WEBER WEEKLY TANKER REPORT

CHARLES R. WEBER COMPANY, INC.

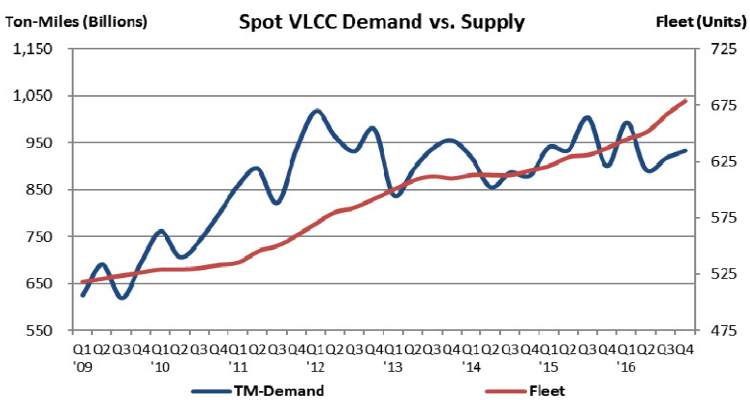
WEEK 8 – 24 FEBRUARY 2017 **ISSUE 8 – 2017**

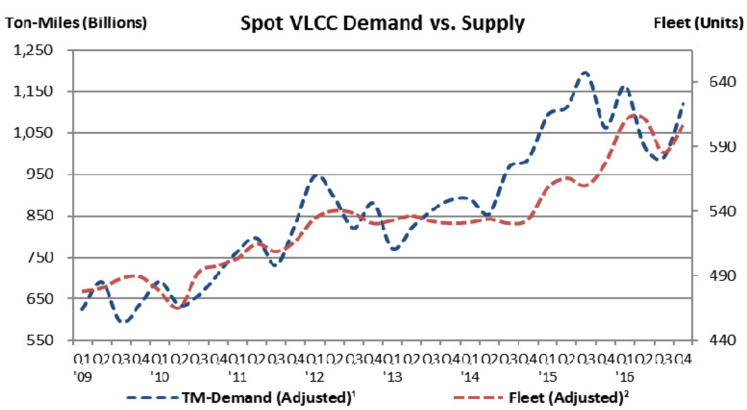
Idled VLCCs indicate large-scale floating storage?

Reports this week indicated that VLCC availability has been limited by a surge in floating storage which has consumed a large segment of the fleet, raising fears about the timing and implications of a mass return of these units to normal trading. However, in examining both AIS idle fleet data and our proprietary commercial deployment data on a granular basis, we believe that the extent of floating storage has been overstated.

There are presently 42 VLCC units that have been idle for at least two weeks and 27 units that have been idle for at least one month. Far from the notional implication, however that the number of units engaged in storage has expanded by 56% over the past two weeks to now account for 6% of the trading fleet we find the reality to be quite different on the basis of individual vessels' circumstances. Three of these units are in dry dock, seven are constituents of Iran's NITC fleet (which regularly interchange between storage, ship-to-ship transfers and customer deliveries), seven are being actively used for either fixed storage (having been withdrawn from trade by their current owners for this purpose) or to facilitate ship-to-ship transfers. Ullage issues or onward trade complications have delayed the discharge operations of three units. Once factoring for the above, we find that **just 14 units**, or 2% of the trading fleet, are actively storing crude. This tally of units engaged in floating storage does not represent a material deviation from storage levels observed over the past 18 months.

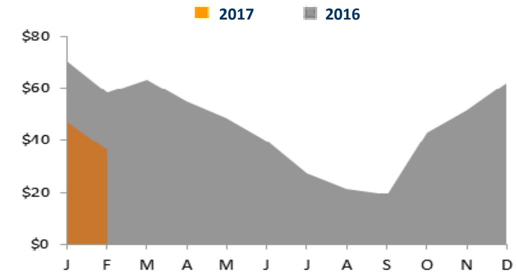
How readily the market will be able to absorb the 14 units upon their exit from floating storage depends heavily on how global VLCC trade routes are distributed at the time. As has become the case in recent years, vies between markets for tonnage and declining efficiency in trade patterns have helped the VLCC market to escape a structural oversupply situation that would otherwise be suggested by the traditional supply vs. ton-miles view.



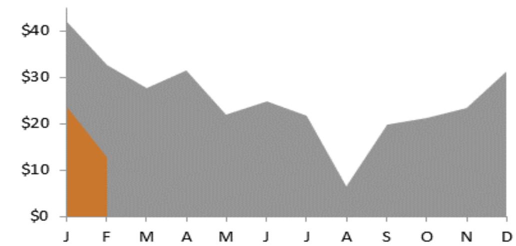


[1]Ton-miles adjusted for the impact of wider geographic distribution.

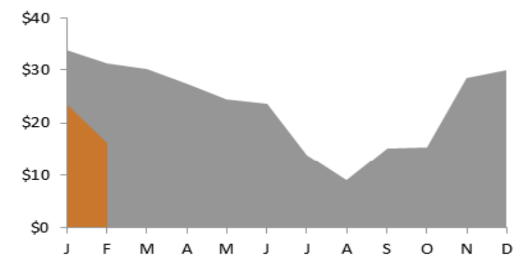
[2]Fleet adjusted for slow-steaming (vs. 14.5 kts laden/ballast), storage, lay-ups, delays.



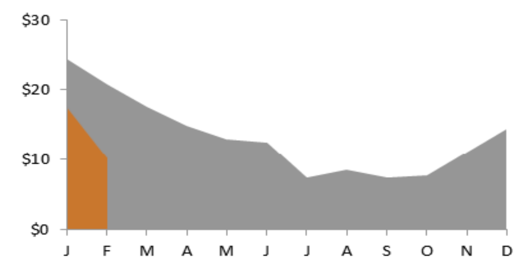
VLCC Average Earnings	MTD Average ~$35,668/Day	Month y/y ▼ -39%



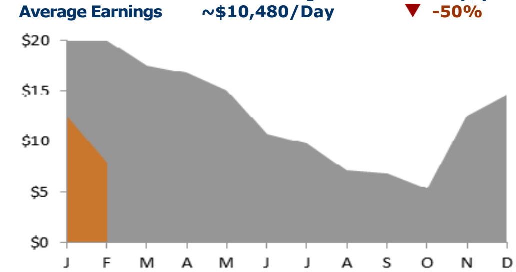
Suezmax Average Earnings	MTD Average ~$12,838/Day	Month y/y ▼ -61%



Aframax Average Earnings	MTD Average ~$16,023/Day	Month y/y ▼ -49%



Panamax Average Earnings	MTD Average ~$10,480/Day	Month y/y ▼ -50%



MR Average Earnings	MTD Average ~$8,168/Day	Month y/y ▼ -59%

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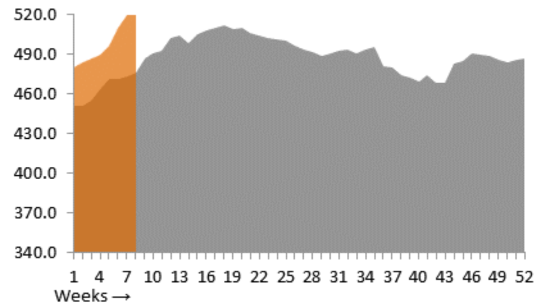
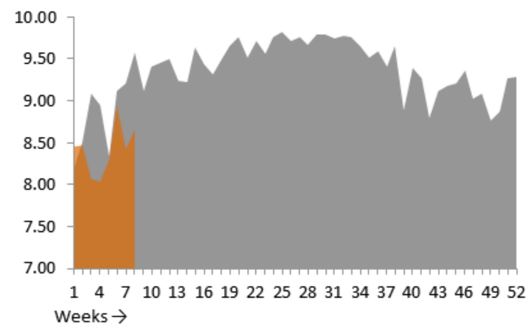


US Crude Stocks (EIA)	Last Week	Week y/y
	518.7 MnBbls	▲ +8.9%



US Gasoline Demand (EIA)	Last week	Week y/y
	8.663 MnB/d	▼ -9.5%

Spot Market	**WS/LS**	**TCE**	**WS/LS**	**TCE**
VLCC (13.0 Kts L/B)	**17-Feb**		**24-Feb**	
AG>USG 280k	35.0	$6,352	32.5	$4,377
AG>USG/CBS>SPORE/AG	--	$39,537	--	$36,913
AG>SPORE 270k	72.0	$33,160	70.0	$31,506
AG>CHINA 265k	70.0	$32,297	67.5	$30,173
WAFR>USG 260k	70.0	$34,713	70.0	$34,668
WAFR>CHINA 260k	71.5	$34,914	67.5	$31,720
CBS>SPORE 270k	$4.50m	--	$4.40M	--
VLCC Average Earnings		*$34,522*		*$32,240*
SUEZMAX (13.0 Kts L/B)				
WAFR>USG 130k	75.0	$14,187	80.0	$16,191
WAFR>UKC 130k	80.0	$11,495	85.0	$13,388
BSEA>MED 140k	85.0	$9,793	82.5	$8,703
CBS>USG 150k	90.0	$26,573	95.0	$29,537
Suezmax Average Earnings		*$14,951*		*$15,844*
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k	110.0	$19,020	100.0	$10,493
AG>SPORE 70k	110.0	$10,627	115.0	$11,745
BALT>UKC 100k	115.0	$32,579	97.5	$22,698
CBS>USG 70k	152.5	$20,975	142.5	$18,026
MED>MED 80k	97.5	$9,291	102.5	$11,009
Aframax Average Earnings		*$21,162*		*$17,473*
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k	130.0	$3,666	137.5	$5,051
CONT>USG 55k	112.5	$6,704	120.0	$8,195
ECU>USWC 50k	170.0	$13,940	175.0	$14,666
Panamax Average Earnings		*$7,364*		*$8,826*
CPP (13.0 Kts L/B)				
LR2 Average Earnings		*$14,055*		*$12,892*
LR1 Average Earnings		*$10,294*		*$9,668*
UKC>USAC 37k	130.0	$5,740	130.0	$5,622
USG>UKC 38k	77.5	$(852)	105.0	$3,111
USG>UKC/UKC>USAC/USG	--	$6,176	--	$9,310
USG>CBS (Pozos Colorados) 38k	$315k	$4,515	$430k	$12,228
USG>CHILE (Coronel) 38k	$925k	$8,472	$1.15m	$14,961
CBS>USAC 38k	115.0	$5,570	130.0	$7,907
MR Average Earnings		*$6,825*		*$9,605*
Handy Average Earnings		*$7,686*		*$8,002*

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

Time Charter Market *$/day (theoretical)*	**1 Year**	**3 Years**
VLCC	$28,000	$27,000
Suezmax	$20,000	$20,000
Aframax	$16,500	$17,000
Panamax	$13,000	$14,000
MR	$12,750	$14,000
Handy	$11,250	$13,000

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SPOT MARKET SUMMARY

VLCC

Rates in the VLCC market commenced the week with a modest degree of support as participants took stock of a relatively balanced overall Middle East and West Africa combined supply/demand positioning. As the week progressed, however, sluggish demand in the Middle East market eroded owners' bullish position by raising fears over likely March volumes which led to fresh rate losses.

A total of 24 units were reported fixed in the Middle East market; although the figure represents a 71% w/w gain, it remained 10% below the 52-week average. The West Africa market observed a rebound of demand with the week's fixture tally of six representing a doubling from last week's tally.

To-date, a total of 36 March Middle East cargoes have been covered (inclusive of 32 for loading during the month's first decade and four during the second decade). We anticipate that a further 8 first-decade cargoes will materialize and anticipate further demand length in the West Africa market given that the March export program there was heavily subscribed by Asian buyers (thus favoring VLCCs over Suezmaxes). There are 31 units available for loading through March's fist decade in the Middle East which implies a likely surplus of 16 units once additional demand in both markets is accounted for. A week ago, the surplus appeared likely to fall between 6 and 12 units, illustrating a widening supply/demand imbalance. Despite this, rates could stabilize during the upcoming week as charterers are likely to be busier in the Middle East market covering remaining first decade cargoes and progressing concertedly into the month's second decade.

Middle East

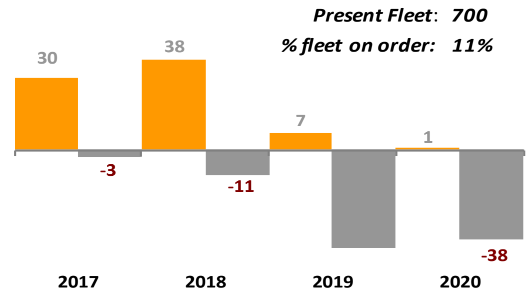
Rates to the Far East lost 6.5 points to conclude at ws67.5 with corresponding TCEs declining by 12% to conclude at ~$31,535/day. Rates to the USG via the Cape shed 6.5 points to conclude at ws32.5. Triangulated Westbound trade earnings fell 6% to ~$36,924/day.

Atlantic Basin

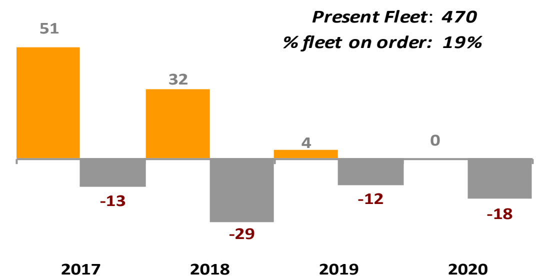
Rates in the West Africa market lagged those in the Middle East and the WAFR-FEAST route shed 4 points to conclude at ws67.5. Corresponding TCEs were off by 9% to conclude at ~$31,720/day.

The Caribbean market was largely inactive with limited fixture activity. A widening oversupply situation in the market, however, saw owners' confidence erode and rates on the CBS-SPORE route were off by $100k to $4.4m lump sum – the lowest level for the route since September '16.

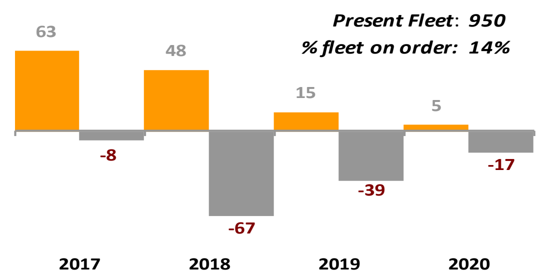
VLCC Projected Orderbook Deliveries/Phase-Outs



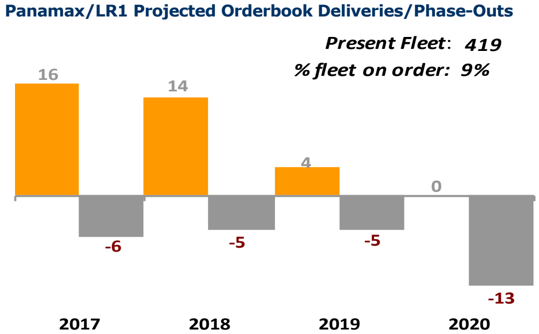
Suezmax Projected Orderbook Deliveries/Phase-Outs



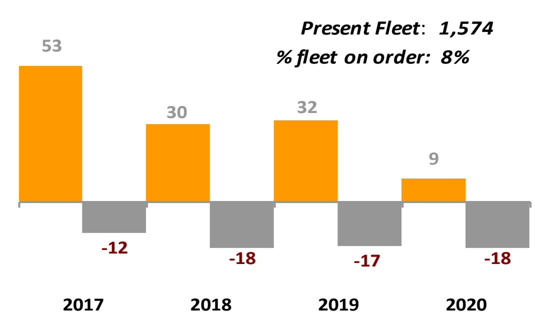
Aframax/LR2 Projected Orderbook Deliveries/Phase-Outs



Panamax/LR1 Projected Orderbook Deliveries/Phase-Outs



MR Projected Orderbook Deliveries/Phase-Outs



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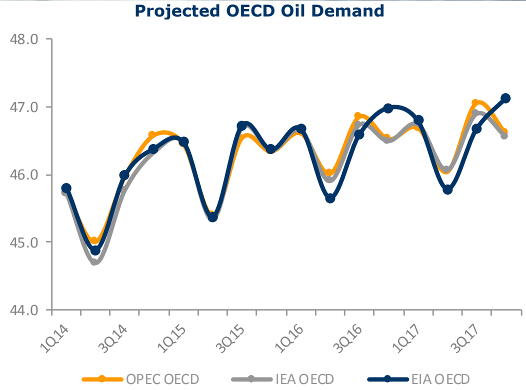
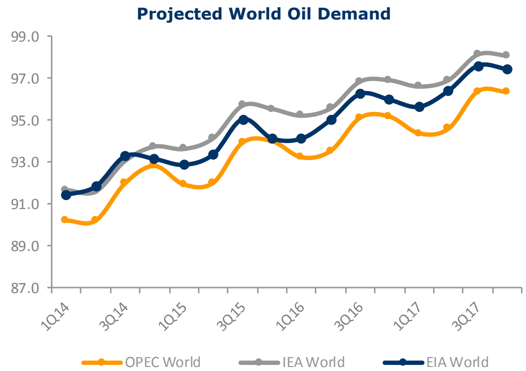




Suezmax

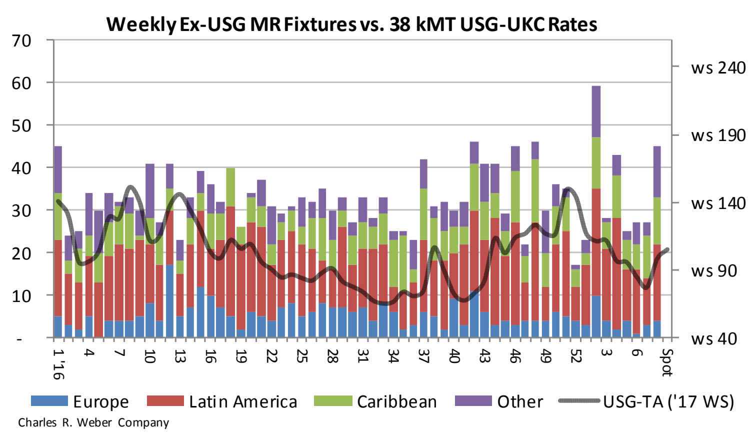
Rates in the West Africa Suezmax market extended gains this week despite a slowing of fresh demand as vessel availability through the first half of March remained tight. A total of seven fixtures were reported—six fewer than a week ago. Rates on the WAFR-UKC route added 5 points to conclude at ws85. Inward ballasts from other regions have remained light with rates in the Caribbean market firming and demand in the Middle East keeping units (and particularly newbuildings) employed there. Given likely further first-decade West Africa cargo availability and only a light progression thus far into the month's second decade, chartering demand should improve, keeping the regional supply/demand balance sufficiently tight to potentially substantiate further – albeit modest – rate gains.

Aframax

The Caribbean market commenced the week on a bullish tone following last week's strong rally. While rates remained relatively stable on this basis for much of the week, light activity levels throughout the week and rising availability saw negative pressure continue to mount before becoming fully evident on Friday. Just ten fixtures ultimately materialized – 15 fewer than last week and the fewest since the first week of 2016. Having commenced at ws152.5 and hovered around the ws150 level for much of the week, by the close of the week the CBS-USG route dropped to ws142.5. Further rate losses will likely materialize during the start of the upcoming week as more units appear on availability lists.

MR

Rates in the USG MR market experienced strong support this week from a fresh rebound in chartering activity and declining availability. The tally of ex-USG fixtures rose 67% w/w to a four-week high of 45. Of these, four were bound for points in Europe (+1, w/w), 29 were bound for points in Latin America and the Caribbean (+8, w/w) and the remainder were bound for alternative destinations or have yet to be determined. Against the demand gain, availability replenishment was limited by a long list of units awaiting berthing time on Mexico's east coast, rendering many units expected to become available there unworkable, and due to both a reduction of units freeing on the USAC and rising demand to export cargoes from the same region, which trimmed USAC to USG ballasts. YTD, the number of spot ex-USAC fixtures has risen by 33% over 2016's average and with most of this year's demand concentrated during the past-month the four-week average of fixtures stands at a record high. Rates on the USG-UKC route jumped 27.5 points to ws105 while the USG-CBS route added $115k to $430k lump sum. At the close of the week, the two-week forward view of viably available units stands at 40, the fewest in six weeks and 7% less than a week ago. We expect that rates will remain firm at the start of the upcoming week on the low availability count while the direction thereafter will be dictated by how quickly units off Mexico's east coast berth and return to the market as viable positions and the extent of fresh ex-USG demand during the upcoming week.



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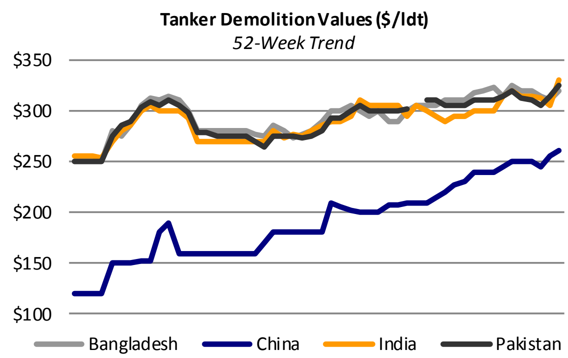
REPORTED TANKER SALES

"Gener8 Nestor" – 320,000/17 – Hanjin Subic – DH
-Sold for $80.0m to undisclosed Hong Kong buyers.

REPORTED TANKER DEMOLITION SALES

There are no reported tanker demolition sales for week 8.



[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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