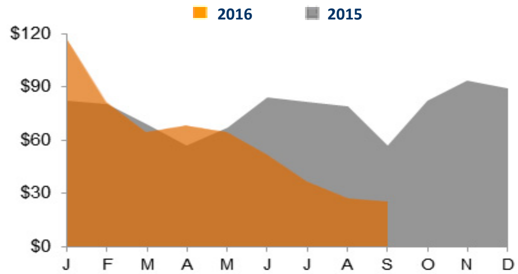
# WEBER WEEKLY TANKER REPORT

CHARLES R. WEBER COMPANY, INC.

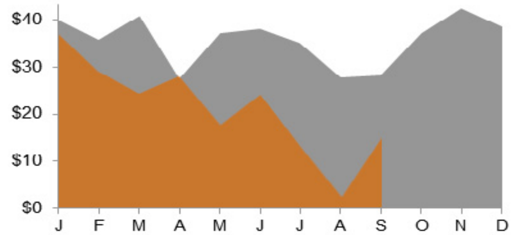
**WEEK 38 – 23 SEPTEMBER 2016** **ISSUE 38 – 2016**

| Spot Market | WS/LS | TCE ~$/day | WS/LS | TCE ~$/day |
|---|---|---|---|---|
| **VLCC** (13.0 Kts L/B) | **16-Sep** | | **23-Sep** | |
| AG>USG 280k (TD1) | 22.5 | $6,396 | 22.5 | $6,017 |
| AG>USG/CBS>SPORE/AG | -- | $25,107 | -- | $26,101 |
| AG>SPORE 270k (TD2) | 34.0 | $17,814 | 33.0 | $16,168 |
| AG>CHINA 265k (TD3C) | 34.0 | $13,251 | 33.0 | $11,642 |
| WAFR>USG 260k (TD4) | 42.5 | $27,669 | 45.0 | $29,891 |
| WAFR>CHINA 260k (TD15) | 42.5 | $24,590 | 42.5 | $24,228 |
| CBS>SPORE 270k | $2.85m | -- | $3.00m | -- |
| **SUEZMAX** (13.0 Kts L/B) | | | | |
| WAFR>USAC 130k | 62.5 | $18,509 | 97.5 | $36,497 |
| WAFR>UKC 130k (TD20) | 65.0 | $16,124 | 110.0 | $38,866 |
| BSEA>MED 140k (TD6) | 65.0 | $14,761 | 100.0 | $43,554 |
| CBS>USG 150k | 55.0 | $14,761 | 90.0 | $40,814 |
| **AFRAMAX** (13.0 Kts L/B) | | | | |
| N.SEA>UKC 80k (TD7) | 92.5 | $22,164 | 90.0 | $19,356 |
| AG>SPORE 70k (TD8) | 60.0 | $7,284 | 65.0 | $8,483 |
| BALT>UKC 100k (TD17) | 65.0 | $18,527 | 67.5 | $19,878 |
| CBS>USG 70k (TD9) | 87.5 | $12,703 | 85.0 | $11,558 |
| MED>MED 80k (TD19) | 92.5 | $15,664 | 105.0 | $20,635 |
| **PANAMAX** (13.0 Kts L/B) | | | | |
| CBS>USG 50k (TD21) | 85.0 | $442 | 82.5 | $(350) |
| CONT>USG 55k (TD12) | 85.0 | $8,134 | 85.0 | $7,911 |
| ECU>USWC 50k | 127.5 | $15,566 | 125.0 | $14,657 |
| **CPP** (13.0 Kts L/B) | | | | |
| UKC>USAC 37k (TC2) | 70.0 | $1,559 | 80.0 | $3,303 |
| USG>UKC 38k (TC14) | 80.0 | $4,781 | 75.0 | $3,666 |
| USG>UKC/UKC>USAC/USG | -- | $7,674 | -- | $7,813 |
| USG>CBS (Pozos) 38k | $500k | $18,782 | $425k | $13,563 |
| USG>CHILE (Coronel) 38k | $1.08m | $14,530 | $1.05m | $13,649 |
| CBS>USAC 38k | 100.0 | $8,193 | 100.0 | $8,034 |
| AG>JPN 35k | 92.5 | $5,149 | 95.0 | $5,270 |
| AG>JPN 75k (TC1) | 75.0 | $11,799 | 65.0 | $8,489 |
| AG>JPN 55k (TC5) | 85.0 | $8,964 | 80.0 | $7,571 |

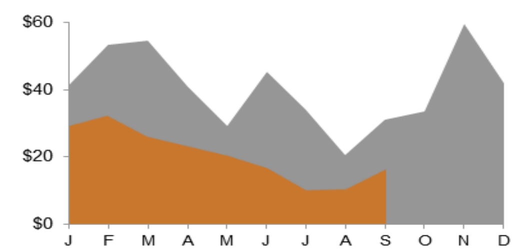
| **Time Charter Market** *$/day (theoretical)* | 1 Year | 3 Years |
|---|---|---|
| **VLCC** | $29,000 | $27,000 |
| **Suezmax** | $19,000 | $19,000 |
| **Aframax** | $17,000 | $17,000 |
| **Panamax** | $14,000 | $16,000 |
| **MR** | $13,000 | $14,000 |



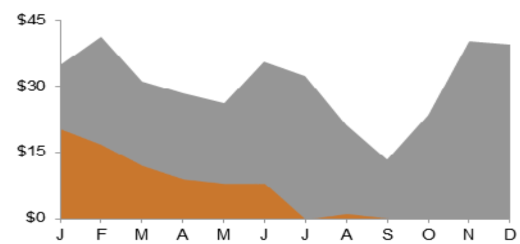

**VLCC TCE AG-USG / CBS-SPORE/AG[1]** — **MTD Average ~$25,383/Day** — **Month y/y ▼ -56%**



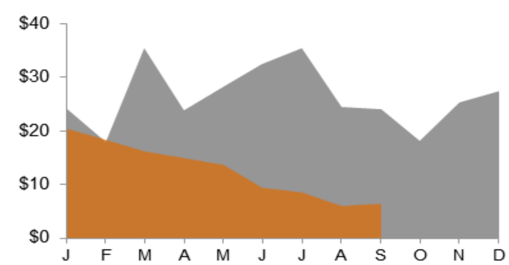

**S'MAX TCE 130k WAF-UKC** — **MTD Average ~$14,925/Day** — **Month y/y ▼ -47%**




**A'MAX TCE 70k CBS-USG** — **MTD Average ~$15,316/Day** — **Month y/y ▼ -51%**




**P'MAX TCE 50k CBS-USG** — **MTD Average ~$171 /Day** — **Month y/y ▼ -99%**




**MR TCE USG-UKC/ UKC-USAC/USG** — **MTD Average ~$6,473/Day** — **Month y/y ▼ -73%**

## SPOT MARKET SUMMARY

### VLCC

VLCC rates were largely unchanged this week despite a modest demand gain in the Middle East market and a second-consecutive week of strong demand in alternative regional markets as sentiment appears to be lagging behind improving fundamentals as the market continues to work through surplus tonnage. In the Middle East, the week's tally rose by 44% w/w to 23 fixtures while the West Africa market saw demand hold unchanged w/w at 11 fixtures. Rates on the benchmark AG-CHINA route were unchanged at ws33.

We note that fundamentals appear to increasingly suggest rate upside in the near-term and directional strength during Q4. Firstly, demand in the West Africa market has surged as October exports have been boosted markedly by both strong reductions of Nigeria's supply under force majeure and Saudi OSPs which disfavor Asian buyers and push them into the West Africa market. On a four-week moving average basis, the tally of West Africa fixtures now stands at its highest level in ten months; further illustrating the demand surge, the two-week moving average of regional fixtures stands at its highest level in over two years. We note that West Africa draws on Middle East tonnage remain a key element to any market improvements and on this basis we view the recent demand figures as setting up the market for stronger rates once charterers progress into later October and November dates in the Middle East. Meanwhile, demand from Saudi Arabia is poised to remain strong through Q4 (failing any OPEC agreement to curb supply, which we view as unlikely) and is likely to be boosted by emerging Saudi refinery maintenance plans for Q4 which will take a large volume of refining capacity offline and leave more crude production for exports. Additionally, the number of VLCC cargoes from Iraq's Basrah terminal are poised for a 9% expansion during October and are likely to remain elevated through at least the remainder of the year. Meanwhile, improving supply/demand fundamentals for Suezmaxes remove the smaller class as a lower-freight stalking horse. Additionally, the rapid surge of Suezmax rates in the Atlantic basin (and with Suezmax demand in the Middle East market now having strengthened with this week's fixture tally for the class representing a one-year high) has already seen at least one set of Suezmax stems merged into a VLCC cargo to capitalize on the larger class' more attractive $/mt freights while in the Middle East at least three VLCCs were fixed this week for part-loadings due to the larger class' more attractive gross freights. Prospects remain for further such occurrences where specific requirements permit. This trend could help to accelerate the improvement of VLCC rates by augmenting demand ahead of any structural improvements during Q4.

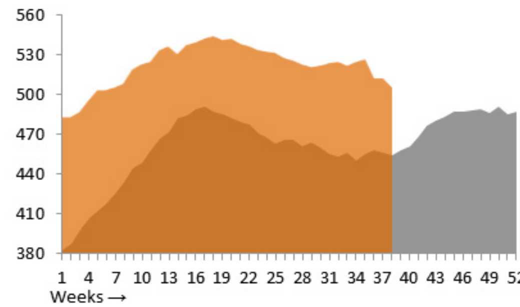
Already, the supply/demand improvement is evident in declining surplus Middle East tonnage. With 24 Middle East cargoes covered in October's first decade, a further 16 are anticipated against which there are 30 units available. Once accounting for likely draws thereof to service West Africa demand (using a more conservative figure than the high levels observed over the past two weeks), we anticipate that Middle East surplus tonnage will stand at just 6 units. This compares with 17 at the end of September's loading program and is more certain than our estimate a week ago, as more previously "hidden" units are now included.

Middle East

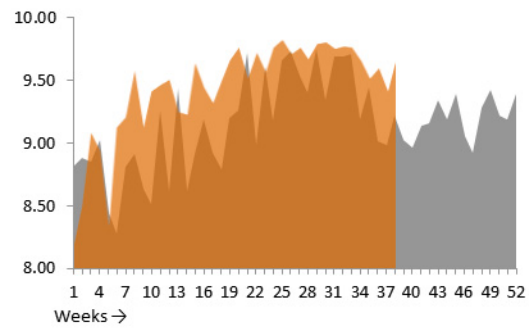
Rates to the Far East concluded unchanged from a week ago at ws33. Corresponding TCEs eased 4% to conclude at ~$15,080/day. Rates to the USG via the Cape were also unchanged at the ws22.5 level. Triangulated Westbound trade earnings rose by 4% to a closing assessment of ~$26,242/day.

Atlantic Basin

Rates in the Atlantic basin eased modestly with the WAFR-FEAST route shedding 2.5 points to conclude at ws42.5. The Caribbean market continued firming on steady regional demand and a tightening Atlantic basin. The CBS-SPORE route extended last week's gains, adding $150k to conclude at $3.0m lump sum.




| US Crude Stocks (EIA) | Last Week 504.6 MnBbls | Week y/y ▲ +11.1% |
|---|---|---|




| US Gasoline Demand (EIA) | Last week 9.650 MnB/d | Week y/y ▲ +4.7% |
|---|---|---|

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## Suezmax

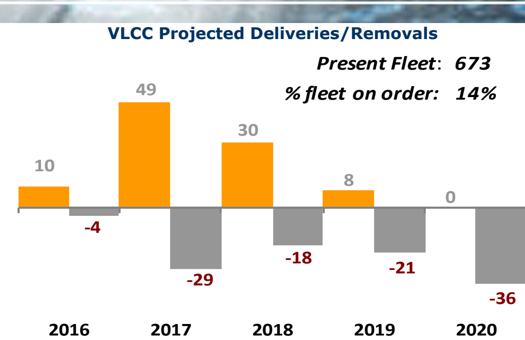
Suezmax rates continued to rally this week on rising West African crude supply and elevated demand in the Mediterranean/Black Sea, Middle East and Caribbean markets.

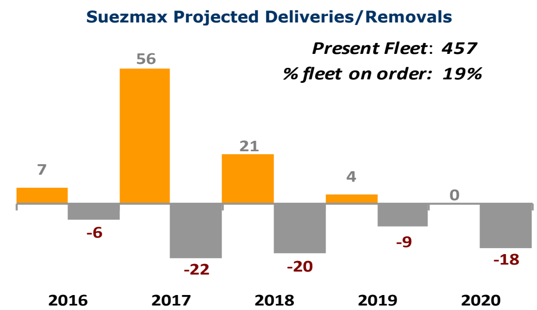
In the West Africa market, though sentiment had been boosted by the promise of greater cargo availability during October after the Forcados, Bonny Light and Qua Iboe grades were anticipated to resume (collectively representing 85% of exports recently under force majeure) in October. However, we note that supply/demand fundamentals improved in advance of the returning aforementioned crude grades. During the September loading program, VLCC coverage levels were at their lowest in 15 months as purchases from Asian buyers that favor the larger class were put off by the unsupportive pricing differentials between unaffected West African grades and benchmark European and Middle East prices. This boosted September Suezmax demand with September Suezmax volumes rising by 58%, m/m. When charterers progressed into the larger October program, tighter Suezmax availability levels allowed owners to command substantial rate gains. Rates on the WAFR-UKC route surged 45 points to conclude at ws110 – with corresponding TCEs observing a whopping 141% gain to ~$38,866/day.

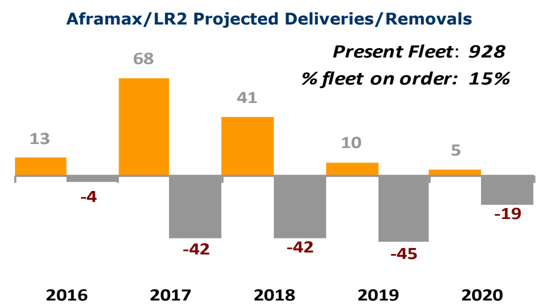
While the market remains firm and tight availability suggests that rates will continue to observe upside early during the upcoming week, rates gains could soon peak as demand may not shape up as owners anticipate. We note that whereas the class benefitted from low VLCC coverage of the September program, VLCC coverage of the October program to date has been very high. With charterers having only worked first and second-decade VLCC cargoes thus far, the tally of VLCC fixtures for October loading have already risen by 50% m/m. The surge in VLCC coverage of the region follows both normalizing price differentials and a Saudi OSP hike for Asian buyers. If VLCCs demand levels hold through during the third decade of the October program, then even once factoring for the Nigerian supply boost, Suezmaxes will struggle to return to September demand levels. Additionally, charterers have already begun merging cargoes to utilize cheaper $/mt freights on VLCCs, which could further reduce Suezmax cargo availability. This said, a return to the moribund rate environment which pervaded most of Q3 is highly unlikely during Q4.

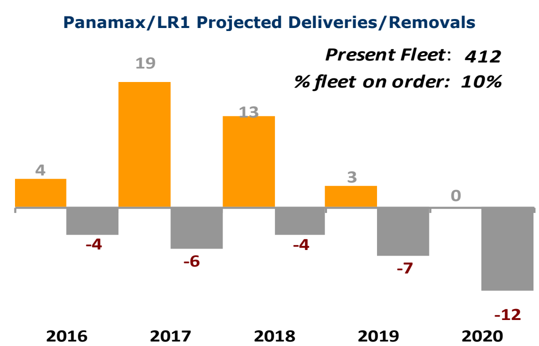
Elsewhere, Middle East Suezmax demand this week was at a three-month high of 15 fixtures and the four-week moving average of fixtures is also at a three-month high. With Middle East cargoes generally covered on Suezmax units ballasting from the Far East to West Africa, the implication is that forward availability in the West Africa market will be impacted and help to limit any rate downside which stems from slower October Suezmax demand in the West Africa market. Rates in the Middle East market were largely unchanged, with only a 2.5-point gain observed on the AG-USG route to 140 x ws37.5 due to cheaper gross freights on regional VLCCs which capped Suezmax gains (and a number of VLCCs were fixed to carry single Suezmax stems this week). However, with VLCCs appearing poised to observe their own round of upside, rate gains here are likely to materialize in tandem. Also of note, those owners willing to trade units into Iran are increasingly resistant to past-done rates which could see rates for Kharg Island loadings rise markedly.

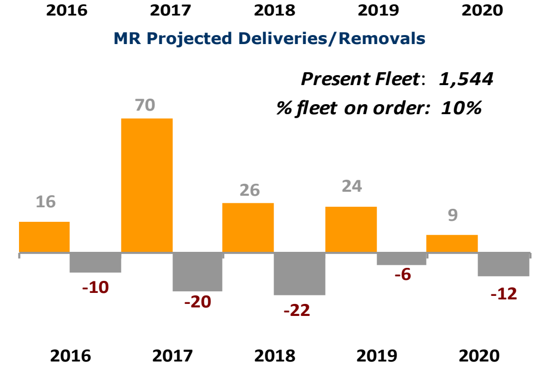
Meanwhile, the Mediterranean and Black Sea markets were stronger this week on rising cargo availability and stronger competition with the West Africa market for units. The BSEA-MED route gained 35 points to conclude at ws100. Additionally, the Caribbean market was busy with a number of cargoes for both medium and long-haul voyages. This saw rates on the CBS-USG route jumping 35 points to conclude at ws90.



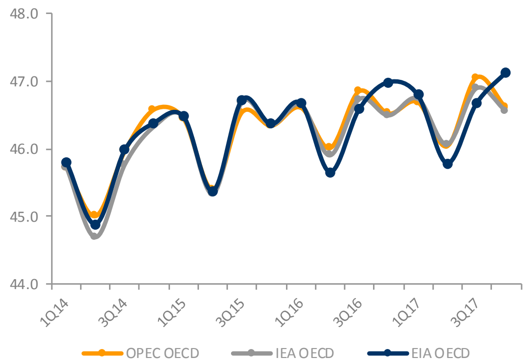



## Aframax

Following a strong start, the Caribbean Aframax market was lackluster with rates easing over the course of the week. A total of 11 fixtures were reported, representing a 42% w/w decline. This led rates on the CBS-USG route to shed 2.5 points to conclude at ws85. Whilst the list of available tonnage remains ample and in excess of recent demand, which could weigh further negatively on rates early during the upcoming week, the rapid surge of regional Suezmax rates could start to positively impact Aframaxes. We note that Suezmax CBS-USG $/mt freights are now at a 11% premium to those on Aframaxes, whereas a week ago the larger class offered a 32% discount.

Further forward, we note that fresh Iraqi exports via Ceyhan and rising Libyan crude production and the reopening of Ras Lanuf raise prospects for healthier (if uncertain) demand in the Mediterranean market. Moreover, as with the Caribbean market, surging Suezmax rates in traditionally Aframax markets should push more cargo onto Aframaxes than has been the case in recent weeks, which should help to restore balance for the Aframax class ahead of the traditionally stronger winter market.

**Projected OECD Oil Demand**

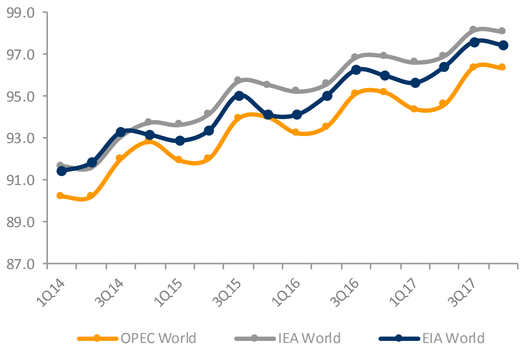


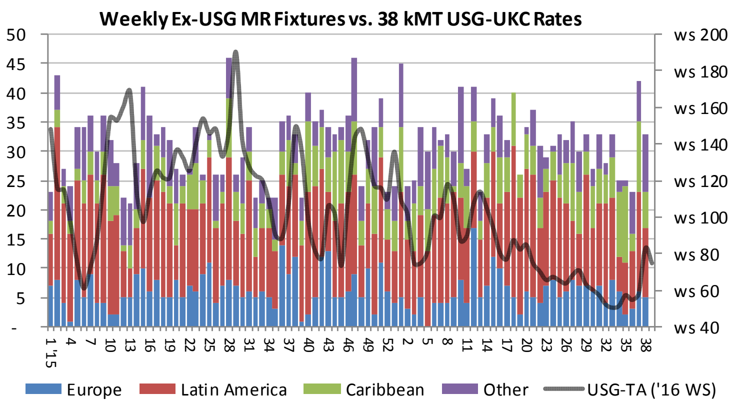

## MR

Demand in the USG MR market moderated this week from last week's more hectic pace on the resumption of throughputs in Colonial Pipeline's gasoline line. During the line's closure, gasoline volumes joined distillates on the system's distillate line, leaving both grades disadvantaged in PADD 3 with corresponding negative regional product price pressure incentivizing greater exports. A total of 33 fixtures were reported, representing a 21% w/w decline from a revised tally of last week's fixtures. At the start of the week, when the line was still shuttered, demand remained elevated which saw rates extend last week's gains; however, after the line's resumption appeared imminent and with the list of available positions having expanded, rates ultimately clawed back some of the recently observed upside. The USG-UKC route concluded off by five points from a week ago, having risen to ws90 on an assessed basis earlier during the week. The USG-CBS route shed $75k over the course of the week to a closing assessment of $425k lump sum, having risen into the mid/high-$500s earlier.

The two-week forward view of MR availability shows 48 units, or a 23% w/w jump. The higher availability levels are likely to continue to weigh negatively on rates during the upcoming week, particularly as additional units are expected to appear on position lists by the start of the week. We expect that rates will extend losses in the near-term, though we remain optimistic that as the market progresses into Q4, rates will receive support from high global refinery maintenance levels and the relative export length afforded by high USG distillate inventories, which should support ex-USG rates by early October while further forward, fundamentals should benefit from the anticipated global product inventory draws accompanying the above-normal autumn maintenance programs.

**Projected World Oil Demand**



## REPORTED TANKER SALES

**"Sriracha Trader"** 47,629/95 – Onomichi – DH
*-Sold for $3.40m to undisclosed Chinese buyers. Unit out of class.*

**"Nord Observer"** 47,344/07 – Onomichi – DH
*-Sold for $14.3m to Greek buyers (Product Shipping & Trading).*

**"BLS Liwa"** 47,128/08 – Hyundai Mipo – DH – IMO III
**"BLS Ruwais"** 47,128/08 – Hyundai Mipo – DH – IMO III
*-Sold en bloc for $38.0m to undisclosed buyers.*

**"Torea"** 37,069/04 – ShinA – DH – IMO III
*-Sold for $12.0m to undisclosed Middle East buyers.*

**"Navig8 Spark"** 25,000/16 – Kitanihon – DH
**"Navig8 Stellar"** 25,000/16 – Kitanihon – DH
*-Sold for $37.0m each to Japanese buyers (SBI Holdings) with 11-Year BBBs with buyback options. Units delivery from yard 09/2016 and 10/2016, respectively.*

**"Lady Cordelia"** 13,153/08 – Samho – DH – IMO II
*-Sold for $12.0m to undisclosed South Korean buyers.*

**"Erowati"** 6,688/99 – Tachibana – DH – IMO II/III
*-Sold on private terms to undisclosed buyers.*

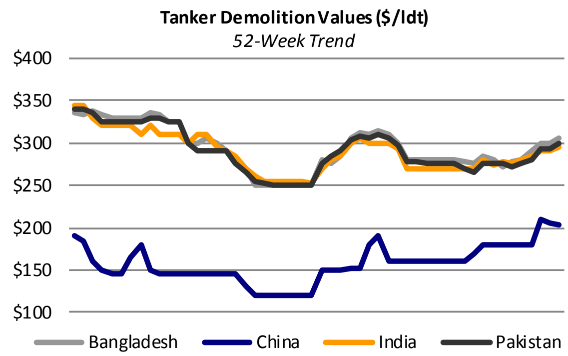
## REPORTED TANKER DEMOLITION SALES

China

**"Xin Ping Yang"** 281,434/01 – 38,181 LTD – DH
*-Sold on private terms.*

China

**"Mitrope"** 15,866/99 – 6,575 LTD – DH
*-Molten Sulphur carrier; sold for $278/ldt basis as is, Colombo.*




*[1]Monthly triangulated VLCC AG-USG/CBS-SPORE/AG TCE averages based on aveage CBS-SPORE assessments and prior-month AG-USG assessments to reflect earnings reality for units engaged in this trade.*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