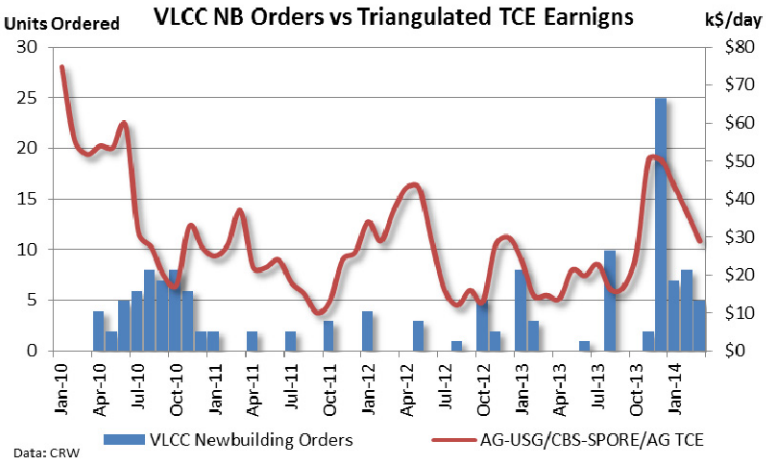
WEBER WEEKLY
TANKER REPORT
CHARLES R. WEBER COMPANY, INC.

WEEK 14 – 4 APRIL 2014 **ISSUE 14 – 2014**

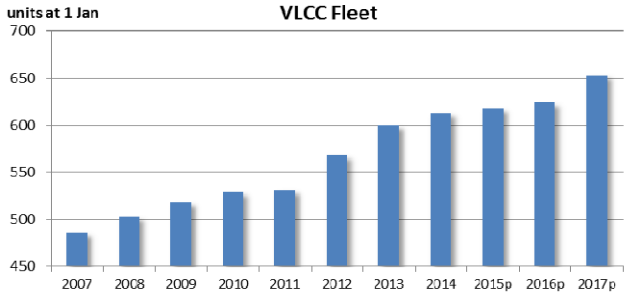
VLCC ordering interest set to subside?

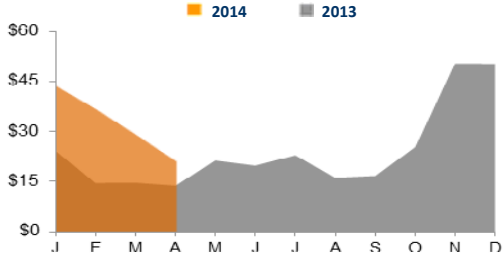
During 4Q13 and 1Q14, a total of 47 new VLCCs were contracted at newbuilding yards. Of these, 27 were ordered during 4Q13, representing the most in a single quarter since 3Q08. The trend follows a recurring pattern whereby periodic spot market strength in the form of temporary rallies are interpreted of early recovery indicators and prompt a fresh wave of newbuilding interest. Seeking to take advantage of newbuilding prices remaining well below peak levels, owners hope to either realize asset appreciation closer to delivery as a recovering spot market boosts ownership demand or to take delivery and trade the units in a more profitable market environment.



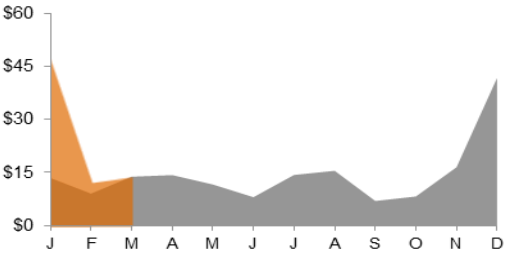
The recent wave of orders represents a recurrence of the trend; as earnings rose to levels in excess of $50,000/day during November and December – the highest since early in 2010 – the pace of newbuilding orders rose again. However, whereas at the start of 1H10 the VLCC orderbook represented 37%, at the start of 4Q13 the percentage had dwindled to 10%. This smaller level, combined with the likelihood that heftier maintenance and regulatory compliance costs will accelerate the phasing out of older tonnage, made VLCC fundamentals markedly more attractive more recently than during earlier post-recessionary rallies. The 1H12 rally, for instance, failed to prompt much speculative ordering – largely as owners noted a ton-mile demand surge as owing to the run-up to western sanctions on Iran, rather than a sign of a structural altering of fundamentals.

As the units ordered during recent months remain largely oriented to 2016 and 2017 delivery dates, net annual fleet growth is projected to remain below 1% through 2014 and 2015. During 2016, however, accounting for the present orderbook and likely phaseouts, fleet growth is projected to rise to 5%. In the absence of strong ton-mile demand growth, further ordering could thus ultimately derail any recovery which materializes in the interim. With VLCC earnings progressing into 2Q14 markedly softer, past correlations suggest that a subsiding of ordering is now likely.

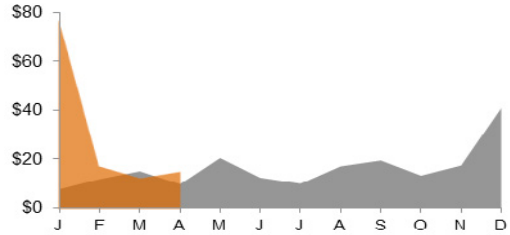




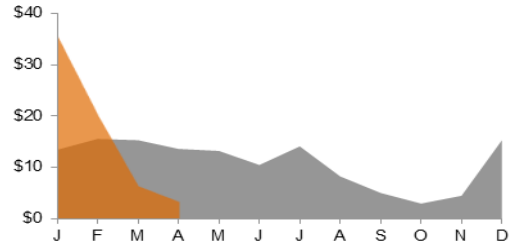
VLCC TCE AG-USG / CBS-SPORE/AG | **MTD Average $20,900/Day** | **Month y/y ▲ +51%**



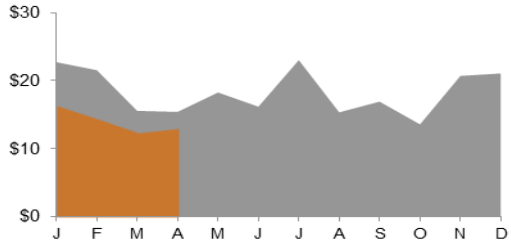
S'MAX TCE 130k WAF-USAC | **MTD Average $13,300/Day** | **Month y/y ▼ -7%**



A'MAX TCE 70k CBS-USG | **MTD Average $15,200/Day** | **Month y/y ▲ +57%**



P'MAX TCE 50k CBS-USAC | **MTD Average $3,200/Day** | **Month y/y ▼ -77%**



MR TCE USG-UKC/ UKC-USAC/USG | **MTD Average $13,100/Day** | **Month y/y ▼ -15%**

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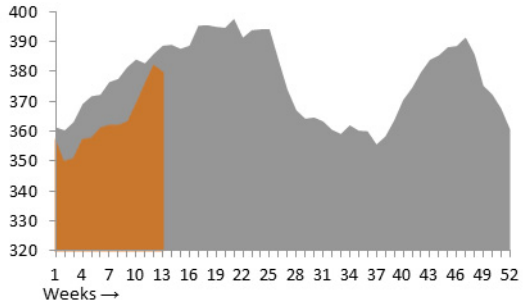
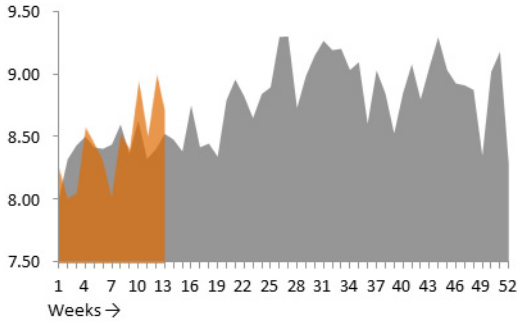
WEBER WEEKLY TANKER REPORT

Spot Market	WS/LS	TCE $/day	WS/LS	TCE $/day
VLCC (12 Kts L/11.5 Kts B)	**28-Mar**		**4-Apr**	
AG>USG 280k (TD1)	27.0	$1,611	28.0	$3,197
AG>USG/CBS>SPORE/AG	--	$21,168	--	$21,288
AG>SPORE 270k (TD2)	37.5	$15,067	39.0	$17,666
AG>JPN 265k (TD3)	37.5	$14,387	39.0	$17,050
WAFR>USG 260k (TD4)	50.0	$28,813	47.5	$25,864
WAFR>CHINA 260k (TD15)	41.5	$17,845	41.5	$18,074
CBS>SPORE/AG 270k	$3.65m	$21,766	$3.50m	$20,283
SUEZMAX (12 Kts L/11.5 Kts B)				
WAFR>USAC 130k (TD5)	62.5	$14,815	60.0	$13,343
BSEA>MED 135k (TD6)	72.5	$18,398	62.5	$9,881
CBS>USG 150k	62.5	$19,161	63.5	$20,156
AFRAMAX (12.5 Kts L/B)				
N.SEA>UKC 80k (TD7)	97.5	$21,858	90.0	$15,563
AG>SPORE 70k (TD8)	95.0	$16,869	95.0	$17,258
BALT>UKC 100k (TD17)	70.0	$12,163	75.0	$16,219
CBS>USG 70k (TD9)	100.0	$14,355	110.0	$17,330
MED>MED 80k (TD19)	100.0	$21,694	85.0	$12,808
PANAMAX (12.5 Kts L/B)				
CBS>USAC 50k	100.0	$1,921	105.0	$3,497
CONT>USG 55k (TD12)	125.0	$12,345	125.0	$12,494
ECU>USWC 50k	165.0	$19,558	165.0	$19,038
CPP (13.5 Kts L/B)				
CONT>USAC 37k (TC2)	127.5	$9,986	125.0	$9,497
CONT>WAFR 37k	145.0	$13,122	137.5	$11,506
USG>CONT 38k (TC14)	80.0	$1,361	80.0	$1,457
USG>CONT/CONT>USAC/USG	--	$13,241	--	$13,007
USG>P.COLORADOS 38k	$430k	$8,699	$475k	$11,908
CBS>USAC 38k (TC3)	97.5	$5,034	97.5	$5,118
AG>JPN 35k	115.0	$6,902	115.0	$7,166
SPORE>JPN 30k (TC4)	115.0	$5,091	115.0	$5,330
AG>JPN 75k (TC1)	95.0	$17,581	97.5	$19,177
AG>JPN 55k (TC5)	108.5	$10,054	106.5	$9,795



US Crude Stocks (EIA)	Last Week 380.1 Mbbls	Week y/y ▼ -2.2%



US Gasoline Demand (EIA)	Last week 8.713 Mb/d	Week y/y ▲ +2.2%

■ 2014 ■ 2013

Time Charter Market *$/day (theoretical)*	1 Year	3 Years
VLCC	$24,500	$26,500
Suezmax	$19,250	$22,000
Aframax	$14,500	$17,000
Panamax	$14,750	$16,500
MR	$14,750	$16,000

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WEBER WEEKLY
TANKER REPORT

THE TANKER MARKETS

VLCC

VLCC activity was markedly stronger this week across all key markets. In the Middle East, chartering activity rose to an eight-week high, gaining 78%, w/w, to a total of 41 fixtures. Similar gains were observed in the Atlantic basin, where total fixtures gained 50%, w/w, to 12—led by a rebound in activity in the Caribbean market. The activity gains helped to stem the negative pressure on rates which had materialized towards the conclusion of March's relatively short program in the Middle East market. China and other Far East importers contributed heavily to the demand gains, despite a progression into refinery maintenance. A Platt's report this week indicated that during April, some 1.66 Mb/d of capacity will be taken offline and during May the figure is expected to rise to 2.13 Mb/d. Current laycan windows indicate crude arrivals in the Far East around early/mid-May, possibly suggesting a boosting of purchasing as part of inventory ahead of the conclusion of turnarounds during late May. A 4-week moving average of fixtures to the Far East from the Middle East stood at 15 at the end of March, off 27% from a month earlier; this week 31 fixtures were bound for points in the Far East.

Rate progression in the Middle East was influenced by the stronger activity at the start of the week which combined with a small number of spot cargoes to impart stronger sentiment. Modest gains thereof were quickly pared after charterers pulled back from the market – but stronger returned again at the close of the week on a fresh activity surge. Average earnings gained, ultimately, 12% over the course of the week to ~$19,153/day.

Middle East

Rates to the Far East lost 0.1 point, w/w, to an average of ws37.9. Corresponding TCEs gained ~$492/day, w/w, and averaged ~$16,053/day. Rates to the USG via the Cape averaged ws27.7 on an assessed basis, representing a gain of 0.3 points, w/w. Triangulated Westbound trade earnings lost ~561/day, w/w, to an average of ~$21,058/day.

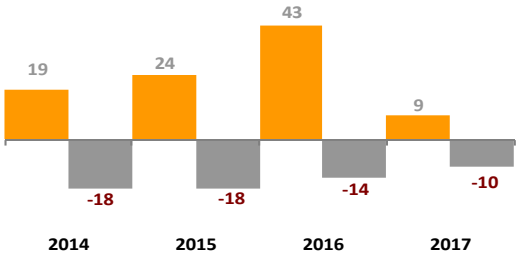
With 84 April cargoes covered to-date, including 78 through the second decade, a further 38 are estimated to remain, given expectations for a slightly loftier third decade. With the second decade largely complete, we note that some 21 units remain available through second-decade dates – representing an expansion of excess capacity from the 17 units which were carried over from March to April dates. Through the end of the month, 55 units populate position lists, implying a narrowing of surplus units back to 17. Accordingly, rates are likely to soften during the upcoming week as a larger volume of tonnage faces charterers progressing into the third decade of the April program. Further forward, the narrowing of excess capacity is unlikely to prove sufficient to prompt fresh gains, failing a larger-than-expected number of third decade cargoes.

Atlantic Basin

Chartering activity in the West Africa market rose to 5 fixtures from 4 last week. Rates to the Far East largely trailed movements in the Middle East market; the route averaged ws40.5, representing a one point loss, w/w. TCEs on the route shed ~$1,112/day, w/w, to an average of ~$16,734/day. The Caribbean market was markedly more active with regional fixtures doubling from last week to 6. Rates on the CBS-SPORE route traded within the $3.45m and $3.55m lump sum range, representing a softer level than last week's closing assessment of $3.6m.

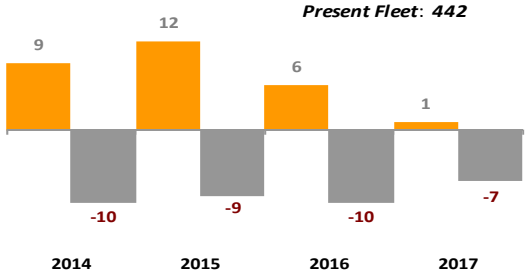
VLCC Projected Deliveries/Removals

Present Fleet*: *617



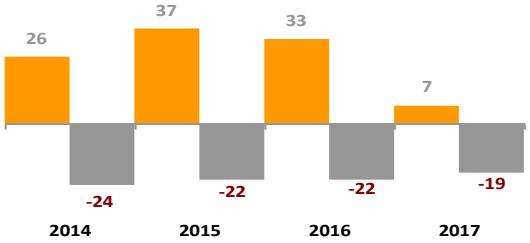
Suezmax Projected Deliveries/Removals

Present Fleet*: *442



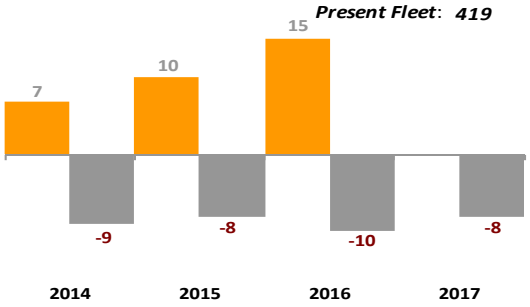
Aframax/LR2 Projected Deliveries/Removals

Present Fleet*: *875



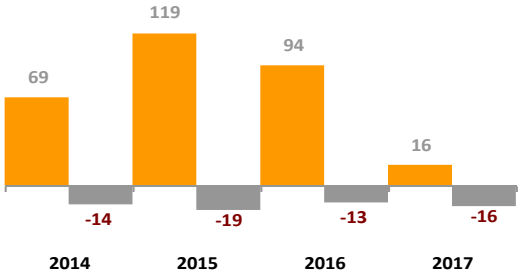
Panamax/LR1 Projected Deliveries/Removals

Present Fleet*: *419



MR Projected Deliveries/Removals

Present Fleet*: *1,199



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Suezmax

Chartering activity in the West Africa Suezmax market was unchanged from last week with 11 fixtures materializing. Together with the four week moving average of Suezmax fixtures in the Middle East market falling to its lowest level in just over four months, modest availability gains in West Africa saw rates come under a small degree of negative pressure. Rates on the WAFR-USAC route shed 2.5 points to conclude at ws60. Corresponding TCEs at this level stand at ~$9,881/day. As this stands some 51% below earnings in the Caribbean market, USG positions remain firmly oriented to trades within the region, helping to stem further rate erosion in the West Africa market by limiting positions. Rates on the CBS-USG route gained 1 point to 150 x ws63.5 on the back of stronger Aframax rates.

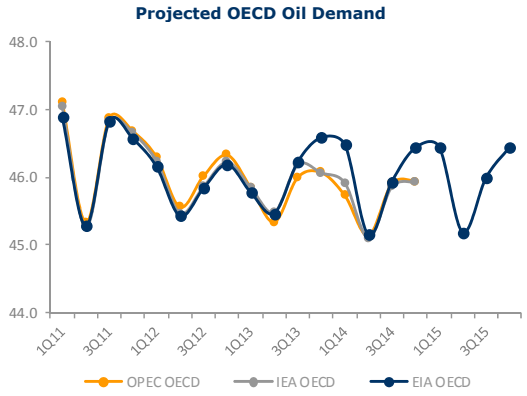
Rates in the West Africa market should hold steady through the early part of the upcoming week on a stable supply/demand profile while a progression into a markedly slower May program should see rates come under fresh negative pressure.

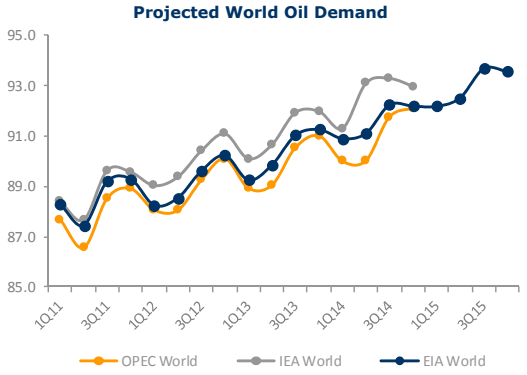
Aframax

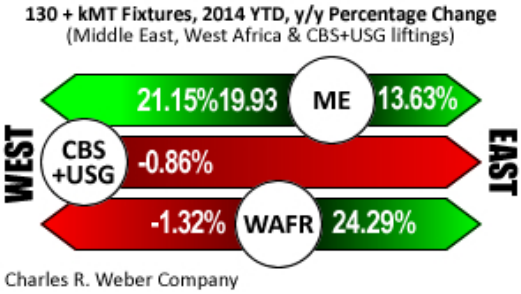
Rates in the Caribbean Aframax market were stronger this week as ongoing fog issues on the US Gulf Coast continued to impact availability while an early-week replacement fixture set owners' sights higher for normal voyages. Though overall chartering activity was slower this week, dropping 38%, w/w, to 10 fixtures, the momentum remained throughout the week and the CBS-USG route added 10 points to conclude at ws110. Assuming an improvement of weather conditions, rates could pare some of this week's gains during the upcoming week while stronger demand could materialize on the back of rising PADD 3 refinery utilization rates thus limiting the extent of any downside.

Panamax

Rates in the Caribbean Panamax market improved this week on the back of further fog issues on the US Gulf Coast. The CBS-USG route added 5 points over the course of the week to conclude at ws105. Further upside was limited by a generally slow pace of activity – and failing a stronger demand environment during the upcoming week the market could pare some of this week's gains.







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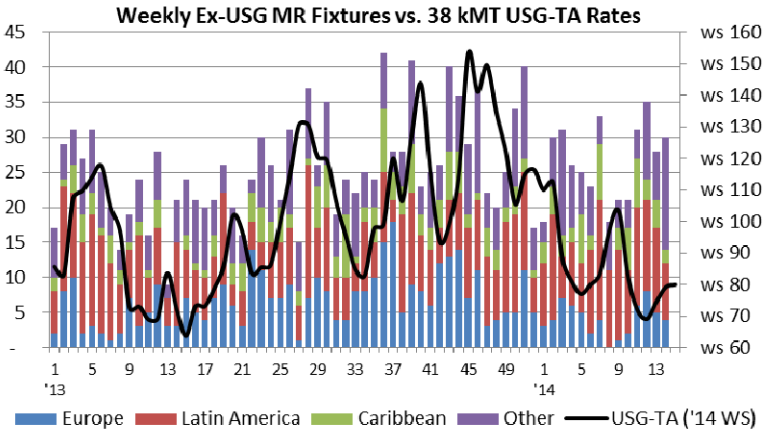
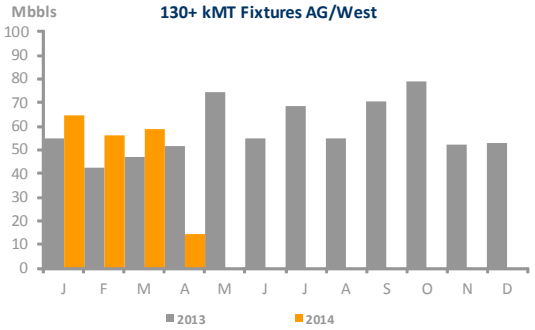
CPP

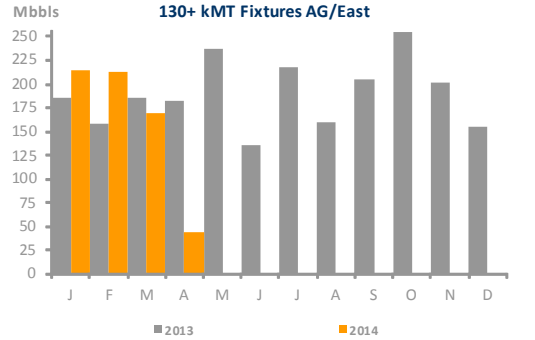
Chartering activity in the USG MR market gained 7% from last week with 30 fixtures materializing. Voyaged bound for Europe declined by 20% while those to Latin American and the Caribbean dropped 38% but were offset by a greater number bound for points in Asia and West Africa (the latter with three gasoline cargoes). Rates eased modestly from last week's closing assessment of ws80 early in the week but on sustained demand and further signs of rate downside in Europe retested firmly at the ws80 level late during the week. Late-week gains were also observed for short-haul voyages, with the USG-Pozos Colorados route rising by $45,000 to $475,000 lump sum.

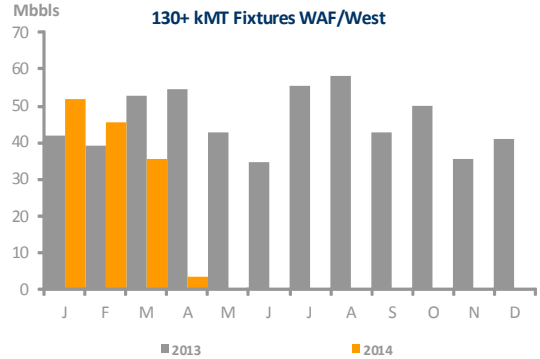
Rising PADD 3 refinery utilization rates bode well for forward demand while refinery maintenance in Europe should create further USG-TA opportunities. Together a trend toward greater ton-miles generated by ex-USG fixtures during March, availabilities should continue to decline allowing for rates to show more substantial gains during the coming weeks.

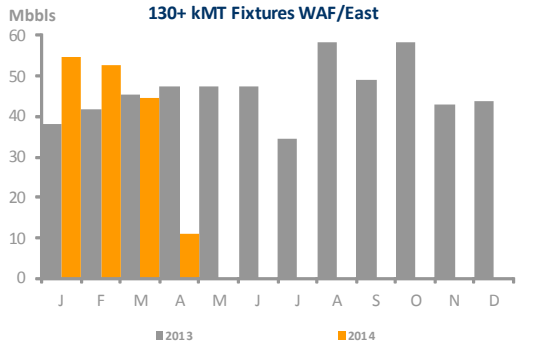


Data: C R Weber









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REPORTED TANKER SALES

"Knock Clune" 164,028/10 – Bohai – DH
-Sold for $48.0m to Singaporean buyers (Eastern Pacific).

"Huelva Spirit" 160,383/01 – Daewoo – DH
-Sold for $3.8m to undisclosed Greek buyers.

"STI Heritage" 73,956/08 – Onomichi – DH
-Sold for $30.0m to undisclosed buyers.

SPP Sacheon S1136 50,300/15 – SPP Sacheon – DH
SPP Sacheon S1137 50,300/15 – SPP Sacheon – DH
SPP Sacheon S1173 50,300/15 – SPP Sacheon – DH
SPP Sacheon S1174 50,300/15 – SPP Sacheon – DH
SPP Sacheon S1175 50,300/15 – SPP Sacheon – DH
SPP Sacheon S1176 50,300/15 – SPP Sacheon – DH
-Sold en block for $37.5m each to US buyers (Oaktree).

SPP Sacheon S1177 50,300/15 – SPP Sacheon – DH
SPP Sacheon S1178 50,300/15 – SPP Sacheon – DH
SPP Sacheon S1183 50,300/15 – SPP Sacheon – DH
SPP Sacheon S1184 50,300/16 – SPP Sacheon – DH
SPP Sacheon S1130 50,300/14 – SPP Sacheon – DH
SPP Sacheon S1131 50,300/14 – SPP Sacheon – DH
SPP Sacheon S1132 50,300/15 – SPP Sacheon – DH
SPP Sacheon S1133 50,300/15 – SPP Sacheon – DH
SPP Sacheon S1134 50,300/15 – SPP Sacheon – DH
SPP Sacheon S1135 50,300/15 – SPP Sacheon – DH
-Sold en block for $37.6m each to Singaporean buyers (BW Maritime).

"Hellas Constellation" 46,162/00 – Hyundai Ulsan – DH
-Sold for $11.9m to undisclosed European buyers basis SS due.

"Brovid Vindur" 4,670/06 – Gisan – DH
-Sold for $4.4m to Norwegian buyers.

"Mar Almudena" 9,776/94 – UNL-Valencia – DH
-Sold for $4.4m to undisclosed buyers.

"Mar Rocio" 6,967/99 – Tuzla – DH
-Sold for $3.8m to undisclosed Greek buyers.

REPORTED TANKER DEMOLITION SALES

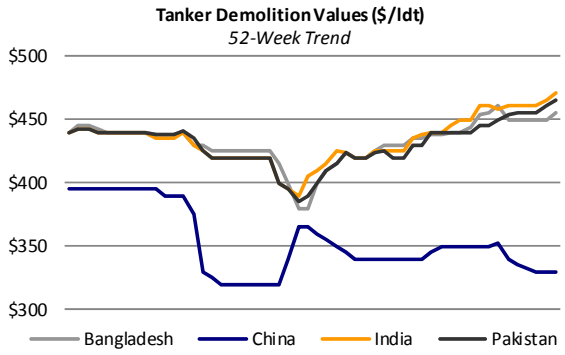
TBD

"Eagle Otome" 95,663/94 – 15,868 LDT – DH
-Sold for $472/ldt basis as is, Malaysia.

"Eduardo Virasoro" 15,150/79 – 4,497 LDT – DH
-Sold on private terms.

Bangladesh

"Sritara" 2,370/78 – 753 LDT – SH
-Sold for $408/ldt.



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