WEBER WEEKLY TANKER REPORT

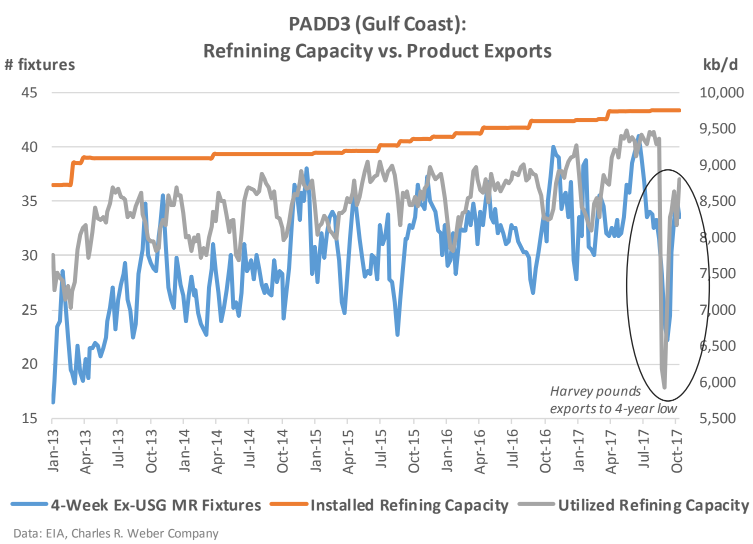
WEEK 43 – 27 OCTOBER 2017 **ISSUE 43 – 2017**

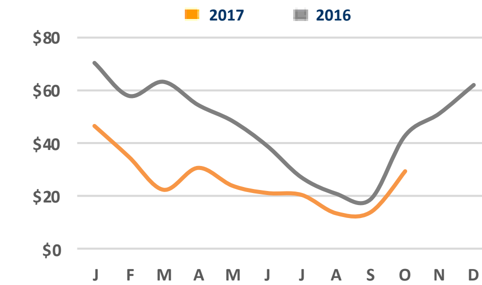
Atlantic MRs: Rates poised to bounce from an effective floor?

MR owners with tonnage in the Atlantic basin continue to reel from a substantial loss of demand in the USG market over the past two months since Hurricane Harvey hit the region, trimming refinery utilization rates and reducing product export demand. EIA data shows that PADD3 refinery utilization rates dropped in September to a low weekly average of 60.7%, which was the lowest level since late-2008. The associated implications of such low utilization on domestic commercial inventory levels, combined with infrastructure issues at key terminals saw the pace of regional MR chartering demand drop to its lowest level since 2013 on both a weekly and four-week moving average basis. At the time of such low exports in 2013, refinery expansions – including Motiva's substantial expansion of its Port Arthur, TX, plant had yet to turn the USG in the substantial product export region that it has since become.

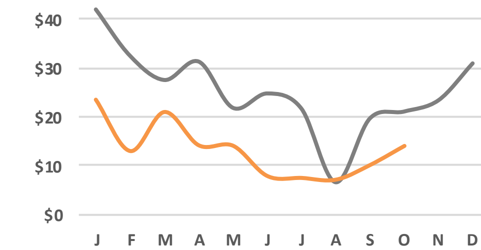
Indeed, the world fleet of MRs has grown by 29% since the start of 2013, making the impact of a substantial loss of USG product exports on rates and earnings plainly apparent. Fortunately, for MR owners, the factors gripping rates in recent weeks are far from structural-and, in-fact, may be constructive for rate progression in both the near- and intermediate-terms. A key issue behind the fall in rates and earnings observed since 1Q16 has been that demand was adversely affective by an overbuilding of inventories during 2015 after oil prices collapsed and refining margins improved on lower crude input costs. Product demand levels, however, failed to grow at the same rate as refinery output, resulting in overbuild inventories, which by 2Q16 limited arbitrage trades and saw US product exports become increasingly short-haul as destinations in Latin America absorbed the excess export supply. Two months of low utilization rates in the USG area, however, may well have done much to help rebalance inventories throughout the Atlantic basin, implying that as US product exports rebound, the MR trades they support could be more meaningful for rate progression.

EIA data shows that PADD3 refinery utilization rose last week to 90.2% - a gain of 6.5 percentage points from the previous week and the highest rate since prior to Hurricane Harvey in August. As refiners continue to progress past seasonal maintenance and operational issues from Harvey, the utilization rate should remain elevated and improve further during November, helping to support product export demand. Indeed, USG export demand observed this week was at a four-month high. Meanwhile, MR demand in the Asia market has been particularly strong and a wide earnings premium there has kept units from seeking trades into the Atlantic basin, implying that as Atlantic basin trades continue to accelerate, availability levels may prove lower than has been observed since early during 2016.

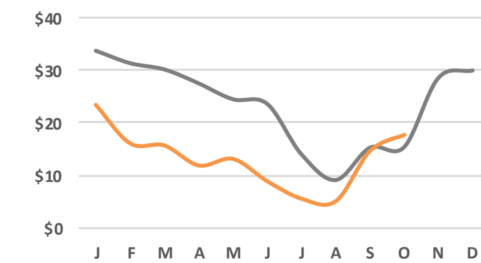




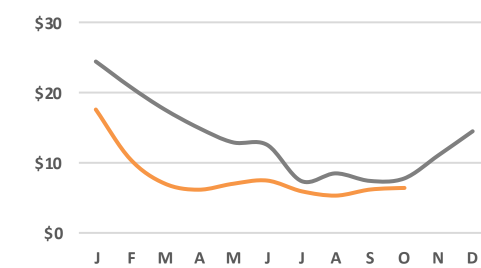
VLCC Average Earnings | **MTD Average** ~$29,581/Day | **Month y/y** ▼ -31%



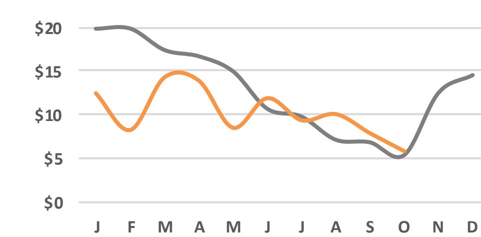
Suezmax Average Earnings | **MTD Average** ~$14,229/Day | **Month y/y** ▼ -33%



Aframax Average Earnings | **MTD Average** ~$17,749/Day | **Month y/y** ▲ +16%



Panamax Average Earnings | **MTD Average** ~$6,252/Day | **Month y/y** ▼ -20%



MR Average Earnings | **MTD Average** ~$5,909/Day | **Month y/y** ▲ +10%

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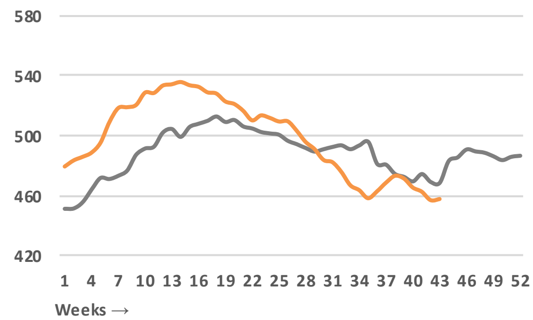
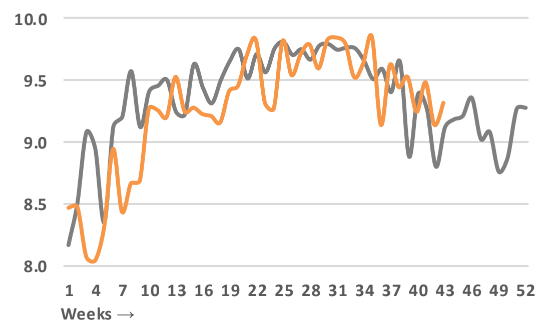
Spot Market	WS/LS	TCE	WS/LS	TCE
VLCC (13.0 Kts L/B)	**20-Oct**		**27-Oct**	
AG>USG 280k	29.0	$690	29.0	$108
AG>USG/CBS>SPORE/AG	--	$33,512	--	$32,897
AG>SPORE 270k	72.5	$32,726	72.5	$32,133
AG>JPN 265k	67.5	$31,767	70.0	$33,216
AG>CHINA 270k	72.5	$32,938	71.0	$31,105
WAFR>CHINA 260k	70.0	$32,232	72.5	$33,682
CBS>SPORE 270k	$4.40m	$31,014	$4.40m	$30,462
VLCC Average Earnings		*$32,321*		*$32,582*
SUEZMAX (13.0 Kts L/B)				
WAFR>USG 130k	82.5	$16,672	92.5	$20,382
WAFR>UKC 130k	87.5	$13,444	97.5	$16,929
BSEA>MED 140k	97.5	$15,118	100.0	$16,121
CBS>USG 150k	85.0	$22,573	87.5	$23,636
Suezmax Average Earnings		*$17,010*		*$20,287*
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k	125.0	$30,274	120.0	$25,648
AG>SPORE 70k	127.5	$14,354	140.0	$16,900
BALT>UKC 100k	105.0	$25,589	97.5	$20,955
CBS>USG 70k	130.0	$14,045	110.0	$7,794
USG>UKC 70k	92.5	--	85.0	--
CBS>USG/USG>UKC/NSEA	--	$19,333	--	$13,865
MED>MED 80k	125.0	$17,140	160.0	$28,848
Aframax Average Earnings		*$20,200*		*$18,622*
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k	120.0	$1,775	115.0	$492
CONT>USG 55k	125.0	$9,556	127.5	$9,744
ECU>USWC 50k	140.0	$9,477	140.0	$9,059
Panamax Average Earnings		*$7,517*		*$7,024*
LR2 (13.0 Kts L/B)				
AG>JPN 75k	112.5	$11,418	113.0	$11,153
AG>UKC 80k	$1.78m	$12,521	$1.83m	$13,148
MED>JPN 80k	$1.87m	$10,860	$1.71m	$8,078
AG>UKC/MED>JPN/AG	--	$18,232	--	$16,741
LR2 Average Earnings		*$13,687*		*$13,014*
LR1 (13.0 Kts L/B)				
AG>JPN 55k	116.0	$7,685	112.5	$6,787
AG>UKC 65k	$1.32m	$7,653	$1.33m	$7,554
UKC>WAFR 60k	99.0	$1,227	99.0	$942
AG>UKC/UKC>WAFR/AG	--	$10,523	--	$10,366
LR1 Average Earnings		*$9,104*		*$8,577*
MR (13.0 Kts L/B)				
UKC>USAC 37k	95.0	$(114)	110.0	$1,834
USG>UKC 38k	72.5	$(2,263)	85.0	$(713)
USG>UKC/UKC>USAC/USG	--	$2,003	--	$4,435
USG>CBS (Pozos Colorados) 38k	$300k	$3,065	$325k	$4,506
USG>CHILE (Coronel) 38k	$1.03m	$10,917	$1.18m	$15,021
CBS>USAC 38k	110.0	$4,224	117.5	$5,167
MR Average Earnings		*$4,923*		*$5,957*
Handy (13.0 Kts L/B)				
MED>EMED 30k	140.5	$9,382	131.0	$7,022
SPORE>JPN 30K	172.0	$8,070	176.0	$8,273
Handy Average Earnings		*$8,543*		*$7,822*

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
VLCC	$27,000	$29,000
Suezmax	$18,000	$19,000
Aframax	$15,500	$17,500
Panamax	$12,000	$13,500
MR	$13,000	$14,500
Handy	$12,000	$13,000



US Crude Stocks (EIA)	Last Week	Week y/y
	457.3 MnBbls	▼ -2.3%



US Gasoline Demand (EIA)	Last Week	Week y/y
	9.314 MnB/d	▲ +2.1%

2017 2016

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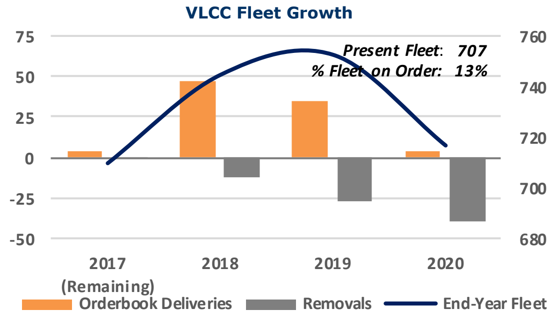
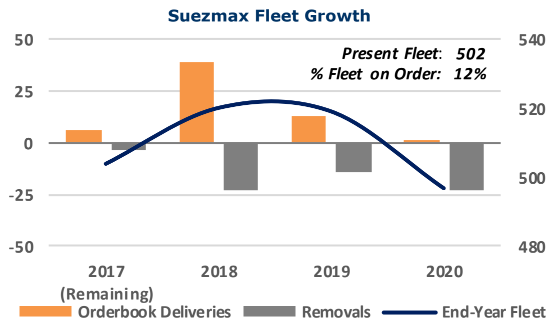
SPOT MARKET SUMMARY



VLCC

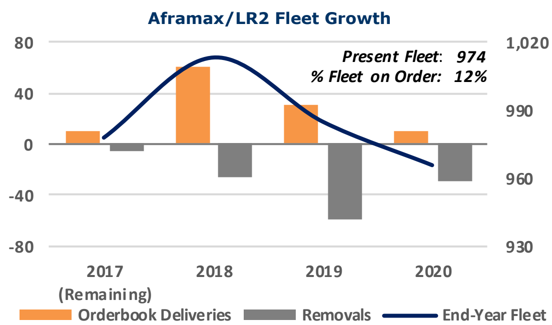
Rates in the VLCC market observed modest gains this week as strong demand countered negative undertones prevailing from last week's rise in regional availability. The Middle East market observed 35 reported fixtures, representing a 75% w/w gain and the highest tally in nearly two months. The West Africa market surged to nine fixtures (including one for a part loading in South Africa) – a weekly gain of five fixtures and the most since early August. Demand in the Atlantic Americas was also stronger, rising by three fixtures w/w to a total of eight from all loading areas.

Sustained and geographically disjointed demand strength continues to incrementally improve fundamentals. With charterers now firmly working second-decade, the supply/demand balance appears to be narrowing further. We note that through the conclusion of the second decade, we estimate that availability surplus will narrow to eight units from a surplus of ten units at the conclusion of the first decade. As there is an inherent uncertainty around surplus tonnage projections (as West Africa draws are volatile and hidden positions can appear), the directional narrowing appears likely to continue through the remainder of the quarter raising the specter of an improving rate environment. We also note that nearly a third of the position list is comprised of distressed tonnage. In a declining market the presence of these units tends to compound downside, in a strengthening market it can inversely compound upside as cargo requirements incompatible with disadvantaged units compete more aggressively for competitive units, creating a wider two-tiered market but elevating the competitive baseline. We expect that the positive trajectory of rates will accelerate during the upcoming week.



Middle East

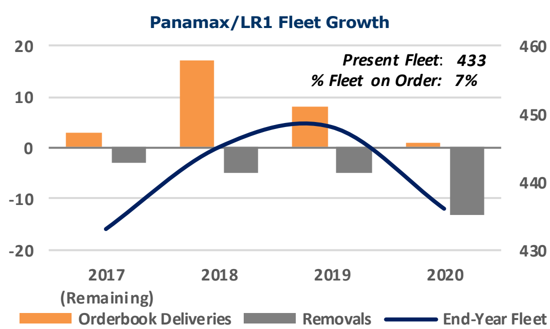
AG-FEAST rates gained 2.5 points to conclude at ws70. Corresponding TCEs rose 5% to ~$33,216.day. Rates to the USG via the Cape were unchanged at ws29. Triangulated AG-USG/CBS-SPORE/AG TCEs were off 2% to ~$32,897/day.

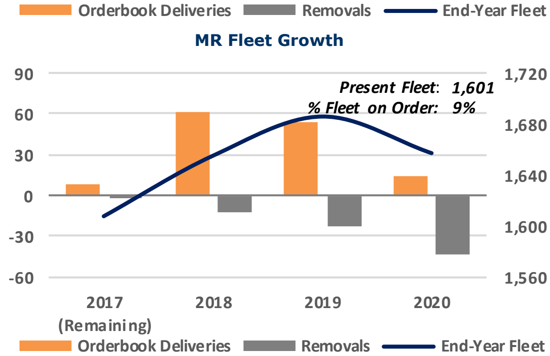


Atlantic Basin

Rates in the West Africa market observed modest gains in line with the Middle East market. The WAFR-FEAST route added 2.5 points to ws72.5 with TCEs gaining 4% to ~$33,682/day.

Rates in the Atlantic Americas were unchanged. The CBS-SPORE route concluded at $4.40m lump sum, having oscillated between $4.35m and $4.6m in intraweek trading.





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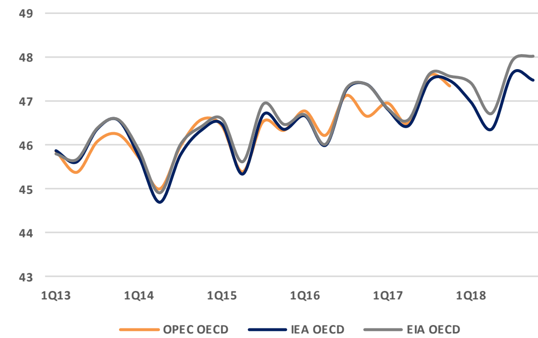
Suezmax

Suezmax rates in the West Africa market continued to rally this week on a rise in demand to levels last seen in July. There were 17 fresh fixtures reported, representing a 55% w/w gain. Replenishment of available positions continues to decline as a recent rise in long-haul demand from the Atlantic basin is consuming vessels for longer periods. Rates on the WAFR-UKC route added 10 points to conclude at ws97.5.

The Caribbean market was also at modest strength, as regional demand has remained elevated - particularly for fixtures servicing US crude exports. Rates on the CBS-USG benchmark route added 2.5 points to conclude at ws87.5. Further gains were likely limited by a widening differential between Suezmax and Aframax $/mt freight which strongly disfavor the larger class.

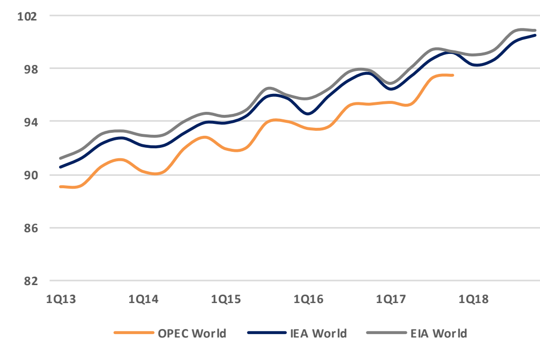
Projected OECD Oil Demand (Mnb/d)



Aframax

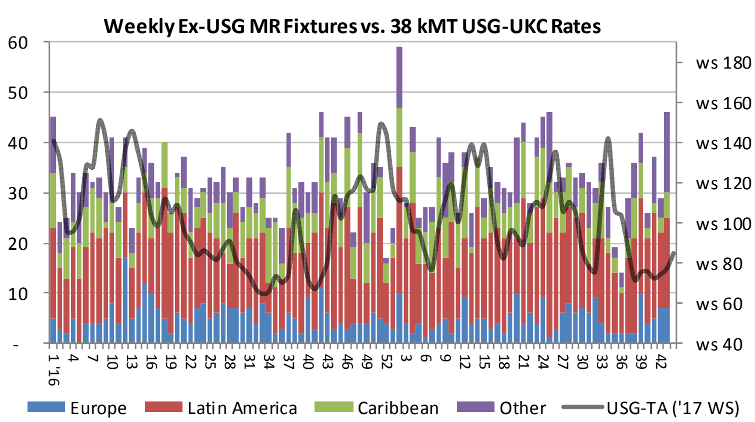
The Caribbean Aframax market weakened on rising availability and a slow start to the week, which allowed charterers to chip away at rates incrementally from Monday. Rates on the CBS-USG route shed 20 points to conclude at ws110. Further losses were likely limited by tight Suezmax fundamentals, which kept the traditional Suezmax encroachment factor at bay. Overall demand this week was elevated and regional TCEs are markedly lower than in alternative European markets. Collectively, these factors could see rates start to stabilize during the coming week.

Projected World Oil Demand (Mnb/d)



MR

The pace of chartering demand in the USG MR market activity expanded substantially this week after a sharp gain in the EIA's weekly update of PADD3 refinery utilization was reported. There were 46 reported fixtures – 59% more than last week and the most in four months. Beyond a more active tally, the discharge profile shows a fresh diversification and a modest gain in medium- and long-haul voyages. Amid a poor rate environment, owners have been showing particularly strong resistance to long-haul voyages in light of improving demand and anticipated forward rate strength. This saw long-haul rates lead regional rate gains. The USG-UKC route added 12.5 points to conclude at ws85 while the USG-Chile route added $150k to conclude at $1.175m lump sum (having dropped early during the week into the mid-$900s). The USG-CBS route added $25k to conclude at $325k lump sum. Two-week forward availability dropped 18% w/w to 41 units. Given that demand levels have normalized and are likely to remain so going forward, the lower availability rate should bode well for rate progression during the upcoming week.



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REPORTED TANKER SALES

"Gener8 Zeus" – 318,325/10 – Hyundai Ulsan – DH
-Sold for $53.0m to US buyers (International Seaways).

"Kymolos" – 298,324/98 – Daewoo – DH
-Sold on private terms to undisclosed buyers.

"LR Aldebaran" – 109,672/07 – Dalian – DH
-Sold for $15.8m to Greek buyers (NGM Energy).

"Coastal No. 3" – 6,020/11 – Yizheng Yangzi – DH
-Sold for $5.5m to Singaporean buyers (Hin Leong Trading Pte Ltd).

REPORTED TANKER DEMOLITION SALES

Bangladesh

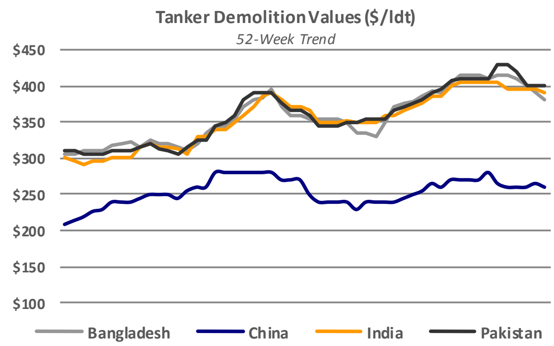
"Alabra" 41,327/92 – 10,049 LDT – DH
-Sold on private terms.

India

FSO "Navion Saga" 149,000/91 – 22,583 LDT – DH
-Sold on private terms.

"Rise Fortune" 96,226/95 – 14,658 LDT – DH
-Sold on private terms.

"Stolt Vinland" 31,434/92 – 8,983 LDT – DB
-Sold on private terms.



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