WEBER WEEKLY
TANKER REPORT

WEEK 22 – 31 MAY 2013 **ISSUE 22 – 2013**

Caribbean Aframaxes continue to command strong returns

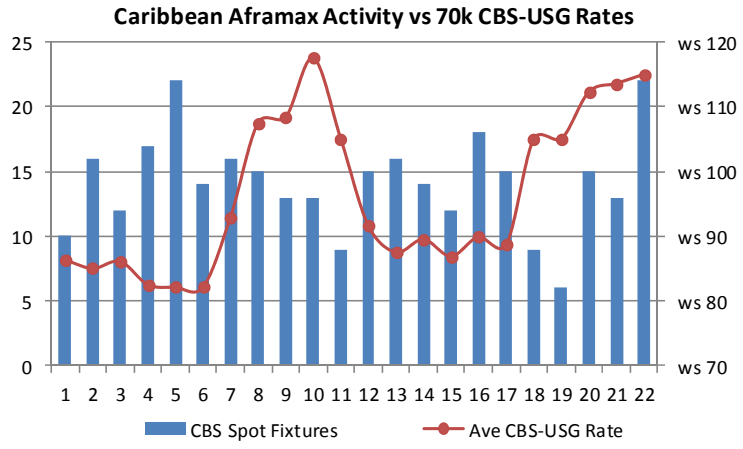
Rates set to hold at present levels?

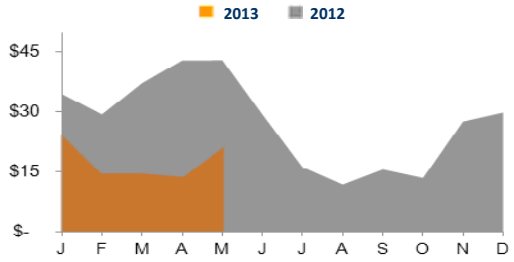
The Caribbean Aframax market has remained strong over the past month, with TCE earnings rallying to levels last observed during December 2010. The rally came on the coattails of a rallying of European Aframax markets, led by a final push for ice-class units trading cargoes from the Black Sea – but while European Aframax markets have since corrected to levels yielding TCEs below $10,000/day, the Caribbean earnings have averaged over $20,000/day the past month.

The impact of lightering activity for Aframaxes along the USG have been widely reported as adding support to Caribbean rates by reducing the supply of tonnage available to service regional cargoes – but, notably, demand for traditional cargo runs from late-March through late-April has also been surprisingly strong and has contributed much to the recent rally.

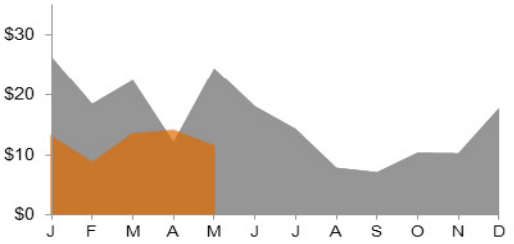
Though fixture activity eased earlier during May, availability proved sufficiently tight to allow rates to remain on a firming – and during the final week of May, with the fixture count rising to a 4-month high, activity proved sufficient to see rates remain strong, despite the earlier demand lull. Periodic weather-related delays and ullage delays along the USG have also contributed to availability constraints.

This, combined with expectations for Aframax demand for lightering activity to remain at strength in-line with the greater number of VLCCs more recently bound for points along the USG, implies that rates could hold around present highs through at least the coming week, even if weather delays subside. On the flip side, owners are seen as less likely to make a concerted attempt to capture further gains given the height of present TCE returns.

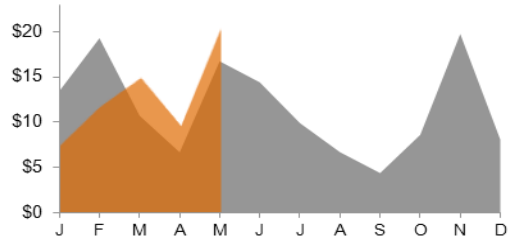




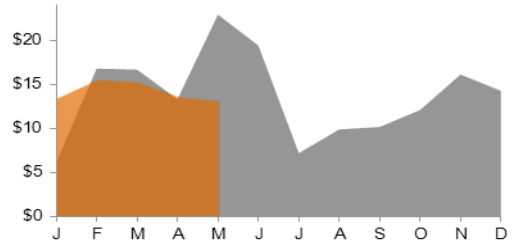
VLCC TCE 280k AG-USG + CBS-SPORE	MTD Average $21,300/Day	Month y/y ▼ -50%



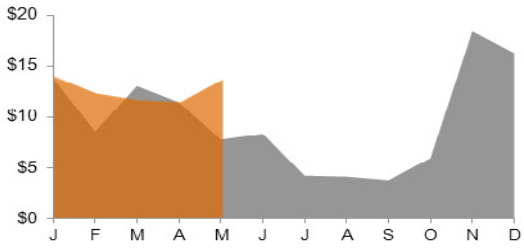
S'MAX TCE 130k WAF-USAC	MTD Average $11,600/Day	Month y/y ▼ -52%



A'MAX TCE 70k CBS-USG	MTD Average $20,400/Day	Month y/y ▲ +22%



P'MAX TCE 50k CBS-USAC	MTD Average $13,200/Day	Month y/y ▼ -42%



MR TCE 38k CBS-USAC	MTD Average $13,700/Day	Month y/y ▲ +76%

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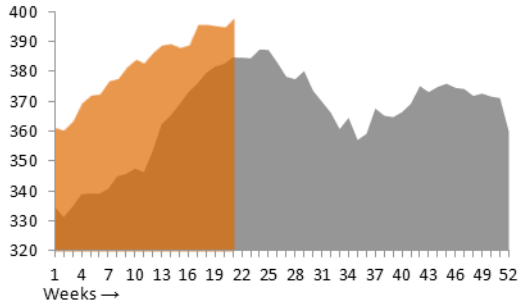
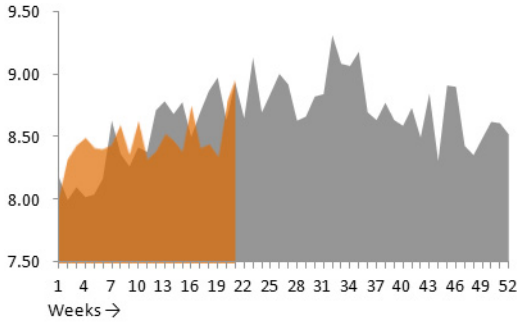
WEBER WEEKLY TANKER REPORT

Spot Market	WS	TCE $/day	WS	TCE $/day
VLCC	**24-May**		**31-May**	
AG>USG 280k (TD1)	23.5	$(2,000)	27.5	$4,600
AG>USG/CBS>SPORE/AG	--	$22,100	--	$27,900
AG>SPORE 270k (TD2)	40.0	$20,500	47.5	$32,000
AG>JPN 265k (TD3)	40.0	$20,300	47.5	$32,200
WAFR>USG 260k (TD4)	37.5	$17,700	42.5	$23,500
WAFR>CHINA 260k (TD15)	38.5	$17,700	42.5	$23,900
SUEZMAX				
WAFR>USAC 130k (TD5)	52.5	$10,600	52.5	$10,600
BSEA>MED 135k (TD6)	60.0	$8,900	60.0	$8,900
CBS>USG 130k	60.0	$12,800	60.0	$12,700
AFRAMAX				
N.SEA>UKC 80k (TD7)	80.0	$7,500	80.0	$7,400
AG>SPORE 70k (TD8)	75.0	$10,500	72.5	$9,200
BALT>UKC 100k (TD17)	57.5	$7,700	57.5	$7,600
CBS>USG 70k (TD9)	115.0	$22,400	115.0	$22,400
MED>MED 80k (TD19)	72.5	$7,800	72.5	$7,700
PANAMAX				
CBS>USG 50k (TD10)	112.5	$9,100	112.5	$9,000
CONT>USG 55k (TD12)	95.0	$8,000	100.0	$9,800
ECU>USWC 50k	162.5	$26,100	162.5	$25,400
CPP				
CONT>USAC 37k (TC2)	137.5	$14,100	132.5	$12,900
USG>CONT 38k (TC14)	85.0	$3,900	80.0	$2,600
CONT>USAC/USG>CONT	--	$17,600	--	$15,900
CBS>USAC 38k (TC3)	130.0	$14,000	130.0	$14,000
AG>JPN 35k	105.0	$6,200	105.0	$6,200
SPOR>JPN 30k (TC4)	125.0	$8,000	123.5	$7,600
AG>JPN 75k (TC1)	73.0	$9,800	73.0	$9,700
AG>JPN 55k (TC5)	93.0	$8,100	93.75	$8,200

Time Charter Market *$/day (theoretical)*	1 Year	3 Years
VLCC	$18,250	$22,000
Suezmax	$15,750	$18,250
Aframax	$13,500	$15,250
Panamax	$14,500	$15,500
MR	$14,000	$15,000



US Crude Stocks (EIA) | **Last Week 397.6 Mbbls** | **Week y/y ▲ +3.4%**



US Gasoline Demand (EIA) | **Last week 8.956 Mb/d** | **Week y/y ▲ +0.3%**

2013 2012

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WEBER WEEKLY
TANKER REPORT
CHARLES R. WEBER COMPANY, INC.

THE TANKER MARKETS

VLCC

Activity in the VLCC market has remained strong with 38 fixtures materializing in the Middle East market this week – some 58% more than the YTD weekly average. The activity continued to be driven by a high number of cargoes bound for the Far East, which tallied at a 13 month high. The impact of the steady activity offset the long holiday weekend in the US, UK and Singapore trading centers and saw rates extend last week's late gains, with the AG-FEAST route rising to a YTD high, with corresponding TCEs exceeding the $30,000/day mark. Average earnings across the VLCC market presently stand at ~$28,960/day.

The strengthened demand, combined with a greater incidence of fixtures for longer-haul routes has improved the number of ton-miles generated during May to a 6-month high and to levels around the monthly average observed during 1H12. On this basis, the near-term outlook appears to have improved as the reappearance of recently fixed units to Middle East position lists will be slower – and we note also that just 12 units are now projected to carryover from May to June dates, suggesting that availabilities to service the July program will remain relatively balanced.

The expectation that rates will remain robust through June as charterers work into the July program appears to be reflected by stronger rate gains on the AG-USG route which generally sees rates lag behind AG-FEAST routes as owners prefer to lock into the longer employment time involved in onward Westbound triangulated trades. With AG-FEAST voyages now offering better returns, an increasing number of owners are showing a preference for the shorter voyages to the Far East in hopes that the market will remain strong upon their units' quicker return to the Middle East. Additionally, FFA markets have gained significant strength with the June contract assessments having gained 4.6 points over the course of the week. Potentially limiting the ability for the market to hold on to recent gains, however, with charterers having reached farther forward into June dates. Accordingly, an abrupt conclusion of the June program and subsequent pause before a progression into the July program could see activity slow sufficiently by the second week of June to pare some of the recent gains.

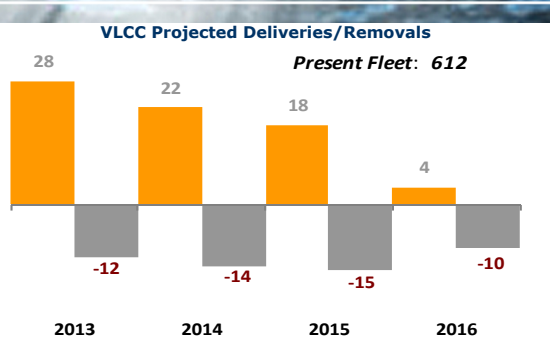
Middle East

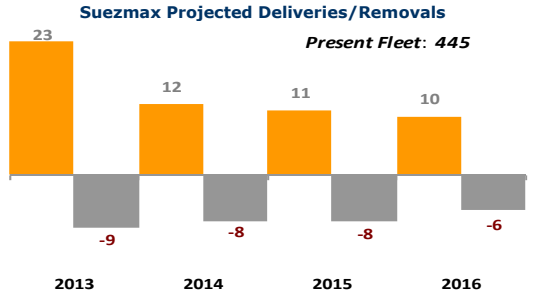
There were 39 fresh fixtures in the Middle East market this week. Rates to the Far East gained 4.5 points, w/w, to an average of ws41 and conclude the week at ws47.5. TCEs gained ~$6,954/day, w/w, to an average of ~$22,016/day. Rates to the USG via the Cape averaged ws22.75, representing a gain of 2.75 points on last week's average. The route is presently assessed at ws27.5 (albeit untested), illustrating resistance by owners to conclude at last done rates in this direction. Triangulated Westbound trade earnings averaged ~$20,794/day, representing a w/w gain of ~$3,271/day.

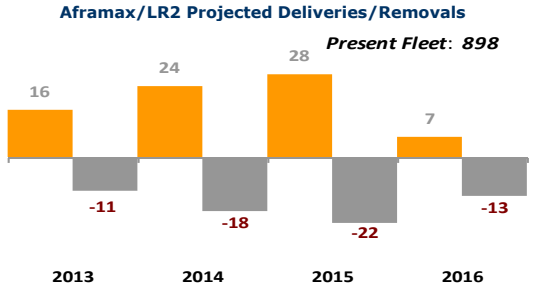
With 96 June fixtures now covered, a further 28 cargoes can be reasonably expected through the remainder of the program. Against this, some 40 units are available through end-June dates, implying 12 carryover units.

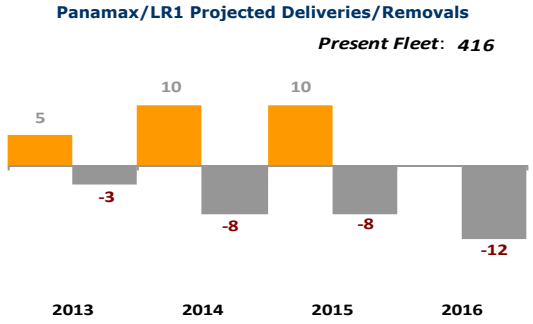
Atlantic Basin

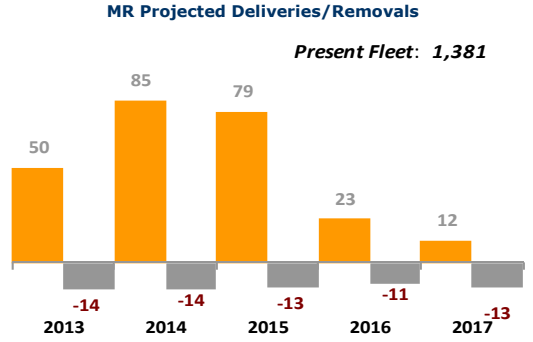
The Atlantic basin remained relatively active, with 10 fresh fixtures reported. More of this week's activity was centered on the West Africa market, where rates posted strong gains in correlation to the Middle East











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market. The WAFR-FEAST route gained 2.3 points, w/w, to an average of ws39.8. Corresponding TCEs gained ~$3,696/day on last week's average to ~$19,387/day. Rates in the region are expected to continue to follow movements in the Middle East market. The CBS-SPORE route was unchanged at the $3.65m LS level on a balanced supply/demand position, little change is expected during the week ahead.

Suezmax

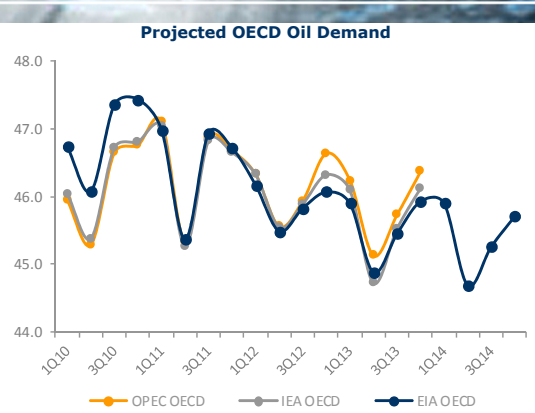
The West Africa Suezmax market was flat this week despite a rebound of activity with the weekly fixture count rising 75% from last week to levels that exceed the YTD weekly average. VLCCs in the region were also more active this week, but rising freights for the larger tankers imparted no change in sentiment for the Suezmaxes as capacity remains in abundance. Rates on the WAFR-USAC route were unchanged at ws52.5. If further rate gains materialize on the VLCC class, some of the inquiry could shift to Suezmaxes and provide modest support to Suezmax rates, but any potential gains will likely be minimal and complicated by continued rates of overcapacity.

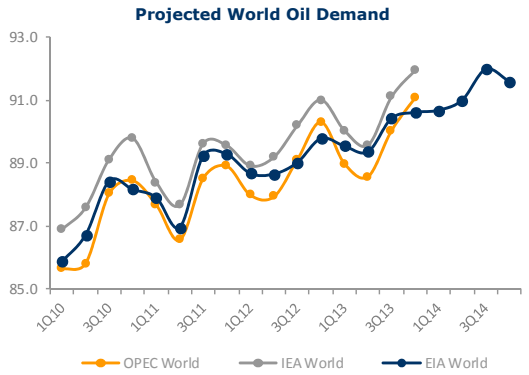
The Caribbean market was also flat with rates on the CBS-USG route unchanged at ws60, despite a prolonged rally for the Aframax tankers that traditionally service inter-regional cargoes. Earnings on the CBS-USG route remain at a ~$2,100/day premium to round-voyage WAFR-USAC voyages, which offers owners an enhanced result by selectively triangulating. Little change is imminently foreseen, though an eventual correcting of Aframax rates will likely see fresh negative pressure materialize on Suezmax rates.

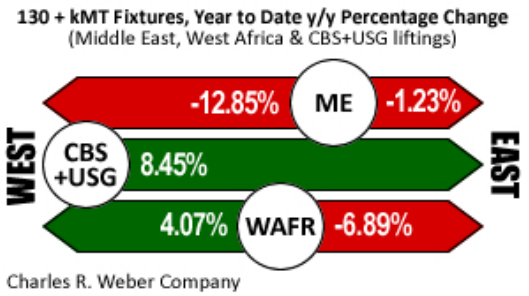
Panamax

Following a lackluster start to the week in the Caribbean Panamax market, a spate of fresh activity finally materialized towards the end of the week. The fresh activity retested rates on the CBS-USG route at the ws112.5 level, which saw the market close at the same level as last week's close. Rates are expected to remain unchanged at the start of the upcoming week.

The European market posted modest gains on a slight improvement of the supply/demand ratio with the CONT-USG route gaining 5 points to conclude at ws100. Continued inquiry should see rates hold around present levels or post further modest gains.







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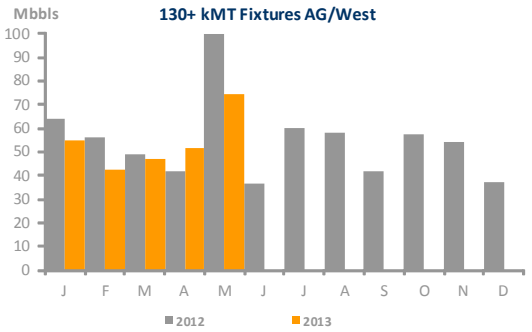
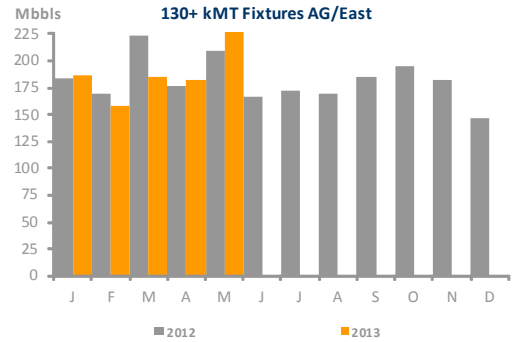
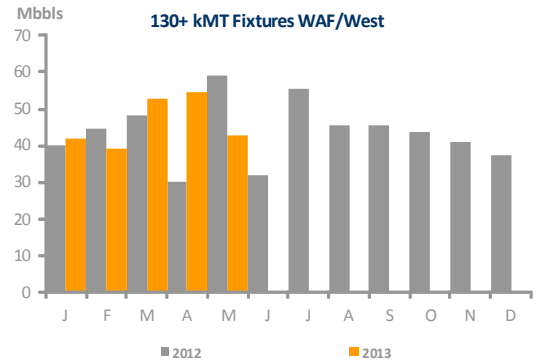
CPP

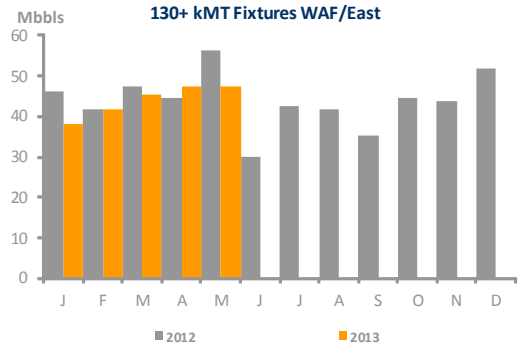
The USG MR market was more active this week as fixture activity for voyages bound for Europe rose to a YTD high, pushing total ex-USG activity to levels above the YTD weekly average. Despite the activity gains, rates remained under negative pressure throughout the week as position lists were more flexible, possibly on the back of the softer CONT-TA market. Rates on the USG-CONT route shed 5 points to conclude the week at ws80. With this week's activity having reduced the level of supply by week's end, rates stabilized but fresh gains were prevented by charterers reaching further forward on dates. Further activity gains during the week ahead are likely on the back of the stronger refinery output in the USG areas, which could see fresh rate gains transpire.

The European MR market was also softer this week as demand for voyages to the US and West Africa eased following the long holiday weekend. The activity lull saw rates on the CONT-USAC route ease 5 points to conclude at ws132.5. However, with US gasoline demand figures reported by the EIA modestly stronger over the past two weeks compared with year ago levels ahead of the US summer driving season, activity could rebound and stabilize rates, accordingly.









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REPORTED TANKER SALES

"Kaimon II" 314,014/02 – Mitsui Ichihara – DH
-Sold for $23.0m to Greek buyers (Altomare).

"Ryuohsan" 281,050/00 – IHI Kure – DH
-Sold en bloc for $21.0m to undisclosed Greek buyers.

"Bandaisan" 281,037/00 – IHI Kure – DH
-Sold en bloc for $21.0m to Greek buyers (Polembros).

"Megacore Panthea" 74,594/11 – Hyundai Mipo – DH
-Sold on private terms to US buyers (Flagship Marine).

"Haichang Dalian" 38,752/01 – Damen Galeti – DH
-Sold on private terms to undisclosed Chinese buyers.

"Atlantic Lutetia" 35,930/99 – Daedong – DH
-Sold for $10.0m to undisclosed buyers.

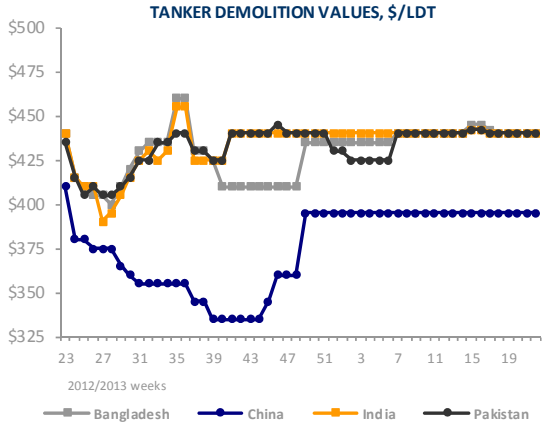
REPORTED TANKER DEMOLITION SALES

Bangladesh

"Universal Hope" 299,700/93 – 40,970 LDT – DH
-Sold for $435/ldt basis as is, Ningbo and including 1,200 MT bunkers.

Pakistan

"Semeru" 95,618/91 – 15,158 LDT – DH
-Sold for $438/ldt. Unit converted to DH 12/2006.



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