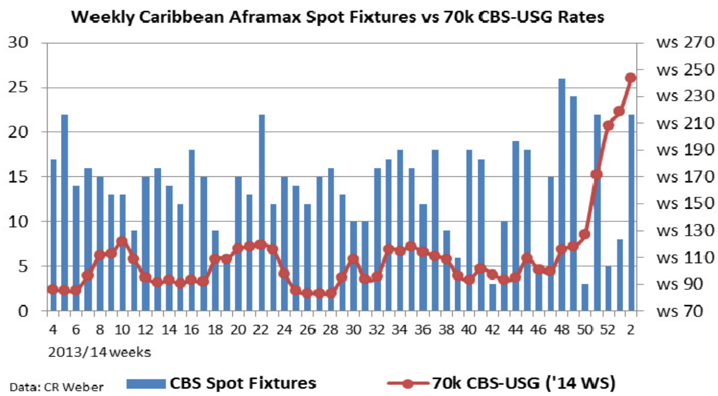
WEBER WEEKLY TANKER REPORT

WEEK 2 – 10 JANUARY 2014 **ISSUE 2 – 2014**

"Perfect Storm" for Caribbean Aframaxes boost earnings to 5-year high

The Caribbean Aframax market experienced incremental rate gains this week with the benchmark CBS-USG route reaching ws260 by the close of the week. Corresponding TCEs on the route are now over $85,300/day, representing a high last observed in December 2008.

A substantive rallying of rates began midway through December and resulted from a number of developments in the market. Key among these has been the intermittent presence of adverse weather conditions along the Gulf Coast. A fresh bout this week combined with already congested port conditions on Mexico's Gulf Coast caused severe delays to tanker operations. Sources indicate that upwards of 18 Aframax units have been delayed there while at Cayo Arcas terminal alone, some 8 units were at anchorage waiting to berth as of Friday morning, with the imminent arrival of some 6 additional units expected to lengthen that queue.



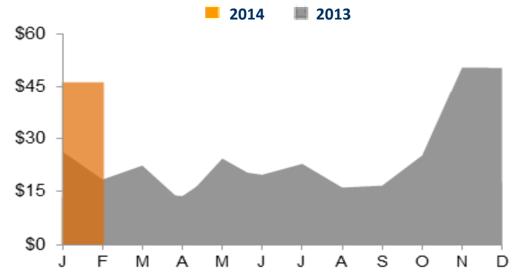
Simultaneously, Caribbean Aframax fixture activity rose 175%, w/w, to 22 – a level that is well ahead of the 2013 average of 14. However, coming off of two consecutive weeks of sluggish activity a 4-week moving average shows a more subdued level of 14; under different circumstances, this week's demand alone would probably have been insufficient to stoke such strong gains. Moreover, while strong demand against severe delays would likely prompt rate gains in almost any market condition, the extent to which the market has rallied is owed to other features which have materialized in recent weeks.

Caribbean Suezmaxes in tighter supply

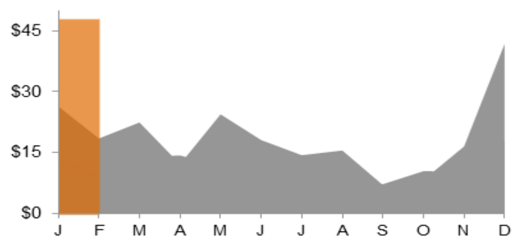
Rates for Suezmaxes in the region have posted strong gains in recent weeks as well. As the discharge profile of fixtures in the West Africa Suezmax market shifted to Europe, where refiners oriented to light crude cargoes from Libya looked to West Africa for replacement volumes, the resulting decline in Suezmax units coming to the USG trimmed Caribbean market supply. Simultaneously, a rise in the number of fixtures during November and December for Suezmaxes to haul cargoes from the Caribbean market to other areas (Europe, Far East, Latin America's Pacific coast) rose observably during the final months of 2013 as tightening VLCC availability pushed further cargoes into Suezmaxes, thus furthering constraining Caribbean Suezmax availability. Suezmaxes have remained a key competitor to Aframaxes in the Caribbean market since late 2011 where voyage-specifics permit, and served to limit the extent of Aframax rate gains given their frequently more-attractive freight levels. Their declining availability has thus factored strongly into tighter Aframax supply.

Improving Aframax Fundamentals

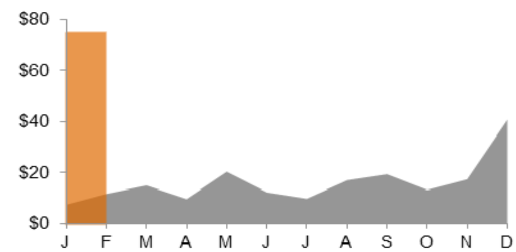
The dirty Aframax fleet progressed into negative fleet growth during 2013 with just 4 new units delivered and 13 older units removed from service. This yielded a net fleet growth rate of -1.7%. This followed a moderating rate of fleet growth from 2.9% during 2011 to 0.6% during 2012. Against improving worldwide demand for Aframaxes, the class is now firmly the most balanced, in terms of supply and demand, among the crude carrying size classes; this scenario is undoubtedly a small factor in the ability for the class to post the level of gains observed.



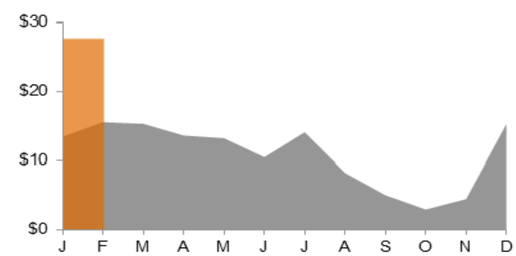
VLCC TCE 280k AG-USG + CBS-SPORE	MTD Average $46,300/Day	Month y/y ▼ -30%



S'MAX TCE 130k WAF-USAC	MTD Average $47,800/Day	Month y/y ▲ +256%

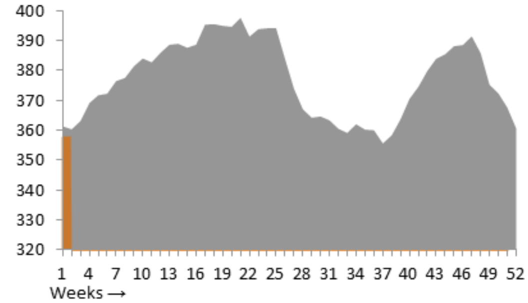


A'MAX TCE 70k CBS-USG	MTD Average $75,500/Day	Month y/y ▲ +907%

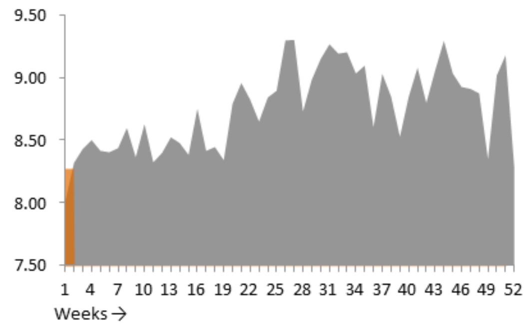


P'MAX TCE 50k CBS-USAC	MTD Average $27,700/Day	Month y/y ▲ +106%

MR TCE 38k CBS-USAC	MTD Average $9,400/Day	Month y/y ▼ -33%



US Crude Stocks (EIA)	Last Week	Week y/y
	357.9.3 Mbbls	▼ -0.9%



US Gasoline Demand (EIA)	Last week	Week y/y
	8.274 Mb/d	▲ +3.3%

Spot Market	WS/LS	TCE $/day	WS/LS	TCE $/day
VLCC (12 Kts L/11.5 Kts B)	3-Jan		10-Jan	
AG>USG 280k (TD1)	34.5	$11,466	31.9	$8,376
AG>USG/CBS>SPORE/AG	--	$46,331	--	$38,262
AG>SPORE 270k (TD2)	58.3	$42,706	42.5	$21,162
AG>JPN 265k (TD3)	58.3	$42,801	42.5	$20,658
WAFR>USG 260k (TD4)	74.3	$59,363	69.0	$53,089
WAFR>CHINA 260k (TD15)	58.2	$39,774	55.6	$36,749
CBS>SPORE/AG 270k	$5.60m	$55,533	$5.00m	$45,162
SUEZMAX (12 Kts L/11.5 Kts B)				
WAFR>USAC 130k (TD5)	111.2	$45,576	122.5	$53,274
BSEA>MED 135k (TD6)	125.0	$63,075	130.0	$67,748
CBS>USG 130k	148.2	$74,801	130.0	$61,691
AFRAMAX (12.5 Kts L/B)				
N.SEA>UKC 80k (TD7)	150.0	$67,308	155.0	$71,782
AG>SPORE 70k (TD8)	130.0	$31,970	120.0	$27,544
BALT>UKC 100k (TD17)	142.5	$70,290	145.0	$72,510
CBS>USG 70k (TD9)	233.0	$72,750	260.0	$85,305
MED>MED 80k (TD19)	150.0	$51,508	127.5	$38,288
PANAMAX (12.5 Kts L/B)				
CBS>USG 50k	185.0	$37,163	190.0	$41,209
CONT>USG 55k (TD12)	141.0	$17,517	150.0	$20,860
ECU>USWC 50k	169.0	$19,606	169.0	$19,158
CPP (13.5 Kts L/B)				
CONT>USAC 37k (TC2)	120.0	$8,433	147.5	$14,997
USG>CONT 38k (TC14)	117.5	$10,400	110.0	$8,861
USG>CONT/CONT>USAC/USG	--	$19,628	--	$21,878
USG>P.COLORADOS 38k	$580k	$19,058	$525k	$15,531
CBS>USAC 38k (TC3)	120.0	$10,418	115.0	$9,454
AG>JPN 35k	120.0	$7,684	110.0	$5,593
SPORE>JPN 30k (TC4)	122.0	$6,321	112.5	$4,361
AG>JPN 75k (TC1)	79.0	$9,882	70.0	$5,772
AG>JPN 55k (TC5)	103.0	$7,800	90.0	$3,447

NB: Above WS rates all basis 2014 Worldscale.

Time Charter Market *$/day (theoretical)*	1 Year	3 Years
VLCC	$22,000	$23,000
Suezmax	$17,000	$17,750
Aframax	$13,500	$15,250
Panamax	$14,000	$15,500
MR	$14,500	$16,000

THE TANKER MARKETS

VLCC

The VLCC market remained under negative pressure throughout the week as a slow January Middle East program has expanded position lists and eroded market sentiment. To date, just 83 January stems have been covered; this compares with 137 December cargoes covered by this time a month ago (representing 95% of the final December tally). This casts obvious doubt on the ability for VLCCs to continue to benefit from long monthly cargo programs in the region, having averaged 137 during 4Q13. Though other features, including greater worldwide ton-mile demand, factored into rallying of VLCC markets during Q4, we suggest that the extent of monthly cargoes emanating from the Middle East factored heavily into rates as evidenced by the fact that earnings during 4Q13 rallied 190% on 1Q13 (the year's weakest quarter), to ~$36,661/day as monthly tallies rose 23%.

Though a rush to complete the program is likely to materialize during the week ahead, given the number of units now being offered on fresh requirements (one today received 11 offers) owners appear increasingly willing to accept lower rates. Given that cargoes are now being worked very close to end-month dates, a final January tally no greater than the 110-120 range can be expected. With 54 units available through end-month dates, a January surplus of 19-29 units is thus expected. Both ends of this range would represent the largest number of excess monthly positions since August, when the 29 carryover units saw September earnings on the AG-JPN route average ~$7,799/day. Thus, in the absence of a very strong rebound of activity through the conclusion of the January program and start of the February program, rates are likely to experience a strong correction during the coming weeks.

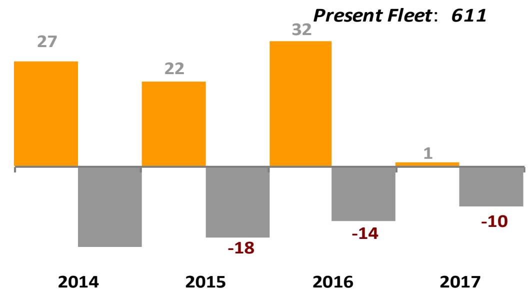
Middle East

There were 24 fresh fixtures reported in the Middle East VLCC market this week, representing a w/w gain of 14%. Rates to the Far East averaged ws54.8, representing a w/w loss of 4.4 points. Corresponding TCEs averaged shed ~$6,032/day, w/w, to ~$38,134/day. Rates to the USG via the Cape averaged ws34.6, representing a loss of 2.6 points. Triangulated Westbound trade earnings eased ~$4,221/day, w/w, to an average of ~$44,991/day.

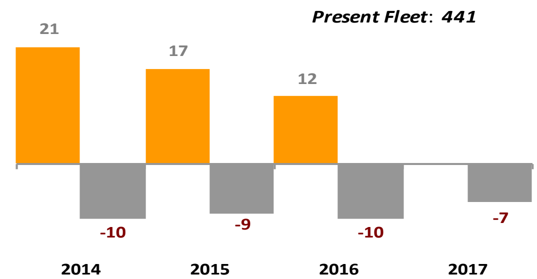
Atlantic Basin

Rates in the West Africa market were also softer, though the extent of losses was limited by rising demand for Suezmaxes in West Africa (with weekly fixture activity at its highest level in at least three years). Though this week's regional demand for Suezmaxes was largely centered on voyages bound for points in Europe less suited to the larger VLCCs as stronger refinery throughputs saw Mediterranean refineries continue to seek replacements for Libyan cargoes. However, the stronger resulting rate environment for Suezmaxes did incentivize greater utilization of VLCCs for longer-haul voyages to points in the East. Total VLCC fixtures for voyages from West Africa more than doubled on last week to a total of 8, accordingly. The WAFR-FEAST route shed 1 point, w/w, to an average of ws56.1. Corresponding TCEs eased ~$1,364/day to an average of ~$37,216/day. Stronger rate erosion, however, should materialize during the upcoming week in-line with declining rates in the Middle East market.

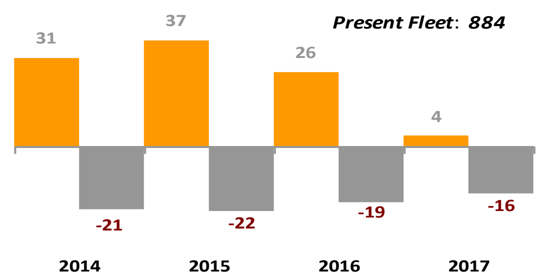
VLCC Projected Deliveries/Removals



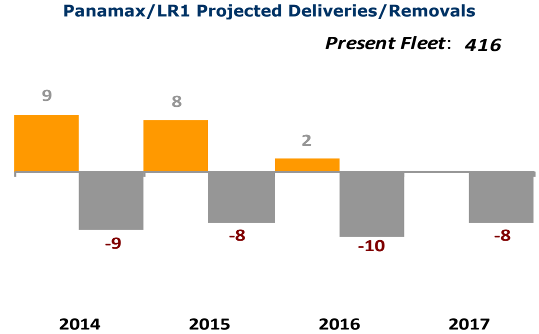
Suezmax Projected Deliveries/Removals



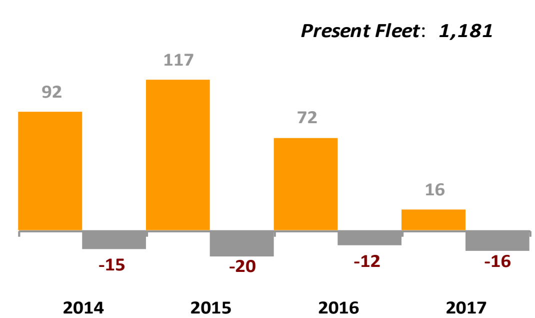
Aframax/LR2 Projected Deliveries/Removals



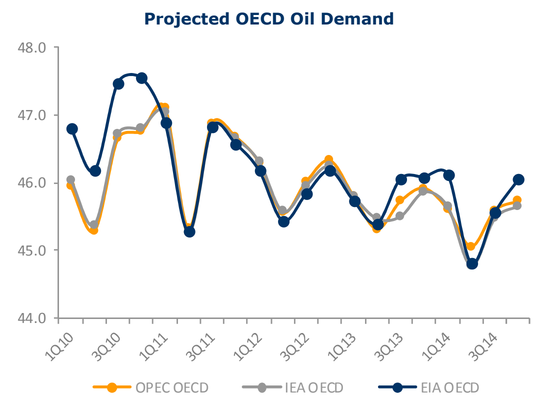
Panamax/LR1 Projected Deliveries/Removals

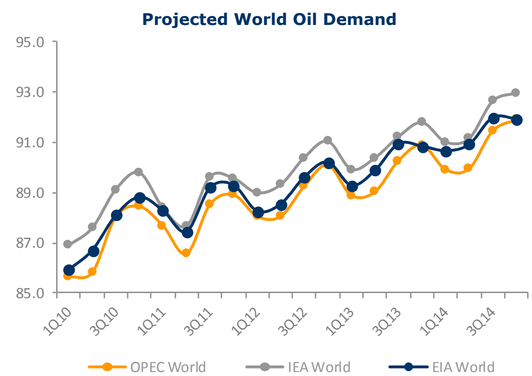


MR Projected Deliveries/Removals



A similar situation prevailed in the Caribbean market, where a very tight Aframax market contributed to positive pressure on regional Suezmax rates and eased some of the Suezmax class' competitiveness as a VLCC alternative. This limited the extent of VLCC rate erosion materializing on the back of slower demand for CBS-EAST/FEAST voyages. Rates on the CBS-SPORE route shed $150k, w/w, to an average of $5.45m (LS). Rates remain soft and could experience further erosion failing a rise in demand long-haul voyages from the region.



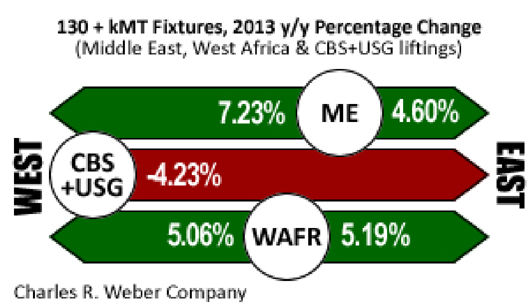


Suezmax

The West Africa Suezmax market was at its most active pace in years this week, prompting further substantial rate gains. This week's fixture tally accelerated 160% on last week to a total of 26. Europe accounted for 62% of the discharge profile, largely as European refiners sought replacement light crude cargoes amid ongoing production and export issues in Libya. Rates on the WAFR-USAC route gained 11.3 points, w/w, to conclude at ws122.5. As the market remains under positive pressure at the close of the week, sustained demand at the start of the upcoming week is expected to prompt further rate gains.

Panamax

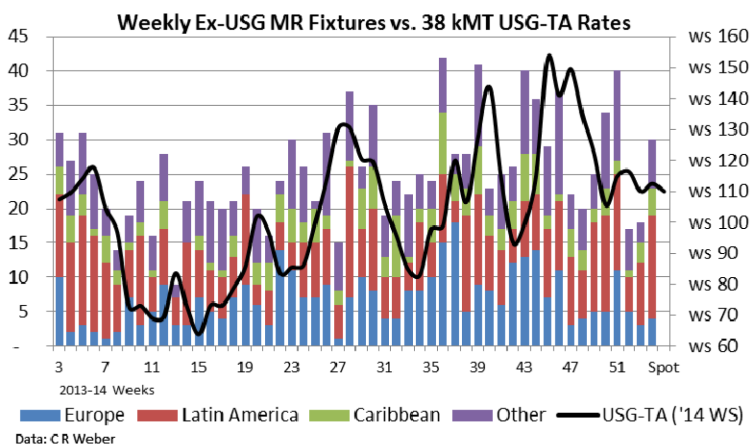
Robust demand in the Caribbean Panamax market against ongoing weather-related delays allowed the market to command further rate gains. The CBS-USG route added 5 points this week to conclude at ws190. Ongoing delays should see further demand met with further bullishness by owners which could prompt further modest rate gains during the week ahead.



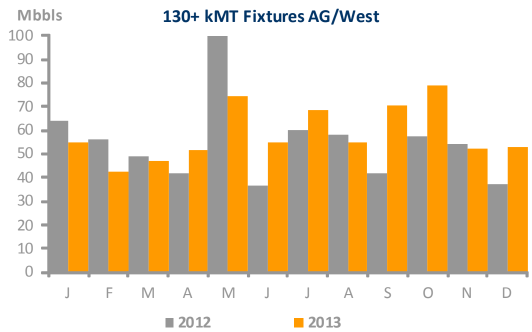
CPP

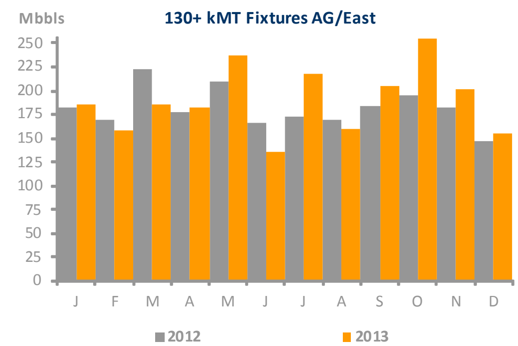
The USG MR market was more active this week following a relative lull during the holidays. Total fixtures gained 67%, w/w, while rising distillate inventories in Europe kept demand on the USG-UKC route subdued while seasonal factors and fresh refining outages in Brazil boosted demand for voyages to Latin America to their highest level since July. Rising demand and rates in European CPP markets incentivized owners to trade cargoes towards Europe, further negatively impacting rates on the USG-UKC route, which shed 7.5 points from last week's close to conclude at ws110.

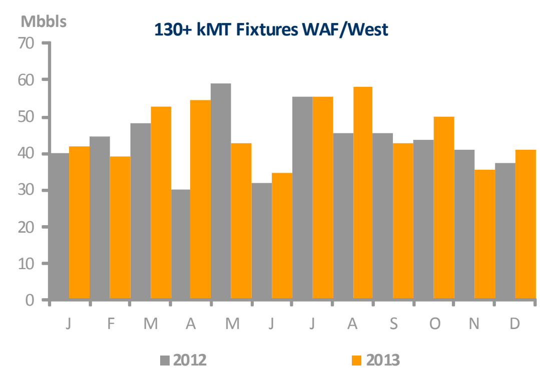
With refining issues attributed to the "Polar Vortex" in the US now having subsided and EIA data showing that distillate demand eased during the first week of the year while PADD 3 (Gulf Coast) inventories remained elevated from year-ago levels, arbitrage economics could improve slightly during the upcoming week. Moreover, a relatively active USWC market could reduce the number of units ballasting towards the USG. Accordingly, assuming demand remains stable, rates are likely to steady during the upcoming week and could possibly post modest gains by week's end.

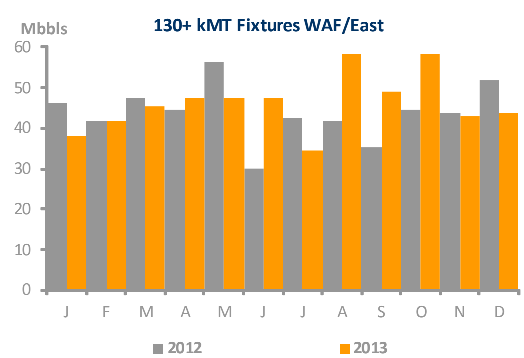


The European MR market was markedly more active this week on sustained demand for voyages to West Africa and points in the Americas. PADD 1 (East Coast) gasoline inventories rose during the week ending 4 Jan. while gasoline demand figures remained in positive y/y territory. Refining issues due to this week's US cold snap saw New York front-month RBOB rise during midweek, which likely factored into the stronger CONT-USAC demand; the sustainability thereof, however, remains uncertain as the impact of the colder weather on demand remains to be seen. Rates on the CONT-USAC route gained 27.5 points to conclude at ws147.5. As the market remains firm at the close of the week, sustained demand at the start of the upcoming week could see rates post further gains while an eventual leveling appears likely by mid-week.









REPORTED TANKER SALES

"Maersk Sandra" 323,527/11 – STX Jinhae – DH
"Maersk Sara" 323,183/11 – STX Jinhae – DH
"Maersk Simone" 323,182/12 – STX Jinhae – DH
"Maersk Sonia" 322,000/12 – STX Jinhae – DH
"Maersk Ingrid" 318,478/12 – Hyundai Ulsan – DH
"Maersk Isabella" 318,478/12 – Hyundai Ulsan – DH
"Maersk Ilma" 318,477/12 – Hyundai Ulsan – DH
"Maersk Nautica" 307,284/08 – Dalian – DH
"Maersk Nautilus" 307,284/06 – Dalian – DH – (Laid up since 03/2013)
"Maersk Navarin" 307,284/07 – Dalian – DH
"Maersk Nectar" 307,284/07 – Dalian – DH
"Maersk Neptune" 307,284/07 – Dalian – DH
"Maersk Newton" 307,284/09 – Dalian – DH
"Maersk Noble" 307,284/08 – Dalian – DH
"Maersk Nucleus" 307,284/07 – Dalian – DH – (Laid up since 03/2013)
-Sold en bloc for $980m to Belgian buyers (Euronav).

"DS Saturn" 298,982/98 – Daewoo – DH
-Sold for $22.5m to Singaporean buyers (Sentek).

"Elegant Victoria" 74,999/07 – Onomichi – DH
-Sold for $22.0m to undisclosed buyers.

"Anna Victoria" 74,999/04 – Hyundai Ulsan – DH
-Sold for $28.0m to undisclosed buyers.

"Great Swan" 23,480/91 – Lindenau – DH
-Sold on private terms to undisclosed Greek buyers.

"Turid Knutsen" 22,000/93 – Juliana Gijon – DH
-Sold for $7.0m to undisclosed Nigerian buyers.

"Mirabeau" 17,548/09 – Samho – DH
"Mykines" 17,548/08 – Samho – DH
"Manon" 17,527/08 – Samho – DH
"Miramis" 17,526/08 – Samho – DH
"Malpensa" 17,525/09 – Samho – DH
-Sold en bloc for $72.0m to Danish buyers (StenaWeco).

REPORTED TANKER DEMOLITION SALES

"Phubai Amara 2" 97,114/91 – 15,178 LDT – DH
-Sold on private terms (Pakistan).

"Pergiwo" 37,087/93 – 7,415 LDT – DB
-Sold on private terms (Pakistan).

"Halifax" 29,753/92 – 7,077 LDT – DB
-Sold on private terms (Unknown).

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