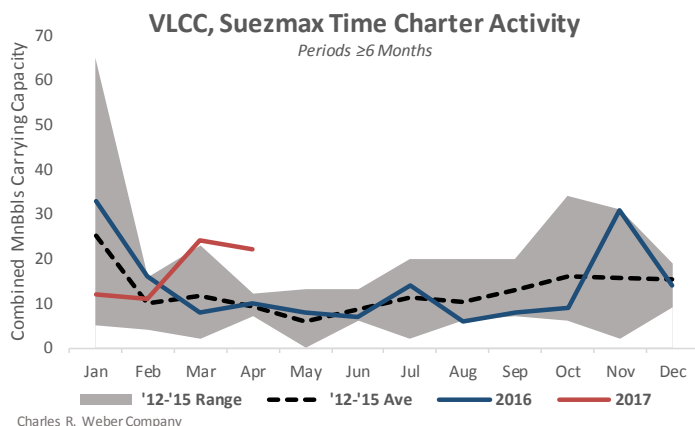


WEEK 18 – 5 MAY 2017

ISSUE 18 – 2017

Long term large crude tanker time charter demand returns

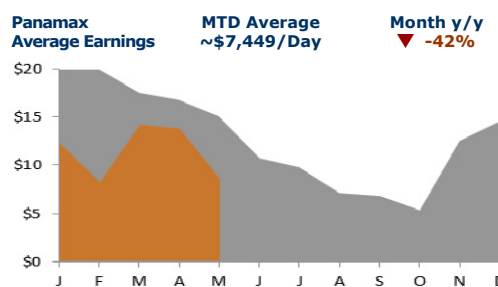
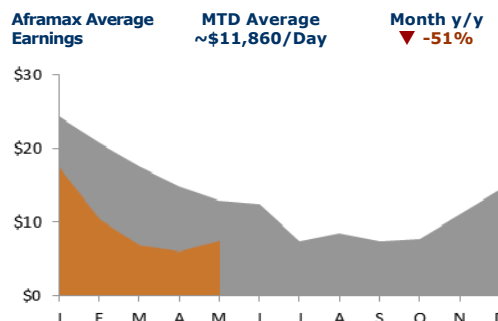
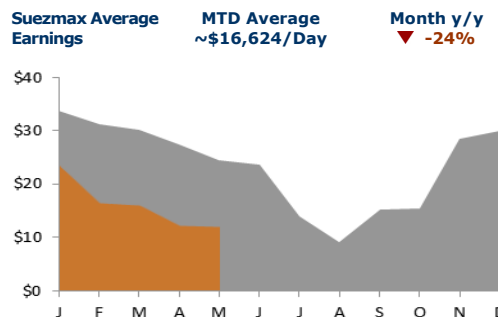
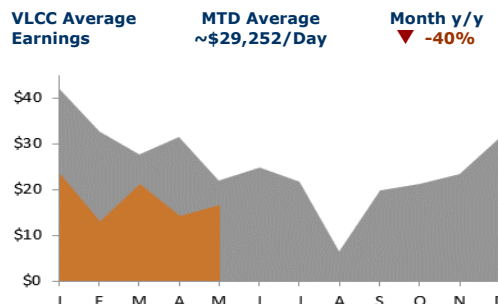
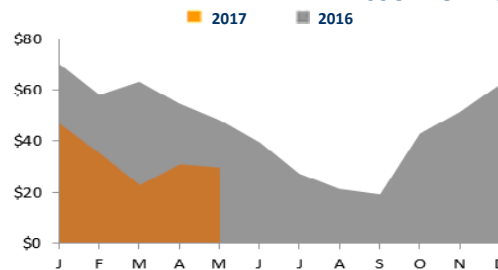
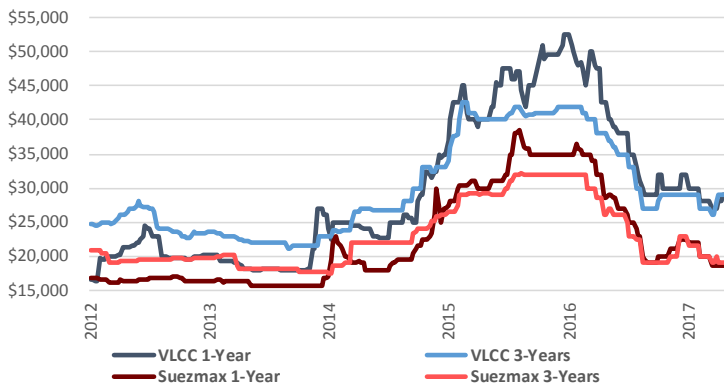
Demand for VLCC and Suezmax time charters of at least six months heated up to unseasonable heights during March and April, after a very slow start to the year. The trend came as time charter rates corrected from temporary support received amid the strong final months of 2016, creating fresh opportunities for charterers to get into the market at low rates to minimize exposure to forward volatility.



For its part, the supply/demand positioning proved surprisingly supportive as well. Supply growth progressed largely as expected through the start of 2017, characterized by a high rate of deliveries but at levels below those implied by orderbook figures due to ongoing slippage efforts. However, on the demand side, the headline pessimism accompanying OPEC supply curbs eased as ton-miles instead received a boost from Asian crude importers sourcing crude from supply regions further afield than the Middle East and US crude exports were augmented by price support from OPEC curbs.

With these developments easing concerns about the depths of potential earnings lows for 2017, charterers could also look more meaningfully towards the stronger prospects facing the market from 2018. This includes a large backlog of older units likely to find their exit from trades hastened by enforcement of Ballast Water Management compliance from the first five-year IOPP survey after September 2017 and the subsequent 2020 0.5% global sulfur cap. Based on our base case timeline of deliveries of the current orderbook and phase-outs, we project that VLCC net fleet growth will drop from 6.0% during 2017 to 4.7% during 2018 and -3.2% during 2019 while Suezmax net fleet growth will drop from 10.0% during 2017 to 0.6% during 2018 and -1.6% during 2019.

VLCC, Suezmax Time Charter Rate Assessments



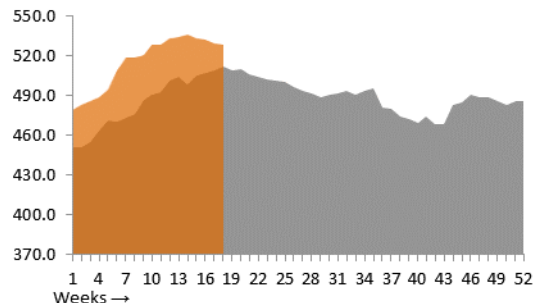
WEBER WEEKLY TANKER REPORT



Spot Market	WS/LS	TCE	WS/LS	TCE
VLCC (13.0 Kts L/B)	28-Apr		5-May	
AG>USG 280k	35.0	\$7,872	35.0	\$8,671
AG>USG/CBS>SPORE/AG	--	\$40,178	--	\$39,619
AG>SPORE 270k	62.0	\$26,486	64.0	\$28,889
AG>JPN 265k	60.0	\$27,584	62.0	\$30,072
AG>CHINA 270k	60.0	\$24,794	62.0	\$27,275
WAFR>CHINA 260k	62.5	\$28,702	63.5	\$30,224
CBS>SPORE 270k	\$4.40m	--	\$4.25m	--
<i>VLCC Average Earnings</i>		<i>\$28,530</i>		<i>\$30,458</i>
SUEZMAX (13.0 Kts L/B)				
WAFR>USG 130k	87.5	\$20,413	72.5	\$14,828
WAFR>UKC 130k	92.5	\$17,460	75.0	\$11,225
BSEA>MED 140k	102.5	\$20,204	87.5	\$12,533
CBS>USG 150k	72.5	\$16,863	65.0	\$12,946
<i>Suezmax Average Earnings</i>		<i>\$20,140</i>		<i>\$13,759</i>
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k	100.0	\$13,855	95.0	\$10,561
AG>SPORE 70k	115.0	\$12,367	115.0	\$12,903
BALT>UKC 100k	77.5	\$12,203	67.5	\$7,630
CBS>USG 70k	120.0	\$12,233	130.0	\$15,693
MED>MED 80k	102.5	\$11,494	110.0	\$14,506
<i>Aframax Average Earnings</i>		<i>\$11,180</i>		<i>\$12,463</i>
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k	120.0	\$2,444	125.0	\$3,904
CONT>USG 55k	120.0	\$9,123	115.0	\$8,612
ECU>USWC 50k	145.0	\$10,416	145.0	\$10,762
<i>Panamax Average Earnings</i>		<i>\$7,268</i>		<i>\$8,079</i>
LR2 (13.0 Kts L/B)				
AG>JPN 75k	85.5	\$5,925	105.0	\$10,949
AG>UKC 80k	\$1.33m	\$4,860	\$1.33m	\$5,370
MED>JPN 80k	\$1.64m	\$8,349	\$1.61m	\$8,293
AG>UKC/MED>JPN/AG	--	\$12,224	--	\$12,350
<i>LR2 Average Earnings</i>		<i>\$8,023</i>		<i>\$11,416</i>
LR1 (13.0 Kts L/B)				
AG>JPN 55k	108.0	\$6,633	115.0	\$8,274
AG>UKC 65k	\$1.09m	\$3,765	\$1.14m	\$5,067
UKC>WAFR 60k	110.0	\$3,303	112.5	\$4,124
AG>UKC/UKC>WAFR/AG	--	\$9,195	--	\$10,449
<i>LR1 Average Earnings</i>		<i>\$7,914</i>		<i>\$9,362</i>
MR (13.0 Kts L/B)				
UKC>USAC 37k	165.0	\$11,801	120.0	\$5,510
USG>UKC 38k	90.0	\$1,583	75.0	\$(194)
USG>UKC/UKC>USAC/USG	--	\$11,237	--	\$6,173
USG>CBS (Pozos Colorados) 38k	\$385k	\$9,810	\$325k	\$6,121
USG>CHILE (Coronel) 38k	\$1.10m	\$14,109	\$1.00m	\$11,556
CBS>USAC 38k	135.0	\$9,247	127.5	\$8,426
<i>MR Average Earnings</i>		<i>\$10,378</i>		<i>\$7,103</i>
Handy (13.0 Kts L/B)				
MED>EMED 30k	177.5	\$18,645	160.0	\$14,811
SPORE>JPN 30K	138.0	\$5,145	135.0	\$5,137
<i>Handy Average Earnings</i>		<i>\$10,005</i>		<i>\$8,620</i>

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

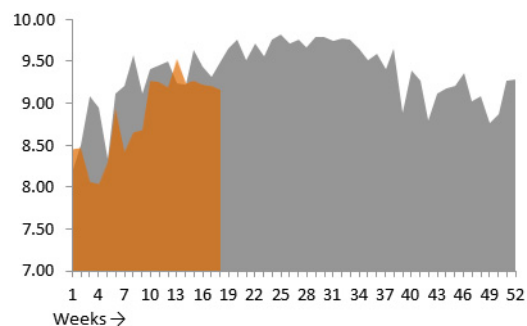
Time Charter Market \$/day (theoretical)	1 Year	3 Years
VLCC	\$29,000	\$29,000
Suezmax	\$18,500	\$19,000
Aframax	\$15,500	\$17,000
Panamax	\$13,000	\$14,000
MR	\$13,500	\$14,500
Handy	\$12,000	\$13,000



US Crude
Stocks (EIA)

Last Week
527.8 MnBbls

Week y/y
▲ +3.1%



US Gasoline
Demand (EIA)

Last week
9.156 MnB/d

Week y/y
▼ -3.6%

2017 2016

WEBER WEEKLY TANKER REPORT



SPOT MARKET SUMMARY

VLCC

A rebound in fixture activity in both the Middle East and West Africa markets saw rates stabilize earlier during the week following earlier losses and conclude thereafter with fresh gains. The Middle East market observed an 18% weekly gain to 26 fixtures, of which COAs accounted for just 8%, or the lowest proportion of total activity since the conclusion of 2016. Meanwhile, the West Africa market saw fixture activity rebound to a four-week high of seven fixtures from last week's YTD low of just two.

With 93 May Middle East cargoes covered to-date, we anticipate that a further 34 will materialize through the end of the month's program. Against this, position lists show 44 units available through end-May dates. Once likely draws thereof to service West Africa demand are accounted for, surplus tonnage is projected to narrow to between 5 and 8 units. This compares with 12 projected surplus units at the end of the second decade – and represents a four-month low. This places prevailing AG-FEAST TCEs well below levels dictated by fundamentals and raises prospects for an imminent rally, subject to psychological drivers of sentiment that are highly correlated to the timing of inquiry, irrespective of supply/demand fundamentals. In our base assumption, demand will post further gains during the upcoming week as charterers seek to cover remaining May requirements, driving more substantial gains than those observed this week. Thereafter, the positive trajectory should subside on a pause between May and June dates, before the low May tonnage surplus carrying over into June dates enables a return to positive rate progression.

Middle East

Rates to the Far East concluded the week with a gain of 2 points to ws62 and corresponding TCEs rose by 9% to conclude at ~\$30,072/day. Rates to the USG via the Cape were steady at the ws35 level. Triangulated Westbound trade earnings lost 1% with a closing assessment of ~\$39,619/day.

Atlantic Basin

The West Africa market continued to lag the Middle East and the WAFR-FEAST route gained one point to conclude at ws63.5. Corresponding TCEs rose 5% to conclude at ~\$30,224/day.

Rates in the Caribbean market softened at the start of the week as limited activity materialized and coincided with a then negative overall VLCC sentiment. The CBS-SPOR route shed \$150k to conclude at \$4.25m lump sum. Though forward fundamentals suggest that regional rates are poised for support, we believe that corresponding rate gains will materialize later during May. Simultaneously, a further improving of VLCC rates elsewhere could itself lend interim support during the upcoming week.

Suezmax

Suezmax rates were under strong negative pressure this week, sending average earnings down 32% w/w to ~\$13,759/day.

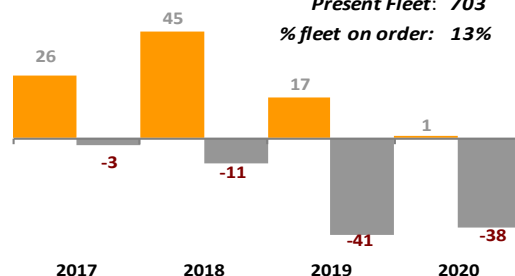
In the West Africa market, a disparate loading schedule from May's front- to back-end meant that charterers had limited late-May cargoes to work ahead of their progression in earnest into June dates. Just seven fixtures materialized representing half of last week's tally and a four-week low. Meanwhile, the earlier spike in rates that had accompanied the active start to the May program against light demand in alternative markets prompted some units to reposition into the region, leading now to a widened supply/demand imbalance. Rates on the WAFR-UKC route shed 17.5 points to conclude at ws75.

The Black Sea market was also grappling with light demand coinciding with declining delays through the Turkish straits and rising availability. The BSEA-MED route shed 15 points, accordingly, to conclude at ws87.5.

VLCC Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 703

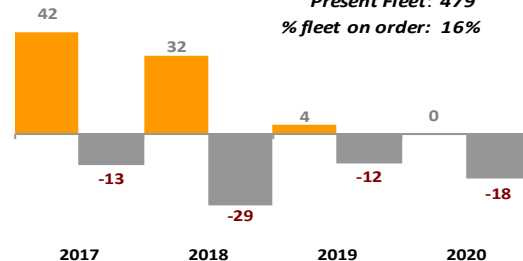
% fleet on order: 13%



Suezmax Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 479

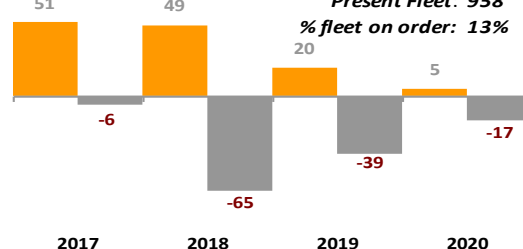
% fleet on order: 16%



Aframax/LR2 Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 958

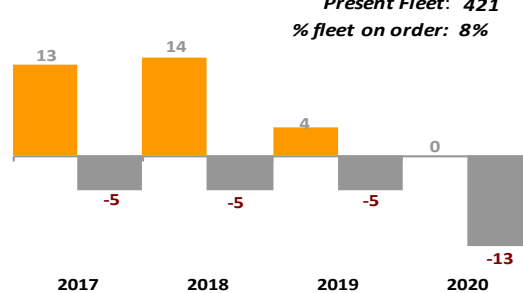
% fleet on order: 13%



Panamax/LR1 Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 421

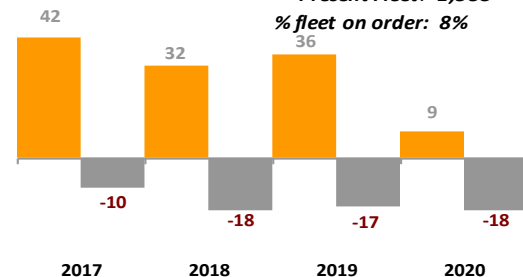
% fleet on order: 8%



MR Projected Orderbook Deliveries/Phase-Outs

Present Fleet: 1,583

% fleet on order: 8%



WEBER WEEKLY TANKER REPORT



Aframax

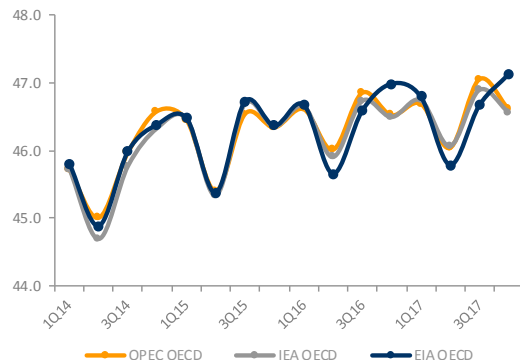
After concluding last week at fresh strength, rates in the Caribbean Aframax market eased early during the week after a slow Monday saw owners compete more heavily on Tuesday. Thereafter, demand was fairly active which saw rates pare the earlier losses and conclude with a weekly gain. The CBS-USG route added 10 points to conclude at ws130, having dipped into the low ws110s at mid-week. With owners remaining highly resistant to last done rates and demand levels lending support, further gains could materialize during the upcoming week.

MR

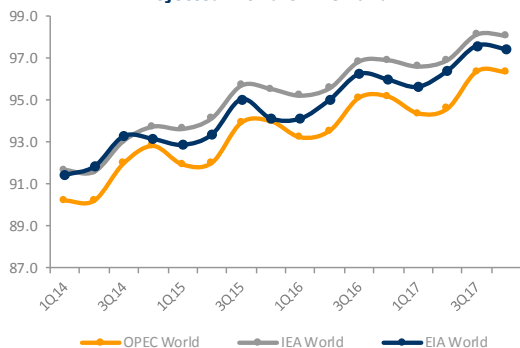
Rates in the USG MR market remained soft this week with the USG-UKC route touching YTD lows, despite a modest improvement in activity and a reduction of forward availability as a fresh weakening of rates in the UKC market weighed on already sour USG sentiment. A total of 34 ex-USG fixtures were reported, representing a w/w gain of two fixtures. Of these, two were bound for points in Europe (-2, w/w), 20 were bound for points in Latin America and the Caribbean (-4, w/w) and the remainder were yet to be determined or destined for alternative areas. Rates on the USG-UKC route shed 15 points to conclude at ws75 – matching the YTD low last observed in mid-February. Rates on the USG-CBS route shed \$60k to conclude at \$325k lump sum.

A sharp drop in rates in the UKC market led units freeing on the USAC to concertedly seek subsequent trades from the USG, which likely factored heavily into this week's rate losses as a headline shock. Nevertheless, we note that even once these units are accounted for, two-week forward availability at the close of the week had dropped 19% w/w to a five-week low of 38 units. When availability was last at this level, the USG-UKC route was trading at ws137.5 and the USG-CBS route was trading at \$650k lump sum, illustrating the disconnect between current rates and supply/demand fundamentals. On this basis, we expect that rates will stabilize early during the upcoming week with strong prospects for a fresh rebound thereafter. Supporting our view, we note that a recent pullback in UKC-USAC demand implies an imminent reduction in ballast units from the USAC while a transition in recent weeks from short-haul intraregional trades to long-haul USG-BRZL voyages should further constrain availability as the performing units take longer to reappear in the USG market.

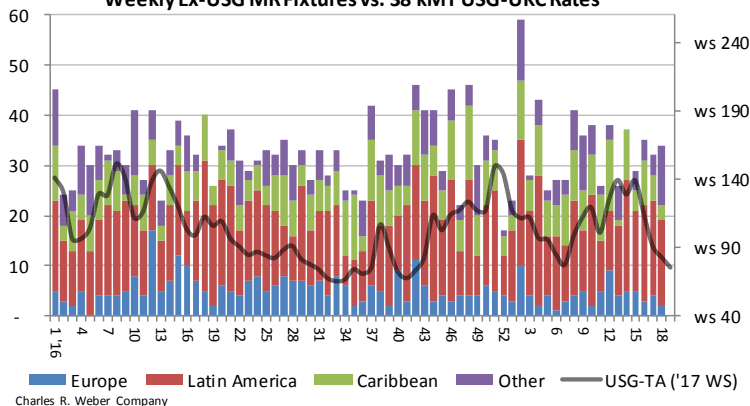
Projected OECD Oil Demand



Projected World Oil Demand



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



Charles R. Weber Company

WEBER WEEKLY TANKER REPORT



REPORTED TANKER SALES

"Gener8 Daphne" – 106,548/02 – Tsuneishi – DH
-Sold on subjects for \$10.5m to undisclosed buyers.

REPORTED TANKER DEMOLITION SALES

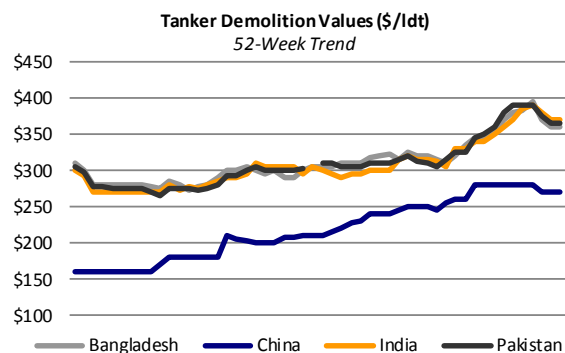
Bangladesh

"Iron Lady" – 96,733/91 – 15,327 LDT – DH
-Sold on private terms.

"Danai 4" – 1,924/86 – 713 LDT – DB
-Sold for \$260/ldt.

India

"Caludine" – 29,997/81 – 6,670 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.*



George P. Los
Senior Market Analyst
Charles R. Weber Research
research@crweber.com

Charles R. Weber Company, Inc.
Greenwich Office Park Three, 1001 McKinney Street,
Greenwich, CT 06831 Suite 475
Tel: +1 203 629-2300 Houston, TX 77002
Fax: +1 203 629-9103 Tel: +1 713 568-7233
www.crweber.com Fax: +1 713 337-6486

Whilst every care has been taken in the production of this study, no liability can be accepted for any loss incurred in any way whatsoever by any person who may seek to rely on the information contained herein. All information is supplied in good faith and Charles R. Weber Company, Inc. accepts no responsibility for any and all errors and omissions contained within this study.