

WEBER WEEKLY TANKER REPORT



WEEK 3 – 18 JANUARY 2013

ISSUE 3 – 2013

VLCCs, Aframaxes lead 2012 tanker market improvement

Average earnings across the key tanker classes marked a return to year-on-year gains during 2012, paring losses observed during 2011. The key VLCC, Suezmax and Aframax segments recorded a 31% y/y rise in earnings, led by strong gains of 28% and 57% in the VLCC and Aframax classes, respectively.

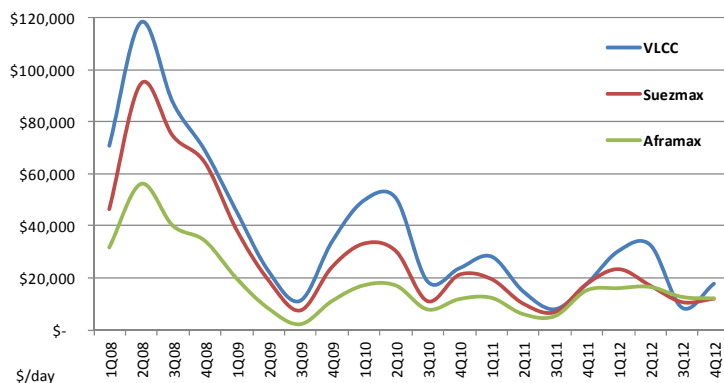
VLCCs benefitted from an early boost in ton-mile demand during 1H12 as Eastern nations reduced imports of crude from Iran ahead of mid-year sanctions implementation and a narrower Brent/Dubai price premium, stoking greater numbers of long-haul voyages on the WAFR-FEAST and CBS-FEAST routes. A simultaneous 1H12 rise in Middle East VLCC cargoes materialized on the back of renewed efforts by Saudi Arabia to allay fears over any prospective crude supply constraints resulting from reduced export volumes of Iranian crude also aided the market by prompting greater heavy crude imports at the USG area. Though during 1H12 the greater corresponding long-haul AG-USG chartering activity was largely attributed to inventory building at Port Arthur, TX, ahead of Motiva's 325,000 b/d expansion, y/y demand gains on the route remained through 2H12 despite a halting of the expanded refining capacity during 2H12 due to corrosion issues.

Overall, ton-mile demand growth in the VLCC sector expanded by 10.8%, y/y, following a 32.9% y/y growth rate during 2011. Net y/y fleet growth rates of 6.2% and 7.0% during 2012 and 2011, respectively, improved prevailing overall supply/demand ratios in the sector, as evidenced by the rise in earnings in the sector to \$22,500/day during 2012 from \$17,600/day during 2011.

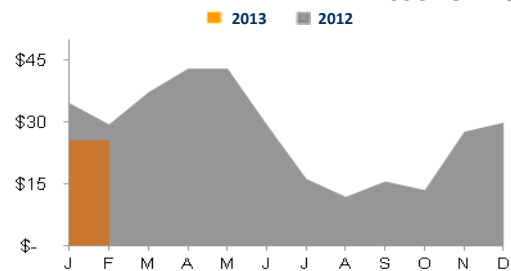
Aframaxes earnings growth led the tanker sector, rising to an average of \$15,700/day during 2012 from \$14,500/day during 2011. Mediterranean market demand benefitted from a quicker than expected recovery of Libyan crude exports which expanded Libya-driven spot market activity in the region in excess of pre-war levels after charterers reduced period cover over the course of the war. In the Baltic Sea market, the inauguration of BPS-2 and its Ust-Luga terminus in the Gulf of Finland boosted monthly Aframax volumes in the region by as much as 144% from October, when phase 1 of the system progressed into full operations when compared to the months preceding the system's test phase between March and September.

In the Caribbean market, total Aframax demand rose by 10.1%, y/y. The demand gain is inclusive of a 6.1% y/y gain in cargoes from the Caribbean area to points in the US, despite stronger competition from Suezmaxes, for which regional activity rose 36%, y/y.

Tanker Earnings Progression



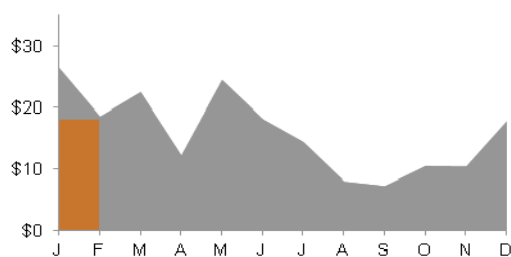
Data: C R Weber



VLCC TCE
280k AG-USG
+ CBS-SPORE

MTD Average
\$25,200/Day

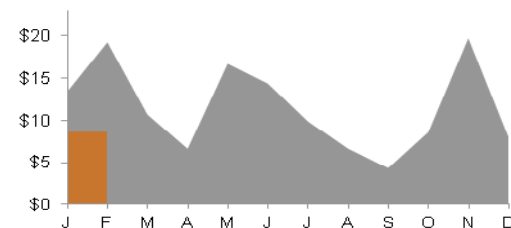
Month y/y
▼ -27%



S' MAX TCE
130k WAF-USAC

MTD Average
\$17,800/Day

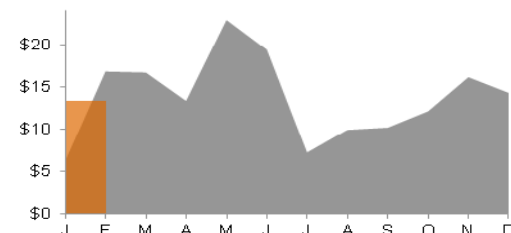
Month y/y
▼ -32%



A' MAX TCE
70k CBS-USG

MTD Average
\$8,400/Day

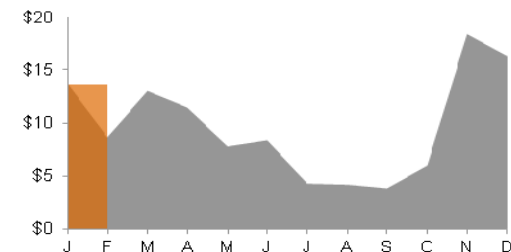
Month y/y
▼ -38%



P' MAX TCE
50k CBS-USAC

MTD Average
\$13,200/Day

Month y/y
▲ +116%



MR TCE
38k CBS-USAC

MTD Average
\$13,500/Day

Month y/y
▼ -2%

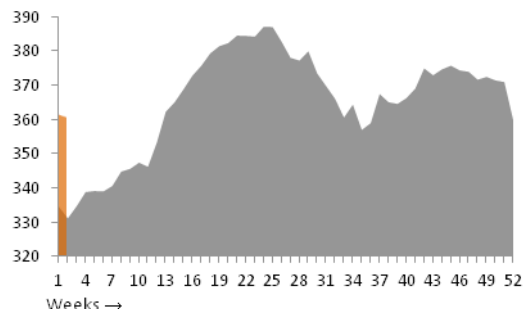
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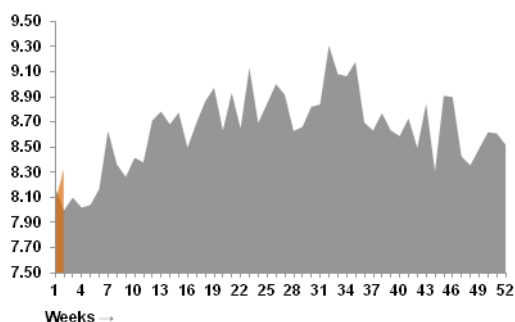
Spot Market	WS	TCE	WS	TCE
VLCC	01/11		01/18	
AG>USG 280 kMT	24.5	\$(3,100)	23.0	\$(5,300)
AG>SPORE 270 kMT	42.0	\$21,400	40.0	\$18,400
AG>JPN 265 kMT	42.0	\$21,300	40.0	\$18,100
WAFR>USG 260 kMT	43.5	\$22,400	43.5	\$22,800
WAFR>CHINA 260 kMT	42.5	\$21,300	40.25	\$18,000
SUEZMAX				
WAFR>USAC 130 kMT	62.5	\$16,400	57.5	\$12,800
B.SEA>MED 135 kMT	67.5	\$14,400	60.0	\$7,500
CBS>USG 130 kMT	67.5	\$16,900	67.0	\$16,700
AFRAMAX				
N.SEA>UKC 80 kMT	85.0	\$14,200	82.5	\$12,400
AG>SPORE 70 kMT	85.0	\$14,300	85.0	\$14,400
CBS>USG 70 kMT	85.0	\$7,700	85.0	\$7,900
MED>MED 80 kMT	80.0	\$11,600	77.5	\$10,100
PANAMAX				
CBS>USAC 50 kMT	105.0	\$8,500	110.0	\$10,400
CONT>TA 55 kMT	102.5	\$10,700	97.5	\$10,000
ECU>USWC 50 kMT	151.0	\$25,200	152.5	\$26,500
CPP				
CONT>TA 37 kMT	170.0	\$20,600	160.0	\$18,300
CBS>USAC 38 kMT	140.0	\$15,300	135.0	\$14,200
USG>TA 38 kMT	110.0	\$8,800	100.0	\$6,400
AG>JPN 35 kMT	125.0	\$9,400	125.0	\$9,400
SPOR>JPN 30 kMT	140.0	\$9,800	137.0	\$9,300
AG>JPN 75 kMT	88.0	\$15,800	82.0	\$12,900
AG>JPN 55 kMT	115.0	\$16,800	107.5	\$14,200

Time Charter Market \$/day (theoretical)	1 Year	3 Years
VLCC	\$20,250	\$24,000
Suezmax	\$16,500	\$20,000
Aframax	\$13,750	\$16,000
Panamax	\$13,500	\$14,500
MR	\$13,500	\$14,750



Last Week
360.3 Mbbls

Week y/y
▲ +8.8%



Last week
8.320 Mb/d

Week y/y
▲ +4.1%

2013 2012

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THE TANKER MARKETS

VLCC

The VLCC market was observably slower this week across all markets as charterers awaited stem confirmations before progressing more concertedly into the February Middle East program and West Africa cargoes were impacted by a slower Nigeria exports program. Mounting negative pressure on rates, which had been building through most of the week culminated towards the end of the week with rate declines on key Middle East and West Africa routes after a single Middle East cargo received upwards of 8 offers. Near term downside appears greatest on the AG-USG route as owners are keen on the onward triangulated trading prospects given present triangulated Westbound trade earnings of ~\$25,900/day versus AG-East voyages which are presently yielding ~\$18,800/day.

We note that owners remain highly resistant to lower rates, which has provided some limit to downside. Historically, January is a relatively strong month, but with MTD earnings averaging some 25% below the January 2012 levels, owners remain keen to keep rates strong as forward rate progression remains uncertain with TD3 FFA indications presently in backwardation.

Though the two recent months' Middle East cargo programs have remained well below the 2012 monthly average of 127 and the 1H12 average of 132, the 26 observed VLCC fixtures from West Africa during December was well above the 2012 monthly average of 23. Given the fact that units coming free in the Far East tend to weigh on both Middle East and West Africa positions, the ability for the share of West Africa exports serviced by VLCCs to remain high will likely be a key driver of the market given the higher ton-mile demand relative to the AG-Far East route.

Middle East

There were 20 fresh fixtures reported in the Middle East market this week. Rates to the Far East shed 1.9 points, w/w, to an average of ws41.5. TCEs on the route averaged ~\$20,900/day, a w/w loss of ~\$3,300/day. Rates to the USG eased 1.6 points, w/w, to an average of ws41.5. Triangulated Westbound trade earnings dropped ~\$1,400/day, w/w, to an average of ~\$25,500/day.

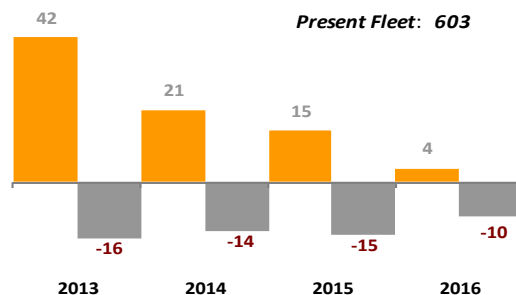
To date, 117 January and 18 February Middle East cargoes have been covered. With the January program now appearing to have likely concluded early at this level, some 10 units will carry over into February dates and be compounded by a further 28 units coming free through the first decade of the month. Against this, we project 20-22 cargoes through the same period of time. We expect that rates will remain under modest negative pressure through the coming week accordingly, though a faster pace of fresh cargoes as charterers progressing more aggressively into the February program could limit or delay negative movements.

Atlantic Basin

The Atlantic basin was much quieter this week with just 7 fresh fixtures reported – and more than half of these emanating from West Africa, and all bound for points in the East. Rates on the WAFR-FAEST route eased 2.5 points to ws40.3. TCEs on the route averaged ~\$18,300/day. In the Caribbean and North Sea markets, rates posted modest gains on the back of tighter position lists. In the former, positions were particularly tight for February dates prompting rates to West Coast India to rise to \$3.8m (LS) while those to Singapore were untested but are presently assessed at \$4.33m (LS) – a \$50k gain, w/w.

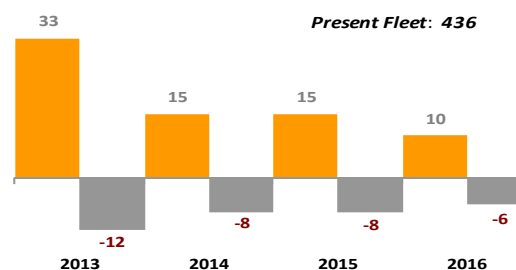
VLCC Projected Deliveries/Removals

Present Fleet: 603



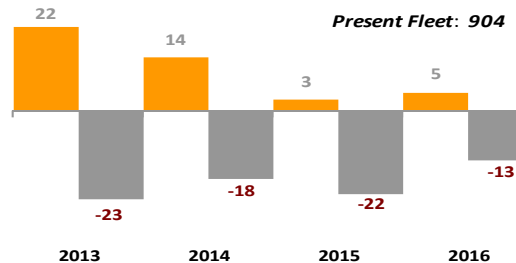
Suezmax Projected Deliveries/Removals

Present Fleet: 436



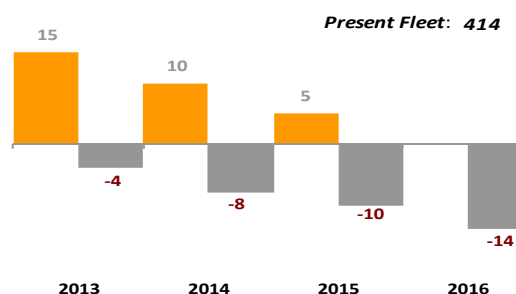
Aframax Projected Deliveries/Removals

Present Fleet: 904



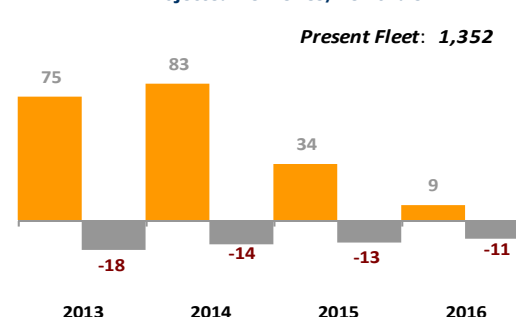
Panamax Projected Deliveries/Removals

Present Fleet: 414



MR Projected Deliveries/Removals

Present Fleet: 1,352



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Suezmax

The Atlantic Suezmax market was under continued negative pressure this week on slower activity and a further supply/demand imbalance. Rates on the WAFR-USAC route shed 5 points to conclude at ws57.5. In the Black Sea market, rates on the BSEA-MED route shed 7.5 points to settle at ws60.0, despite weather related delays at Novorossiysk since Tuesday. The delays are reportedly expected to continue through the weekend, but only a small number of loadings appear to have been prevented from loading thus far. Assuming that cargo loading operations resume on Monday, an impact on rate progression is unlikely.

Aframax

The Caribbean Aframax market saw little movement this week as an oversupply of units continues to hamper owners' ability to command higher rates on the back of continued weather and ullage delays at the USG area. The CBS-USG route was unchanged at the ws85 level throughout the week. Though an improvement in rates appears unlikely during the week ahead, with some units having disappeared from position lists towards the end of the week, negative pressure is also likely to be limited.

The European Aframax market saw modest negative pressure this week as overall vessel availability prevented owners from holding on to earlier rates. The NSEA-UKC route eased 2.5 points and the MED-MED route shed 2.5 points to ws77.5, despite weather delays in the Black Sea.

Panamax

The Caribbean Panamax market saw an uptick in activity which allowed rates to pare the previous week's losses. The CBS-USAC route gained 5 points to conclude at ws110. With owners remaining bullish, sustained activity during the week ahead should see rates extend this week's gains.

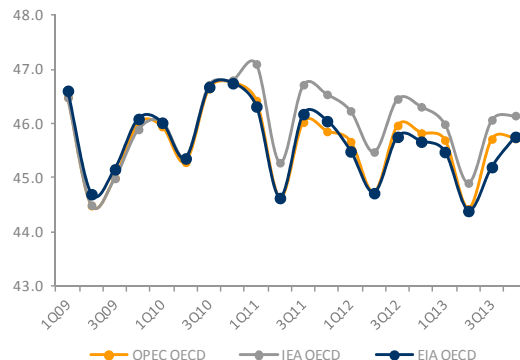
Despite gains in the Caribbean market, rates in the European market eased on a slower pace of fresh activity. The CONT-USG route dropped 5 points to conclude at ws97.5. With TCEs in the Caribbean and European markets now within ~\$400/day of each other, ballasting between markets is unlikely.

MR

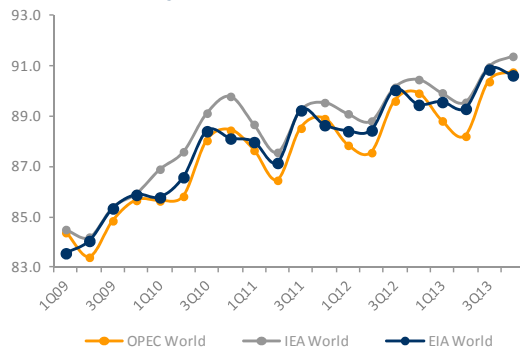
The Caribbean MR market remained active this week, led by sustained exports from the USG area. Some 18 units are presently on subjects for USG liftings after charterers made a late-week push to cover requirements ahead of the US' holiday weekend. Some charterers were also looking at taking units on USG-FEAST voyages to capture a potential Naphtha arbitrage, but ultimately no fixtures materialized on the route. Rates on the USG-TA route were volatile, closing around ws100 but with recent fixtures having recently concluded both above and below this level.

The European MR market was under negative pressure as units came free off voyages from the USG and an uncertain gasoline arbitrage. The Cont-USAC route dropped 10 points to conclude at ws160.

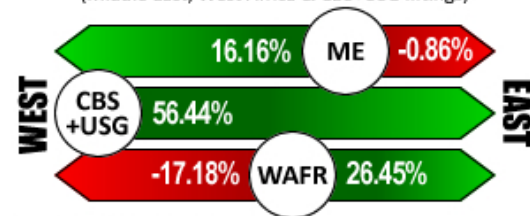
Projected OECD Oil Demand



Projected World Oil Demand



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



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REPORTED TANKER SALES

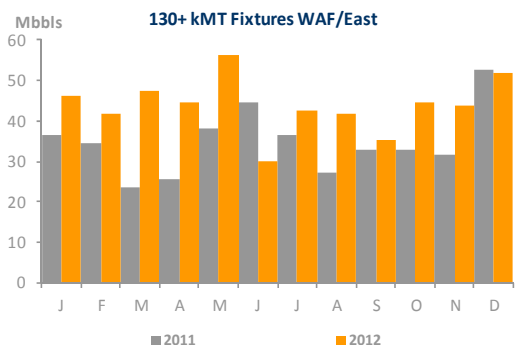
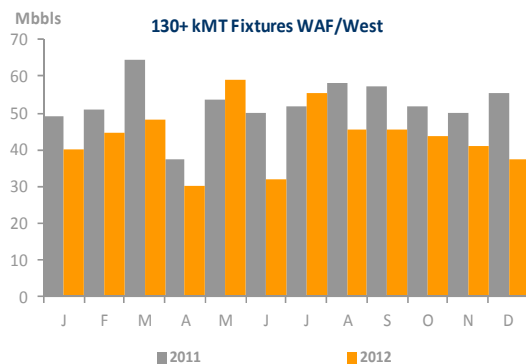
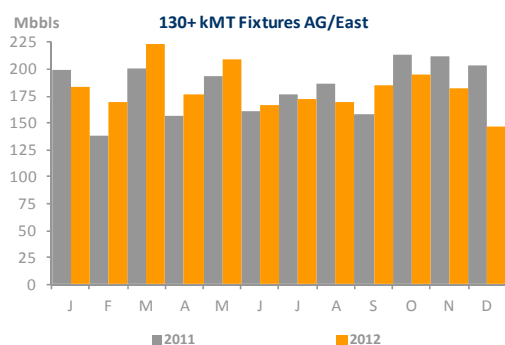
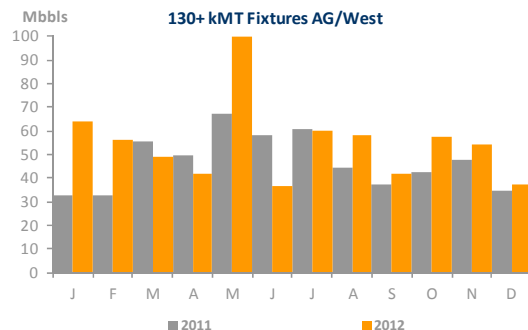
"Forward Pioneer" 107,081/05 – Koyo Mihara – DH
-Sold for \$19.8m to Saudi buyers (Bakri Navigation).

"Katja" 97,220/95 – Sumitomo – DH
-Sold for \$8.0m to Ukrainian buyers (Innovative Ukraine SC).

"AS Oceania" 43,760/99 – Dalian – DH
-Sold for \$10.0m to undisclosed buyers.

"Shoku Maru" 30,952/98 – Minami Nippon – DH
-Sold for \$8.8m to undisclosed buyers.

"OW Copenhagen" 3,548/06 – Tuzla – DH
"OW Aalborg" 3,522/05 – Tuzla – DH
-Sold on private terms to Danish buyers (OW Tankers A/S).



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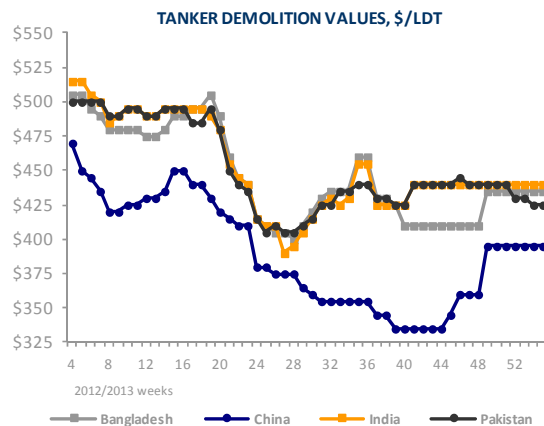
REPORTED TANKER DEMOLITION SALES

Bangladesh

"Great News" 60,792/1984 – 11,899 LDT – DH
-Sold on private terms.

Pakistan

"Lanka" 49,999/1985 – 13,746 LDT – DH
-Sold on private terms.



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