

WEBER WEEKLY TANKER REPORT



WEEK 6 – 8 FEBRUARY 2013

ISSUE 6 – 2013

Rising Suez Canal transits adding to VLCC troubles?

The number of VLCCs transiting through the Suez Canal on laden voyages from the Middle East to points in the West reached a recent years' low during 2010; since then, however, the number has been on a steady rise back towards pre-crisis levels.

Prior to the tanker market downturn, tighter oil markets saw charterers keen to fix VLCCs on the spot market basis a Suez transit to shave off voyage time and, similarly, spot market strength made owners happy to take shorter laden voyages so their units could return to load regions more quickly and continue to capture healthy returns.

Though some charterers have had always had a clear preference for spot-chartered units to transit via the Suez canal or via the Cape of Good Hope, others have had alternating preferences in recent years. Of the latter, there has appeared to be a gradual but observable shift back towards Suez voyages in recent months.

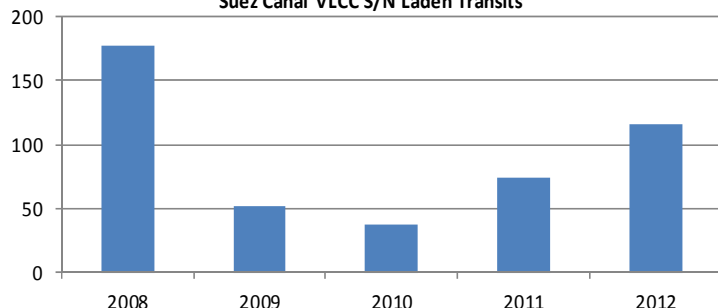
During 2012, about 35% of all AG-WEST spot market fixtures were concluded basis a Suez Canal transit; the percentage has risen to about 55%, YTD. We do note, however, that some recent changes to the spot vs. program tonnage orientation of some owners may skew these figures. Nevertheless, data published by the Suez Canal Authority show that during 2011 the number of northbound laden VLCC transits accelerated by 55% to 115 total transits. Though still 35% below the 177 such transits recorded for 2008, the rise remains a potential negative for VLCCs.

One component to the shift in trade lanes is the volume of Middle East crude bound for Europe, relative to the US. In the YTD, 6 spot market fixtures have materialized for discharge in Europe whilst during the same period during 2012 just one such fixture was observed. Moreover, during 2012 fixture activity to Europe rose 35% from 2011 levels. Simultaneously, fixtures to North America via the Suez canal accounted for 25% of all such fixtures, up from 21% during 2011.

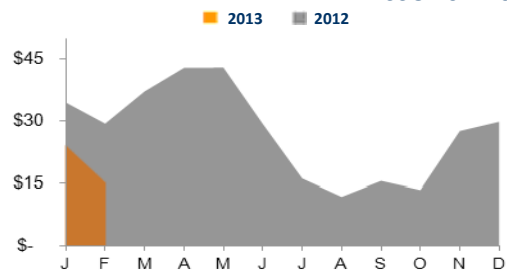
For their part, owners have shown a recent preference from Suez Canal transits, given a quicker voyage to the relatively stronger onward trading environments found in the Caribbean and West Africa markets – in addition to alleviating the need for piracy deviations and armed guard costs (about \$40,000 per voyage) required when transiting via the Cape, which positively impact TCE returns.

Overall implications of the rising Suez Canal transits, however, for a fleet already oversupplied with tonnage – as evidenced rather concisely by the fact that average earnings in the VLCC sector are presently just ~\$5,900/day – are not entirely positive, despite the modestly better earnings. Voyages on the AG-USG route via the Cape of Good Hope are about 10.5 days longer and generate 34% greater ton-miles.

Suez Canal VLCC S/N Laden Transits



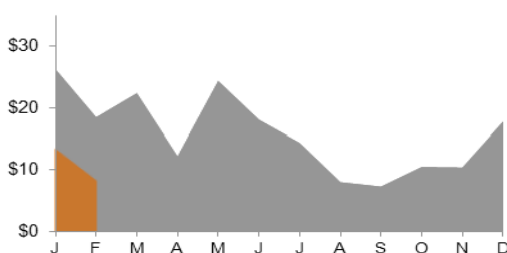
Data: Suez Canal Authority



VLCC TCE
280k AG-USG
+ CBS-SPORE

MTD Average
\$15,200/Day

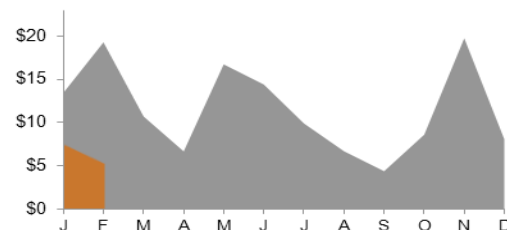
Month y/y
▼ -48%



S'MAX TCE
130k WAF-USAC

MTD Average
\$8,200/Day

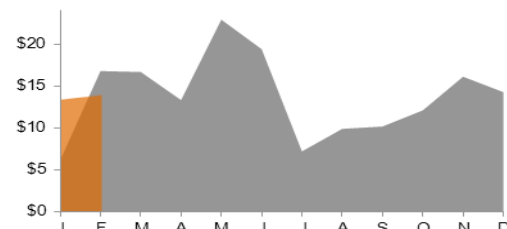
Month y/y
▼ -55%



A'MAX TCE
70k CBS-USG

MTD Average
\$5,300/Day

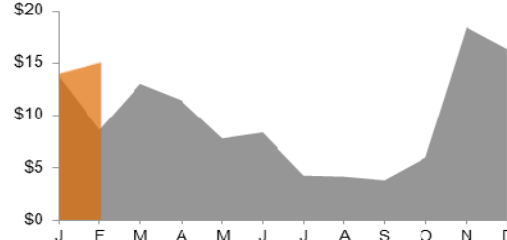
Month y/y
▼ -73%



P'MAX TCE
50k CBS-USAC

MTD Average
\$14,000/Day

Month y/y
▲ +119%



MR TCE
38k CBS-USAC

MTD Average
\$15,100/Day

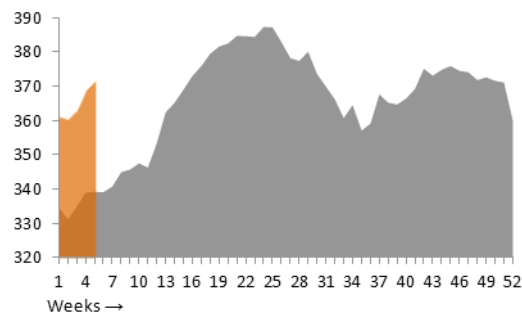
Month y/y
▲ +75%

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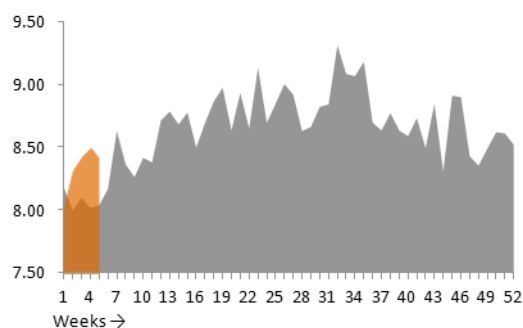


Spot Market	WS	TCE (R/V)	WS	TCE (R/V)
VLCC	2-Feb		8-Feb	
AG>USG 280 kMT	18.75	\$(13,700)	18.0	\$(15,800)
AG>SPORE 270 kMT	31.0	\$3,300	31.0	\$2,600
AG>JPN 265 kMT	31.0	\$2,400	31.0	\$1,700
WAFR>USG 260 kMT	40.5	\$17,000	40.0	\$15,500
WAFR>CHINA 260 kMT	34.0	\$7,000	34.0	\$6,100
SUEZMAX				
WAFR>USAC 130 kMT	55.0	\$10,125	52.5	\$7,700
B.SEA>MED 135 kMT	62.5	\$9,100	60.0	\$6,300
CBS>USG 130 kMT	62.5	\$12,400	62.5	\$11,900
AFRAMAX				
N.SEA>UKC 80 kMT	85.0	\$13,800	85.0	\$13,400
AG>SPORE 70 kMT	85.0	\$13,700	85.0	\$13,300
BALT>UKC 100kMT	70.0	\$17,500	65.0	\$12,600
CBS>USG 70 kMT	82.5	\$6,100	82.5	\$5,600
MED>MED 80 kMT	100.0	\$24,600	90.0	\$17,300
PANAMAX				
CBS>USG 50 kMT	110.0	\$9,800	117.5	\$11,900
CONT>TA 55 kMT	105.0	\$12,200	110.0	\$13,700
ECU>USWC 50 kMT	152.5	\$24,600	150.0	\$23,700
CPP				
CONT>TA 37 kMT	192.5	\$25,700	185.0	\$23,600
CBS>USAC 38 kMT	145.0	\$16,700	145.0	\$15,900
USG>TA 38 kMT	115.0	\$9,700	105.0	\$6,900
AG>JPN 35 kMT	125.0	\$9,000	114.0	\$6,300
SPOR>JPN 30 kMT	131.0	\$7,600	126.0	\$6,400
AG>JPN 75 kMT	80.0	\$11,300	79.75	\$10,800
AG>JPN 55 kMT	94.0	\$8,800	91.75	\$7,600

Time Charter Market \$/day (theoretical)	1 Year	3 Years
VLCC	\$19,250	\$23,250
Suezmax	\$16,500	\$20,250
Aframax	\$13,750	\$15,750
Panamax	\$13,750	\$14,500
MR	\$13,750	\$14,750



Last Week
371.7 Mbbls
▲ 9.6%



Last week
8.415 Mb/d
▲ +4.7%

2013 2012

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THE TANKER MARKETS

VLCC

Despite an improvement of fixture volumes across the VLCC markets this week, the negative sentiment which gripped the market in January have remained due to the continued presence of a wide supply/demand imbalance. Much of this week's activity rise was attributed to a rush by Far East charterers to cover requirements ahead of the Chinese New Year holidays; however, with much of these requirements being covered on COA tonnage the seemingly slower pace remained. Those cargoes which were not covered on COA tonnage continued to receive a long list of offers which, combined with expectations for a slower week to accompany the Far East holidays, contributed much to the negative sentiment.

In the US, the continued rise in crude inventories (which were 9.6% above levels a year ago at the close of last week, according to the EIA) bodes poorly for forward cargo expectations on the long-haul AG-USG route – particularly with a stronger US refinery maintenance period expected and domestic crude continuing to weigh on import requirements. However, a stronger than expected Saudi March price cut for Western buyers (and rise for Eastern buyers) could help to offset some of the aforementioned negative market implications by incentivizing greater US imports of Saudi sour crude (which USG refiners continue to require as imports despite greater domestic light ahead of a mid-spring progression from maintenance programs).

Middle East

There were 26 fresh fixtures this week in the Middle East market, including 6 bound points in the west and 20 in the east. Rates to the Far East posted a 1-point w/w gain to ws31.7 on the back of a small gain in rates early in the week, though the market concludes the week at ws31. TCEs on the route averaged ~\$3,600/day, representing a w/w loss of ~\$2,900/day. At the present assessment, TCE returns in this direction are ~\$2,200/day, which decreases the likelihood of further significant rate erosion with returns this close to voyage expenses (and well below OPEX levels). Rates to the USG averaged ws18.5, a .25 point w/w decline. Triangulated Westbound trade earnings eased ~\$3,900/day, w/w, to an average of ~\$15,200/day.

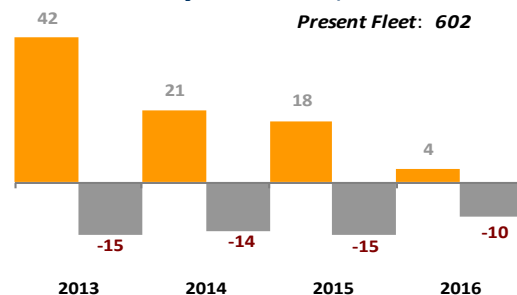
With 82 February Middle East cargoes covered to-date, a further 33 are expected to remain. Against this, some 55 units are projected to be available through end-February dates, implying 22 carryover units into March dates (though a greater number of "hidden" units are now likely). Whilst this could imply further rate erosion, we expect a greater unwillingness to trade at lower levels to limit further losses.

Atlantic Basin

The Atlantic basin was busier this week with 12 fresh fixtures reported, all bound for points in the east with the load profile largely balanced between West Africa (5) and the Caribbean (6). Rates on the WAFR-China route posted a 0.4 point uptick from a week ago to an average of ws33.9 with corresponding TCEs averaging ~\$6,500/day, a loss of ~\$600/day, w/w. Rates on the CBS-SPORE route eased from last week's assessed average \$4.3m to an observed average of \$4.12m this week. Both markets remain relatively balanced, though the prevailing negativity of the overall VLCC sector is likely to see modest negative pressure remain on both markets in the coming week.

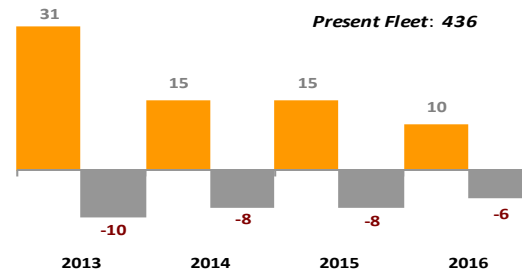
VLCC Projected Deliveries/Removals

Present Fleet: 602



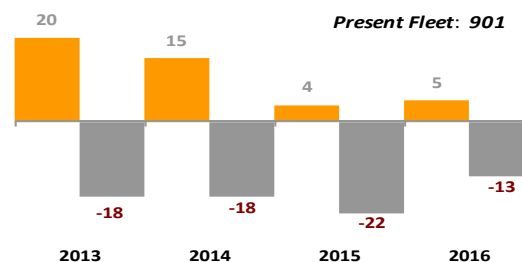
Suezmax Projected Deliveries/Removals

Present Fleet: 436



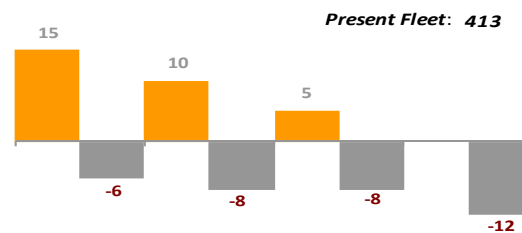
Aframax Projected Deliveries/Removals

Present Fleet: 901



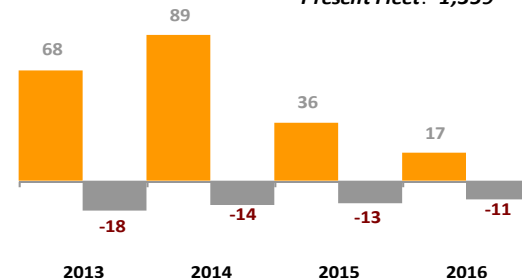
Panamax Projected Deliveries/Removals

Present Fleet: 413



MR Projected Deliveries/Removals

Present Fleet: 1,359



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Suezmax

The Atlantic Suezmax saw modest rate declines early in the week as tonnage supply remained generally abundant while fresh demand eased by about 13%, w/w. Rates on the WAFR-USAC route eased 2.5 points to conclude at ws52.5. Rates on the BSEA-MED route declined in correlation, easing 2.5 points to ws60.

The Caribbean market was largely unchanged this week on the back of limited rate movements in the competing Aframax class. The CBS-USG route was flat at the ws82.5 level, though rising bunker prices negatively impacted TCEs, with the latter declining 4% to ~\$11,900/day.

Aframax

The Caribbean Aframax market was generally unchanged this week with the CBS-USG route unchanged at the ws82.5 level. Modest premiums for prompt replacements remain likely, but few such fixtures have materialized in recent weeks. With a long holiday weekend in Latin America likely to impact activity at the start of the week, little change to the present assessment is expected during the week ahead.

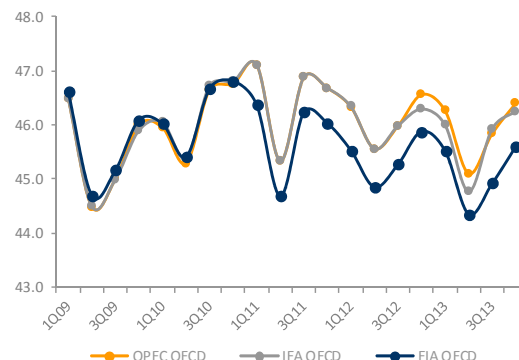
Rates in North Sea market were unchanged with the NSEA-UKC route hovering at ws82.5 while a further modest correction from the earlier ice-driven rally in the Baltic Sea market saw the BALT-UKC route ease a further 5 points this week to conclude at ws65. The Mediterranean market was also coming off of its recent rally as regional tonnage rebalances, with the MED-MED route easing 10 points to ws90. Average earnings across all European markets are presently ~\$14,200/day – more than double those in the Caribbean, raising the question going forward as to how long it will be before more Caribbean-oriented units abandon the area in hopes of achieving better returns by ballasting towards Europe. Such a development could see earnings in both markets level off, but is unlikely in the immediate term.

Panamax

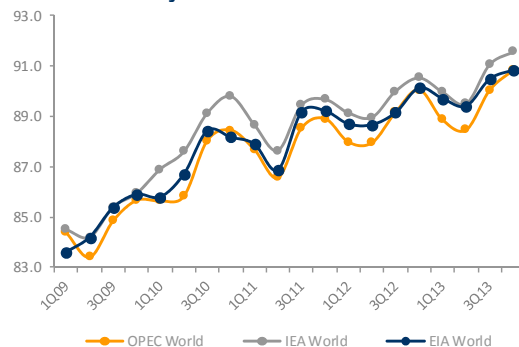
The Caribbean Panamax market saw tightening positions this week allowing for incremental rate gains. The CBS-USG route gained 7.5 points to conclude at ws117.5. Sustained activity during the week ahead should see rates rise further into the low/mid ws120s.

The European Panamax market posted early gains, but a quieter trading environment thereafter has alleviated much of the pressure. Overall, rates gained 5 points to conclude at ws110.

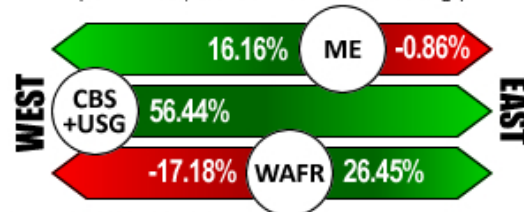
Projected OECD Oil Demand



Projected World Oil Demand



130 + kMT fixtures, 2012 y/y Percentage Change
(Middle East, West Africa & CBS+USG liftings)



Charles R. Weber Company

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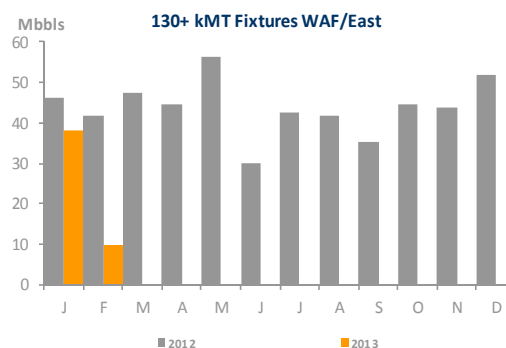
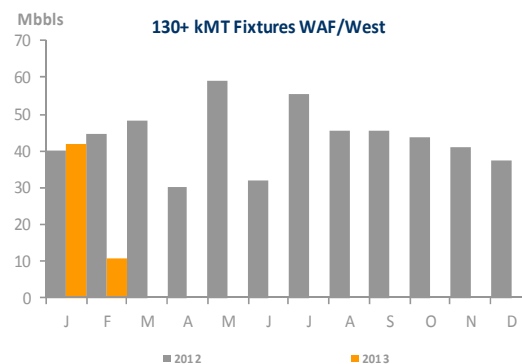
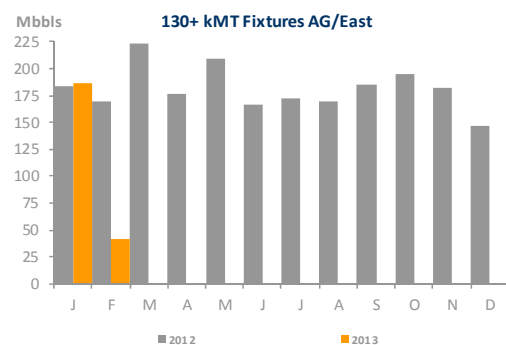
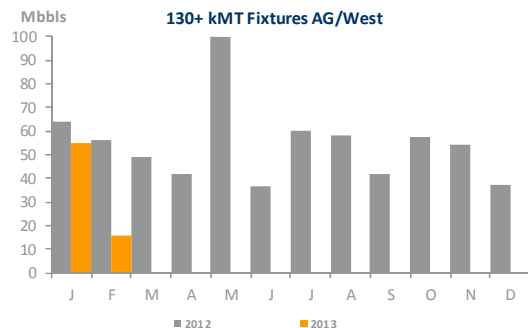


CPP

With more units available to service USG cargoes and 16% fewer fresh fixtures, w/w, rates on the USG-TA route dropped 10 points to conclude at ws105. Further modest rate declines are expected during the week ahead as the greater number of units servicing recent exports to Latin America reappear on USG positions more quickly (relative to those bound for Europe). Despite this week activity decline, activity remains generally strong which will likely limit the extend of rate losses until export volumes decline on decreased refinery utilization rates as refineries progress into seasonal maintenance programs. During the week ahead, an easing of rates into the high ws90s is reasonably expected to materialize.

Limited “natural” positions in the Caribbean area saw rates on the CBS-USAC route hold at ws145, though further rate losses for ex-USG fixtures should eventually translate into negative pressure on Caribbean rates.

The European market clawed back from recent highs on a decline in activity and a less certain arbitrage opportunity towards the end of the week. The CONT-USAC route shed 7.5 points to conclude at ws185. Further declines are expected during the week ahead with rates correcting further from recent highs.



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REPORTED TANKER SALES

"Washusan" 281,050/00 – Mitsubishi – DH
-Sold for \$28.3m to Greek buyers (Altomare).

"Delight Victoria" 74,994/07 – Minami Nippon – DH
-Sold for \$25.5m to Greek buyers (Flagship Marine Ventures).

"Navigo" 16,300/92 – Kvaerner Masa – DH
-Sold for \$8.0m to undisclosed buyers.

"Watford" 12,000/05 – Fu'an – DH
-Sold at auction for €5.3m (\$7.1m) to UK buyers (Union Maritime).

"Jin Xin" 5,880/12 – Zhejiang – DH (Asphalt & Bitumen)
-Sold for \$8.0m to undisclosed buyers; unit laid up since 06/2012.

"Clipper Brunello" 3,529/08 – Tuzla – DH
-Sold for \$10.0m to undisclosed Norwegian buyers.

"Brovig Bora" 3,502/06 – Celiktrans – DH
-Sold for \$4.0m to undisclosed buyers.

REPORTED TANKER DEMOLITION SALES

Bangladesh

"Orkney Spirit" 106,266/93 – 16,476 LDT – DH
-Sold for \$440/ltd basis as is, Hong Kong and including ~800 MT bunkers ROB.

"Louzon" 98,629/92 – 16,834 LDT – DH
-Sold on private terms (old sale).

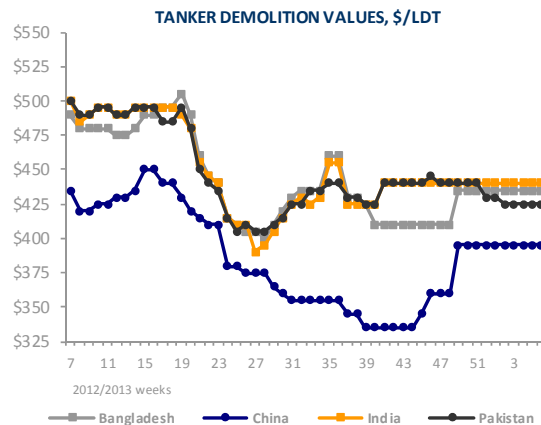
Pakistan

FSO **"Queensway"** 91,671/85 – 16,722 LDT – DS
-Sold for \$450/ltd. Converted from tanker 09/2008.

"Faith IV" 63,765/87 – 12,982 LDT – DH
-Sold for \$435/ltd.

India

OBO **"Searose G"** 83,155/94 – 16,560 LDT – DH
-Sold for \$435/ltd.



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