

# WEBER WEEKLY TANKER REPORT



WEEK 30 – 28 July 2017

ISSUE 30 – 2017

## China's product export and import growth slows – but remains impressive

(Excerpted from the upcoming Weber China Products Report)

### China's big-four state refineries receive increased product export quotas

As fuel demand growth has taken a step back in China, the increased refinery output has squeezed margins and created an overhang of domestic products. The 28 independent refineries that have been granted import quotas since 2015 now account for 1/5 of the country's imports, and have certainly contributed to the glut, as well as spark debates about excess capacity. However, Sinopec, PetroChina, CNOOC and Sinochem have now received a 50% bump up in their Q3 export quotas from last year. The 9.06m tons of oil products export quotas is 172% more than Q2/17, and should help ease the domestic fuel glut as the majors are eager to export more. Chinese crude demand is expected to continue to rise, particularly on the back on new refineries set to ramp up operations, but should the domestic fuel glut linger and export quotas remain elusive, the inevitably lower refinery throughput could cap total Chinese import growth levels.

### Chinese Refined Product Trade

In 2016, Chinese refined product exports grew by 34% YoY, a dramatic increase by an established supplier within the Asian market. That rate of growth has not been sustained at the start of 2017 – but at 22.7%, YoY, the expansion remains impressive, as has the ability of exporters to make inroads into less familiar markets in South Asia, and North America.

### Regional distribution of exports

North East Asia (22%) and South East Asia (45%) are the dominant regional destinations for Chinese exports, accounting for two thirds of the total. However, these two destinations have experienced divergent recent fortunes. At the start of 2017, exports to South East Asia (+44% YoY) grew strongly underpinned by trade with Singapore, while North East Asia (+2% YoY) was relatively stagnant. Another important development at the start of the year is that second-tier destinations (each with around 5% market share) grew strongly e.g. North America +62% YoY, South Asia +31% YoY, and OECD Europe +37% YoY.

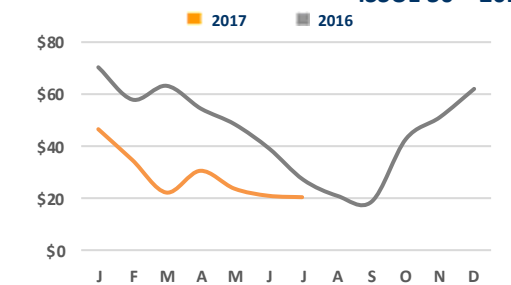
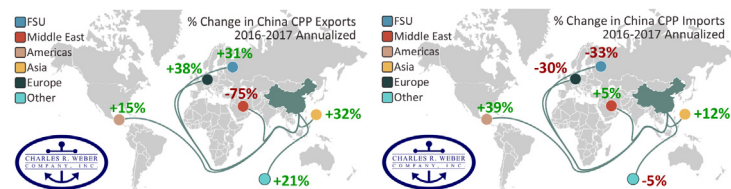
### Exports by refined product

- Gasoil/diesel (estimated 23.4 Mntonnes, 2017) has been the star export commodity in the refined product sector. Not only is it the largest refined product export, but since 2015 it has been the fastest growing, although growth has slowed to 52% YoY in 1Q17 from 115% YoY in 2016. Key growth trades in this sector are to Singapore, Philippines, Bangladesh and Australia.

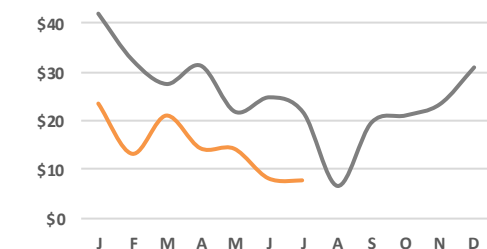
- Gasoline (estimated 13 Mntonnes) has also performed strongly. It is the third largest export commodity. As with gasoil/diesel, growth has slowed somewhat in 2017 (+34% YoY) compared with 2016 (+64% YoY). Singapore is by far the most important growth destination.

- Kerosene/jet fuel remains the second largest export commodity. Although it has grown much less quickly than gasoil/diesel and gasoline, refiners have been able to expand some long-haul trades e.g. United States, Netherlands and Canada.

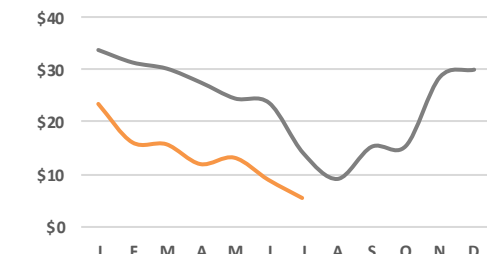
- Fuel oil was the most important refined product export in 2013, but its market share has been in decline since then. Exports are set to decline by a further 1% in 2017.



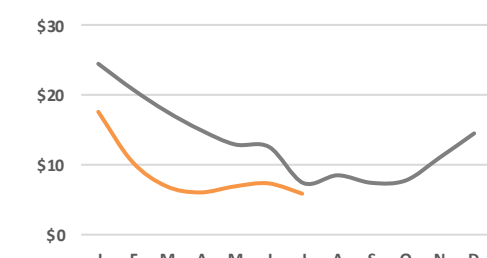
**VLCC Average Earnings** MTD Average ~\$20,698/Day Month y/y ▼ -25%



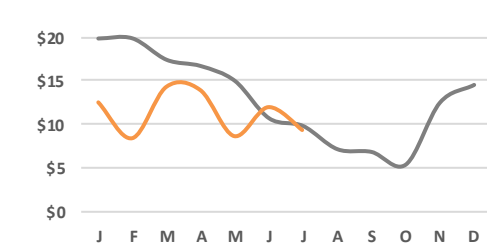
**Suezmax Average Earnings** MTD Average ~\$7,613/Day Month y/y ▼ -65%



**Aframax Average Earnings** MTD Average ~\$5,434/Day Month y/y ▼ -61%



**Panamax Average Earnings** MTD Average ~\$5,814/Day Month y/y ▼ -22%



**MR Average Earnings** MTD Average ~\$9,236/Day Month y/y ▼ -6%

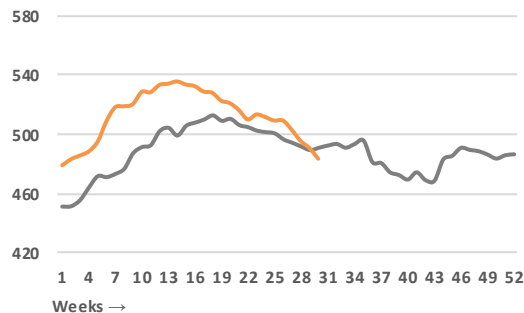
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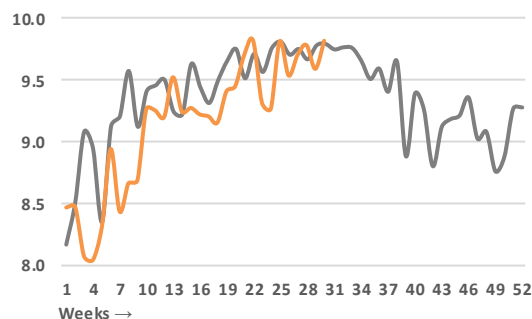
Spot Market	WS/LS	TCE	WS/LS	TCE
<b>VLCC</b> (13.0 Kts L/B)		<b>21-Jul</b>		<b>28-Jul</b>
AG>USG 280k	24.5	\$(614)	25.0	\$(906)
AG>USG/CBS>SPORE/AG	--	\$21,656	--	\$19,400
AG>SPORE 270k	52.0	\$18,873	50.0	\$16,527
AG>JPN 265k	50.0	\$19,748	47.5	\$16,907
AG>CHINA 270k	52.0	\$18,487	50.0	\$16,064
WAFR>CHINA 260k	54.0	\$21,521	51.0	\$18,460
CBS>SPORE 270k	\$3.20m	--	\$3.00m	--
<i>VLCC Average Earnings</i>		<i>\$19,907</i>		<i>\$17,269</i>
<b>SUEZMAX</b> (13.0 Kts L/B)				
WAFR>USG 130k	60.0	\$8,948	62.5	\$9,503
WAFR>UKC 130k	65.0	\$6,222	67.5	\$6,723
BSEA>MED 140k	72.5	\$4,321	75.0	\$5,325
CBS>USG 150k	65.0	\$11,934	60.0	\$8,368
<i>Suezmax Average Earnings</i>		<i>\$7,842</i>		<i>\$8,120</i>
<b>AFRAMAX</b> (13.0 Kts L/B)				
N.SEA>UKC 80k	92.5	\$5,125	87.5	\$624
AG>SPORE 70k	90.0	\$7,049	90.0	\$6,565
BALT>UKC 100k	67.5	\$6,807	60.0	\$2,306
CBS>USG 70k	102.5	\$7,235	100.0	\$6,100
USG>UKC 70k	75.0	--	72.5	--
CBS>USG/USG>UKC/NSEA	--	\$11,925	--	\$10,457
MED>MED 80k	92.5	\$7,175	85.0	\$4,209
<i>Aframax Average Earnings</i>		<i>\$7,758</i>		<i>\$5,071</i>
<b>PANAMAX</b> (13.0 Kts L/B)				
CBS>USG 50k	112.5	\$833	112.5	\$510
CONT>USG 55k	102.5	\$5,266	105.0	\$5,428
ECU>USWC 50k	145.0	\$10,288	145.0	\$10,384
<i>Panamax Average Earnings</i>		<i>\$5,201</i>		<i>\$5,147</i>
<b>LR2</b> (13.0 Kts L/B)				
AG>JPN 75k	104.5	\$11,065	116.5	\$13,322
AG>UKC 80k	\$1.35m	\$5,490	\$1.38m	\$5,583
MED>JPN 80k	\$1.85m	\$11,812	\$1.71m	\$9,336
AG>UKC/MED>JPN/AG	--	\$14,889	--	\$13,341
<i>LR2 Average Earnings</i>		<i>\$12,338</i>		<i>\$13,328</i>
<b>LR1</b> (13.0 Kts L/B)				
AG>JPN 55k	112.5	\$7,620	116.5	\$7,861
AG>UKC 65k	\$1.14m	\$4,480	\$1.17m	\$4,848
UKC>WAFR 60k	123.0	\$5,198	109.0	\$2,607
AG>UKC/UKC>WAFR/AG	--	\$10,873	--	\$9,680
<i>LR1 Average Earnings</i>		<i>\$9,246</i>		<i>\$8,770</i>
<b>MR</b> (13.0 Kts L/B)				
UKC>USAC 37k	120.0	\$4,745	115.0	\$3,706
USG>UKC 38k	95.0	\$2,053	80.0	\$(435)
USG>UKC/UKC>USAC/USG	--	\$7,763	--	\$5,309
USG>CBS (Pozos Colorados) 38k	\$375k	\$9,020	\$325k	\$5,385
USG>CHILE (Coronel) 38k	\$1.10m	\$13,987	\$975k	\$10,093
CBS>USAC 38k	132.5	\$8,732	120.0	\$6,474
<i>MR Average Earnings</i>		<i>\$8,463</i>		<i>\$6,651</i>
<b>Handy</b> (13.0 Kts L/B)				
MED>EMED 30k	125.0	\$6,406	121.5	\$5,399
SPORE>JPN 30K	153.0	\$6,922	150.0	\$6,316
<i>Handy Average Earnings</i>		<i>\$6,736</i>		<i>\$5,985</i>

Average Earnings weighted proportionally to regional activity share of each size class' worldwide market (including routes not necessarily shown above).

Time Charter Market \$/day (theoretical)	1 Year	3 Years
<b>VLCC</b>	\$26,000	\$29,000
<b>Suezmax</b>	\$17,000	\$18,500
<b>Aframax</b>	\$15,000	\$17,000
<b>Panamax</b>	\$13,000	\$14,000
<b>MR</b>	\$13,500	\$14,500
<b>Handy</b>	\$12,000	\$13,000



**US Crude Stocks (EIA)** Last Week 483.4 MnBbls Week y/y ▼ -1.4%



**US Gasoline Demand (EIA)** Last Week 9.821 MnB/d Week y/y ▲ +0.2%

■ 2017 ■ 2016

# WEBER WEEKLY TANKER REPORT



## SPOT MARKET SUMMARY

### VLCC

Considerable fresh demand strength in both the Middle East and West Africa markets this week halted a slide in rates and allowed for modest gains before a slow end to the week saw rates conclude the week at a loss. In the Middle East market, 36 fixtures materialized, representing a 50% w/w gain and a five-week high. Moreover, the number of COA-covered fixtures accounted for few of these with the number of fixtures net of COAs standing at a YTD high, implying a very active pace. Elsewhere, the West Africa market observed 12 reported fixtures – the most in nearly four months and a 140% w/w gain. On a combined basis, Middle East and West Africa demand was at its highest in nine months. Structurally, the implications are negligible as earlier recent demand has been slow and overall vessel availability remains high. At the conclusion of the first decade of the August Middle East program, surplus availability stood at 21 units, which was on par with the surplus seen at the conclusion of the July program. The first-decade August program itself yielded the fewest cargoes since May. West Africa draws, however, have modestly boosted absorption of available tonnage. With 56 units available through the end of August's second decade through which there are 29 remaining cargoes and nine likely draws to service West Africa demand, implying a surplus of 18 units. In terms of forward rate progression, the small decline in availability is unlikely to do much to support a strengthening of rates.

### Middle East

Rates to the Far East lost 2.5 points to conclude at ws47.5 – with corresponding TCEs off 14% to ~\$16,907/day. Rates to the USG via the Cape added 0.5 point to conclude at ws25. Triangulated Westbound trade earnings declined by 10% to ~\$19,400/day, due to higher bunker prices and lower rates for onward trades from the Caribbean.

### Atlantic Basin

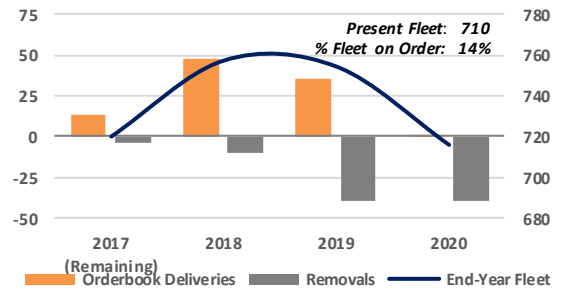
Rates in the West Africa followed those in the Middle East. The WAFR-FEAST route lost 3 points to conclude at ws51. Corresponding TCEs were off by 14% to ~\$18,460/day.

Demand in the Caribbean market remained slow. The CBS-SPORE route held shed \$200k to conclude at \$3.0m lump sum, accordingly.

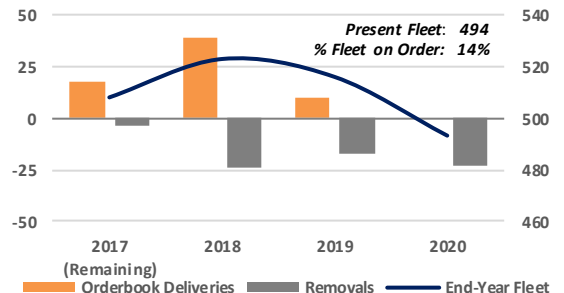
### Suezmax

The West Africa Suezmax market was modestly stronger this week on a rise in regional fixture activity – together with stronger recent demand in alternative markets, which has kept inbound tonnage muted. There were ten fixtures this week, representing a 67% w/w gain (though the tally was slightly below the YTD average). Rates on the WAFR-UKC route added five points to conclude at ws67.5. Following a robust July Suezmax program when the spot-covered balance covered by the class was at a 16-month high, a reversal of fortunes could be in store. In addition to ongoing issues in Nigeria, where force majeure on Bonny Light was extended late this week, fixture data shows a greater share of late-August cargoes covered by VLCCs. Together, these imply a weakening of Suezmax demand in the coming weeks while availability is poised to rise as units previously employed return to position lists and NB tonnage continues to boost global fleet availability. During the upcoming week, rates could commence stable from present levels but a weakening thereafter appears likely. Further forward, rates could prove markedly weaker as the market progresses further into what is historically a weak Q3 market.

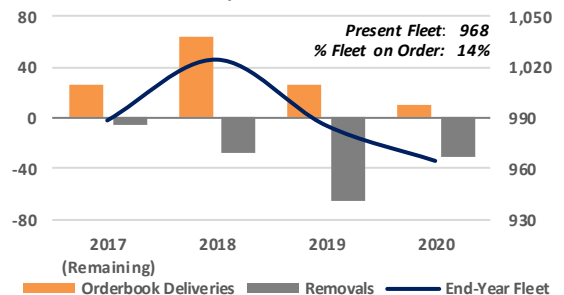
VLCC Fleet Growth



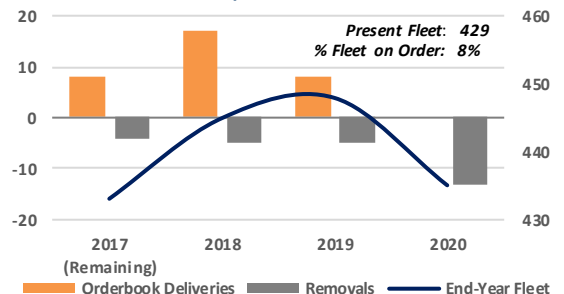
Suezmax Fleet Growth



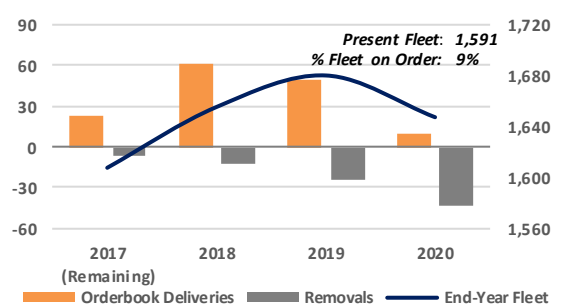
Aframax/LR2 Fleet Growth



Panamax/LR1 Fleet Growth



MR Fleet Growth



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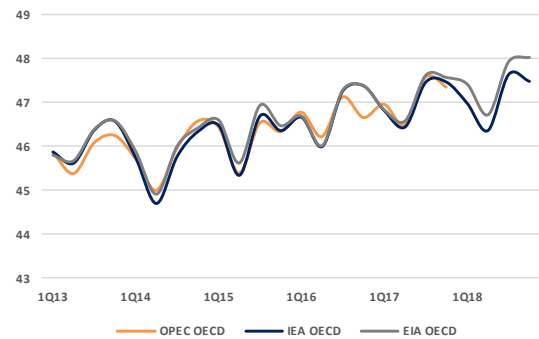
## Aframax

The Caribbean Aframax market was volatile this week as early rate erosion was temporarily halted by a strong demand environment that prompted fresh gains at mid-week before the market returned to weakness to conclude the week with losses. A total of 18 regional fixtures were reported; although representing a 14% w/w decline, the tally remained more the YTD average. Rates on the CBS-USG route concluded off by 2.5 points for the week at ws100, having risen to ws105 at mid-week. Tonnage remains ample to meet demand and with further units likely to appear on position lists after the weekend and sentiment elsewhere in the Atlantic basin souring, rates could be set for more substantial losses.

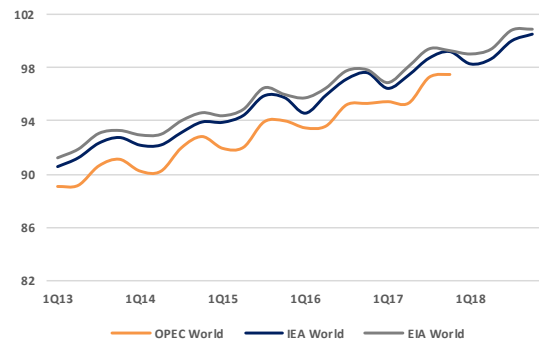
## MR

Rates in the USG MR market extended their decline, touching two-month lows on rising available tonnage, compounded by some vessels put on subjects last week failing early this week and reappearing on position lists – as well as souring overall sentiment ahead of a traditionally sluggish August market. Fixture activity this week was stronger compared with last week's revised tally that accounts for failed fixtures (though this week's tally was on par with last week's provisional tally). This week's tally of 36 represents a gain of 9% from last week's revised figures. Of these, seven were bound for points in Europe (+1, w/w), 21 were bound for points in Latin America and the Caribbean (unchanged) and the remainder were bound for alternative destinations or are yet to be determined. On the supply side, the two-week forward view of available tonnage shows a 17% w/w gain to 48 units (a two-week high). As compared with the four-week moving average of fixtures, availability is at a six-month high. Rates on the USG-UKC route shed 15 points to conclude at ws80. Those on the USG-CBS route shed \$50k to conclude at \$325k lump sum while the USG-CHILE route shed \$125k to conclude at \$975k lump sum. Further availability gains over the weekend will likely offer charterers sufficient options to support further rate erosion; any losses, however, should be relatively modest as rates are approaching YTD lows on some routes. Amid the traditional summer downturn, rates on long-haul round trip routes are most vulnerable to losses given their higher TCEs compared with shorter-haul routes as owners will struggle to argue an opportunity cost associated with longer voyages. Moreover, with a recent surge in cargo flows into Europe, ex-UKC rates are likely to extend this week's losses, which could lead to some resistance to further substantial erosion on the USG-UKC route.

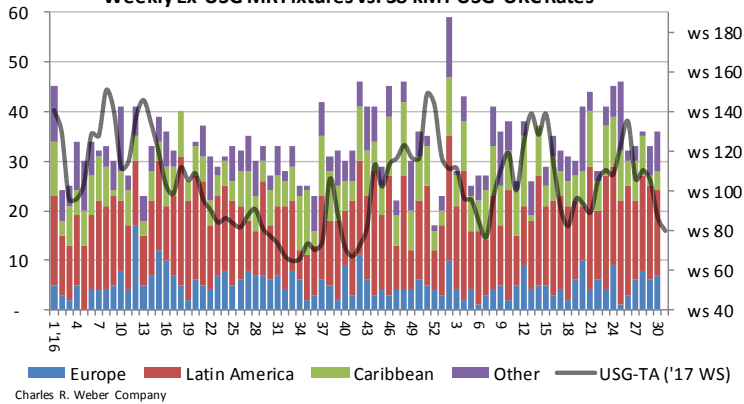
Projected OECD Oil Demand (Mnb/d)



Projected World Oil Demand (Mnb/d)



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



# WEBER WEEKLY TANKER REPORT



## REPORTED TANKER SALES

"Tsurusaki" – 300,838/02 – IHI Kure – DH  
-Sold on private terms to Thai buyers (Nathalin).

"Gener8 Horn" – 159,475/99 – Daewoo – DH  
"Gener8 Phoenix" – 159,475/99 – Daewoo – DH  
-Sold en bloc for \$20.4m to undisclosed buyers. Units due for DD in September and November, respectively.

**Guangzhou 17121001** – 48,000/19 – CSSC Guangzhou – DH  
**Guangzhou 17121002** – 48,000/19 – CSSC Guangzhou – DH  
**Guangzhou 17121003** – 48,000/19 – CSSC Guangzhou – DH  
**Guangzhou NB TBN** – 48,000/19 – CSSC Guangzhou – DH  
-Sold on private terms to Danish buyers (Torm).

"Tour Margaux" – 8,674/92 – YVC Ysselwerft – DH – IMO II  
-Sold on private terms to undisclosed Turkish buyers.

"Tebra" – 8,416/90 – Asakawa – DH – IMO II/III  
-Sold for \$2.35m to Hong Kong buyers (Yihui Shipping).

"Sophia III" – 6,388/09 – Zhekiang Sopo – DH – IMO III  
-Sold for \$3.0m to Singaporean buyers (Sameer Ships Pte Ltd).

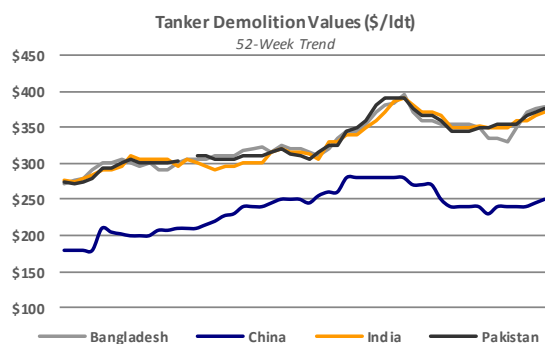
## REPORTED TANKER DEMOLITION SALES

### Bangladesh

"Genie" – 93,891/93 – 14,017 LDT – DH  
-Sold for \$380/ldt. Unit converted to DH 11/2005.

### Unknown

"God's Grace" – 46,803/94 – 9,042 LDT – DH  
-Sold on private terms.



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