

# WEBER WEEKLY TANKER REPORT



WEEK 12 – 21 MARCH 2014

ISSUE 12 – 2014

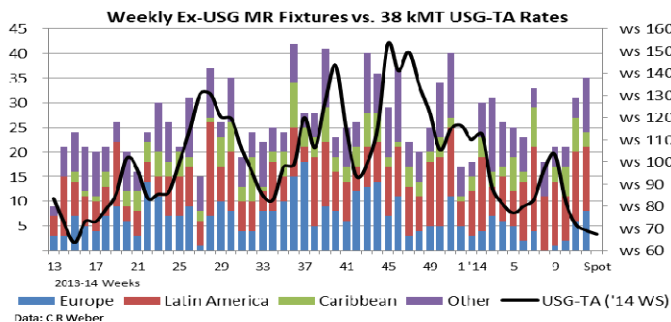
## USG MR poised for improvement of fundamentals during coming weeks?

Earnings progression within the MR product tanker market has been largely uninspiring this year with market participants on this side of the Atlantic feeling increasingly pessimistic about near and intermediate term progression due to the strong decline of rates in the USG market since January. Seasonal USG market weakness has been further exacerbated by a rebound of European refining production during 4Q13 and stronger corresponding European product exports. Intensifying the situation was extreme cold in the US this winter, which periodically impacted PADD 1 (East Coast) and PADD 3 (Gulf Coast) refinery production and drew on Northeast US heating oil inventories, prompting rare Europe to PADD 1 distillate trades. With these factors reducing long-haul voyages from the USG market, more product flows on short-haul voyages to Latin America and the Caribbean has largely kept regional position lists long as units quickly reappeared.

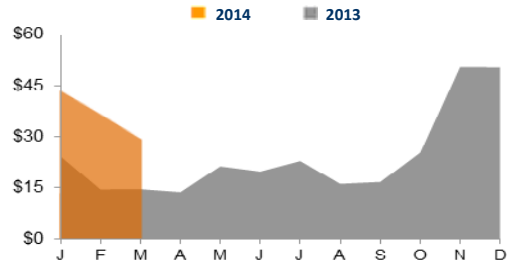
## US CPP exports to Europe showing fresh signs of life

Following last week's more active USG market, further demand gains materialized this week with reported fixtures rising 13% to a total of 35---a YTD high and the most in 13 weeks. Voyages to points in Europe led the gains, rising 33%, w/w, eight (also the most in 13 weeks). The trans-Atlantic volume gains were prompted by the emergence of a slightly tighter diesel supply in northern Europe as refinery turnarounds there and in the Mediterranean accelerate. Despite the stronger demand, however, regional rates remained under negative pressure this week due to the quick reappearance of units servicing short-haul voyages to Latin America and the Caribbean. Rates on the USG-UKC route shed a further 2.5 points to conclude at ws67.5 while the USG-Pozos Colorados route (a benchmark of voyages to Latin America) lost \$25k to conclude at \$400k (lump sum). Together with softer rates in the UKC market, triangulated USG-UKC/UKC-USAC/USG earnings lost a further 24% this week to ~\$11,993/day while voyages to Latin America lost 20% to just ~\$6,616/day.

Due to fresh downside in the UKC market and with further losses expected during the coming week, further ex-USG rates erosion should be limited as owners resist locking into low returns on longer voyages (relative to intra-regional trades). Further forward, with European turnarounds likely to keep regional diesel supply tighter than has been the case in recent months and reduce excess gasoline supply, diesel imports should continue to accelerate through the coming weeks while gasoline exports continue to lose steam. Simultaneously, as PADD 3 refineries progress out of turnarounds, April should see exports accelerate, giving regional MRs a boost. More importantly, a greater proportion of export cargoes bound for Europe should help to reduce the ongoing supply glut which has weighed on ex-USG rates.



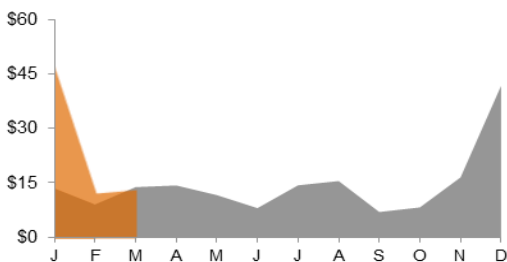
As Q2 progresses thereafter, the extent to which European refining runs rebound will have a large bearing on USG MR rate progression. The potential for some refineries to idle more capacity could improve both USG rates and overall MR earnings, even as ex-UKC rates depress, in-line with market conditions observed during much of 2H13.



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

**MTD Average**  
\$29,200/Day

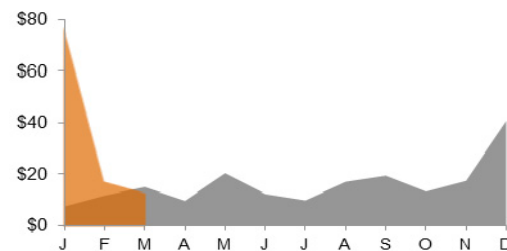
**Month y/y**  
▲ +100%



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

**MTD Average**  
\$13,200/Day

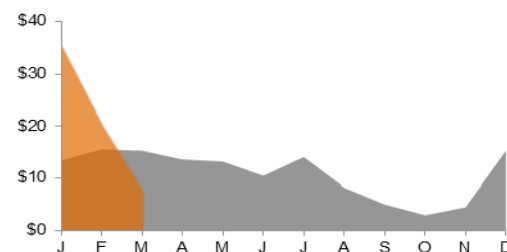
**Month y/y**  
▼ -5%



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

**MTD Average**  
\$12,500/Day

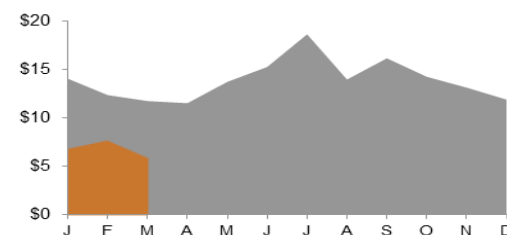
**Month y/y**  
▼ -16%



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

**MTD Average**  
\$6,600/Day

**Month y/y**  
▼ -57%



**MR TCE**  
38k CBS-USAC

**MTD Average**  
\$5,800/Day

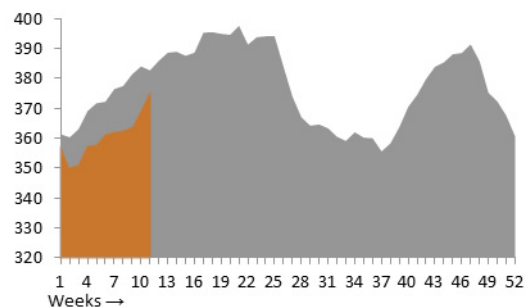
**Month y/y**  
▼ -51%

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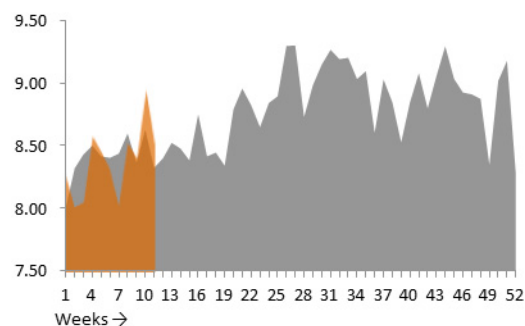


Spot Market	WS/LS	TCE \$/day	WS/LS	TCE \$/day
<b>VLCC</b> (12 Kts L/11.5 Kts B)				
	<b>14-Mar</b>		<b>21-Mar</b>	
AG>USG 280k (TD1)	29.0	\$4,214	27.5	\$2,333
AG>USG/CBS>SPORE/AG	--	\$27,953	--	\$21,360
AG>SPORE 270k (TD2)	42.5	\$21,791	38.5	\$16,423
AG>JPN 265k (TD3)	42.5	\$21,298	38.5	\$15,781
WAFR>USG 260k (TD4)	47.5	\$25,531	47.5	\$25,676
WAFR>CHINA 260k (TD15)	42.5	\$19,072	42.5	\$19,243
CBS>SPORE/AG 270k	\$4.20m	\$31,150	\$3.60m	\$20,963
<b>SUEZMAX</b> (12 Kts L/11.5 Kts B)				
WAFR>USAC 130k (TD5)	60.0	\$12,343	62.5	\$14,830
BSEA>MED 135k (TD6)	60.0	\$6,970	62.5	\$9,770
CBS>USG 150k	55.0	\$12,680	57.5	\$14,888
<b>AFRAMAX</b> (12.5 Kts L/B)				
N.SEA>UKC 80k (TD7)	87.5	\$13,280	115.0	\$36,668
AG>SPORE 70k (TD8)	100.0	\$19,043	97.5	\$17,976
BALT>UKC 100k (TD17)	65.0	\$8,143	85.0	\$23,911
CBS>USG 70k (TD9)	97.5	\$11,449	98.75	\$12,108
MED>MED 80k (TD19)	93.75	\$17,858	97.5	\$20,225
<b>PANAMAX</b> (12.5 Kts L/B)				
CBS>USAC 50k	115.0	\$6,173	107.5	\$4,077
CONT>USG 55k (TD12)	125.0	\$12,264	125.0	\$12,337
ECU>USWC 50k	175.0	\$21,667	175.0	\$21,416
<b>CPP</b> (13.5 Kts L/B)				
CONT>USAC 37k (TC2)	145.0	\$13,965	122.5	\$8,809
CONT>WAFR 37k	155.0	\$13,640	140.0	\$11,993
USG>CONT 38k (TC14)	70.0	\$(1,106)	67.5	\$(1,663)
USG>CONT/CONT>USAC/USG	--	\$13,485	--	\$10,192
USG>P.COLORADOS 38k	\$425k	\$8,307	\$400k	\$6,616
CBS>USAC 38k (TC3)	95.0	\$4,386	90.0	\$3,224
AG>JPN 35k	105.0	\$4,785	113.0	\$6,484
SPORE>JPN 30k (TC4)	111.0	\$4,283	113.0	\$4,699
AG>JPN 75k (TC1)	84.25	\$12,633	89.0	\$14,842
AG>JPN 55k (TC5)	110.25	\$10,599	109.0	\$10,221

Time Charter Market \$/day (theoretical)	1 Year	3 Years
<b>VLCC</b>	\$24,000	\$23,750
<b>Suezmax</b>	\$19,000	\$19,000
<b>Aframax</b>	\$14,500	\$15,750
<b>Panamax</b>	\$14,250	\$15,500
<b>MR</b>	\$14,500	\$16,000



**US Crude Stocks (EIA)** Last Week **375.9 Mbbls** Week y/y **▼ -1.8%**



**US Gasoline Demand (EIA)** Last week **8.512 Mb/d** Week y/y **▲ +2.3%**

2014 2013

# WEBER WEEKLY TANKER REPORT



## THE TANKER MARKETS

### VLCC

The pace of activity in the Middle East market was lackluster throughout much of the week as charterers slowly shored up remaining March stems and progressed about halfway through April's first decade program. Despite the chartering lull, rates held largely steady with the AG-FEAST rate continuing to trade around the ws42 level—largely as owners held optimism for a busier pace to prevail on a progression into the next month's program. Although activity did increase at the close of the week, the volume of excess March positions proved too excessive for owners to maintain ground and rates came under marked negative pressure. With charterers receiving an abundance of offers, rates on the AG-FEAST route quickly eroded and one fixture completed at the close of the week at ws36.25 – the lowest rate observed on the route this year.

Undermining market fundamentals, a large volume of Suezmax units fixed earlier this month to service March Middle East exports left VLCCs with fewer cargoes (despite a strong pull pack in regional Suezmax activity over the past two weeks). The corresponding reduction of the March VLCC cargo tally to 113 (16% fewer than February and 14% fewer than the 2H13 average) left a longer number of excess positions.

Going forward, while VLCC rates have commenced under negative pressure from the weaker supply/demand fundamentals prevailing at the start of the April program, reports indicating rising Iraq crude exports likely imply a healthier VLCC tally – assuming that the proportion of regional exports serviced by VLCCs expands. To this end, the proportion of combined April Suezmax and VLCC stems covered thus far has seen the smaller class' share decline to 11% from 18% during the March program. If this trend prevails through the upcoming week, regional VLCC demand could be sufficient to at least limit the extent of further rate downside. Unknown factors, including the level of VLCC positions consumed to service West Africa cargoes (a feature which has declined in recent weeks), could thus alter expectations for rate progression as the April program progresses during upcoming weeks.

### Middle East

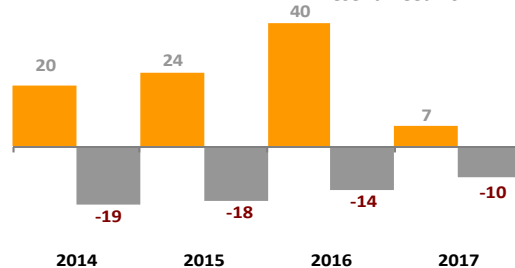
Rates on the AG-FEAST routes declined by 1.9 points, w/w, to an average of ws41.2. Corresponding TCEs shed ~\$2,449/day, w/w, to an average of ~\$19,921/day. Assessments are presently ws38 with a corresponding TCE yield of ~\$15,561/day. Rates to the USG via the Cape were steady at an observed average of ws28.5 while the route is presently assessed at ws27.5. Triangulated Westbound trade earnings declined by ~\$2,528/day, w/w, to an average of ~\$25,766/day.

### Atlantic Basin

The Atlantic basin yielded eight fresh fixtures this week, representing a slight increase on last week's pace. More of this week's activity was centered on the West Africa market, where total fixtures doubled to four. Rates on the WAFR-FEAST route averaged ws42.75 but with negative pressure in the AG, these levels will face similar downward sentiment. Additionally, with a longer list of available tonnage in the USG, some of these units will start to seek West Africa business, adding to a supply of ships that has mainly drawn from Middle East positions in recent months. The more abundant list of tonnage in the USG coupled with limited activity pushed the rate from the Caribbean down over \$500,000 as \$3.5m lump sum was observed on a CBS-SPORE voyage and \$3.2m on a CBS-ECIND voyage.

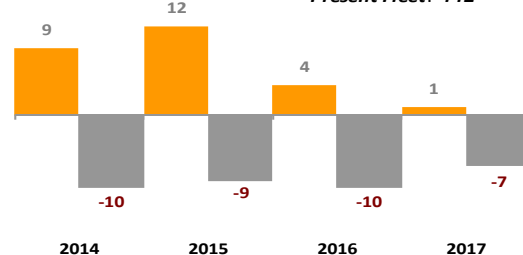
### VLCC Projected Deliveries/Removals

Present Fleet: 617



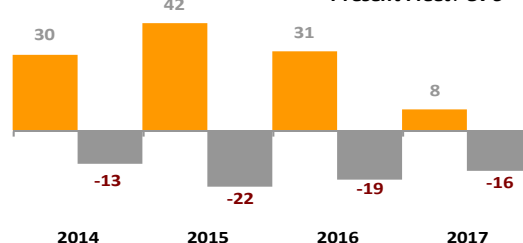
### Suezmax Projected Deliveries/Removals

Present Fleet: 442



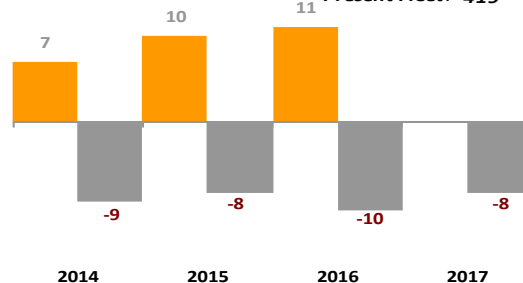
### Aframax/LR2 Projected Deliveries/Removals

Present Fleet: 876



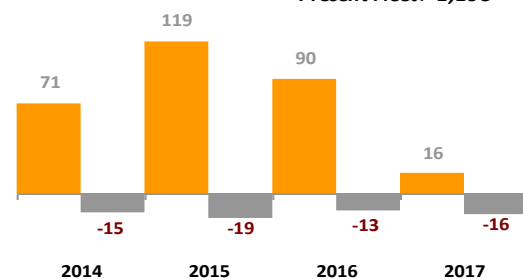
### Panamax/LR1 Projected Deliveries/Removals

Present Fleet: 419



### MR Projected Deliveries/Removals

Present Fleet: 1,198



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## Suezmax

The West Africa Suezmax market was more active this week with total fixtures accelerating 25%, w/w, to 15. The activity gains bode well against a declining position list to allow owners to reverse early rate erosion and finish the week with fresh rate gains. The WAFR-USAC route ultimately gained 2.5 points from last week's close and concluded at ws62.5. With Caribbean units finding more intraregional demand and Middle East fixture activity having been very strong earlier this month, positions could prove slightly tighter during the upcoming week, failing a reduction of fresh demand. This could see owners achieve further rate gains, accordingly.

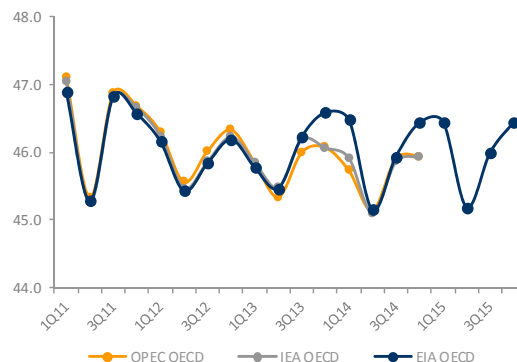
## Aframax

Caribbean Aframax commenced the week with an extension of last week's busier pace. Initially, the activity strength allowed owners to command modest rate gains and the CBS-USG market rose into the low ws100s. By mid-week, the market pared the observed gains after a disadvantaged unit was fixed following earlier technical issues at ws98.75. With that rate being widely reported and the unit's technical issues failing to have been simultaneously reported, charterers became resistant to a higher rate. With the market much quieter during the second half of the week, owners struggled to bring rates back to the ws100 level and the market concluded at ws98.75, representing a 1.25-point gain on last week's close. Though the late week slowdown ultimately saw the market observe just 10 fixtures (half last week's total), fog issues in the Gulf of Mexico over the weekend could cause sufficient delays to see owners command modestly stronger rate gains during the upcoming week—particularly as replacements for lightering contracts on the USG could be required.

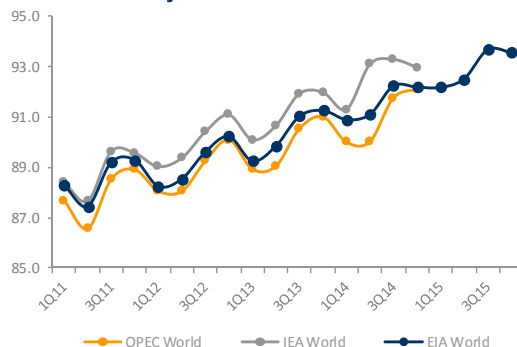
## Panamax

The Caribbean Panamax market was very quiet this week with limited fresh demand materializing. Moreover, of just two fixtures reported this week, one was a replacement. This saw rates remain under negative pressure throughout the week with the CBS-USG route dropping 7.5 points to an assessed conclusion of ws107.5. Further rate erosion could materialize on a retesting of the market, failing a strong uptick in demand.

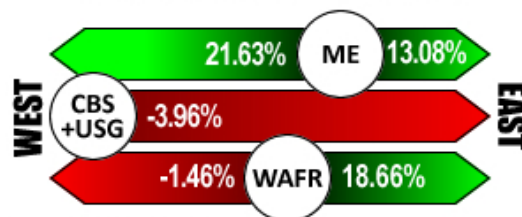
Projected OECD Oil Demand



Projected World Oil Demand



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



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# WEBER WEEKLY TANKER REPORT



## REPORTED TANKER SALES

**"Mare Italicum"** 110,295/07 – Mitsui – DH

-On subjects for \$34.0m to Greek buyers (Pantheon Tankers).

**"Pacific Leo"** 107,127/03 – Imabari – DH

-Sold for \$21.0m to undisclosed Norwegian buyers.

**"Palva"** 74,940/07 – Brodosplit – DH – Ice 1A

**"Stena Poseidon"** 74,927/06 – Brodosplit – DH – Ice 1A

-Sold en bloc on private terms to Canadian buyers (Transport Maritime St-Laurent).

**"Bomar Ceres"** 6,064/07 – Tuzla – DH

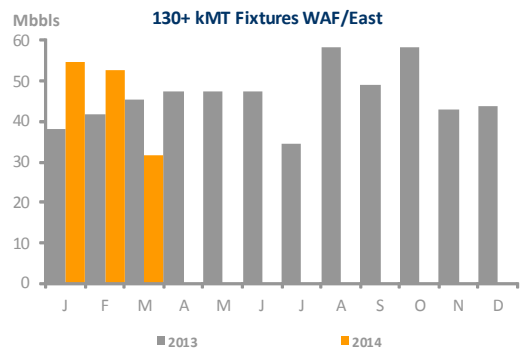
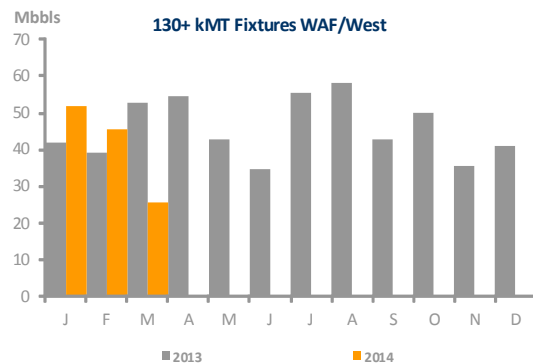
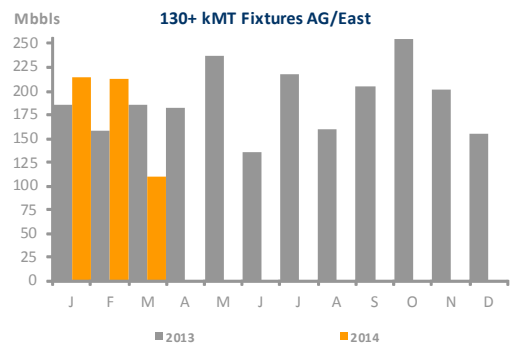
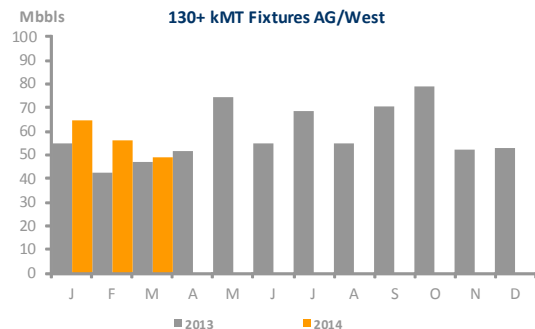
-Sold for \$9.6m to undisclosed buyers.

**"Brovig Viento"** 4,570/04 – Gisan – DH

-Sold for \$4.4m to Norwegian buyers (Sea Tank Chartering).

**"Brovig Wind"** 4,279/05 – Selah – DH

-Sold on private terms to Danish buyers (Monjasa).



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# WEBER WEEKLY TANKER REPORT



## REPORTED TANKER DEMOLITION SALES

### China

**"Dan Chi"** 38,775/94 – 9,030 LDT – DH

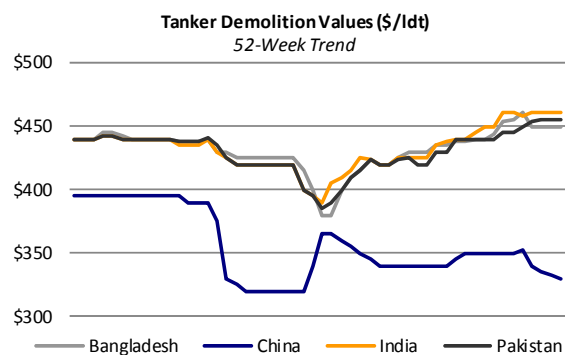
*-Sold on private terms.*

**"Ping Chuan"** 13,122/95 – 3,881 LDT – DH

*-Sold on private terms.*

**"Tai Chuan"** 13,122/95 – 3,881 LDT – DH

*-Sold on private terms.*



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