

# WEBER WEEKLY TANKER REPORT



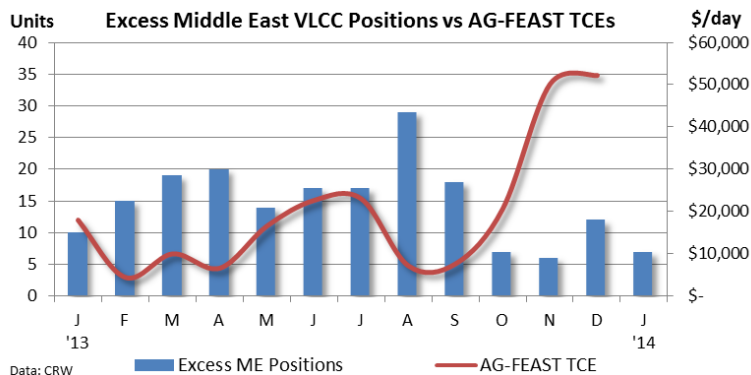
WEEK 3 – 17 JANUARY 2014

ISSUE 03 – 2014

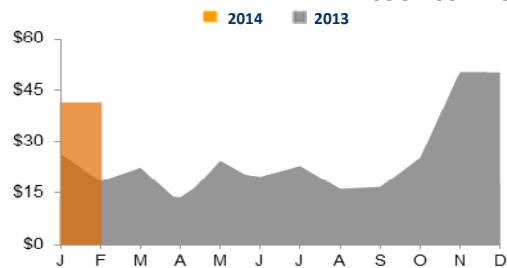
## VLCCs bounce back; near-term fundamentals stronger?

VLCC fixture activity accelerated strongly this week as soaring Suezmax rates pushed a greater number of cargoes onto the larger tankers. In the Middle East market, where charterers shored up remaining January stems, fixture activity jumped 25%, w/w, to 30 fixtures (a 6-week high), led largely by a doubling of fixtures on voyages to the Far East to 26 (an 8-week high). This came as regional Suezmax fixtures were down 25%, w/w, to 8 fixtures. In the West Africa market, significantly more attractive VLCC freights, relative to those for Suezmaxes, saw regional fixture activity jump 38%, w/w, to 11 fixtures—the highest weekly tally since the final week of 2011. At least three of these fixtures were for Suezmax cargoes bound for points in Europe which do not include any known co-loading. By late in the week, these factors prompted a reversal of the previous negative trend in the VLCC market, and the benchmark AG-FEAST rate rebounded to a two-week high by Thursday.

The stronger West Africa demand, which has drawn on Middle East positions, has done much to counter the short January Middle East program. That program now appears to have concluded with just 111 cargoes (at the low range of our week-ago estimate); however, the level of surplus units carrying from January to February dates has declined strongly from the 20 which would have been assumed last week on the basis of 111 cargoes to just 7 today. This is much lower than the 12 surplus units observed at the conclusion of the December program and is on-par with the 7 which prevailed at the conclusion of the October program, which was followed by a 139% m/m TCE gain during November. During 2H13, a close inverse correlation coefficient of  $r = (0.89)$  was observed between the number of surplus units at the conclusion of each month's program and the following month's AG-FEAST benchmark TCE.



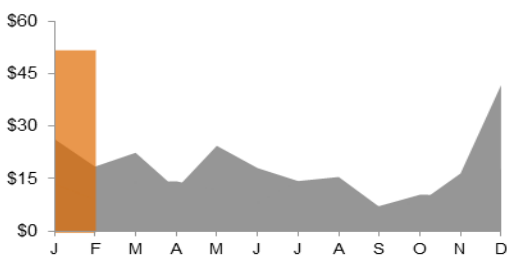
Accordingly, we suggest that the near-term supply/demand fundamentals of the market have changed significantly from a week ago. Together with a continued rallying of Aframax rates, Suezmax supply appears likely to remain tight over the coming weeks. This could help to support VLCC demand worldwide, while the February Middle East program is likely to rebound from the January low (Saudi production remains high), which supports regional demand. Against a tight level of supply available as charterers progress into February dates, rates appear poised to rally further during the upcoming week and remain generally elevated through the next few weeks. This view also appears to be shared by FFA participants; the front-month TD3 contract has gained over 19 points over the past week to a present indication of ws61.2.



**VLCC TCE**  
280k AG-USG  
+ CBS-SPORE

**MTD Average**  
\$41,500/Day

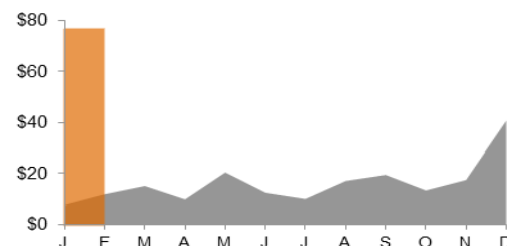
**Month y/y**  
▲ +71%



**S'MAX TCE**  
130k WAF-USAC

**MTD Average**  
\$51,800/Day

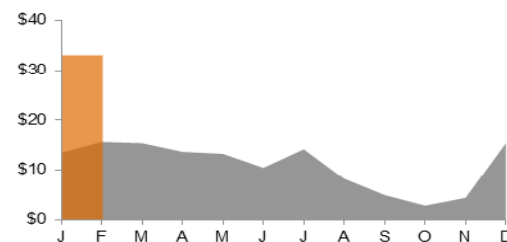
**Month y/y**  
▲ +285%



**A'MAX TCE**  
70k CBS-USG

**MTD Average**  
\$77,100/Day

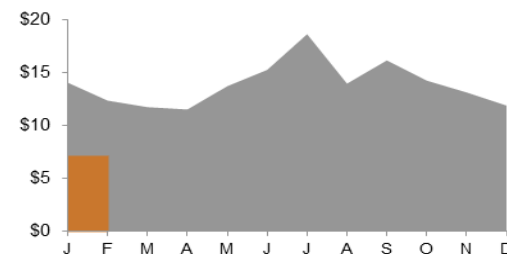
**Month y/y**  
▲ +928%



**P'MAX TCE**  
50k CBS-USAC

**MTD Average**  
\$32,900/Day

**Month y/y**  
▲ +145%



**MR TCE**  
38k CBS-USAC

**MTD Average**  
\$7,100/Day

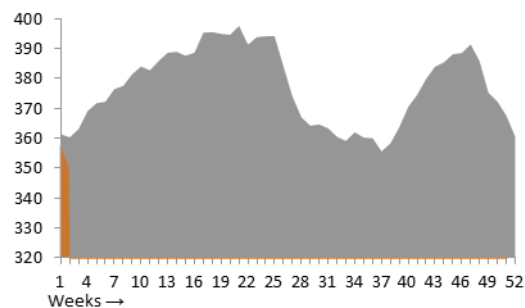
**Month y/y**  
▼ -49%

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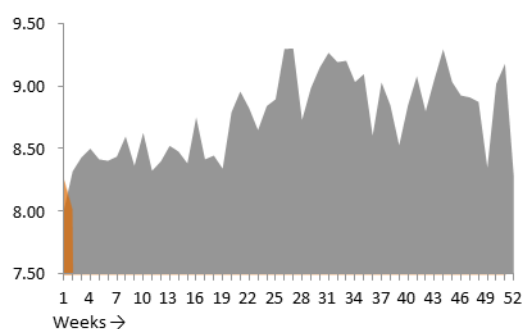


Spot Market	WS/LS	TCE \$/day	WS/LS	TCE \$/day
<b>VLCC</b> (12 Kts L/11.5 Kts B)				
AG>USG 280k (TD1)	31.9	\$8,376	37.0	\$15,484
AG>USG/CBS>SPORE/AG	--	\$38,262	--	\$46,343
AG>SPORE 270k (TD2)	42.5	\$21,162	62.5	\$48,172
AG>JPN 265k (TD3)	42.5	\$20,658	62.5	\$48,424
WAFR>USG 260k (TD4)	69.0	\$53,089	72.5	\$57,683
WAFR>CHINA 260k (TD15)	55.6	\$36,749	61.0	\$44,154
CBS>SPORE/AG 270k	\$5.00m	\$45,162	\$5.25m	\$49,604
<b>SUEZMAX</b> (12 Kts L/11.5 Kts B)				
WAFR>USAC 130k (TD5)	122.5	\$53,274	130.0	\$58,223
BSEA>MED 135k (TD6)	130.0	\$67,748	187.5	\$117,652
CBS>USG 130k	130.0	\$61,691	164.0	\$86,866
<b>AFRAMAX</b> (12.5 Kts L/B)				
N.SEA>UKC 80k (TD7)	155.0	\$71,782	175.0	\$88,845
AG>SPORE 70k (TD8)	120.0	\$27,544	115.0	\$25,176
BALT>UKC 100k (TD17)	145.0	\$72,510	150.0	\$76,496
CBS>USG 70k (TD9)	260.0	\$85,305	305.0	\$105,758
MED>MED 80k (TD19)	127.5	\$38,288	275.0	\$127,168
<b>PANAMAX</b> (12.5 Kts L/B)				
CBS>USG 50k	190.0	\$41,209	285.0	\$76,190
CONT>USG 55k (TD12)	150.0	\$20,860	175.0	\$29,039
ECU>USWC 50k	169.0	\$19,158	170.0	\$19,448
<b>CPP</b> (13.5 Kts L/B)				
CONT>USAC 37k (TC2)	147.5	\$14,997	155.0	\$16,761
USG>CONT 38k (TC14)	110.0	\$8,861	85.0	\$2,866
USG>CONT/CONT>USAC/USG	--	\$21,878	--	\$18,066
USG>P.COLORADOS 38k	\$525k	\$15,531	\$450k	\$10,328
CBS>USAC 38k (TC3)	115.0	\$9,454	100.0	\$5,877
AG>JPN 35k	110.0	\$5,593	100.0	\$3,396
SPORE>JPN 30k (TC4)	112.5	\$4,361	105.0	\$2,796
AG>JPN 75k (TC1)	70.0	\$5,772	71.5	\$6,299
AG>JPN 55k (TC5)	90.0	\$3,447	87.5	\$2,445

Time Charter Market \$/day (theoretical)	1 Year	3 Years
<b>VLCC</b>	\$25,000	\$23,750
<b>Suezmax</b>	\$19,500	\$18,500
<b>Aframax</b>	\$14,500	\$15,500
<b>Panamax</b>	\$14,250	\$15,500
<b>MR</b>	\$14,500	\$16,000



**Last Week** 350.2 Mbbls  
**Week y/y** ▼ -2.8%



**Last week** 8.021 Mb/d  
**Week y/y** ▼ -3.6%

2014 2013

# WEBER WEEKLY TANKER REPORT



## THE TANKER MARKETS

### VLCC

#### Middle East

Rates to the Far East lost an average of 9.3 points, w/w, to an average of ws45.5; however, following this week's late gains, the route is now assessed at ws60. Corresponding TCE earnings shed ~\$13,089/day, w/w, to an average of ~\$25,045/day while the present assessment yields ~\$44,921/day. Rates to the USG via the Cape shed 3.5 points, w/w, to an average of ws31.1. Following recent gains the route is now assessed at ws35. Triangulated Westbound trade earnings averaged ~\$37,357/day, representing a w/w loss of ~\$7,634/day. At present assessments, this trading pattern yields an effective TCE of ~\$41,837/day.

As outlined above, the January Middle East program now appears complete with a total of 111 cargoes covered. This leaves just 7 excess units as carryovers into the February program. To-date, 8 February units have been covered, which is slightly below the normal level of forward-month cargoes covered through this point in the month. Accordingly, fixture activity should remain strong during the upcoming week; against the lower number of excess units and strong prevailing Suezmax rates, further rate gains appear likely.

#### Atlantic Basin

Activity in the Atlantic basin was strong on greater interest in VLCCs by Suezmax charterers. Rates on the WAFR-FAEST route declined through most of the week, shedding 7 points to an average of ws49.1. TCEs lost ~\$9,127/day, w/w, to an average of \$28,089/day. Following recent gains, the route is assessed at ws57.5, which yields ~\$39,348/day. The tighter Middle East position list combined with strong interest in VLCC as an alternative to Suezmaxes should see positive rate momentum remain during the upcoming week.

The Caribbean market was also more active this week which helped to halt earlier rate erosion and prompted a paring of losses by the close of the week. The CBS-SPORE route ultimately averaged \$5.0m LS, representing a w/w gain of \$100k. Further gains appear likely, in line with stronger VLCC sentiment worldwide and an ongoing crude tanker availability issues in the region.

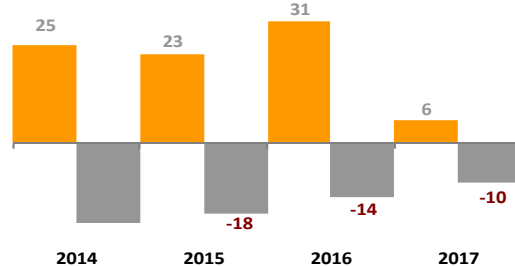
### Suezmax

Total activity in the West Africa Suezmax market was off 46% from last week's high. Rates remained firm, however, as overall availability remains very tight both regionally and in the wider Suezmax market. Moreover, despite the softer fixture activity, inquiry remained robust and we note that at least three VLCC units were fixed on voyages from West Africa to carry Suezmax cargo parcels due to the more attractive economics of using the larger class.

Rates on the WAFR-USAC route added 7.5 points to conclude at ws130. With further early February cargoes remaining uncovered at the close of the week, the upcoming week is expected to commence with sustained demand. Together with a sustained tight position list and strong weather-related transit delays in the Turkish Straits of up to 8 days in both directions, rates appear poised to post further gains, accordingly.

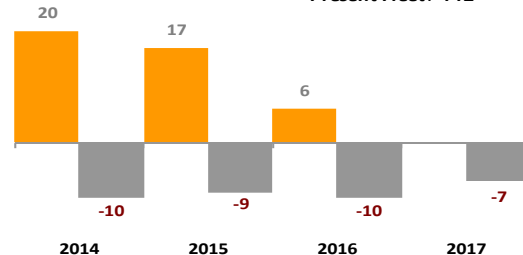
### VLCC Projected Deliveries/Removals

Present Fleet: 612



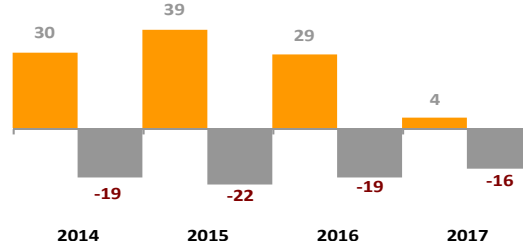
### Suezmax Projected Deliveries/Removals

Present Fleet: 442



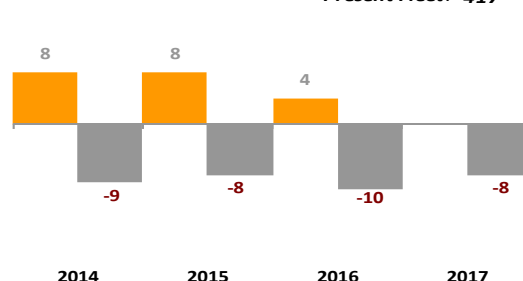
### Aframax/LR2 Projected Deliveries/Removals

Present Fleet: 882



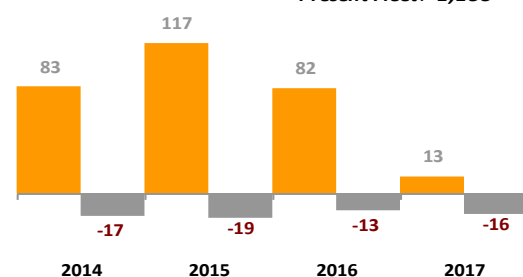
### Panamax/LR1 Projected Deliveries/Removals

Present Fleet: 417



### MR Projected Deliveries/Removals

Present Fleet: 1,188



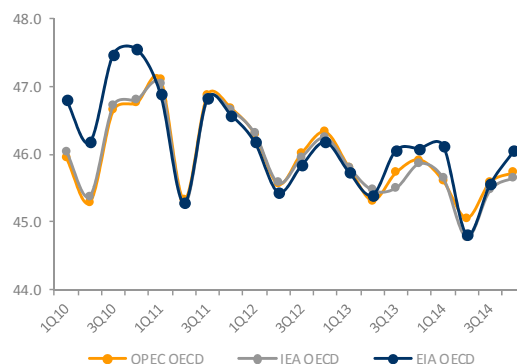
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## Aframax

The Caribbean Aframax market continued to rally this week as very tight overall availability against further demand allowed owners to command successively higher rates. The CBS-USG route added a further 45 points to conclude at ws305. Corresponding TCEs closed the week at ~\$105,758/day, which represents a record high on a nominal value basis. Total activity, however, was much softer this week, dropping 40%, w/w, to 13 fresh fixtures (a level just shy of the 2013 weekly average). With regional Suezmaxes also posting strong rate gains and overall availability issues unlikely to subside soon, further inquiry during the start of the upcoming week could see rates remain modestly firm. We also note that PADD 3 (Gulf Coast) CDU planned maintenance is expected to peak in March this year, rather than the more usual February, and thus a delaying of the seasonal demand downturn to service USG imports is likely.

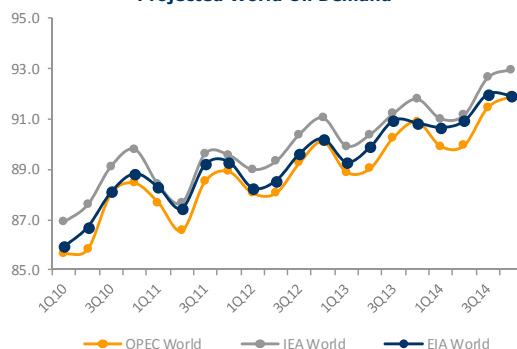
Projected OECD Oil Demand



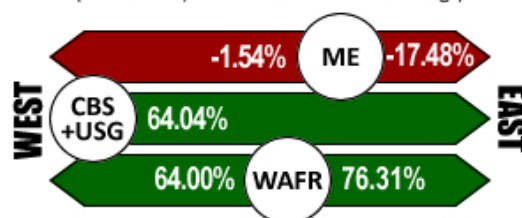
## Panamax

Rates in the Caribbean Panamax market remained firm throughout the week and extremely strong gains were recorded at the tail end of the week. Overall, the CBS-USG route added 95 points and concludes at ws285. Positions remain very tight throughout the Caribbean and USG areas, which could see positive pressure remain on rates during the upcoming week.

Projected World Oil Demand

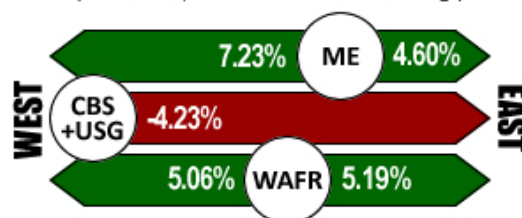


130 + kMT Fixtures, 2014 YTD, y/y Percentage Change  
(Middle East, West Africa & CBS+USG liftings)



Charles R. Weber Company

130 + kMT Fixtures, 2013 y/y Percentage Change  
(Middle East, West Africa & CBS+USG liftings)



Charles R. Weber Company

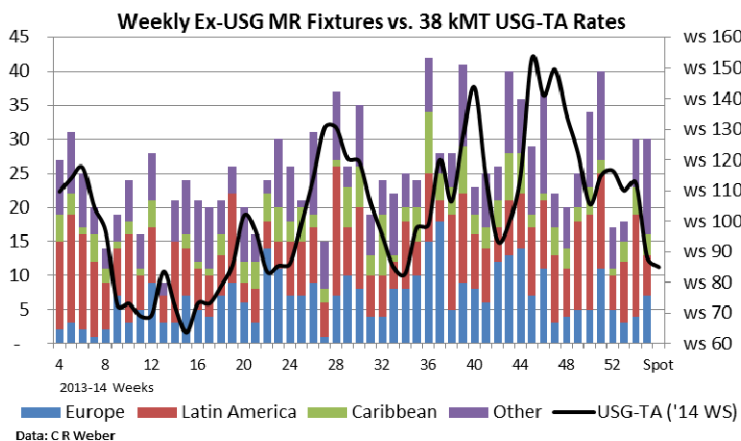
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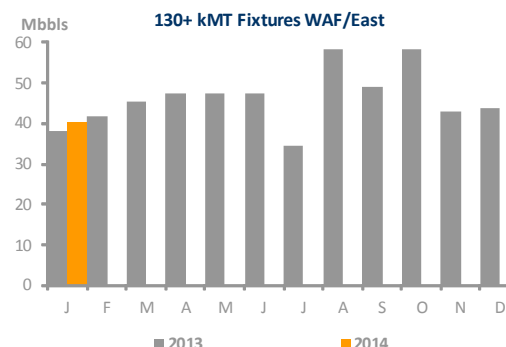
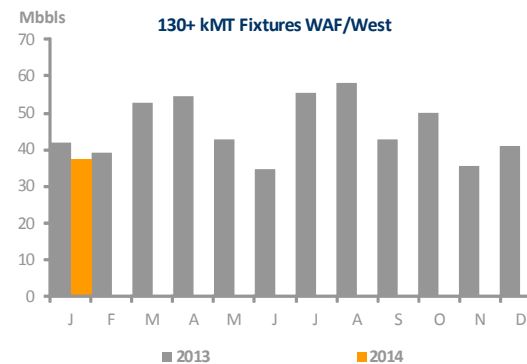
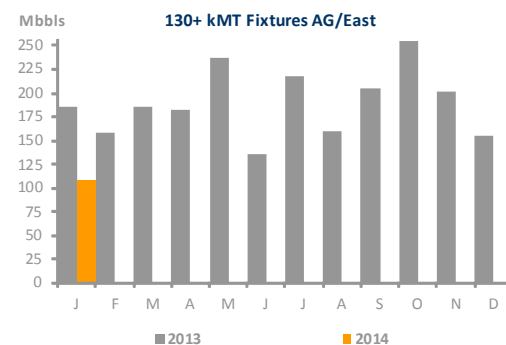
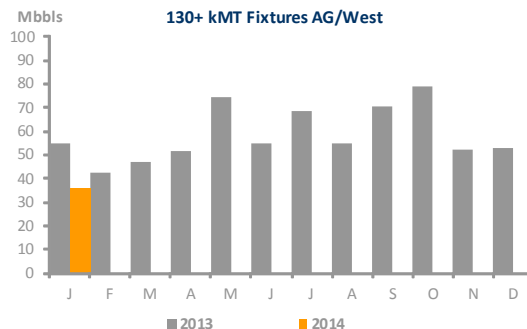
## CPP

The USG MR market was marginally more active this week with total fixtures rising 3%, w/w, to 31. The figure remains above 2013's weekly average of 26 but the pace proved insufficient to halt further rate erosion, which actually accelerated this week as availability expanded modestly from last week's levels. Rates on the USG-UKC route shed 25 points to conclude at ws85—a five-month low and 17% below the 2013 average and 27% below the 2H13 average. Given the extent of this week's rate losses, owners are now showing a greater level of resistance to lower rates.

With USG refinery maintenance schedules showing that offline capacity during winter turnarounds will peak during March – a month later than usual – there is reason to believe that ex-USG fixtures will remain at recent relative strength during the coming few weeks. On this basis, a rebounding of rates appears likely. Simultaneously, following recent activity strength on the CONT-USAC/G routes, the volume of fresh tonnage likely to appear on USG position lists could delay and limit the extent of any gains which materialize.



The European MR market experienced further rate gains this week on sustained demand for exports to points in the Americas and elsewhere. By mid-week, the CONT-USAC route had risen to ws160 but ultimately started to lose steam by the end of the week and concluded at ws155, a 7.5-point gain on last week's close. Notably, trans-Atlantic fixtures declined after EIA data showed softer US gasoline demand and a buildup of PADD 1 gasoline inventories, which suggested that the impact of last week's US cold snap on demand may have been more out of step with the impact on refinery processing rates than the market had previously assumed.





# WEBER WEEKLY TANKER REPORT



## REPORTED TANKER SALES

**"Blue Opal"** 320,105/12 – Daewoo – DH  
-Sold for \$84.3m to undisclosed buyers for conversion.

**"Luxembourg"** 299,150/99 – Daewoo – DH  
-Sold for \$28.0m to undisclosed buyers for conversion to FPSO.

**"Gulf Eyadah"** 298,971/06 – Nantong COSCO – DH  
**"Gulf Sheba"** 298,923/07 – Nantong COSCO – DH  
-Sold en bloc for \$95.0m to Emirati buyers (Petroleum Alliance).

**"Hero"** 156,532/11 – Rongsheng – DH  
-Sold for \$51.5m to Greek buyers (Empire Line).

**"Vallesina"** 109,060/09 – Hudong – DH  
**"Valfoglia"** 109,060/09 – Hudong – DH  
**"Valbrenta"** 109,039/09 – Hudong – DH  
**"Valdarno"** 108,914/10 – Hudong – DH  
-Sold en bloc for \$30.0m each to Canadian buyers (Teekay).

**"Dan Sabia"** 59,317/12 – Nantong COSCO – DH – Shuttle Tanker  
**"Dan Cisne"** 59,300/11 – Nantong COSCO – DH – Shuttle Tanker  
**"Dan Eagle"** 46,186/99 – Hyundai Heavy – DH – Shuttle Tanker  
-Sold en bloc on private terms to UK buyers (Knutsen NYK Offshore).

**"Iver Excel"** 45,750/97 – Halla Samho – DH  
-Sold on private terms to Peruvian buyers.

**"Atlantic Liguria"** 35,966/99 – Daedong – DH – Epoxy  
**"Atlantic Lombardia"** 35,841/00 – Daedong – DH – Epoxy  
-Sold en bloc on private terms to Greek buyers (Trust Oil).

## REPORTED TANKER DEMOLITION SALES

**"Success Ocean XXX"** 97,097/93 – 14,500 LDT – DH  
-Sold on private terms (Pakistan).



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