

WEBER WEEKLY TANKER REPORT



WEEK 48 – 2 DECEMBER 2011

ISSUE 48 – 2011

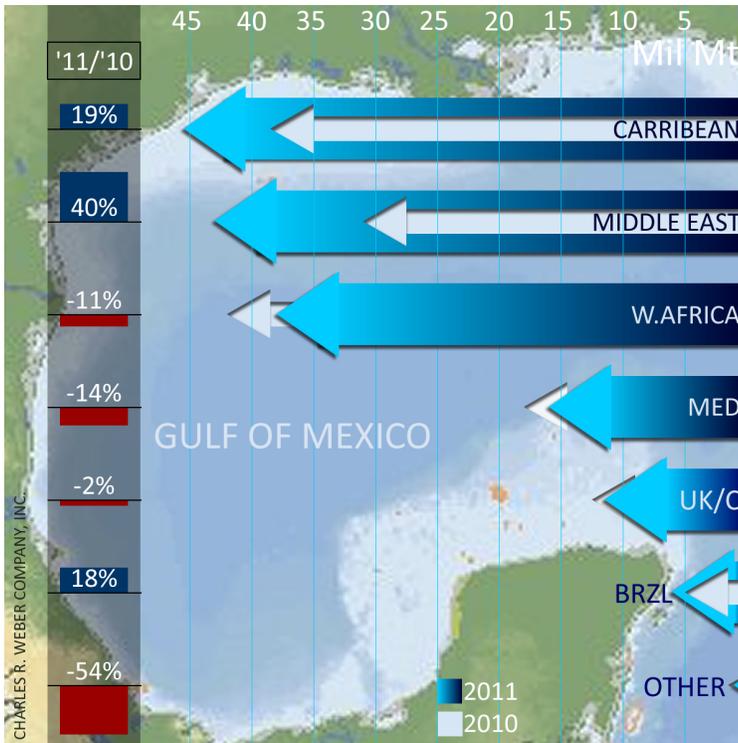
USG crude imports to fall?

Last month, plans were announced to reverse the direction of the Seaway pipeline in order to offer gulf refiners easier access to WTI crude. The pipeline presently transports crude from Freeport, Texas, to Cushing, Oklahoma – where NYMEX-traded WTI crude is settled. A buildup of inventories at Cushing tank farms and the inability to easily move crude from there this year depressed WTI prices and significantly widened the gap between WTI and Brent contracts.

According to Seaway's operators, reversed service could commence by 2Q12 with an initial capacity of 150,000 b/d with subsequent upgrades boosting capacity up to 400,000 b/d by early 2013. For gulf-area refineries, access to the pipelines' Freeport terminus (via existing area pipeline networks) bodes well for the recent surge export demand for refined products. For the tanker sector, the implications are mixed.

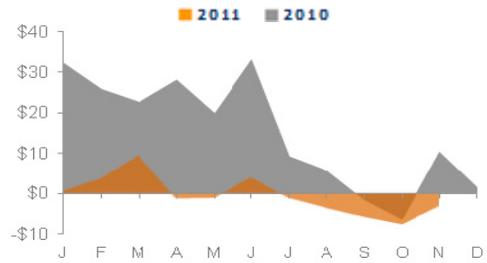
For the MR sector, further gulf product exports will augment demand, offsetting fleet growth and allowing for a further progression into the recovery stage.

For crude tankers, however, any decline in demand for crude shipments to one of the world's busiest hubs could further harm the already undermined recovery. Indeed, this seems to be the consensus among industry participants – but on the issue of which crude tanker sector would likely take the biggest hit, opinion is divided.

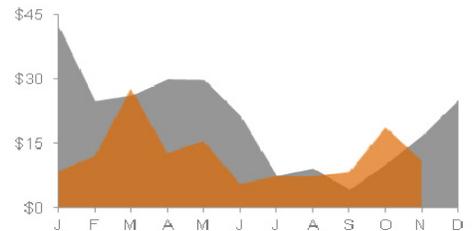


Data: C R Weber; Graphic: John M. Kulukundis

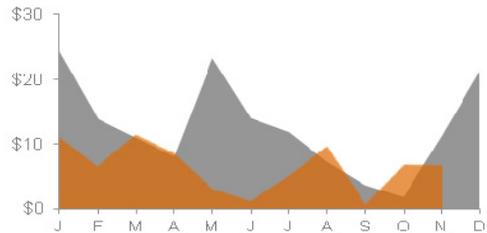
This year, loading points in the Caribbean overtook those in West Africa to collectively account for the largest share of crude spot market deliveries to the US gulf accounting for 28% of the total. In part, this was due to a



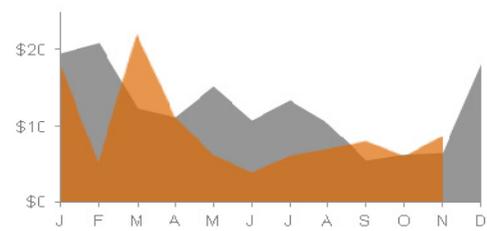
VLCC TD1 TCE
280k AG-USG **Nov. Average**
-\$3,250/Day **'10-'11 MoM**
▼ -130%



S'MAX TD5 TCE
130k WAF-USAC **Nov. Average**
\$11,000/Day **'10-'11 MoM**
▼ -34%



A'MAX TD9 TCE
70k CBS-USG **Nov. Average**
\$6,750/Day **'10-'11 MoM**
▼ -41%



P'MAX TD10 TCE
50k CBS-USAC **Nov. Average**
\$8,500/Day **'10-'11 MoM**
▲ +34%



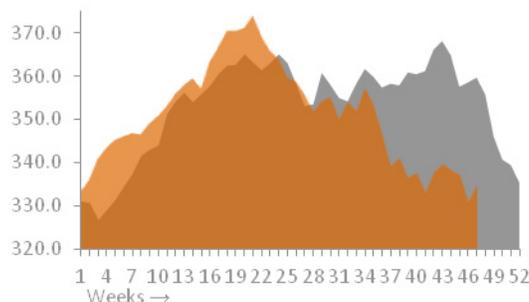
MR TC3 TCE
38k CBS-USAC **Nov. Average**
\$10,500/Day **'10-'11 MoM**
▲ +64%

WEBER WEEKLY TANKER REPORT

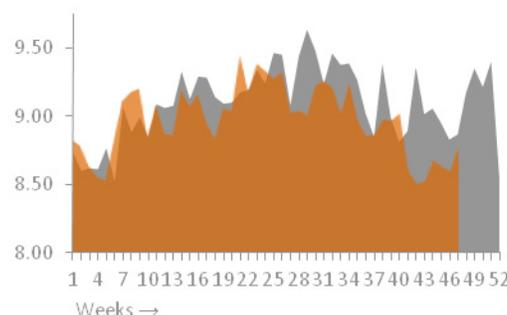


decline in demand for more expensive Brent-linked West African crude grades, and pricing discounts from Middle East producers for crude delivered to points in the West (activity on the Middle East-US gulf route has risen 40% from 2010 to-date).

Given prevailing pricing structures and economies of scale, the Middle East-US gulf route is unlikely to see a decrease in duty. Indeed, the 40% y/y gain which has been realized comes despite rising US production – and despite the rise in deliveries from the Caribbean. The prospective shuttering of 770,000 b/d refining capacity will likely see West African producers seek new buyers from their crude in Asia rather than increase West African crude to the US. Accordingly, this leaves the Caribbean originating routes as the most vulnerable to the boost in WTI crude supplies reaching the US gulf by the Seaway reversal.



US Crude Stocks (EIA) **334.7 Mbbls** '10-'11 WoW **-7.0%**



US Gasoline Demand (EIA) **8.769 Mb/d** '10-'11 WoW **-1.1%**

Spot Rates	Trade	Cargo	WS	TCE
VLCC <i>\$/day</i>				
TD1	AG>USG	280,000 MT	38.0	-\$1,100
TD2	AG>SPORE	260,000 MT	58.0	\$19,600
TD3	AG>JPN	260,000 MT	58.0	\$21,400
TD4	WAFR>USG	260,000 MT	60.0	\$19,700
TD15	WAFR>CHINA	260,000 MT	60.0	\$19,400
SUEZMAX				
TD5	WAFR>USAC	130,000 MT	82.5	\$18,600
TD6	B.SEA>MED	135,000 MT	80.0	\$13,600
AFRAMAX				
TD7	N.SEA>UKC	80,000 MT	95.0	\$10,700
TD9	CBS>USG	70,000 MT	100.0	\$3,700
TD19	TRK>MED	80,000 MT	85.0	\$2,000
PANAMAX				
TD10	CBS>USAC	50,000 MT	125.0	\$6,600
TD12	CONT>TA	55,000 MT	117.5	\$6,400
CPP				
TC2	CONT>TA	37,000 MT	155.0	\$7,300
TC3	CBS>USAC	38,000 MT	155.0	\$8,700
TC4	SPOR>JPN	30,000 MT	157.5	\$3,800
TC LR2	AG>JPN	75,000 MT	105.0	\$10,900
TC5 LR1	AG>JPN	55,000 MT	125.0	\$8,800

Time Charter Rates <i>\$/day (theoretical)</i>	1 Year	3 Years	5 Years
VLCC	\$16,500	\$25,000	\$31,000
Suezmax	\$17,000	\$21,000	\$22,750
Aframax	\$13,000	\$17,000	\$18,500
Panamax	\$13,500	\$15,000	\$17,000
MR	\$14,000	\$14,500	\$16,000

WEBER WEEKLY TANKER REPORT



THE TANKER MARKETS

VLCC

Following the slower pace of activity observed in the VLCC market last week – owing in equal parts to the short work week in the US and a pause before a more aggressive progression into the December program – the market rebounded this week. For their part, Middle East rates rose last week into the high ws60s on benchmark routes to the Far East, before the market quiet saw a correction to the high ws50s early this week. Ultimately, the market reached equilibrium at the ws60 level on those routes, where it has now remained through to week's end. Whilst rates have little risk of downside through the remainder of December, hopes that a fresh rally is eminent are dissipating, with at least 20 excess units now projected for December. This view is apparently shared by FFA traders, with the December TD3 contract trading at ws60.

There were 22 Middle East fixtures reported this week; 21 for discharge in the East and one in the West. South Korea led the Eastbound discharge profile with 5 fixtures reported. Reports indicate that South Korean refiners are keen to increase Fuel Oil production in anticipation of strong demand and to prevent the regional run on supplies which was experienced this past January. Last December, some 15 VLCCs loaded cargoes bound for South Korea. An estimated 17 VLCCs will likely load December cargoes for delivery in South Korea this year, including 10 already covered. Rates to the East declined 8.6 points, w/w, to an average of ws58.7. TCEs in this direction shed \$11,100/day, w/w, to average \$21,600/day this week. Westbound rates lost 4.13 points, w/w, to average ws38 with corresponding TCEs losing \$3,900/day at an average of -\$400/day. Triangulated Westbound trade earnings declined \$10,000/day, w/w, to average \$21,600/day.

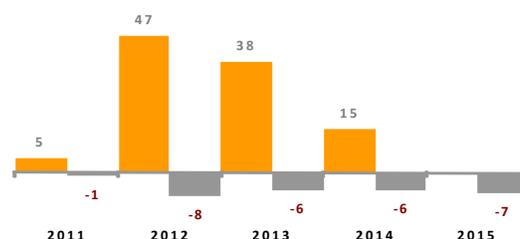
To-date, some 78 December Middle East cargoes have been covered, leaving a further 50 as likely remaining. Against this, over 70 units are projected to be available by end-December. Although evident of the level of overcapacity which remains in the sector, rate downside remains unlikely. During the coming week, industry holiday parties in the US and UK will likely see limited activity, which sets expectations for a busier week thereafter as charterers rush to cover the requirements ahead of the holidays. Rising bunker prices and expectations for a robust January program will also contribute to bullish sentiments by owners. Accordingly, rates to the East will likely hold near the ws60 and Westbound rates around the ws38 level.

In the Atlantic basin, a rapid rally in rates for Suezmaxes generated fresh interest in the VLCC co-load alternative, allowing some upward pressure to materialize for the larger class for which few units were available for early dates. Concrete movements in rates,

VLCC Projected Deliveries/Removals



Suezmax Projected Deliveries/Removals



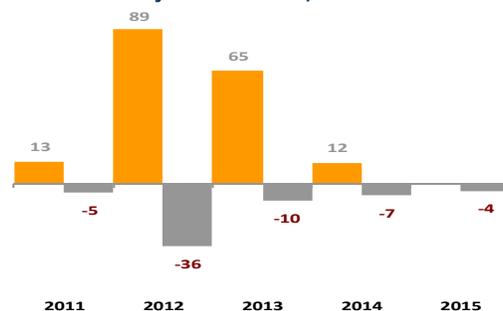
Aframax Projected Deliveries/Removals



Panamax Projected Deliveries/Removals



MR Projected Deliveries/Removals



WEBER WEEKLY TANKER REPORT



however, have yet to be observed with ex-West Africa rates in both directions holding at ws60 (though untested). Although prompter dates may well command a premium, ballast units will likely prohibit any gains for further forward dates, with rates thus likely to remain unchanged. Tighter positions in the Caribbean have allowed Caribbean-Singapore rates to hold at \$4.15m; with little change to the supply dynamics, rates on this route are unlikely to change during the week ahead.

Suezmax

The Atlantic Suezmax market commenced this week at ws80 on the TD5 benchmark route with a negative bias, before a mid-week replacement fixture at ws87.5 raised hopes that this level would prove repeatable. However, with fresh inquiry trailing off towards end-week, the market corrected to the low/mid ws80s—where it concluded. Continued quiet could see a further decline towards the high ws70s at the start of the upcoming week.

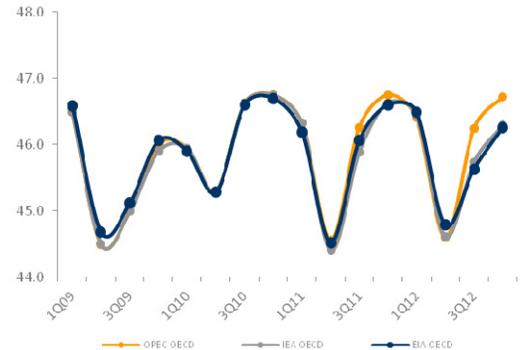
Aframax

A buildup of tonnage in the Caribbean Aframax market saw a significant correction in rates this week. The TD9 benchmark commenced at ws120 and concluded at ws100. Owners are now quite keen to stabilize rates and will likely resist further losses. However, with supply still outweighing demand, a measure of patience by charterers during the week ahead may see the market break below the ws100 level by a couple of points.

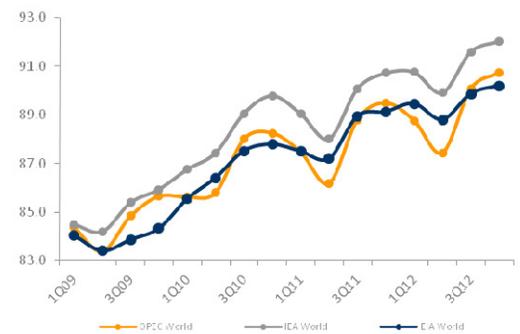
Panamax

The Caribbean Panamax market lacked a clear direction for much of the week, with rates trading in the mid-high ws120s on the TD10D benchmark. As of the end of the week, however, this remains sufficient tonnage relative to demand – including some prompt units. Failing an uptick in activity, rates may decline towards the ws120 level during the week ahead.

Projected OECD Oil Demand



Projected World Oil Demand



Percentage Change, 130+kMT fixtures, 2010-11, YTD
(Middle East and West Africa liftings)



WEBER WEEKLY TANKER REPORT

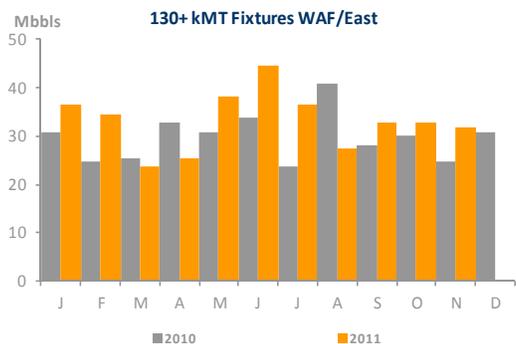
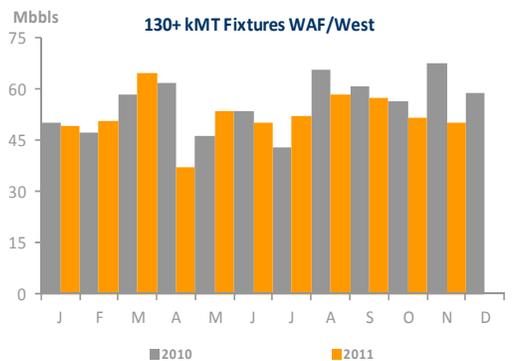
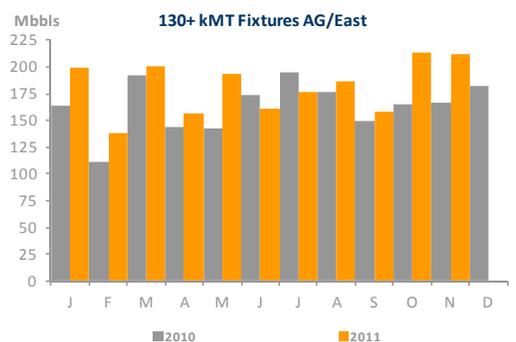
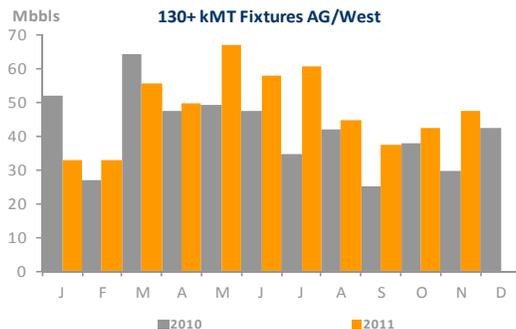


CPP

The Caribbean MR market was largely flat this week with limited inquiry and rates holding around the ws160 level on the TC3 benchmark. Assessments at the close of the week declined to ws155; however, resistance by owners and steady inquiry saw this level prove unsustainable. During the week ahead, rates should remain around the ws160 level.

USG exports were supported by the continued arbitrage opportunity on the trans-Atlantic USG-TA route. However, with the Caribbean and European markets offering similar returns, owners had no incentive to chose one market over the other. Accordingly, the premium charters have frequently found themselves paying for owners to move cargoes into a weaker European market continued to diminish, with USG-TA rates easing 5-points to conclude at ws110.

The European MR market gained 7.5 points this week to conclude at ws155 on the TC2 benchmark route. Though sentiment remains bullish, further upward pressure might incentivize owners with units coming free on the US/Canada Atlantic coast to ballast across the Atlantic rather than towards the Caribbean/USG area, ultimately capping gains.



WEBER WEEKLY TANKER REPORT



REPORTED TANKER SALES

"CHIOS" 301,824/93 - HYUNDAI - B&W 31,922 - SBT - IGS - COW
DH - SS 08/2016, DD 08/2014

-Sold for \$28 mill. to Indonesian buyers (Pertamina) for conversion.

"ALLORO" 66,000/97 - NAMURA - SUL 14,401 - COILED - SBT - IGS -
COW - DH - SS/DD 09/2012

-Sold at auction for €3.9 mill. to Greek buyers.

"PRODROMI" 19,996/00 - RUSSIA - B&W 11,665 - COATED - COILED
SBT - IGS - COW - DH - SS 03/2015, DD 03/2013

"ANEFANI" 15,885/98 - GERMANY - B&W 7,206 - COATED - COILED
SBT - DH - SS/DD 02/2013

"MARIM" 4,285/07 - YANGZHOU - DAIHATSU 3,399 - COATED
COILED - SBT - DH - SS/DD 08/2013

-Sold en bloc at an auction for \$7.5, \$6.5 and \$2.65 mill. respectively
to Greek buyers (Roswell Navigation) as is, Netherlands.

"GOLDEN TOPSTAR" 19,735/10 - FUKUOKA - MITSUBISHI 8,470
ST.ST.COATING - COILED - SBT IGS - DH - SS 07/2015, DD 07/2013

Sold for \$27.7 mill. to Norwegian buyers (Jo Tankers).

"SPRING LYRA" 16,020/00 - SHIN KURUSHIMA - B&W 6,650
ST.ST.COATING - COILED - SBT - DH SS 02/2015, DD 03/2013

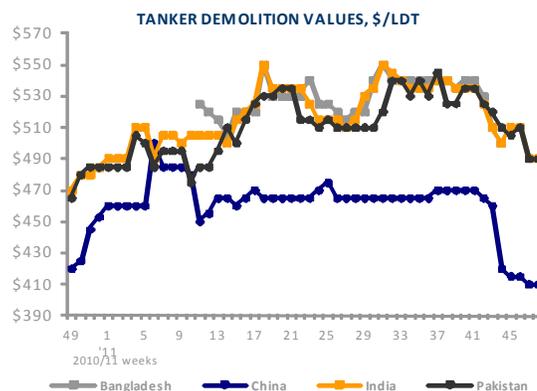
-Sold for \$8 mill. to Norwegian buyers.

REPORTED TANKER DEMOLITION SALES

INDIA:

"LIQUID CRYSTAL" 7,632/89 - 2,810 LDT - DH

-Sold en bloc for \$505/ldt



FOR THE LATEST MARKET DATA AND NEWS GO TO: WWW.CRWEBER.COM



George P. Los,
Senior Market Analyst
Charles R. Weber Research

Charles R. Weber Company, Inc.
Greenwich Office Park One,
Greenwich, CT 06831
Tel: +1 203 629-2300
Fax: +1 203 629-9103
research@crweber.com