

WEBER WEEKLY TANKER REPORT



WEEK 16 – 22 APRIL 2016

ISSUE 16 – 2016

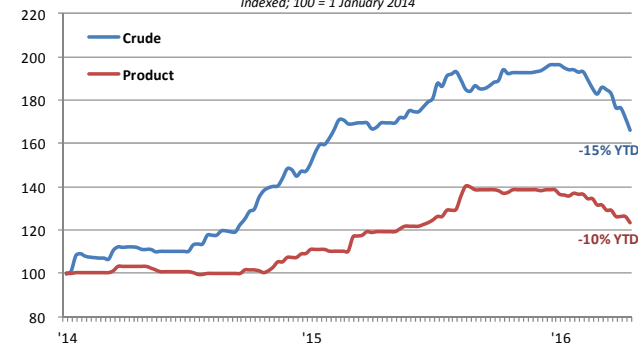
Souring forward sentiment bumps TC assessments from '15 highs

A number of factors have raised assumed earnings downside risks for both crude and product tankers, pushing TC rates off of multiple-year highs observed during 2015. The development has been most pronounced for crude tankers, for which an index of short and medium-term TC rates has dropped by 15% since the start of the year. Perhaps because it is one of the more certain of forward variables, fleet growth remains an evident consideration by participants. We note that combined VLCC and Suezmax fleet is set to conclude 2016 with the loftiest net growth in four years at 6% (up from 3% during 2015) – and is projected to grow by a further 5% during 2017. On the demand side, crude supply growth and a wide geographic distribution of trades *should* remain supportive. However, sustained low oil prices raise the potential for both geopolitical and economic crude supply disruptions. In a low forward earnings case, a crude price rally accompanying any supply disruption would impact tankers by reducing ton-miles while crude futures markets in backwardation (since the crude rally would be driven by a disruption, rather than a demand surge) would simultaneously keep floating storage from coming to the rescue.

Having failed to observe the same upside as their crude counterparts since 2014, product tankers have been subject to slightly less downside since the start of the year. Fleet growth concerns remain an issue for the segment, but are more evident for LR1 tankers than for LR2s and MRs. Combined Panamax/LR1 fleet growth is projected to jump to 4% this year (from less than 1% during 2015) and accelerate to 5% during 2017. MR fleet growth is set to drop to a three-year low of 6% this year (from 8% last year) and decelerate during 2017 to decade-low of 2%. Thus, instead of structural risks, we note that uncertainty over the unwinding of high product inventories and the impact thereof on anticipated long-haul trade flows have seen shorter-term 1-year product tanker TCs fall by 12% since the start of the year while the fall for five-year periods has been much lower at just under 5%.

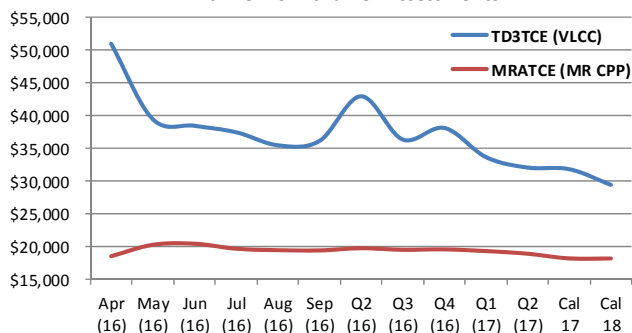
Weekly Tanker TC Rate Assessments

Indexed; 100 = 1 January 2014

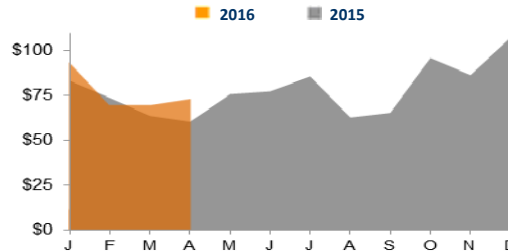


Charles R. Weber Company

Tanker Forward TCE Assessments



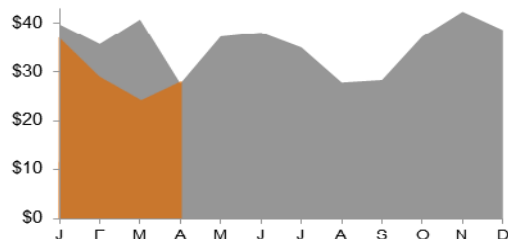
Baltic Exchange BFA, Charles R. Weber Company



VLCC TCE
AG-USG /
CBS-SPORE/AG

MTD Average
~\$73,070/Day

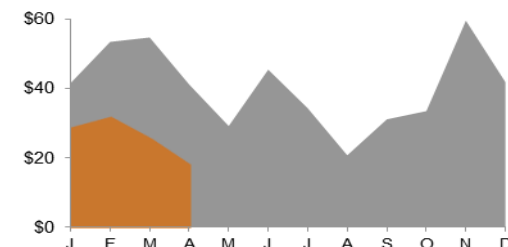
Month y/y
▲ +22%



S'MAX TCE
130k WAF-UKC

MTD Average
~\$28,180/Day

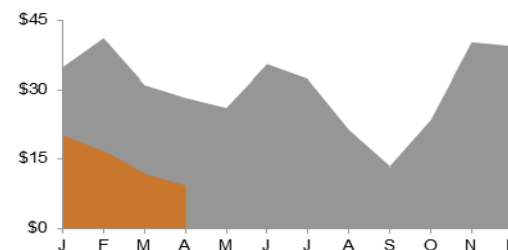
Month y/y
▲ +2%



A'MAX TCE
70k CBS-USG

MTD Average
~\$19,508/Day

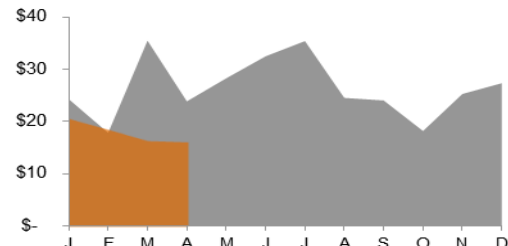
Month y/y
▼ -53%



P'MAX TCE
50k CBS-USG

MTD Average
~\$9,498/Day

Month y/y
▼ -66%



MR TCE
USG-UKC/
UKC-USAC/USG

MTD Average
~\$15,900/Day

Month y/y
▼ -33%

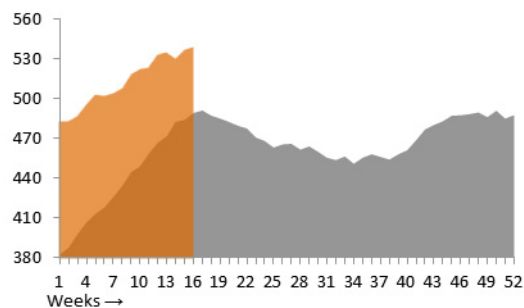
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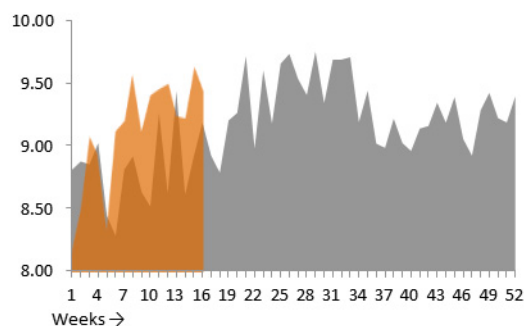


Spot Market	WS/LS	TCE ~\$/day	WS/LS	TCE ~\$/day
VLCC (13.0 Kts L/B)	15-Apr		22-Apr	
AG>USG 280k (TD1)	40.0	--	39.0	--
AG>USG/CBS>SPORE/AG	--	\$68,124	--	\$66,137
AG>SPORE 270k (TD2)	70.0	\$62,337	60.0	\$50,476
AG>CHINA 265k (TD3C)	70.0	\$55,999	60.0	\$44,588
WAFR>USG 260k (TD4)	75.0	\$65,055	67.5	\$57,138
WAFR>CHINA 260k (TD15)	70.0	\$56,832	62.5	\$48,911
CBS>SPORE 270k	\$5.35m	--	\$5.25m	--
SUEZMAX (13.0 Kts L/B)				
WAFR>USAC 130k	90.0	\$35,552	82.5	\$31,533
WAFR>UKC 130k (TD20)	93.75	\$33,487	82.5	\$27,656
BSEA>MED 140k (TD6)	85.0	\$36,744	86.5	\$37,816
CBS>USG 150k	75.0	\$32,288	80.0	\$36,021
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k (TD7)	110.0	\$37,183	117.5	\$43,294
AG>SPORE 70k (TD8)	115.0	\$29,603	112.5	\$28,377
BALT>UKC 100k (TD17)	82.5	\$34,673	95.0	\$43,635
CBS>USG 70k (TD9)	100.0	\$19,555	117.5	\$26,000
MED>MED 80k (TD19)	87.5	\$20,105	85.0	\$18,837
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k (TD21)	112.5	\$8,631	105.0	\$6,826
CONT>USG 55k (TD12)	110.0	\$16,732	97.5	\$13,344
ECU>USWC 50k	167.5	\$25,947	152.5	\$23,853
CPP (13.0 Kts L/B)				
UKC>USAC 37k (TC2)	117.5	\$12,092	115.0	\$11,627
USG>UKC 38k (TC14)	90.0	\$8,134	80.0	\$6,236
USG>UKC/UKC>USAC/USG	--	\$15,533	--	\$13,772
USG>POZOSCOLORADOS 38k	\$450k	\$16,741	\$400k	\$13,336
CBS>USAC 38k	120.0	\$13,422	115.0	\$12,434
AG>JPN 35k	104.0	\$8,776	110.0	\$9,313
AG>JPN 75k (TC1)	90.0	\$19,051	87.5	\$17,892
AG>JPN 55k (TC5)	90.0	\$12,518	100.0	\$14,322

Time Charter Market \$/day (theoretical)	1 Year	3 Years
VLCC	\$42,500	\$38,000
Suezmax	\$28,500	\$26,000
Aframax	\$25,500	\$23,000
Panamax	\$20,500	\$20,500
MR	\$17,250	\$16,500



US Crude Stocks (EIA) Last Week 538.6 MnBbls Week y/y ▲ +10.1%



US Gasoline Demand (EIA) Last week 9.444 MnB/d Week y/y ▲ +2.8%

2016 2015

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SPOT MARKET SUMMARY

VLCC

VLCC demand turned slower again this week following last week's surprisingly long list of fixtures in the Middle East market, where charterers covered more remaining April cargoes than expected. This week, a pause between the April program and a concerted progression into May Middle East cargoes saw few regional cargoes available with just 14 fixtures reported for the week, representing a 42% weekly drop. The West Africa market was no more inspiring; just 3 fixtures were reported there, off by one from last week's tally and 44% below the 52-week average. Compounding the impact of softer recent demand in the West Africa market, which implies fewer draws on the far east ballastlers which comprise Middle East positions, a prolonged lull in the Caribbean market has seen units freeing on the USG seek West Africa cargoes as an alternative.

The Venezuela crude situation remains highly uncertain. Low oil prices have remained a key challenge for Venezuela and have raised the specter of disruptions, though nothing concrete suggests a pullback of either production or supply. Venezuela's oil minister asserted following the collapsed talks at Doha aimed at supporting global oil prices that exports would rise on softer domestic demand. Nevertheless, recent spot market activity suggests otherwise and instead production rates may be curtailed by electric shortages created by low water levels at the Guri dam which forms over a third of the country's electricity generation. Reports indicate water levels of 243 meters last week while the cut-off point below which electric production must be halted is 240 meters. An expanding of electricity rationing has the potential to shut in crude production, limiting exports and boosting product imports to power generators. This would raise significant questions as to Venezuela's ability to maintain supply commitments while also raising the risk of political instability that could have a more pronounced impact on both global crude and tanker markets.

In the more immediate near-term, supply/demand fundamentals are more imbalanced, which theoretically implies negative pressure on rates during the upcoming week – but any rate erosion could be held off by uncertain Asia positions (where weather and operational delays could reduce availability) and the fact that chartering demand should expand next week due to a busier pace. To date, 32 cargoes have been covered through the first decade of May's Middle East program leaving an estimated 11 cargoes uncovered. Against this, there are 32 units showing as available while draws from West Africa are only expected to account for 4 of these, implying a surplus at 10 May of 17 units.

Middle East

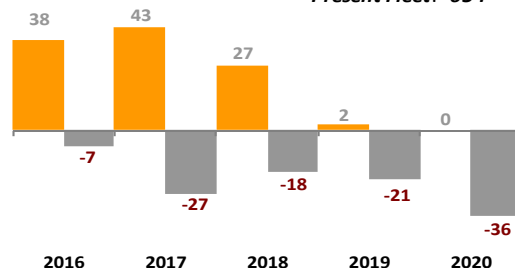
Rates to the Far East lost 10 points over the course of the week to a closing assessment of ws60. Corresponding TCEs were off 20% to ~\$44,588/day. Rates to the USG via the Cape concluded at ws39, off one point from a week ago having dipped earlier to as low as an assessed ws36.5 before paring losses as owners showed increasing resistance due to uncertain onward trade concerns. Triangulated Westbound trade earnings concluded the week at ~\$66,137/day, off 37% w/w.

Atlantic Basin

The West Africa market continued to trail the Middle East. Rates on the WAFR-FEAST route lost 7.5 points to conclude at an assessed ws62.5. Corresponding TCEs were off 14% to ~\$48,911/day. The Caribbean market remained low with limited cargoes being worked which saw rates on the CBS-SPORE route ease by \$100k to \$5.25m lump sum.

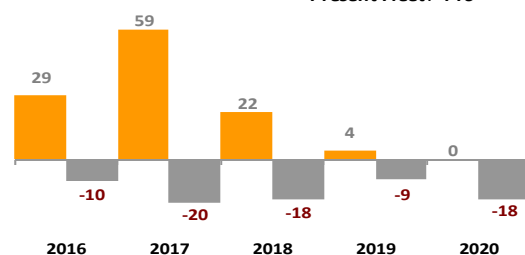
VLCC Projected Deliveries/Removals

Present Fleet: 654



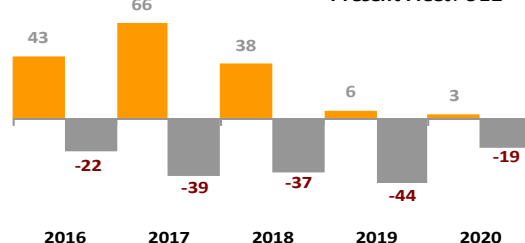
Suezmax Projected Deliveries/Removals

Present Fleet: 440



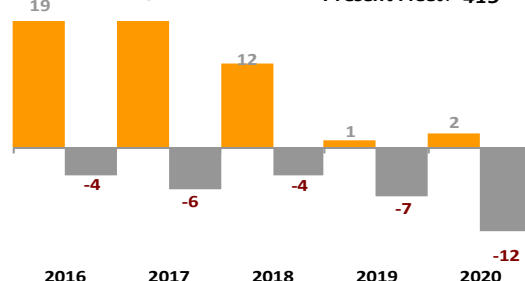
Aframax/LR2 Projected Deliveries/Removals

Present Fleet: 912



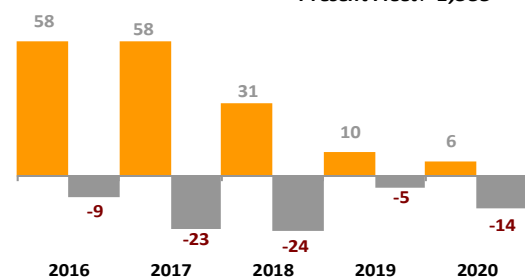
Panamax/LR1 Projected Deliveries/Removals

Present Fleet: 415



MR Projected Deliveries/Removals

Present Fleet: 1,385

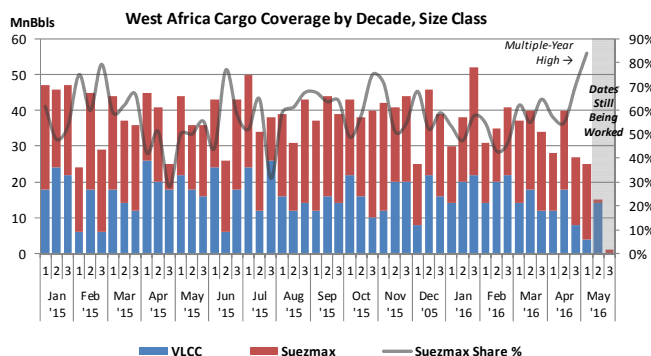


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Suezmax

The West Africa Suezmax market slowed this week as charterers paused after covering first-decade May cargoes and before progressing concertedly to the subsequent decade. The slowdown saw the weekly fixture tally drop 42% to 11. As a result, rates were softer and pared much of last week's demand-strength driven gains. The WAFR-UKC route lost 11.25 points to conclude at ws82.5. Though the market remains soft at the close of the week, we expect that a busier pace of demand during the upcoming week should limit further downside. Though VLCC coverage of the second decade of May's program is up markedly from the prior two decade date ranges, it remains low relative to recent coverage. This should continue to support demand for Suezmaxes and coincides with lower planned NW European refinery maintenance. Moreover, strong Suezmax demand gains materialized recently in the Middle East market where this week's fixtures were at a five-week high, which should limit ballasts into the West Africa market.

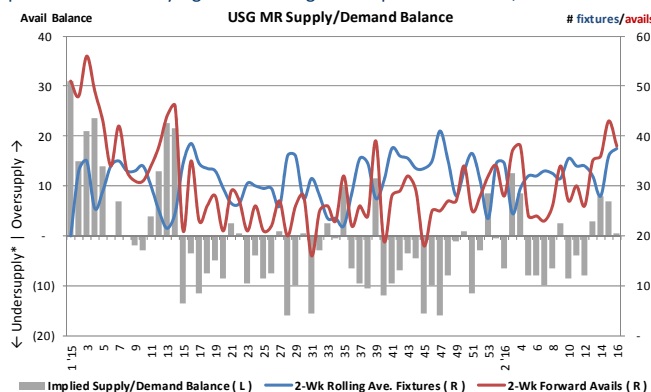


Aframax

The Caribbean Aframax market was quieter this week after last week's hectic pace. With the supply/demand positioning balanced, rates were largely unchanged early during the week before a modest increase of activity around midweek tipped the balance towards owners' favor. The accompanying strengthening of sentiment was bolstered by a prompt-replacement cargo for which only one suitable unit was available. This pushed rates on the CBS-USG route to ws117.5 – a 17.5-point weekly gain. Softer inquiry at the close of the week ahs limited prospects for further gains during the start of the upcoming week failing a surge in inquiry.

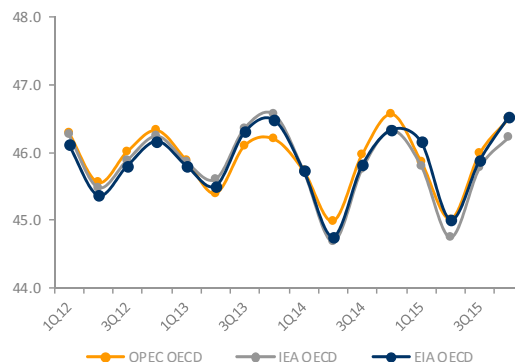
MR

The USG MR market remained active this week but sustained high availability levels saw rates observe a third consecutive week of losses. A total of 36 fixtures were reported (-8% w/w) with 10 bound for Europe (-20% w/w) and 19 bound for Latin America and the Caribbean (-14% w/w). Rates on the USG-UKC route shed 10 points to conclude at ws80 while those on the USG-POZOS route were off by \$50k to \$400k lump sum as worsening triangulated prospects made intraregional voyages more heavily competed for. The two-week forward view of available units shows 38 units available, a 12% weekly reduction. With supply/demand fundamentals having moderated from last week's strong disjuncting, we expect that absent any significant change in the pace of demand, rates should stabilize.

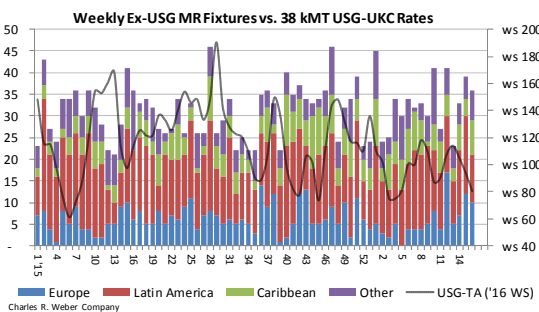
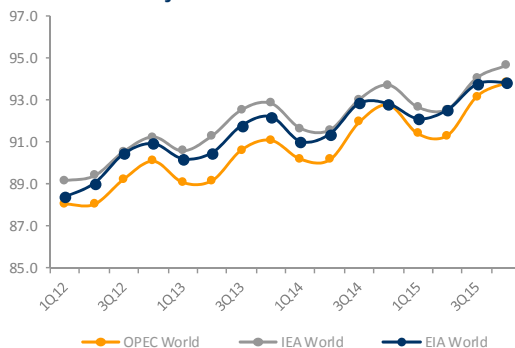


*Excludes hidden positions, subsequently shown positions, relets, etc.

Projected OECD Oil Demand



Projected World Oil Demand



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REPORTED TANKER SALES

"Isis" 116,093/07 – Universal Tsuneishi – DH
-Sold on private to undisclosed Far East buyers.

"Diamond Bliss" 107,605/09 – Tsuneishi Tadotsu – DH
-Sold for \$32.5m to undisclosed buyers.

"Jag Laxmi" 105,051/99 – Samsung Geoge – DH
-Sold for \$13.6m to Indonesian buyers (Soechi Lines).

"Phoenix Beta" 104,707/03 – Daewoo – DH
-Sold for \$20.5m to undisclosed Indian buyers.

"Nave Universe" 45,313/13 – Shina – DH – IMO III
"Nave Constellation" 45,281/13 – Shina – DH – IMO III
-Sold en bloc to US buyers (Navig8 Chemical Tankers) for delivery on conclusion of existing TCs to Navig8 in Q3.

"Sea Ruby" 17,541/10 – Samho – DH
-Sold for \$18.3m to undisclosed far east buyers.

"Patriotic" 13,078/08 – Sekwang – DH – IMO II/III
"Motivator" 13,065/07 – Sekwang – DH – IMO III
-Sold en bloc for \$25.0m to South Korean buyers.

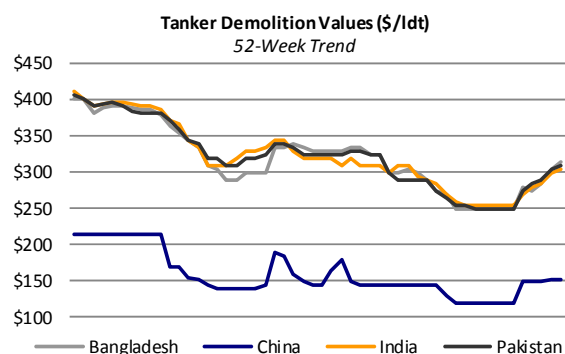
REPORTED TANKER DEMOLITION SALES

Pakistan

"Argosy" 41,035/91 – 7,931 LDT – DH
-Sold for \$305/ltd.

Unknown

"Sriracha Leader" 44,484/92 – 8,451 LDT – DH
-Sold for \$280/ltd.



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