WEBER WEEKLY
TANKER REPORT

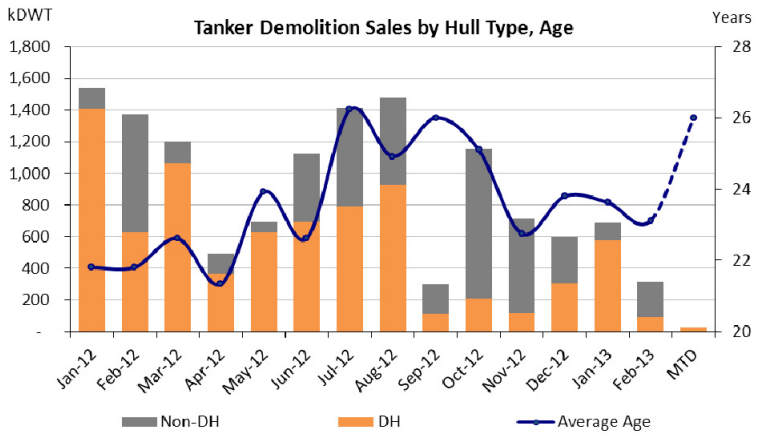
WEEK 11 – 15 MARCH 2013 ISSUE 11 – 2013

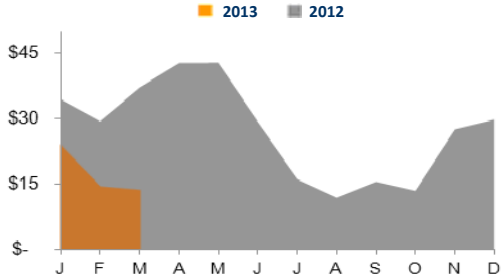
Slow pace of tanker demolition levels compound challenges facing tanker markets

Despite recurring high levels of excess capacity in tanker spot markets and correspondingly recessed earnings, owners have been slow to send aging units to demolition yards. This development marks a departure from previous correlations, whereby oversupplied markets have tended to see an acceleration of demolition sales both due to the decreased competitiveness of older units and to restore better supply/demand balance.

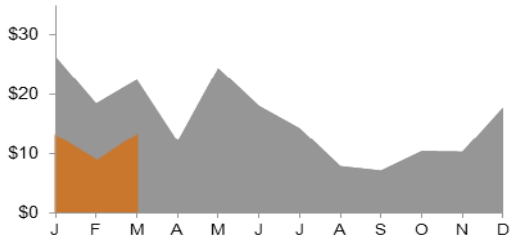
Despite a decline in average tanker earnings of 34% during 2H12 from 1H12, total tanker DWT capacity sent to demolition yards declined by 23% in the same period. Moreover, comparing 2H12 to 1H12, we note that the average age of units scrapped increased by 3 years to 25 and the average DWT per unit decreased by 11,300 to 87,725. These trends have largely continued, with low numbers of tanker units being sold to demolition buyers and the average age remaining high and the average DWT per unit dropping to just 60,666.

These trends can be attributed, largely, to the fact that the average $/ldt assessment for tankers in the Indian sub-continent dropped by 10.3% to $429/ldt during 2H12 from 1H12. The assessments have stabilized more recently with an average of $437/ldt YTD. Similar trends in the dry bulk market materialized during 2012, with fewer demolition sales during 2H12 than 1H12 – though overall levels nevertheless remained at extremely high levels. Total dry bulk DWT sold for demolition during 2012 was nearly six times 2010 figures – while for tankers the 12.7m DWT sold for demolition during 2012 represents a decline of 16.4% from 2010 levels.

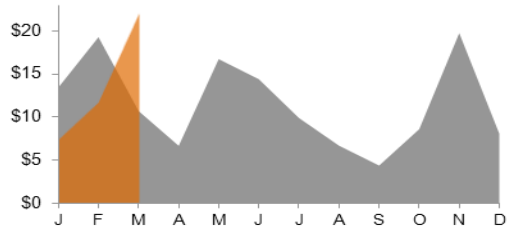




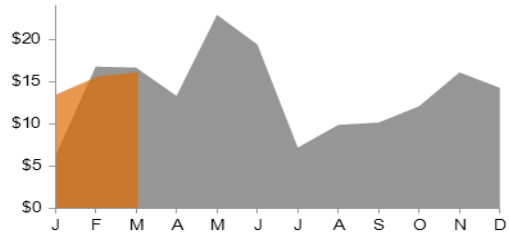
VLCC TCE 280k AG-USG + CBS-SPORE	MTD Average $13,500/Day	Month y/y ▼ -64%



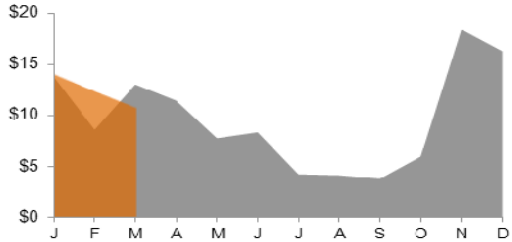
S'MAX TCE 130k WAF-USAC	MTD Average $13,500/Day	Month y/y ▼ -47%



A'MAX TCE 70k CBS-USG	MTD Average $22,100/Day	Month y/y ▲ +106%



P'MAX TCE 50k CBS-USAC	MTD Average $16,100/Day	Month y/y ▼ -3%



MR TCE 38k CBS-USAC	MTD Average $10,400/Day	Month y/y ▼ -20%

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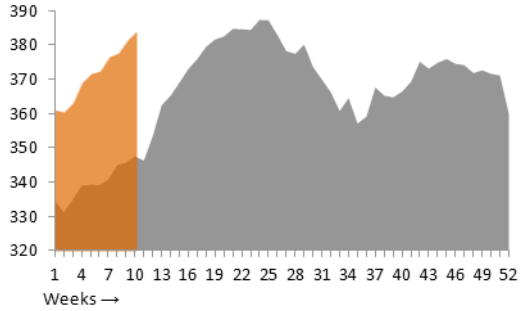
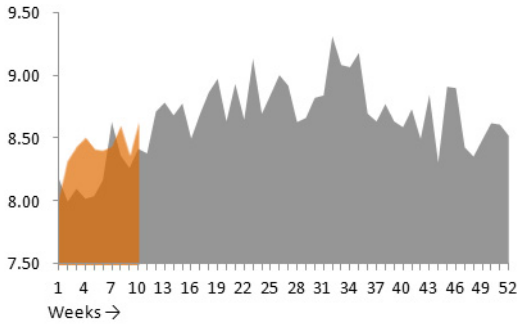
WEBER WEEKLY TANKER REPORT

Spot Market	WS	TCE (R/V)	WS	TCE (R/V)
VLCC	**8-Mar**		**15-Mar**	
AG>USG 280 kMT	18.0	$(13,800)	18.0	$(13,600)
AG>SPORE 270 kMT	33.0	$7,000	34.0	$8,800
AG>JPN 265 kMT	33.0	$6,200	34.0	$8,100
WAFR>USG 260 kMT	35.0	$9,900	35.0	$10,100
WAFR>CHINA 260 kMT	35.0	$9,600	35.0	$9,800
SUEZMAX				
WAFR>USAC 130 kMT	57.5	$12,700	57.5	$12,900
B.SEA>MED 135 kMT	70.0	$16,900	70.0	$17,000
CBS>USG 130 kMT	85.0	$30,700	77.5	$24,900
AFRAMAX				
N.SEA>UKC 80 kMT	90.0	$18,200	90.0	$18,300
AG>SPORE 70 kMT	72.5	$8,000	77.5	$10,500
BALT>UKC 100kMT	77.5	$24,800	90.0	$36,200
CBS>USG 70 kMT	117.5	$22,900	110.0	$19,500
MED>MED 80 kMT	85.0	$15,000	80.0	$11,800
PANAMAX				
CBS>USG 50 kMT	115.0	$12,000	127.5	$16,300
CONT>TA 55 kMT	110.0	$14,700	105.0	$12,900
ECU>USWC 50 kMT	152.5	$24,900	152.5	$24,900
CPP				
CONT>TA 37 kMT	152.5	$16,400	147.5	$15,300
CBS>USAC 38 kMT	120.0	$10,400	117.5	$9,800
USG>TA 38 kMT	70.0	$(1,300)	65.0	$(2,500)
AG>JPN 35 kMT	129.0	$10,000	136.5	$11,900
SPOR>JPN 30 kMT	135.5	$8,800	147.0	$11,200
AG>JPN 75 kMT	90.0	$16,500	96.0	$19,600
AG>JPN 55 kMT	119.0	$18,000	135.0	$23,800

Time Charter Market *$/day (theoretical)*	**1 Year**	**3 Years**
VLCC	$18,750	$23,000
Suezmax	$16,250	$20,250
Aframax	$13,500	$15,250
Panamax	$13,500	$14,500
MR	$13,750	$14,750



US Crude Stocks (EIA) | **Last Week 384.0 Mbbls** | **Week y/y ▲ +10.5%**



US Gasoline Demand (EIA) | **Last week 8.627 Mb/d** | **Week y/y ▲ +2.5%**

2013 2012

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WEBER WEEKLY
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CHARLES R. WEBER COMPANY, INC.

THE TANKER MARKETS

VLCC

A second consecutive week of above average inquiry in the VLCC sector kept upward pressure on rates, although gains were limited by the continued presence of excess capacity. While last week's activity pushed eastbound levels up 1%, continued activity advanced levels an additional 1% this week. While this hardly seems like much of an improvement, it does bring eastbound TCEs closer to covering daily operating costs; at ws34, the AG-FEAST routes yield a just under $8,000/day. In fact, the last time eastbound levels were above OPEX was almost two months ago. Even the preferred westbound voyages which position units for more lucrative onward trades (from the Caribbean and North Sea to points in the east) now only yield returns just above daily operating costs. Thus over the period of four months units are employed on two voyages with minimal ballast time, but sees a return above OPEX. The question for the short term is with almost 95% of the March program covered and April stem confirmations still a week away, will the busier pace of fresh activity hold up?

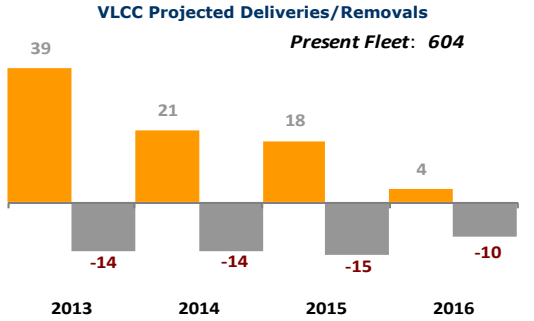
Middle East

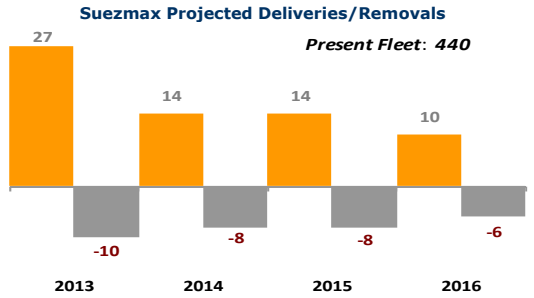
There were 25 fresh fixtures reported in the Middle East market this week. Rates to the Far East showed a slight increase, posting a 0.2 point w/w gain to an average of ws33.3. Corresponding TCEs improved slightly to an average of ~$7,800/day. Rates on the AG-USG route averaged ws15.0 via the Suez Canal, while assessed rates via the Cape remain around the ws18 level. Triangulated Westbound trade earnings averaged ~$13,100/day, representing a ~$800/day decline, w/w due to the reduction in levels on the eastbound voyage. This led to a greater resistance to lower levels.

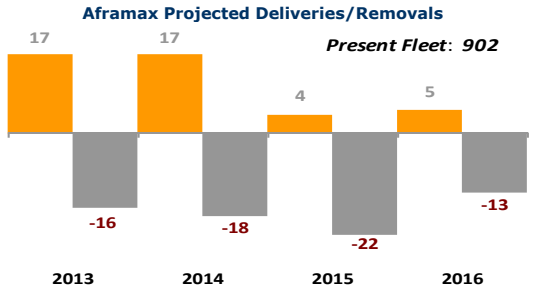
As we look ahead to next week a quieter period is anticipated as charterers finish up those remaining March stems with April programs slowly trickling into play. We have seen 112 March fixtures to date while April has just began with 6 fixtures thus far, leaving only a handful of this month's program to go. The lull in activity will ease the slight pressure that has developed, but expectations of cargoes to come will hold levels close to last done. Eastbound levels holding in the mid/low-ws30s while westbound continues to trade around ws18 via the cape and closer to ws15 via the Suez canal.

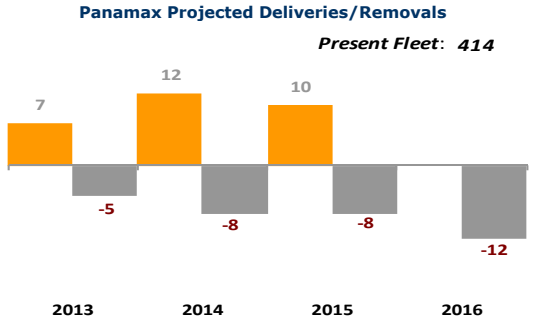
Atlantic Basin

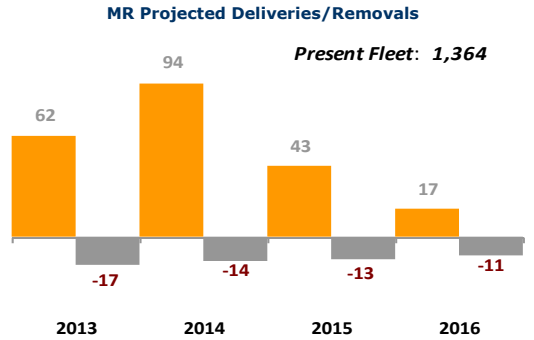
Activity in the Atlantic Basin continued at an average pace with 12 fresh fixtures reported this week evenly split between West Africa and Caribbean load areas. Eastbound rates from West Africa showed a 0.5 point improvement in line with the slight rise in AG levels while westbound business remained out of play as the Suezmax class continues to dominate activity. Eastbound levels from the Caribbean showed a slight decline as levels to Singapore fell to $3.7 million on the back of a sufficient list of avails. Little change is expected in the short term with rates in the Caribbean holding generally flat while West Africa faces some downward pressure in line with the AG.











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Suezmax

The Atlantic Suezmax market saw little change this week with rates on the WAFR-USAC route unchanged at the ws57.5 level. Similarly, the BSEA-MED route was unchanged at ws70. Little impetus for change in either direction is expected during the week ahead, with rates likely to trade unchanged accordingly.

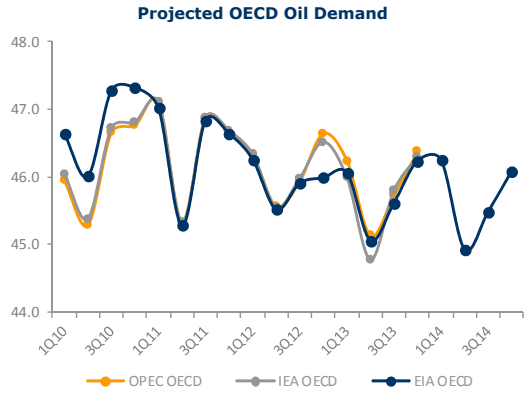
The Caribbean Suezmax market was softer this week as moderating weather on the USG area saw more flexible positions for Aframaxes, leading to an end-week correction on rates for the smaller tankers and decreasing the attractiveness of the Suezmax alternative at earlier rates. The CBS-USG route eased 7.5 points, accordingly, to the ws77.5 level.

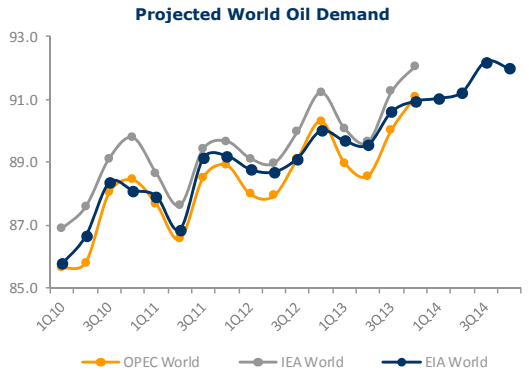
Aframax

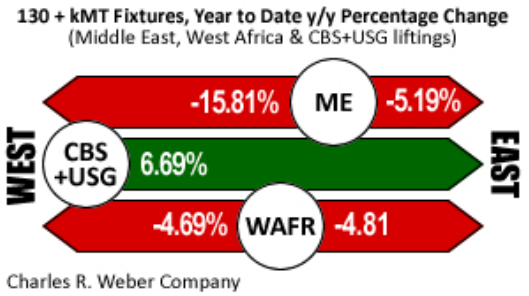
Improved weather on the USG saw more flexible Aframax positions in the Caribbean market, leading to incremental rate losses during through the second half of the week. The CBS-USG route ultimately lost 7.5 points to conclude at ws100. An overpopulated position list relative to demand will likely see further rate losses during the week ahead.

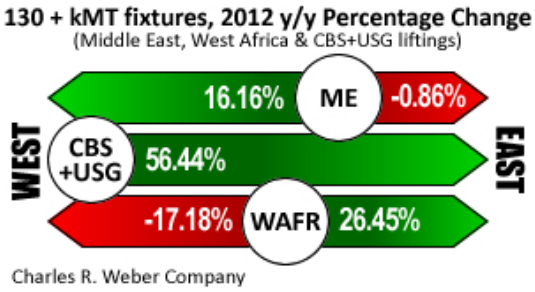
Panamax

The Caribbean Panamax market saw stronger activity levels through much of the week, leading to a mid-week rate spike. The CBS-USG route ultimately gained 12.5 points to conclude at ws127.5 though a quieter market at the close of the week should see rates retreat upon retesting during the week ahead.









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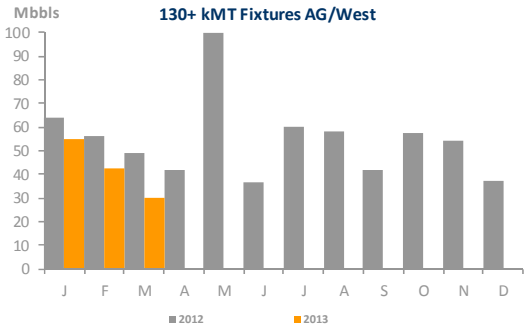
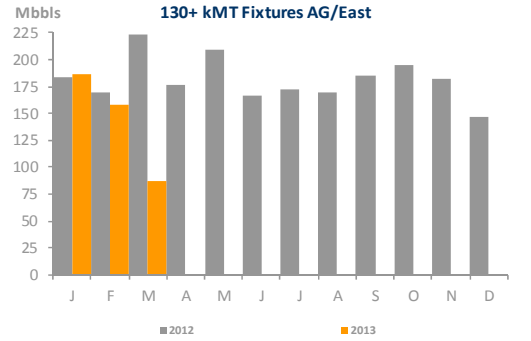
CPP

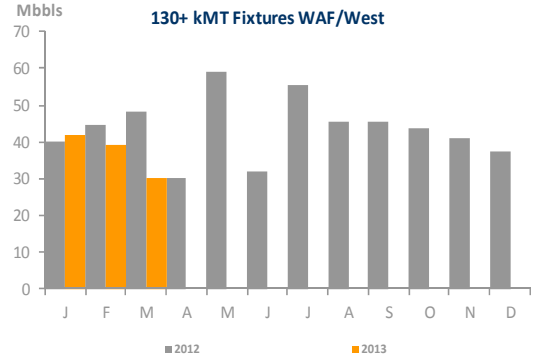
Rising levels of available units in the USG MR market saw softer rates this week, with the USG-TA route easing 5 points to conclude at ws65. The lower relative returns for units trading ex-USG cargoes has seen owners direct units coming free off the USAC to ballast towards Europe, which combined with generally low returns for USG cargoes likely to see rates pare this week's losses during the week ahead – particularly with chartering activity expected to improve on a return to higher USG refinery utilization rates. Triangulated USG-CONT & CONT-USAC trading with a final ballast to the USG presently offers owners ~$13,400/day whilst round voyage CONT-USAC voyages offer ~$15,300/day.

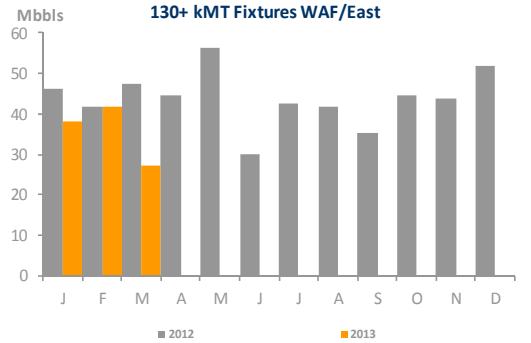
The Caribbean market was largely untested this week though assessed rates on the CBS-USAC eased 2.5 points on the back of softer ex-USG rates. A rebound in ex-USG rates during the week ahead would likely see those on the CBS-USAC route pare this week's losses.

The European market remained active this week though rates on the CONT-USAC route ultimately lost 5 points to conclude at ws147.5 on the back of a sufficiently populated position list. With more units expected to appear on lists from the USAC, rates should remain under modest negative pressure.









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REPORTED TANKER SALES

"Cap Isabella" (Samsung 1904) 159,000/13 – Hyundai – DH
-Sold for $54.0m to undisclosed buyers; delivery from yard late March/early April.

"Zaliv Anadyr" 103,023/09 – Hyundai – DH
-Sold for $27.0m to undisclosed buyers.

"Torm Agnes" 50,274/11 – Guangzhou – DH
"Torm Amalie" 50,273/11 – Guangzhou – DH
"Torm Aslaug" 50,263/10 – Guangzhou – DH
"Torm Almena" 50,227/10 – Guangzhou – DH
"Torm Alice" 50,216/10 – Guangzhou – DH
-Sold en bloc for $27.0m each to US buyers (Oaktree).

"MCT Almak" 19,990/99 – Uljanik – DH
-Sold for $9.0m to undisclosed buyers.

"Tradewind Moon" 8,518/02 – Higaki Zosen – DH
-Sold for $8.0m to undisclosed South Korean buyers.

"Malou Theresa" 7,842/08 – Tuzla – DH
-Sold on private terms to Danish buyers (Herning Shipping).

"Fair Swan" 5,218/84 – Shitanoe – DH
-Sold for $2.0m to undisclosed buyers. Unit converted to DH 04/2009.

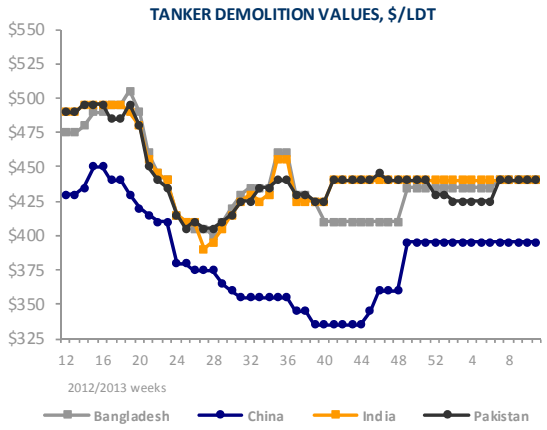
REPORTED TANKER DEMOLITION SALES

Pakistan:

"Rip Hudner" 83,155/94 – 16,825 LDT – DH
-Sold for $431/ldt.

Turkey:

"Selin K" 28,610/86 – 9,680 LDT – DH
-Sold for $310/ldt.



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