WEBER WEEKLY
TANKER REPORT

WEEK 7 – 15 FEBRUARY 2013 ISSUE 7 – 2013

Upward demand revisions imply better 2H13?

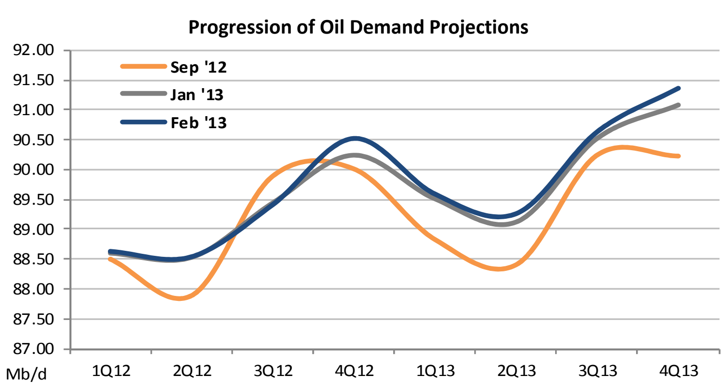
In the post-crisis period, a recurring trend has emerged whereby a greater measure of H1 bullishness by traders – prompted, variably, by such developments as a strong oil contango curve (2010), expectations for sustained strength in oil demand (2011), and a looming supply crunch due to geopolitical issues (2012) – boosted tanker demand and prompted an earnings rallying. Ultimately, in each of these cases much of that support had eroded by the end of Q2 and was replaced by a more bearish sentiment and earnings near breakeven levels during Q3, exacerbating normal seasonality.

Though the poorer earnings environments of H2 in these cases have been far from welcomed by owners, the presence of a strong environment during H1 at least provided modest support to annual average earnings. In the VLCC class, for instance, average earnings of $31,700/day during 1H12 allowed the year to conclude at an average of $22,500/day, representing a gain of 27.7% on the 2011 average, despite a relatively poor trading environment during 2H12.

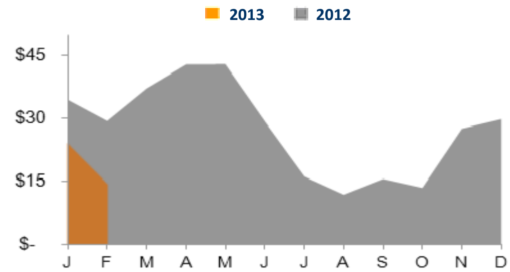
We note that Q1 is a particularly strong quarter for the VLCC spot market with average earnings during the 2009 to 2012 period of $39,300/day. During the QTD, however, average earnings have come in at a rather paltry $14,100/day. Given TD3 FFA indications through the remainder of 1H13 and assuming recent normal correlations of the AG-JPN route with other VLCC routes, an average for 1H13 of just $9,790/day is inferred – which would represent the lowest H1 earnings in recent memory.

Some factors, however, appear to suggest that following what is increasingly likely to be a lackluster 1H13, a modest improvement during 2H13 could help to support average earnings for the year (though anticipating a gain on 2012 remains far from certain).

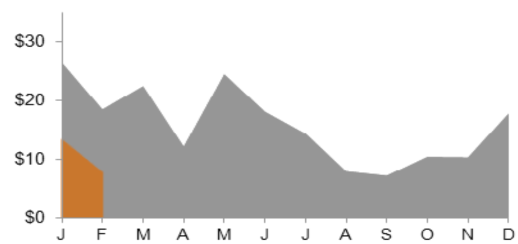
Recent upwardly revised world oil demand projections by the key forecasting agencies (+150,000 b/d on average from January) forms one basis of an emerging argument for a potentially better 2H13. Though China factors largely into the upward revisions, so too does Brazil and the US. In the latter, sustained y/y weekly gasoline demand figures bode well against rising export markets for USG refiners. Though these refiners are largely benefitting from their access to advantaged light domestic crude grades, much of the existing refining capacity remains dependent on heavy crude grades as an input component. With Saudi Arabia likely to be keen to retain its relevance in the US' energy industry, a wider price discount of Saudi heavy crude for US refiners could reasonably be expected to materialize, boosting demand on the long-haul AG-USG route. Sustained interest in West African crude grades by China against China's oil demand growth potential would also prove a health ton-mile driver.



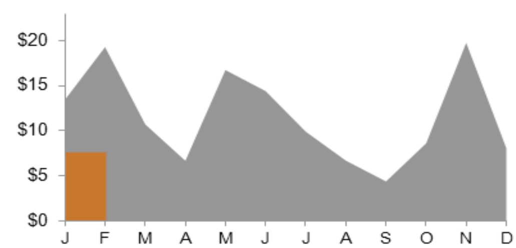
Data: EIA, IEA, OPEC



VLCC TCE 280k AG-USG + CBS-SPORE	MTD Average $14,300/Day	Month y/y ▼ -51%

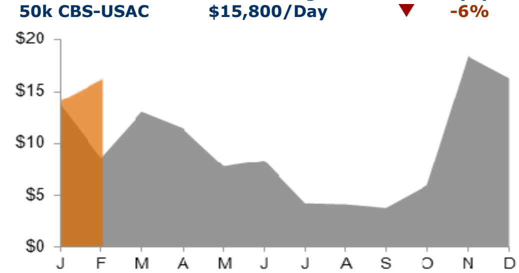


S'MAX TCE 130k WAF-USAC	MTD Average $7,900/Day	Month y/y ▼ -57%



A'MAX TCE 70k CBS-USG	MTD Average $7,500/Day	Month y/y ▼ -61%

P'MAX TCE 50k CBS-USAC	MTD Average $15,800/Day	Month y/y ▼ -6%

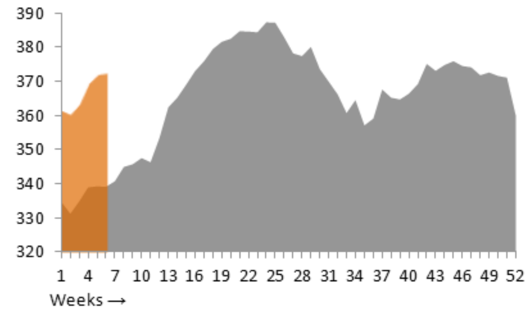


MR TCE 38k CBS-USAC	MTD Average $16,200/Day	Month y/y ▲ +88%

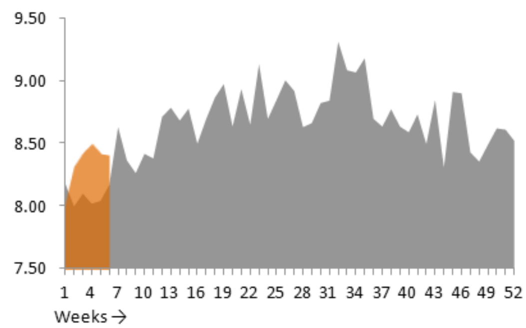
WEBER WEEKLY TANKER REPORT

Spot Market	WS	TCE (R/V)	WS	TCE (R/V)
VLCC	8-Feb		15-Feb	
AG>USG 280 kMT	18.0	$(15,800)	18.0	$(16,100)
AG>SPORE 270 kMT	31.0	$2,600	32.0	$4,000
AG>JPN 265 kMT	31.0	$1,700	32.0	$3,100
WAFR>USG 260 kMT	40.0	$15,500	40.0	$15,200
WAFR>CHINA 260 kMT	34.0	$6,100	36.0	$9,000
SUEZMAX				
WAFR>USAC 130 kMT	52.5	$7,700	52.5	$7,500
B.SEA>MED 135 kMT	60.0	$6,300	57.5	$3,700
CBS>USG 130 kMT	62.5	$11,900	60.0	$9,700
AFRAMAX				
N.SEA>UKC 80 kMT	85.0	$13,400	85.0	$13,200
AG>SPORE 70 kMT	85.0	$13,300	85.0	$13,200
BALT>UKC 100kMT	65.0	$12,600	67.5	$14,700
CBS>USG 70 kMT	82.5	$5,600	100.0	$13,500
MED>MED 80 kMT	90.0	$17,300	82.5	$12,100
PANAMAX				
CBS>USG 50 kMT	117.5	$11,900	120.0	$12,500
CONT>TA 55 kMT	110.0	$13,700	110.0	$13,500
ECU>USWC 50 kMT	150.0	$23,700	150.0	$23,800
CPP				
CONT>TA 37 kMT	185.0	$23,600	170.0	$19,800
CBS>USAC 38 kMT	145.0	$15,900	140.0	$14,600
USG>TA 38 kMT	105.0	$6,900	92.5	$3,500
AG>JPN 35 kMT	114.0	$6,300	112.0	$5,700
SPOR>JPN 30 kMT	126.0	$6,400	121.0	$5,300
AG>JPN 75 kMT	79.75	$10,800	79.0	$10,300
AG>JPN 55 kMT	91.75	$7,600	91.0	$7,200

Time Charter Market *$/day (theoretical)*	1 Year	3 Years
VLCC	$19,250	$23,000
Suezmax	$16,000	$20,250
Aframax	$13,500	$15,250
Panamax	$13,750	$14,750
MR	$13,750	$14,750



US Crude Stocks (EIA)	Last Week 372.2 Mbbls	Week y/y ▲ 9.8%



US Gasoline Demand (EIA)	Last week 8.404 Mb/d	Week y/y ▲ +2.9%

2013 2012

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WEBER WEEKLY TANKER REPORT

THE TANKER MARKETS

VLCC

The Chinese New Year holiday – combined with several other international holidays this week certainly took its toll on fresh activity in the VLCC sector. In fact, half of the fixtures reported this week were covered under COAs, making the market seem even quieter that it already was. With minimal inquiry to test rate, the rising cost of bunkers competed against general market inactivity as the only factors to point to for an anticipated rate direction. Rates on early week fixtures which did materialize were basis India discharge and therefore not entirely indicative of Eastbound levels, but did foreshadow market weakness. The one fresh fixture that was concluded at week's end was in fact the lowest of the year, dropping below that "psychological" barrier of ws30 at ws29.6 and yielding a TCE of ~$700/day. The performing unit, however, was a relet seeking an Eastbound voyage to reposition for redelivery, thus making the market essentially untested at week's close. The inactivity this week indicates one of two scenarios – either 1) that the February program will be even lighter than many expected or 2) next week will be extremely busy as charterers move to secure February tonnage ahead of March stem confirmations.

There is a always a fine line balancing the supply-demand equation in the AG market and even now when the available tonnage is much more ample than it has been during recent months there is still a debate as to what next week will bring. A quiet week and a light February program means a long list of spot tonnage available in the Singapore-Fujairah range and the ultimate question of lay-ups that is certain to surface. A busy week and strong February program would likely mean rate gains – something we have yet to really see this year.

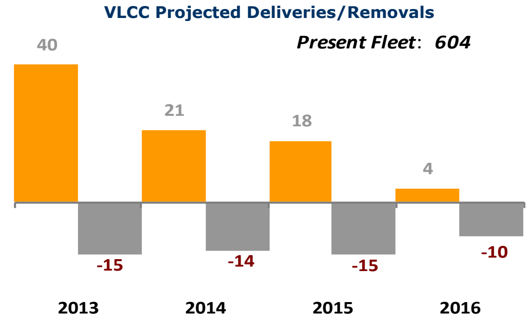
Middle East

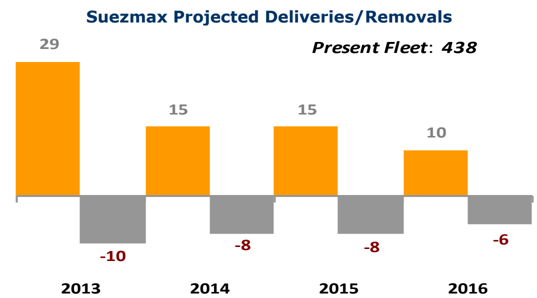
There were 12 fresh fixtures this week in the Middle East market, all bound for points to the east. Rates to the Far East posted a 0.7-point w/w loss to ws31.0 on the back of an end-week fixture concluded below ws30 on a vessel that wanted to reposition to the east. At the present assessment, TCE returns in this direction are ~$1,800/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 were untested with no cargoes working in that direction; rates via the cape are assessed ws18 and rates via the suez canal at ws15.5, but downward pressure is still evident as this remains a preferred voyage. Triangulated Westbound trade earnings averaged ~$14,000/day.

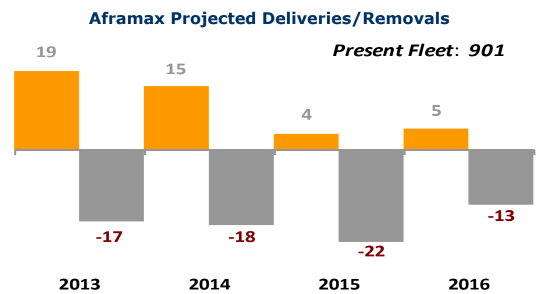
With 95 February Middle East cargoes covered to-date, a further 15 to 25 are expected to remain. The wide range is due to the current pace of the February program which points to a much lower monthly total than expected, meaning it should be towards the lower end of the spectrum. Against this, some 35 units are projected to be available through end-February dates, implying 10 to 20 carryover units into March dates (though a greater number of "hidden" units are likely). Whilst this could imply further rate erosion, we expect a greater unwillingness to trade at lower levels to limit further losses for eastbound business while westbound rates enter a standoff.

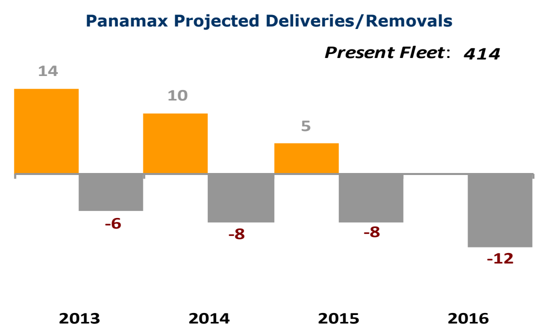
Atlantic Basin

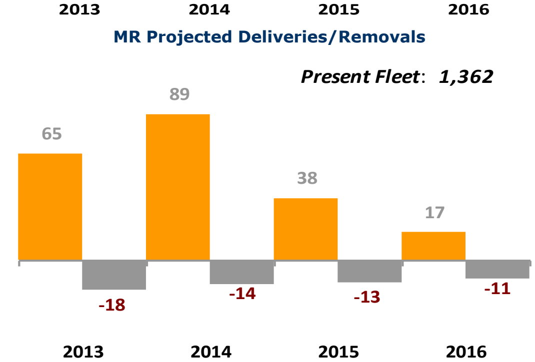
The Atlantic Basin continued along a steady pace with 8 fresh fixtures reported this week, all but one emanating from West Africa and all bound for eastern destinations. Rates from West Africa climbed two points to ws36, the rise in part due to increased activity and also playing a factor were the rising bunker costs which play a greater role in the longer voyages. The Caribbean Basin also showed some signs of slight firming as a thin position list was met with greater











inquiry. We expect rates from West Africa to steady in line with the AG while the Caribbean could post some gains.

Suezmax

The Atlantic Suezmax market saw limited rate movement this week on a relatively unchanged supply/demand positioning. The WAFR-USAC traded at the ws52.5 level throughout. Despite a more active Mediterranean and Black Sea market, the BSEA-MED route eased 2.5 points this week to conclude at ws57.5 as more units were redelivered from earlier voyages. With no impetus for a change in either direction during the week ahead, rates in both markets are expected to trade around present levels during the week ahead.

Aframax

Following several lackluster weeks, the Caribbean Aframax market showed fresh strength this week. Sustained activity through the past two weeks, combined with fog and ullage delays at the USG area saw an early prompt replacement fixture concluded just under the ws100 level, representing a premium of over 16 points from last week's market close. Sustained activity thereafter saw greater resistance by owners with rates for normal dates posting incremental gains and concluding with a gain of 17.5 points to ws100. Though upward pressure remains at the close of the week, with the weekend allowing the market to take a breather, rates should trend around present levels during the start of the week ahead.

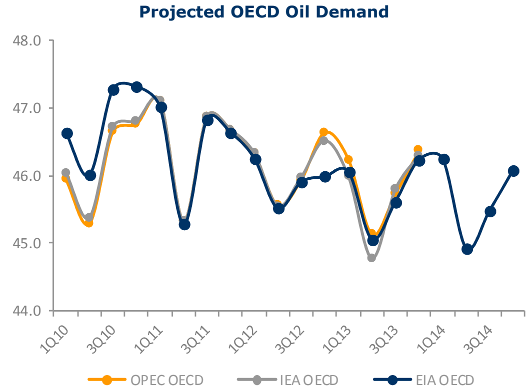
Panamax

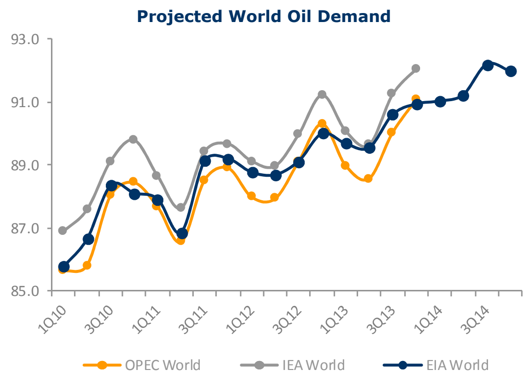
The Caribbean Panamax market extended last week's gains through the first half of the week with tighter positions remaining and competing Aframax tankers posting strong gains. Having reached a high of ws135, by mid-week rates were easing off on a slowdown of fresh activity, ultimately concluding the week at ws120, representing a gain of 2.5 points on last week's close.

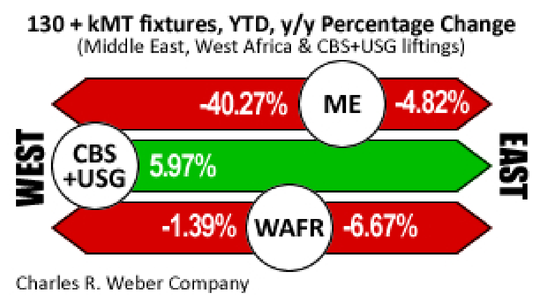
CPP

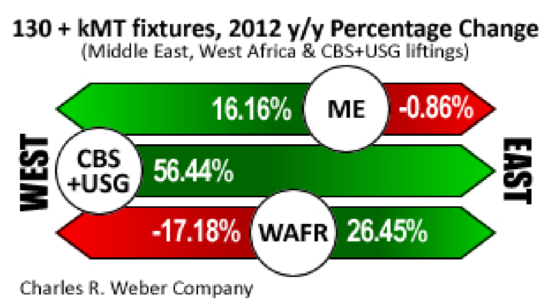
The Caribbean and USG MR market remained active this week though a more flexible position list saw rates continue to ease from earlier highs. The USG-TA route dropped 12.5 points to conclude at ws92.5 whilst limited "natural" positions for CBS-USAC fixtures saw a more modest decline of 5 points to ws140. Quicker redeliveries from the recent trend towards relatively shorter haul product exports to Latin America will likely keep rates under negative pressure during the week ahead, though moderated by sustained exports activity.

The European MR market was also under negative pressure this week on a decline in fresh activity. Rates on the CONT-TA shed 15 points to conclude at ws170. Rates remain soft at the close of the week and further losses are expected during the week ahead as the market rebalances from the recent rally.







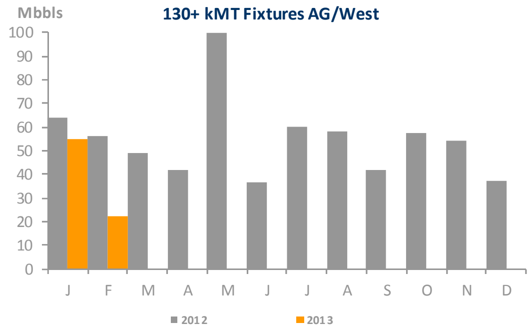


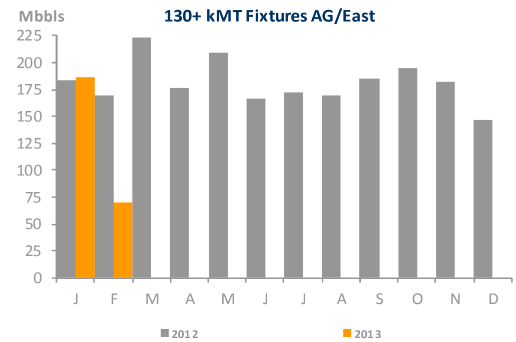
REPORTED TANKER SALES

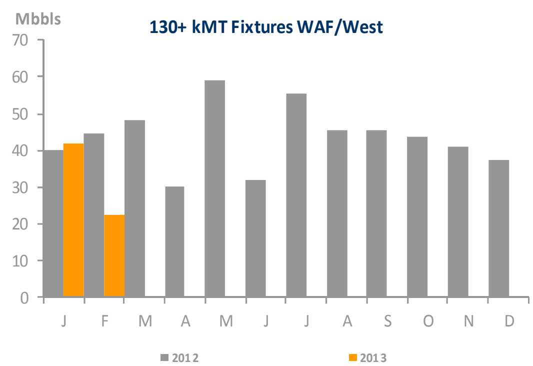
"Front Pride" 149,686/93 – Mitsui Chiba – DH
-Sold for $10.5m to undisclosed buyers.

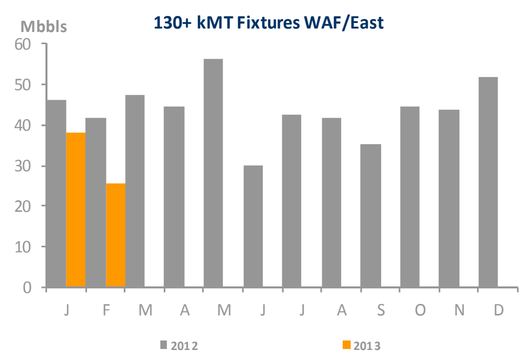
"British Willow" 106,500/03 – Tsuneishi – DH
-Sold for $15.2m to Greek buyers (Cyprus Sea Lines).

"Baltic Adonia I" 37,197/03 – Hyundai Mipo – DH
-Sold for $12.2m to undisclosed Greek buyers.









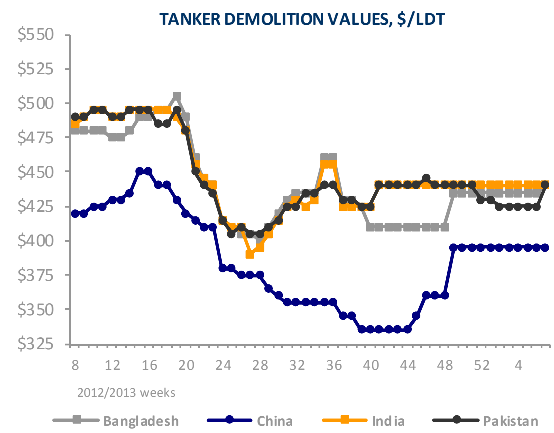
REPORTED TANKER DEMOLITION SALES

Bangladesh

"Remi" 99,320/91 – 16,750 LDT – DH
-Sold for $435/ldt (old sale).

Pakistan

"Andiota" 18,799/90 – 6,960 LDT – DH
-Sold on private terms (old sale).



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