

# WEBER WEEKLY TANKER REPORT



WEEK 4 – 25 JANUARY 2013

ISSUE 4 – 2013

## Charting Suezmax prospects

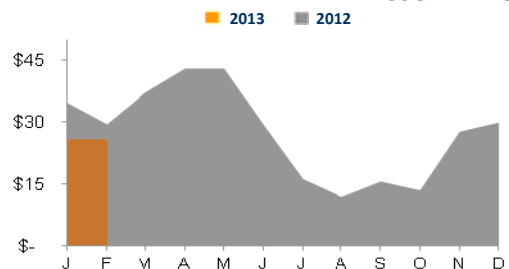
Industry experts remain divided over future prospects for Suezmax tankers amidst uncertainty over the impact of changing Atlantic crude trade routes. Traditionally, trades of West Africa light crude grades to Atlantic Coast refiners comprised one of the class' primary trades, with its supply/demand profile having a direct correlation to Black Sea and Mediterranean trades within the class. Moreover, the Suezmax class has historically enjoyed one of the most stable earnings levels among its large tanker counterparts.

Prior to the resurgence of US domestic crude production, which significantly widened the disconnect between WTI and Brent prices, sustained imports of Brent-linked West African light crude by US refiners in the US northeast – a key region for US gasoline demand – appeared certain, forming the basis for a secondary newbuilding spree during 2010. That year, existing and emerging owners ordered some 62 Suezmaxes, seeking to capitalize on newbuilding prices at levels about 35% below the 2008 peak and expectations that a rise in earnings from 2009 lows had signaled a progression towards recovery likely to have taken hold by the time the new orders were delivered.

Much of that optimism had largely evaporated by 2011 when the widened Brent premium over WTI prices prompted the shuttering of a large portion of refining capacity on the US Atlantic coast and elsewhere in the Americas and average Suezmax earnings recessed to just ~\$13,500/day, 44% below the 2010 average and 39% below the 2009 average. While these rates of decline were largely in line with overall earnings progression within all crude tanker classes, during 2012 Suezmaxes experienced the smallest year-on-year uptick, rising just 8% to ~\$15,700/day, versus gains of 28% and 57% in the VLCC and Aframax classes, respectively.

The comparatively poor progression illustrates the level of overbuilding in the Suezmax class. While spot market cargo volumes on the WAFR-USAC route fell 44% to 7.8 Mn tons during 2012 from 14.0 Mn tons during 2010, prior to the developments in the US refining sector, volumes on the emerging CBS-USG route rose 424% to 14.3 Mn tons over the same space of time. Simultaneously, WAFR-USG volumes continued to comprise the lions share of all trans-Atlantic activity, accounting for 24.8 Mn tons during 2012. The rising CBS-USG activity has thus more than offset lost volumes on the WAFR-USAC route—and offers owners the ability to selectively triangulate units coming free on the USG. Net Suezmax fleet growth during 2012 was 6.6% -- the largest rate among the large tanker classes. During 2013, too, Suezmax fleet growth is projected to be the highest in the tanker sector at 5.8%.

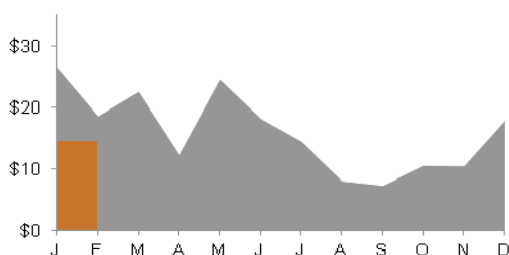
While the demand picture going forward is likely to remain largely stable from 2012 levels, fleet growth is accordingly expected to continue to weigh on earnings progression. While the potential exists for new routes to emerge from Canadian crude exports from the Canadian West Coast and the expansion of the Panama Canal, now projected to be completed during 1H15. No plans have yet been set for Canadian exports from the West Coast, but with the US market no longer requiring greater imports from Canada, an export route to the Far East appears a likely eventuality. In the interim, however, owners' are likely to continue to experience a challenging trading environment, save for a strong acceleration of the pace at which owners phase out older tonnage by way of demolitions sales.



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

**MTD Average**  
\$25,600/Day

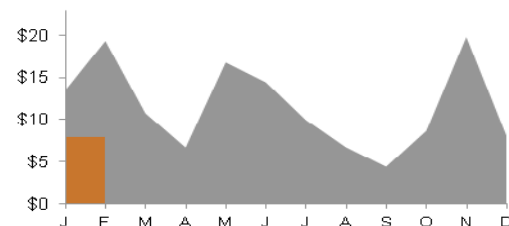
**Month y/y**  
▼ -26%



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

**MTD Average**  
\$14,400/Day

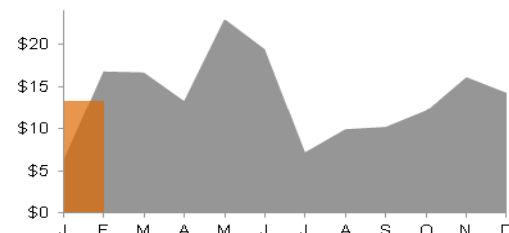
**Month y/y**  
▼ -45%



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

**MTD Average**  
\$7,800/Day

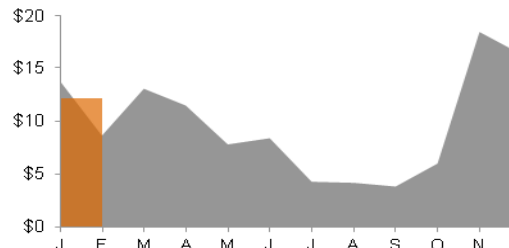
**Month y/y**  
▼ -42%



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

**MTD Average**  
\$13,400/Day

**Month y/y**  
▲ +118%

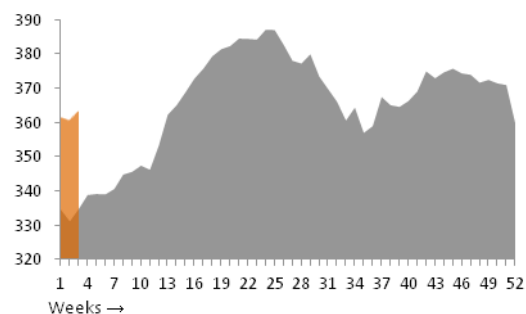


**MR TCE**  
38k CBS-USAC

**MTD Average**  
\$12,000/Day

**Month y/y**  
▼ -2%

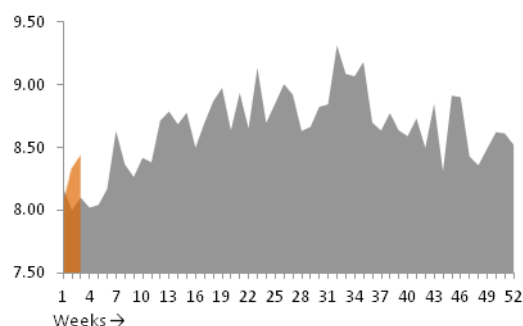
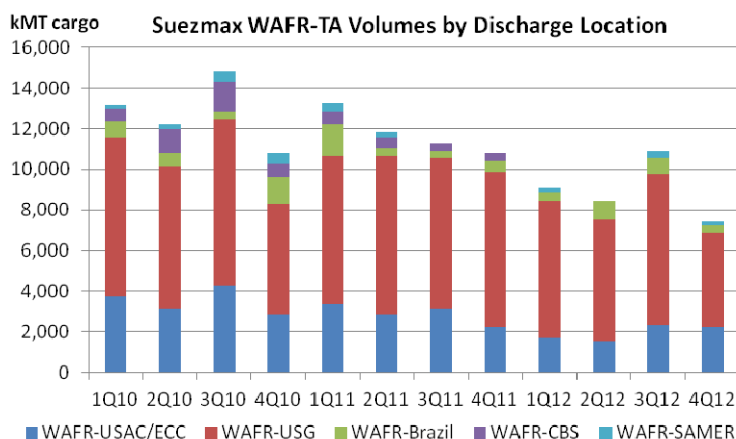
# WEBER WEEKLY TANKER REPORT



US Crude  
Stocks (EIA)

Last Week  
363.1 Mbbls

Week y/y  
▲ +8.5%

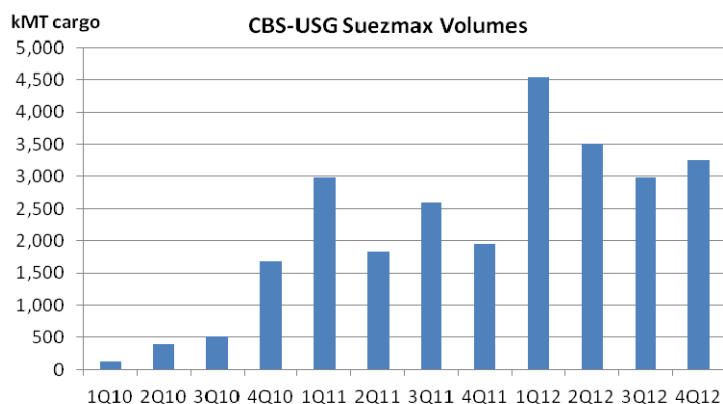


US Gasoline  
Demand (EIA)

Last week  
8.431 Mb/d

Week y/y  
▲ +4.1%

2013 2012



# WEBER WEEKLY TANKER REPORT

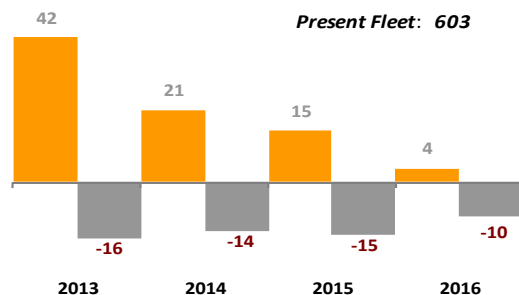


Spot Market	WS	TCE	WS	TCE
<b>VLCC</b>	<b>01/18</b>		<b>01/25</b>	
AG>USG 280 kMT	23.0	\$(5,300)	19.5	\$(11,400)
AG>SPORE 270 kMT	40.0	\$18,400	30.25	\$3,400
AG>JPN 265 kMT	40.0	\$18,100	30.25	\$2,500
WAFR>USG 260 kMT	43.5	\$22,800	37.5	\$13,500
WAFR>CHINA 260 kMT	40.25	\$18,000	34.75	\$9,200
<b>SUEZMAX</b>				
WAFR>USAC 130 kMT	57.5	\$12,800	52.5	\$8,900
B.SEA>MED 135 kMT	60.0	\$7,500	60.0	\$7,400
CBS>USG 130 kMT	67.0	\$16,700	65.0	\$15,000
<b>AFRAMAX</b>				
N.SEA>UKC 80 kMT	82.5	\$12,400	90.0	\$18,200
AG>SPORE 70 kMT	85.0	\$14,400	85.0	\$14,500
BALT>UKC 100kMT	72.5	\$20,300	100.0	\$45,000
CBS>USG 70 kMT	85.0	\$7,900	82.5	\$6,600
MED>MED 80 kMT	77.5	\$10,100	77.5	\$10,000
<b>PANAMAX</b>				
CBS>USG 50 kMT	110.0	\$10,400	115.0	\$12,000
CONT>TA 55 kMT	97.5	\$10,000	105.0	\$12,700
ECU>USWC 50 kMT	152.5	\$26,500	152.5	\$26,000
<b>CPP</b>				
CONT>TA 37 kMT	160.0	\$18,300	165.0	\$19,400
CBS>USAC 38 kMT	135.0	\$14,200	140.0	\$15,300
USG>TA 38 kMT	100.0	\$6,400	105.0	\$7,600
AG>JPN 35 kMT	125.0	\$9,400	126.5	\$9,800
SPOR>JPN 30 kMT	137.0	\$9,300	133.0	\$8,500
AG>JPN 75 kMT	82.0	\$12,900	81.5	\$12,800
AG>JPN 55 kMT	107.5	\$14,200	99.75	\$11,500

Time Charter Market \$/day (theoretical)	1 Year	3 Years
<b>VLCC</b>	\$19,750	\$23,250
<b>Suezmax</b>	\$16,500	\$20,000
<b>Aframax</b>	\$13,750	\$16,000
<b>Panamax</b>	\$13,500	\$14,500
<b>MR</b>	\$13,500	\$14,750

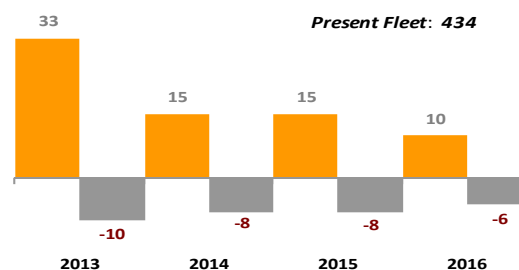
**VLCC Projected Deliveries/Removals**

**Present Fleet: 603**



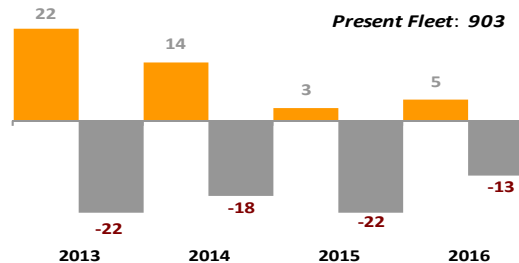
**Suezmax Projected Deliveries/Removals**

**Present Fleet: 434**



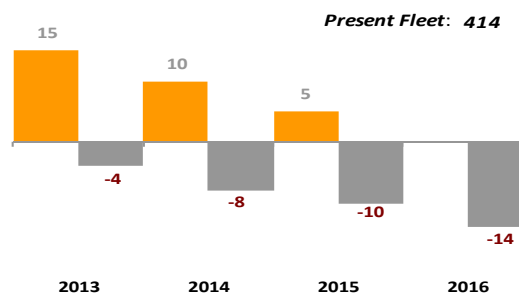
**Aframax Projected Deliveries/Removals**

**Present Fleet: 903**



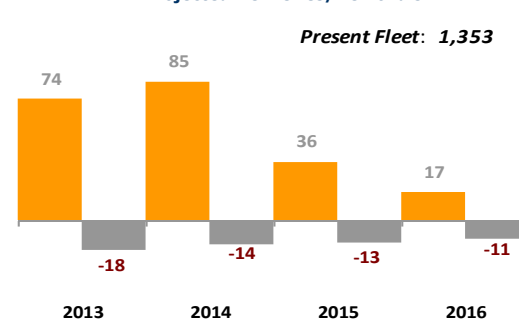
**Panamax Projected Deliveries/Removals**

**Present Fleet: 414**



**MR Projected Deliveries/Removals**

**Present Fleet: 1,353**



Whilst every care has been taken in the production of this study, no liability can be accepted for any loss incurred in any way whatsoever by any person who may seek to rely on the information contained herein. All information is supplied in good faith and Charles R. Weber Company, Inc. accepts no responsibility for any and all errors and omissions contained within this study.

# WEBER WEEKLY TANKER REPORT



## THE TANKER MARKETS

### VLCC

Despite a number of reports which might otherwise have been taken as supportive of forward VLCC fundamentals, owners were hard pressed to see much cause for optimism after rates across a number of key routes posted strong losses on the back of a widened disparity between supply and demand. Through the week, the few cargoes which materialized received between 8 and 10 offers each, prompting strong rate losses. Average earnings across the VLCC sector concluded the week at ~\$7,500/day – a rather strong correction from a week ago, when the figure stood at ~\$22,300/day.

Positive reports on China's economic activity and oil demand growth, a likely fresh economic stimulus package in Japan and stronger US employment data made a positive impact on international oil prices and may have otherwise signaled VLCC demand strength. However, with overcapacity in the key Middle East market having risen to levels not seen since 3Q12, expectations for 2013 are turning increasingly bearish. Shorter Middle East cargo programs for December and January have played a large role in the present slump—despite a relatively strong overall ton-mile demand profile in the sector. For instance, the 4-week rolling average count of fixtures on the long-haul WAFR-FEAST routes has remained over the past few weeks modestly above the 2012 average count and well above the 2011 average count. However, because of the overhang of tonnage prevailing in the Middle East market, and the correlated way by which Middle East positions weigh on both markets, rates have had little support from sustained ton-mile demand. Accordingly, with the February Middle East cargo count expected to conclude at or below the January count, chances for a challenging 1Q13 appear increasingly high.

### Middle East

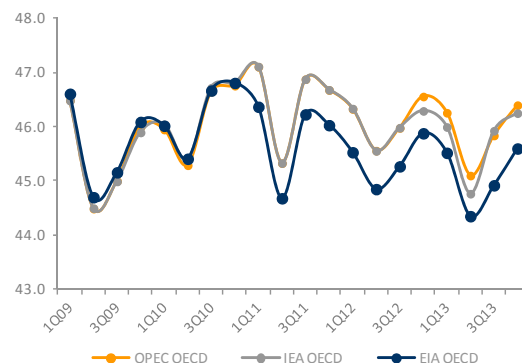
There were just 10 fresh fixtures reported in the Middle East market this week, with all but two of these bound for points in the East. Rates to the Far East dropped 6.9 points, w/w, to an average of ws34.6 and the route is presently trading at ws30.25. TCEs on the route averaged ~\$10,100/day, representing a ~\$10,800/day drop, w/w. TCEs on the route are presently ~\$3,100/day. Rates to the USG lost 3.5 points, w/w, to an average of ws19.5. Triangulated Westbound trade earnings averaged ~\$21,500/day—a w/w decline of ~\$2,000/day.

With 28 February Middle East cargoes covered to date, a further 30 are likely to remain through the first half of the month. Against this, some 56 units are projected to be available through mid-month dates, implying 26 carryover units to the second half of the February program. The excess units are likely to continue to weigh on rates, though with earnings having recessed to the present lows, further downside is likely to be limited by owners' unwillingness to trade.

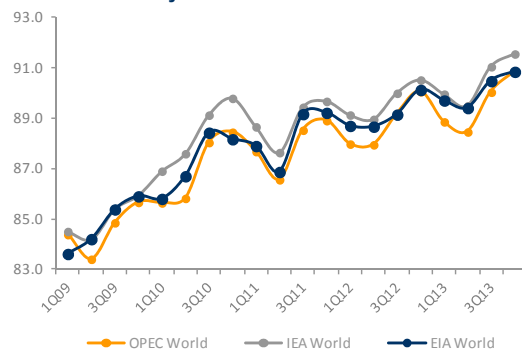
### Atlantic Basin

Activity in the Atlantic basin posted a modest gain from last week's level with 9 fresh fixtures reported. Six of these emanated from the Caribbean, where charterers reached further forward to secure suitable tonnage. The negative pressure on rates elsewhere even impacted those in the Caribbean despite a balanced position list. Rates on the CBS-Spore route lost \$100,000 LS to \$4.4m. Ex-West Africa rates fell in-line with those in the Middle East, losing 5.6 points on the WAFR-FEAST routes, w/w, to an average of ws34.8. Rates are expected to continue to move in-line with the Middle East market.

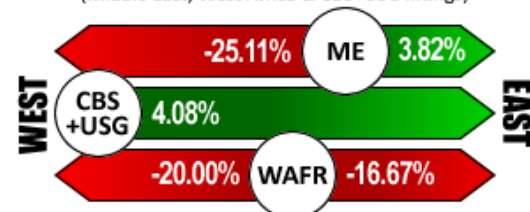
Projected OECD Oil Demand



Projected World Oil Demand

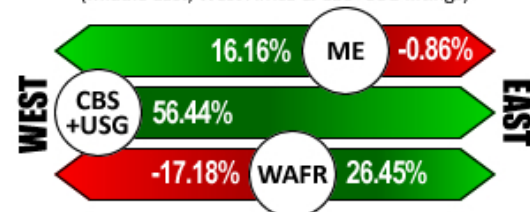


130 + kMT fixtures, YTD, y/y Percentage Change  
(Middle East, West Africa & CBS+USG liftings)



Charles R. Weber Company

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



Charles R. Weber Company

# WEBER WEEKLY TANKER REPORT



## Suezmax

Atlantic Suezmax rates lost ground this week on the recent lull in ex-West Africa fixtures, where activity over the past 4 weeks has declined by 38% from the preceding 4 weeks. Rates on the WAFR-USAC route dropped 5 points to conclude at ws52.5. Further downside remains likely as more units populate the position list and as the strong drop in VLCC rates in the region make co-liftings onto the larger tankers more attractive. Rates on the BSEA-MED route were unchanged at ws60 though further rate losses in the West Africa market could start to apply negative pressure to those in the Black Sea market in the coming weeks.

## Aframax

The Caribbean Aframax market was more active this week but with capacity remaining in excess of demand rates experienced modest negative pressure. The CBS-USG route lost 2.5 points to conclude at ws82.5. Little change in rates is expected during the week ahead not withstanding a significant change to the prevailing supply/demand ratio.

The Baltic market saw significant gains this week with ice cover becoming an issue against sustained activity and charterers working prompt dates. Rates on the BALT-UKC route gained 27.5 points to ws100 with corresponding TCE earnings rising 122% to ~\$45,000/day. Whilst this market remains firm, once the market recommences on Monday some of the upward pressure is expected to be offset by more units populating position lists. Late gains extended to the North Sea and Mediterranean markets, albeit at much more moderate levels. The NSEA-UKC route gained 7.5 points to ws90 and the MED-MED route pared earlier losses to conclude at last week's closing level of ws77.5.

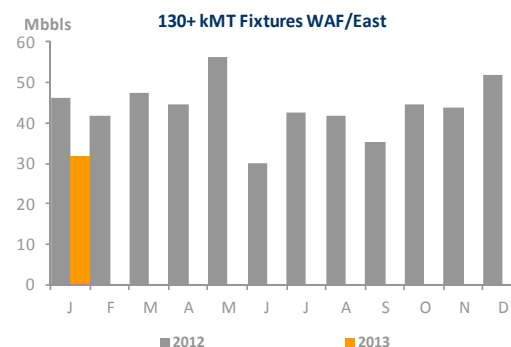
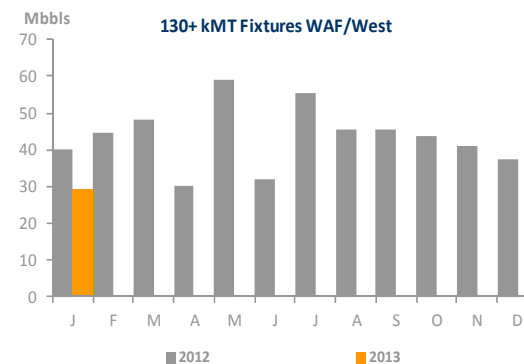
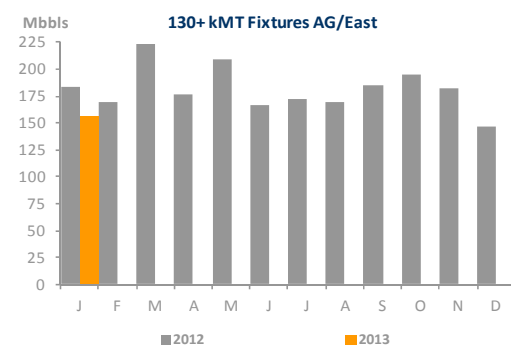
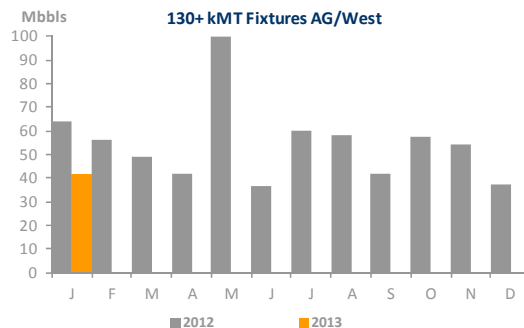
## Panamax

Sustained activity in the Caribbean Panamax market saw a draw on tonnage which by late week had prompted fresh rate gains. The CBS-USG route gained 5 points to ws115. Rates should hold around this level during the week ahead as charterers progress into February dates though any remaining January cargoes may see owners command a premium. The European market was also active, gaining 7.5 points to ws105. The market remains active, which could see modest gains posted during the week ahead.

## MR

The Caribbean Aframax market remained active this week with continued exports from the USG keeping positive pressure on rates. The USG-TA route gained 5 points to conclude at ws105. The CBS-USAC route, which had been untested through most of the week, saw a late fixture conclude at ws140 – a 15-point premium over assessed rates, resetting the market at that level as owners sought similar returns to those achievable through ex-USG fixtures and onward triangulated trading. Though there remain a few units available for January dates, sustained activity should keep moderate pressure on rates for both load areas during the week ahead.

The European market saw late week rate gains after EIA data showed a second consecutive week of y/y US gasoline demand figures and with a tight NYH gasoline market keeping the trans-Atlantic arbitrage window open. Sustained demand could see further rate gains during the week ahead, though likely limited by units coming free off USG-TA voyages.





# WEBER WEEKLY TANKER REPORT



## REPORTED TANKER SALES

**"Ikomasan"** 299,986/00 – Mitsui Ichihara – DH  
-Sold for \$27.3m to Greek buyers.

**"Meridian Lion"** 273,769/97 – Hyundai – DH  
-Committed on subjects for \$26.0m to Russian buyers (Rosneftegaz).

**Samsung 1948** 158,000/13 – Samsung – DH  
**Samsung 1949** 158,000/13 – Samsung – DH  
-Sold en bloc for \$55.5m each to undisclosed buyers; delivery from yard in October and December 2013, respectively.

**"Almi Navigator"** 157,430/13 – Daewoo – DH  
**"Almi Mariner"** 157,430/13 – Daewoo – DH  
**"Almi Voyager"** 157,430/13 – Daewoo – DH  
-Sold en bloc for \$54m each to US buyers (Principal Maritime); delivery from yard in April, September and November 2013, respectively.

**"Valbruna"** 113,424/00 – Samsung Geoje – DH  
**"Vallombrosa"** 113,424/00 – Samsung Geoje – DH  
-Sold en bloc for \$15.0m each to undisclosed buyers.

**"Noble Express"** 53,500/08 – STX – DH  
-Sold for \$24.5m to undisclosed buyers.

**"Valor"** 12,300/94 – STX – DH  
-Sold on private terms to undisclosed buyers.

## REPORTED TANKER DEMOLITION SALES

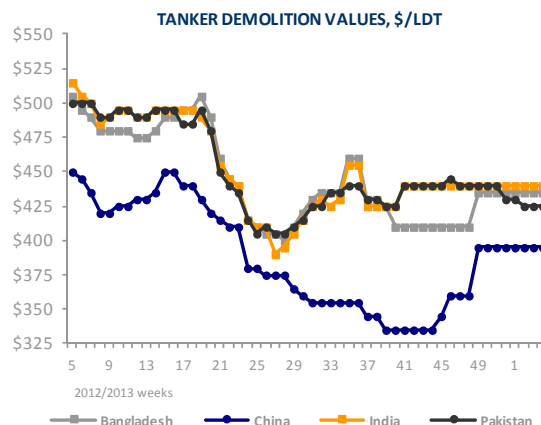
### China

**"Nancy Knutsen"** 95,468/93 – 15,232 LDT – DH  
-Sold for \$435.5/ldt.

### Pakistan

**"Nadezhda"** 143,386/83 – 24,491 LDT – DH  
-Sold for \$442/ldt.

**"Anna Knutsen"** 129,157/87 – 21,663 LDT – DH  
-Sold for \$430/ldt.



FOR THE LATEST MARKET DATA AND NEWS GO TO: [WWW.CRWEBER.COM](http://WWW.CRWEBER.COM)



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

Charles R. Weber Company, Inc.  
Greenwich Office Park Three,  
Greenwich, CT 06831  
Tel: +1 203 629-2300  
Fax: +1 203 629-9103  
[research@crweber.com](mailto:research@crweber.com)