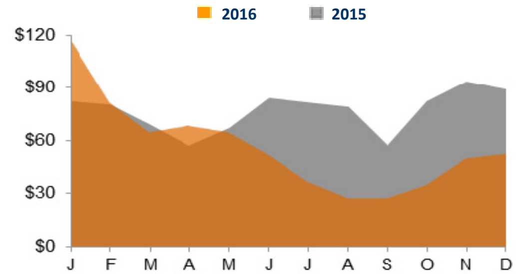
WEBER WEEKLY TANKER REPORT

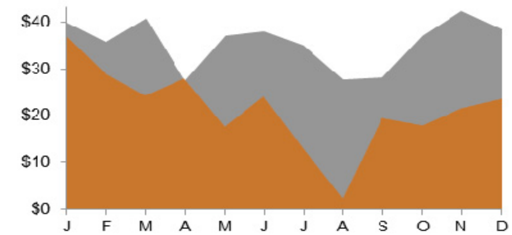
WEEK 49 – 9 DECEMBER 2016 ISSUE 49 – 2016

Spot Market	WS/LS	TCE ~$/day	WS/LS	TCE ~$/day
VLCC (13.0 Kts L/B)	2-Dec		9-Dec	
AG>USG 280k (TD1)	41.0	$22,670	43.0	$24,207
AG>USG/CBS>SPORE/AG	--	$53,908	--	$57,907
AG>SPORE 270k (TD2)	72.5	$57,452	82.5	$67,903
AG>CHINA 265k (TD3C)	72.5	$51,066	82.5	$61,039
WAFR>USG 260k (TD4)	70.0	$53,535	74.5	$57,702
WAFR>CHINA 260k (TD15)	70.0	$50,321	77.5	$57,250
CBS>SPORE 270k	$4.50m	--	$4.80m	--
SUEZMAX (13.0 Kts L/B)				
WAFR>USAC 130k	85.0	$28,274	90.0	$30,537
WAFR>UKC 130k (TD20)	87.5	$25,656	92.5	$27,880
BSEA>MED 140k (TD6)	110.0	$49,184	97.5	$40,062
CBS>USG 150k	78.75	$30,671	72.5	$25,681
AFRAMAX (13.0 Kts L/B)				
N.SEA>UKC 80k (TD7)	140.0	$68,835	140.0	$68,775
AG>SPORE 70k (TD8)	100.0	$17,455	125.0	$24,575
BALT>UKC 100k (TD17)	100.0	$39,675	117.5	$50,971
CBS>USG 70k (TD9)	100.0	$15,846	95.0	$13,437
MED>MED 80k (TD19)	167.5	$45,230	120.0	$25,312
PANAMAX (13.0 Kts L/B)				
CBS>USG 50k (TD21)	120.0	$7,459	117.5	$6,675
CONT>USG 55k (TD12)	112.5	$14,048	112.5	$13,833
ECU>USWC 50k	127.5	$14,368	127.5	$13,922
CPP (13.0 Kts L/B)				
UKC>USAC 37k (TC2)	95.0	$5,196	97.5	$5,594
USG>UKC 38k (TC14)	100.0	$7,353	85.0	$4,364
USG>UKC/UKC>USAC/USG	--	$12,242	--	$10,122
USG>CBS (Pozos) 38k	$475k	$16,036	$400k	$10,805
USG>CHILE (Coronel) 38k	$1.25m	$18,502	$1.15m	$14,395
CBS>USAC 38k	120.0	$10,974	110.0	$8,884
AG>JPN 35k	100.0	$4,791	100.0	$4,482
AG>JPN 75k (TC1)	71.5	$8,831	71.0	$8,262
AG>JPN 55k (TC5)	75.0	$4,967	75.0	$4,574

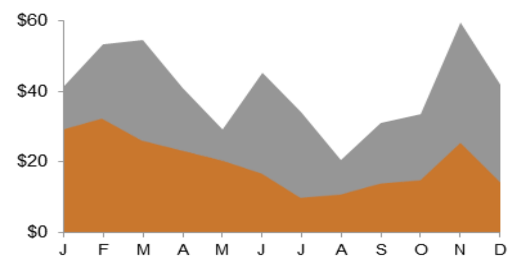
Time Charter Market *$/day (theoretical)*	1 Year	3 Years
VLCC	$30,000	$29,000
Suezmax	$22,500	$23,000
Aframax	$17,750	$18,500
Panamax	$15,000	$15,000
MR	$12,750	$14,000



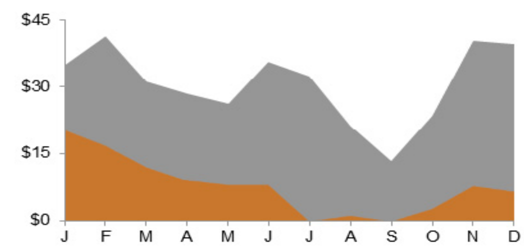
VLCC TCE AG-USG / CBS-SPORE/AG[1] | **MTD Average ~$52,594/Day** | **Month y/y ▼ -41%**



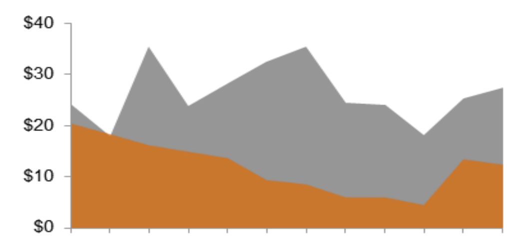
S'MAX TCE 130k WAF-UKC | **MTD Average ~$23,690/Day** | **Month y/y ▼ -39%**



A'MAX TCE 70k CBS-USG | **MTD Average ~$14,168/Day** | **Month y/y ▼ -66%**



P'MAX TCE 50k CBS-USG | **MTD Average ~$6,527/Day** | **Month y/y ▼ -83%**



MR TCE USG-UKC/ UKC-USAC/USG | **MTD Average ~$11,558/Day** | **Month y/y ▼ -58%**

SPOT MARKET SUMMARY

VLCC

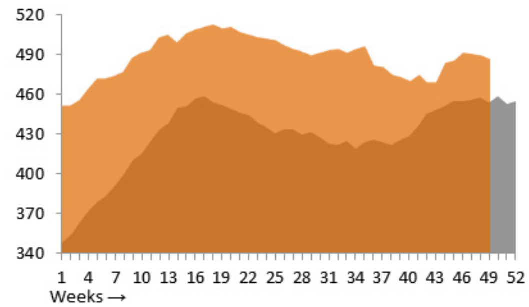
VLCC rates were stronger this week on relatively steady elevated demand in the Middle East market and a fresh demand gain in the West Africa market. Compounding the impact of strong demand, the earlier high availability of disadvantaged units was largely cleared out by the start of the week, taking away the discounted options which charterers had been focused on to keep rates from advancing. A total of 37 fixtures materialized in the Middle East market (-2, w/w) and 7 materialized in the West Africa market (+1, w/w). Sentiment remains bullish given a very balanced forward supply/demand fundamental in the Middle East where, subject to the extent of remaining cargoes and draws on remaining vessels to service West Africa demand, the month appears to have a high potential to conclude with no surplus units. If this occurs, it would mark the first time in nine months that no surplus units remain – and only the second such occurrence since 2008. Factors which could place the end-month surplus above this level include a deviation from what we believe is a conservative estimate of West Africa draws (four units through the remainder of the December Middle East program), given that two of this week's West Africa demand was sourced on units ballasting from the USG – and the fact that charterers have recently reached forward to end-December dates which could imply that remaining Middle East cargoes could be lower than our target of 134 cargoes. To date, 123 cargoes have materialized. Additionally, hidden units and potential charterer relets could expand available units. Our high case of surplus units, however, is five – which would remain the lowest surplus count since March. In either the base or high case of supply, the fundamentals are tight and rates are poised to post strong during the upcoming week.

Middle East

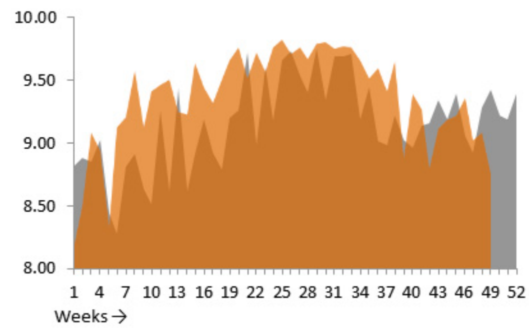
Rates to the Far East gained 10 points to conclude at ws82.5 with corresponding TCEs rising by 20% to ~$61,039/day. Rates to the USG via the Cape gained 2 points to conclude at ws43. Triangulated Westbound trade earnings rose 14% to ~$57,907/day.

Atlantic Basin

The West Africa market followed the Middle East with rates on the WAFR-FEAST route adding 7.5 points to conclude at ws77.5. TCEs on the route rose by 14% to conclude at ~$57,250/day. The Caribbean market remained quiet this week but as the economics for units freeing on the USG started to favor ballasting to West Africa as opposed to the Caribbean, regional rates improved. The CBS-SPORE route jumped $300k to a seven-month high of $4.80m lump sum (representing the strongest weekly gain in over two months).



US Crude Stocks (EIA)	Last Week	Week y/y
	485.8 MnBbls	▲ +7.1%



US Gasoline Demand (EIA)	Last week	Week y/y
	8.757 MnB/d	▼ -7.0%

2016 2015

Suezmax

The West Africa Suezmax market was busy this week as charterers progressed more aggressively into the December program. This tightened regional availability, leading to a rebound of regional rates, which began the week with an extending of last week's decline. A total of 15 fixtures were reported, representing a 50% w/w gain. Contributing to the narrower supply/demand position is a sustaining of elevated Suezmax demand in the Middle East market, which has reduced ballasts into the West Africa market, and recent Aframax rate strength in European markets where Suezmaxes can compete. Rates on the WAFR-UKC route gained 5 points from last week's closing assessment to ws92.5, having dipped earlier during the week to a low of ws70. Remaining cargo volumes from the West Africa market appear limited given both high VLCC and Suezmax coverage to-date while availability for late-December dates appears slightly looser than earlier date ranges; this could imply that further rate upside is limited, though the timing of inquiry for remaining December cargoes and progression into early January dates will likely guide the upcoming week's rate direction.

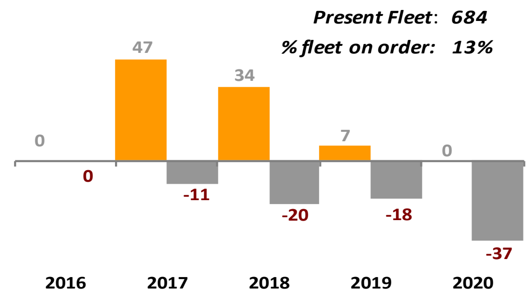
Aframax

Demand in the Caribbean Aframax market pared back modestly this week but remained elevated. A total of 17 fixtures materialized, representing a weekly decline of two, while the four-week moving average rose to a three month high. The sustained high demand reduced the supply glut which prevailed last week while sentiment was incrementally stronger to the close of the week on the back of a modest gain in fixtures for extra-regional voyages. Rates in the region remained soft through much of the week with the CBS-USG route shedding five points from last week's closing assessment to ws95, having touched the low/mid ws80s earlier during the week. Owners are likely to remain bullish through the start of the upcoming week, which could translate into further rate gains once the impact of availability builds over the weekend is worked through.

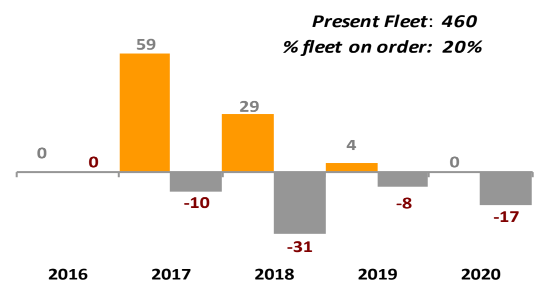
Panamax

After observing modest rate losses at the start of the week, the Caribbean Panamax market was largely unchanged thereafter with rates hovering in the mid ws110s before inching up at the close of the week into the mid/high ws110s. Demand was largely unchanged for Caribbean loadings while USG loadings expanded modestly. Availability levels remained generally thin in both loading areas at the close of the week, which should support an extending of rates around present levels through the upcoming week.

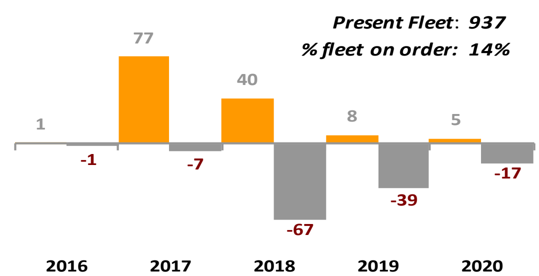
VLCC Projected Deliveries/Removals



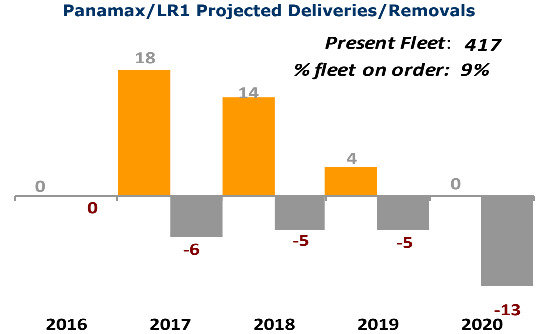
Suezmax Projected Deliveries/Removals



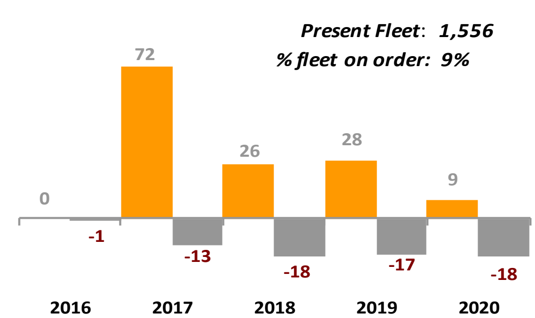
Aframax/LR2 Projected Deliveries/Removals



Panamax/LR1 Projected Deliveries/Removals



MR Projected Deliveries/Removals



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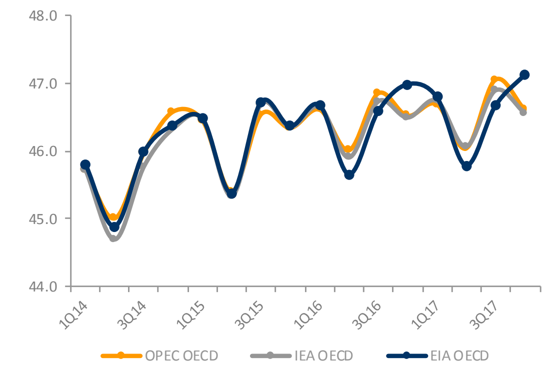
MR

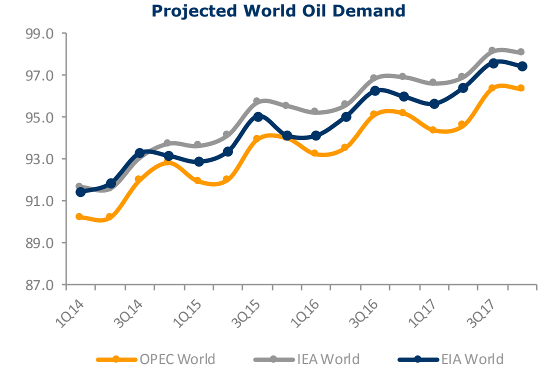
Slower demand and rising availability saw rates in the USG MR market weaken. A total of 30 fixtures were reported, representing a w/w decline of 35%. Of the week's tally, four were bound for points in Europe (unchanged), 36 were bound for points in Latin America and the Caribbean (-22) and the remainder were bound for alternative destinations or were yet to be determined. A modest diesel arbitrage opportunity earlier during the week saw some units provisionally fixed but some of those failed while others ultimately appear to be taking up options for alternative destinations. Rates on the USG-UKC route shed 15 points to conclude at ws85 while the USG-POZOS route shed $75k to conclude at $400k lump sum. The two-week forward availability view at the close of the week shows 42 units available, marking a 17% w/w gain. Part of the buildup owes to units freeing on the USAC seeking ballasts to the USG, given that TCEs in the latter market appear more supportive (benchmark round-trip USG-CBS voyages offer ~$10,122/day versus UKC-USWC voyages at ~$6,515/day). While the fundamentals are maintaining negative pressure on rates at the close of the week, demand should rise during the upcoming week and remain elevated ahead of the Christmas holidays, which should stabilize rates by mid-week and could support a rebound thereafter.

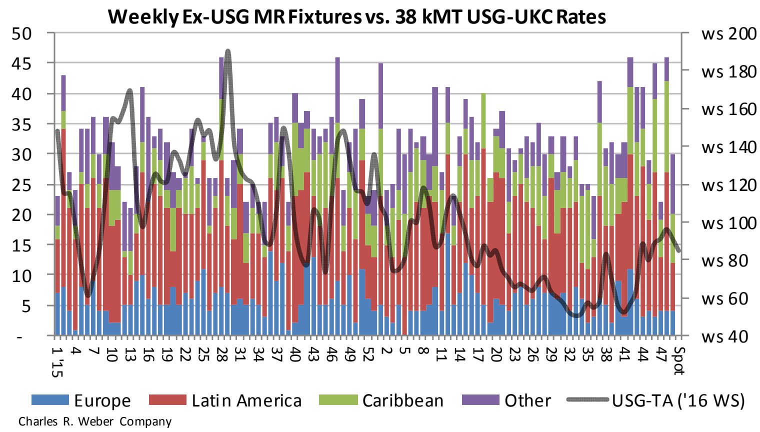
Notably absent from this week's USG cargo count were the high volumes of cargoes bound for ECMex seen last week, with just four such fixtures reported this week versus 17 last week and a 2016 weekly average between 6 and 7. The reduction could point to follow through on PEMEX's plans to ramp up crude processing by year-end. As we noted in this month's *Weber Refinery Report*, the state oil company is planning to ramp up processing to between 920,000 b/d and 960,000 b/d by the end of the year (and 1.1 Mnb/d by March/April), after refining hit the lowest levels in at least five years during September, when processing was 766,000 b/d, following a series of plant stoppages which saw 24 units halted across the company's six domestic refineries. Though negative for USG MR demand in the near-term, as an increase in Mexico's processing could reduce demand for USG export volumes in the absence of clear economics for alternative export destinations to quickly emerge, ultimately pricing will reflect the change and support cargo movements to alternative areas inevitably further afield than Mexico's east coast ports, boosting ton-miles and voyage days.

Projected OECD Oil Demand



Projected World Oil Demand





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REPORTED TANKER SALES

"Gener8 Spyridon" – 159,959/00 – Hyundai Ulsan – DH
-Sold for $15.0m to Greek buyers (Avin International).

"Nissos Kythnos" – 115,674/11 – Samsung Geoje – DH
-Sold for $27.0m to Greek buyers (Minerva Marine).

"Ratna Shalini" – 105,849/10 – Hyundai Ulsan – DH
"Ratna Namrata" – 105,830/08 – Hyundai Ulsan – DH
"Ratna Shradha" – 105,777/08 – Hyundai Ulsan – DH
"Ratna Shruti" – 105,746/08 – Hyundai Ulsan – DH
-Sold on subjects en bloc for $92.5m to undisclosed buyers.

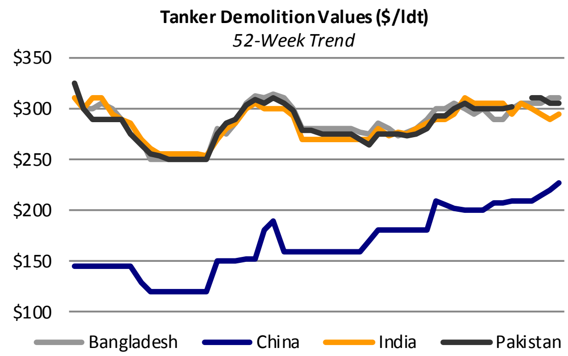
"Gener8 Pericles" – 105,674/03 – Sumitomo – DH
-Sold on subjects for $14.0m to Singaporean buyers (Heng Tong Fuels).

"Liberty" – 46,803/04 – Hyundai Mipo – DH
"Loyalty" – 46,803/04 – Hyundai Mipo – DH
"Unity" – 46,803/04 – Hyundai Mipo – DH
-Sold en bloc for $37.2m to Cypriot buyers (Optima Energy Group).

"Welwitschia" – 45,999/98 – Daedong – DH
-Sold for $5.0m to Singaporean buyers (Wilmar International).

REPORTED TANKER DEMOLITION SALES

"Andhika Larasati" 149,849/91 – 23,537 LDT – DH
-Sold for $305/ldt basis as is, Singapore. Unit converted to DH 03/2009).



[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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