WEBER WEEKLY TANKER REPORT

WEEK 16 – 19 APRIL 2013 **ISSUE 16 – 2013**

US crude production gains impacting US crude tanker deliveries

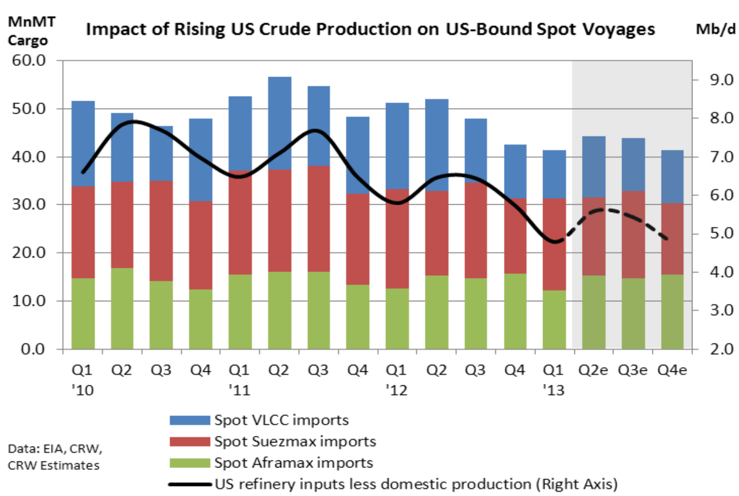
Sustained US crude production gains continues to impact tanker demand, as has been well noted within the industry. However, the distribution of crude tanker demand destruction has been far from even, making some sectors more vulnerable to a continuation of the present trend than others.

The EIA assesses US crude production during 2012 at 6.47 Mb/d, representing a 15% gain from 2011. At the same time, crude cargoes delivered to the US on spot tanker voyages dropped 8.7% to 193.6 million MT. VLCCs bore the brunt of the US-bound demand decline, delivering 8.6% less cargo during 2012 than during 2011. Suezmaxes and Aframaxes delivered 11.8% and 4.7% less cargo, respectively.

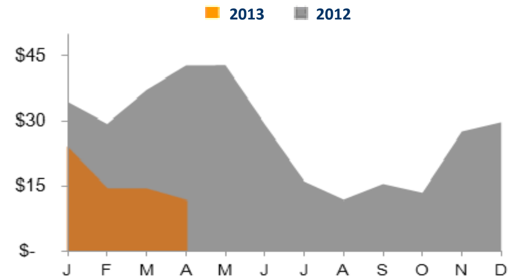
During 1Q13, the class-specific disparity grew further; US-delivered VLCC cargo declined 44.6%, y/y, while the decline for Suezmaxes and Aframaxes came in at 7.8% and 2.3%, respectively.

In assessing forward demand potential for US-bound spot crude tanker voyages, EIA estimates for both refinery inputs and domestic crude production offers some insight by accounting for both refinery utilization gains and implied import requirements. This shows that import requirements will decelerate by a further 15.8% to an average of 5.14 Mb/d during 2013 following an 11.8% decline during 2012 to an average of 5.14 Mb/d.

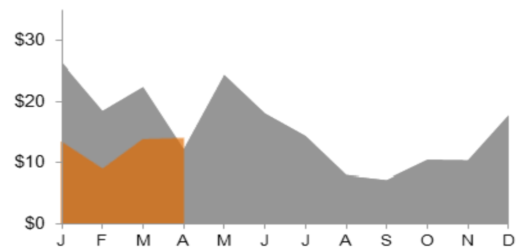
During 2013, VLCCs are likely to experience the greatest US-bound demand destruction (-27.2%) as stronger US light crude production offsets imports from the Middle East while heavier crude grades needed for blending at US Gulf Coast area refiners will likely continue to be sourced from points in the Caribbean at a more stable pace, offering less demand volatility for Aframaxes (-0.9%). Suezmax tankers will also face lower levels of demand destruction on US-bound voyages (7.4%) as US East Coast refining runs stabilize and Suezmaxes remain attractive as alternatives to Aframaxes on CBS-USG runs, in line with strengthening Aframax demand in alternate trading areas.



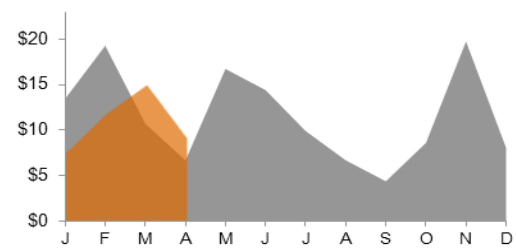
Data: EIA, CRW, CRW Estimates



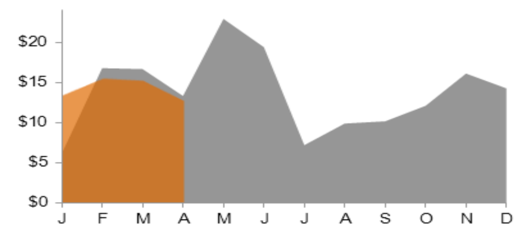
VLCC TCE 280k AG-USG + CBS-SPORE	**MTD Average $11,800/Day**	**Month y/y ▼ -73%**



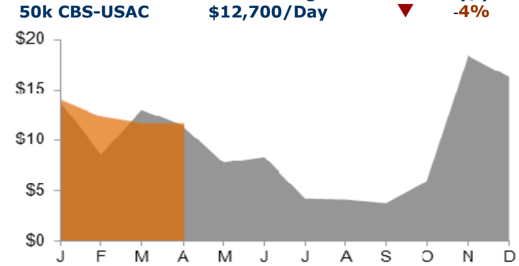
S'MAX TCE 130k WAF-USAC	**MTD Average $14,000/Day**	**Month y/y ▲ +16%**



A'MAX TCE 70k CBS-USG	**MTD Average $9,200/Day**	**Month y/y ▲ +38%**



P'MAX TCE 50k CBS-USAC	**MTD Average $12,700/Day**	**Month y/y ▼ -4%**



MR TCE 38k CBS-USAC	**MTD Average $11,700/Day**	**Month y/y ▲ +2%**

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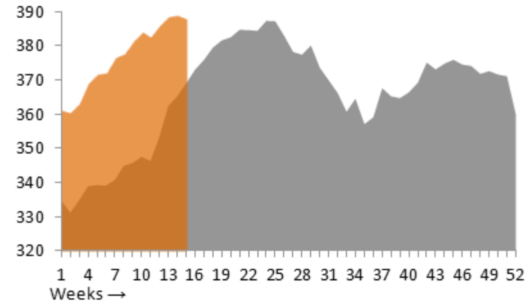
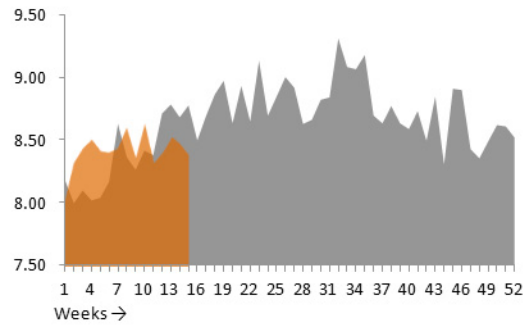
Spot Market	WS	TCE $/day	WS	TCE $/day
VLCC	**12-Apr**		**19-Apr**	
AG>USG 280k (TD1)	18.0	$(12,700)	18.0	$(11,200)
AG>USG/CBS>SPORE/AG	n/a	$11,000	n/a	$15,800
AG>SPORE 270k (TD2)	32.0	$6,400	32.0	$7,800
AG>JPN 265k (TD3)	32.0	$6,500	32.0	$7,100
WAFR>USG 260k (TD4)	37.5	$14,700	40.0	$19,900
WAFR>CHINA 260k (TD15)	33.75	$8,800	34.0	$10,600
SUEZMAX				
WAFR>USAC 130k (TD5)	57.5	$13,500	62.5	$18,200
B.SEA>MED 135k (TD6)	67.5	$15,200	67.5	$16,100
CBS>USG 130k	61.5	$13,100	61.5	$14,000
AFRAMAX				
N.SEA>UKC 80k (TD7)	97.5	$22,200	85.0	$12,400
AG>SPORE 70k (TD8)	80.0	$12,300	77.5	$11,800
BALT>UKC 100k (TD17)	190.0	$127,000	80.0	$28,460
CBS>USG 70k (TD9)	87.5	$9,600	85.0	$9,200
MED>MED 80k (TD19)	80.0	$12,300	80.0	$13,100
PANAMAX				
CBS>USG 50k (TD10)	115.0	$10,100	115.0	$11,000
CONT>USG 55k (TD12)	110.0	$13,200	115.0	$15,900
ECU>USWC 50k	155.0	$24,300	155.0	$25,900
CPP				
CONT>USAC 37k (TC2)	145.0	$15,500	160.0	$19,600
USG>CONT 38k (TC14)	65.0	$(2,100)	72.5	$700
CONT>USAC/USG>CONT	n/a	$14,100	n/a	$18,100
CBS>USAC 38k (TC3)	120.0	$10,700	120.0	$11,600
AG>JPN 35k	127.5	$10,200	120.0	$9,500
SPOR>JPN 30k (TC4)	165.0	$15,100	151.0	$13,200
AG>JPN 75k (TC1)	97.0	$20,600	95.0	$20,400
AG>JPN 55k (TC5)	121.5	$19,500	114.0	$15,400

Time Charter Market *$/day (theoretical)*	1 Year	3 Years
VLCC	$18,250	$22,250
Suezmax	$16,250	$18,250
Aframax	$13,750	$15,500
Panamax	$14,250	$15,000
MR	$14,000	$14,750



US Crude Stocks (EIA)	Last Week 387.6 Mbbls	Week y/y ▲ +5.0%



US Gasoline Demand (EIA)	Last week 8.383 Mb/d	Week y/y ▼ -4.5%

2013 2012

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THE TANKER MARKETS

VLCC

The VLCC market commenced the week at a lackluster pace as charterers awaited confirmation of their May stems and slowly trickled remaining April cargoes into the market. From mid-week, however, charterers began working May dates, improving activity levels in the key Middle East market and allowing owners to realize very modest rate gains. Owners had hoped stronger gains would materialize with the progression to May dates, but with charterers keeping the forward fixing window to just over two weeks and a number of previously hidden positions reappearing on lists, market fundamentals remained firmly out of owners' favor.

Middle East

There were 26 fresh fixtures in the Middle East market this week; Eastbound activity nearly doubled from last week's lows, accounting for 23 of this week's fixtures while 3 were bound for points in the US. Rates to the Far East gained 1.4 points, w/w, to an average of ws31.9. On the back of this week's small rate gains and softer bunker prices, TCEs to the Far East gained ~$3,505/day, w/w, to an average of ~$7,456/day. Assessed rates to the USG (via the Cape) were unchanged from last week's observed average of ws18. Triangulated Westbound trade earnings gained ~$3,838/day, w/w, to an average of ~$14,738/day.

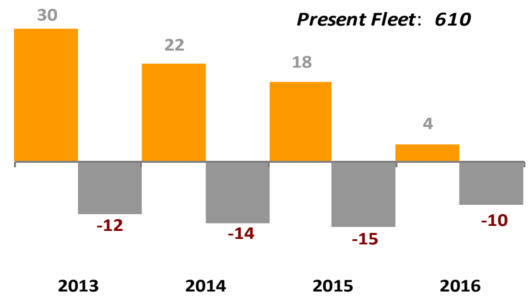
With the April program having concluded at 120 cargoes (a YTD high), we note that 15 May cargoes have now been covered. Assessing the likely extent of the May program remains complicated, with earlier expectations that Middle East crude production would rise through Q2 ahead expected demand gains during H2 now undermined by lower oil prices and a rising likelihood that OPEC could trim production and export in an effort to add support to oil prices, which have recently fallen to below $100/bbl. This could see the May cargo tally conclude around 115, implying a further 23 cargoes through the first decade of the month. Against this, some 45 units are presently showing as available through the same dates. On this basis, we see very little upside potential and expect that rates should remain around present levels with downside limited by sustained activity during the week ahead as charterers progress into their early May stems.

Atlantic Basin

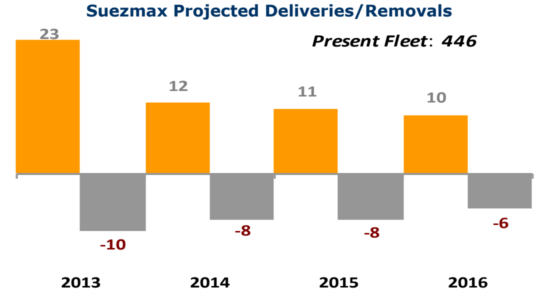
The Atlantic basin was quieter this week with just 6 fresh fixtures reported. All but one of these were for voyages commencing in West Africa. Rates on the WAFR-FEAST route gained 3.8 points, w/w, to average ws37.5. These gains were largely on the back of tighter dates being worked; with ample tonnage available for normal forward dates, rates should retreat back toward the low/mid-ws30s during the week ahead.

The Caribbean/US Gulf market observed rate gains this week, paring some of the preceding week's losses, on the back of a now-smaller list of available units through mid-may. Rates on the CBS-SPORE route gained to levels in excess of $3.75m (LS) from $3.4m a week ago. With just 2 units available to load cargoes through the first week of May, date sensitivity will remain an issue during the week ahead, and charterers seeking to fix prompter cargoes are likely to face offers at or in excess of the $4.0m level.

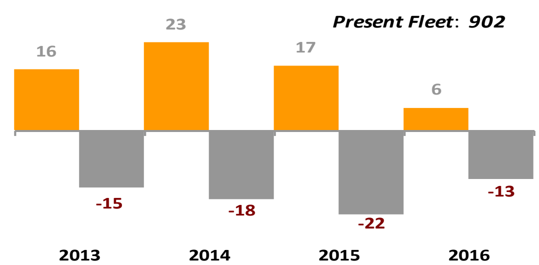
VLCC Projected Deliveries/Removals



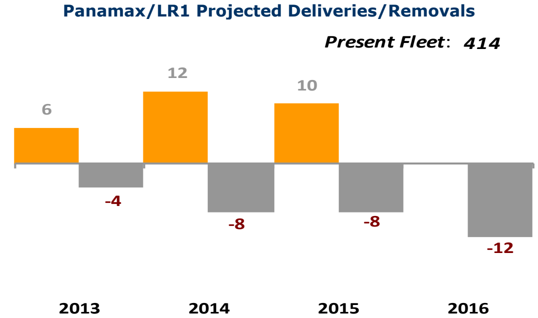
Suezmax Projected Deliveries/Removals



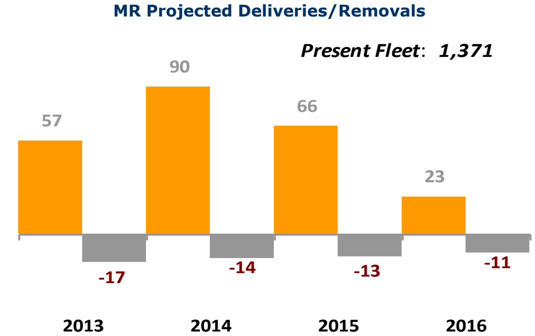
Aframax/LR2 Projected Deliveries/Removals



Panamax/LR1 Projected Deliveries/Removals



MR Projected Deliveries/Removals



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Suezmax

The Atlantic Suezmax market experienced modest rate gains this week on the back of an improvement of regional supply/demand positioning after activity rebounded from a demand slump at the tail end of March and start of April. Rates on the WAFR-USAC route gained 5 points to conclude at ws62.5. Against a YTD, average of 12 weekly ex-West Africa fixtures (level with the 2012 weekly average), 17 materialized last week with a further 15 this week. Sustained demand gains could remain through the week ahead as US refiners progress from seasonal maintenance with further support stemming from a slightly narrower Brent premium over WTI of $9/bbl at present (over the past year, the premium has oscillated between a low of $9/bbl and a high of $23/bbl, with an average of $18/bbl).

The Caribbean Suezmax market was little changed this week with rates on the CBS-USG route steady at ws61.5. Rates here are likely to follow movement of the Aframax class during the week ahead.

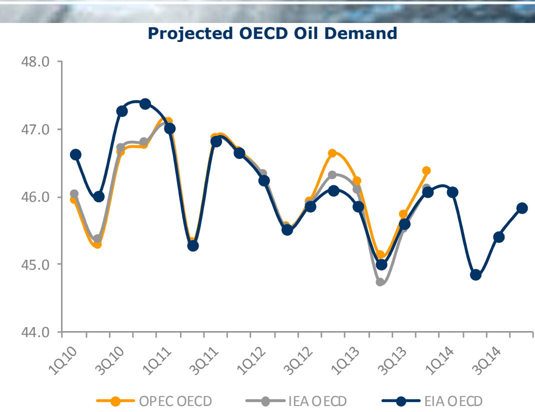
Aframax

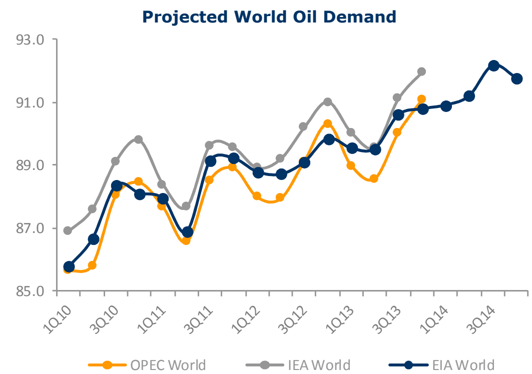
Rates in the Caribbean Aframax market eased further this week with the CBS-USG route shedding 2.5 points to conclude at ws85. Owners resistance is growing following this week's losses and, while largely uncertain, a rise in regional demand to service forward refining runs could see rates experience modest upward traction, but the sufficiently supplied market will limit the extent of any gains realized and sustained w/w demand gains would be required to rebalance the market and allow rates to rise towards levels offering returns similar to those achievable in European markets.

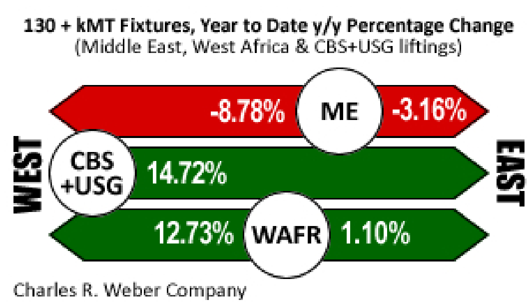
The European market was dominated by decreased pressure on tonnage throughout as the combination of a drop in demand for ice-class units in the Baltic Sea market and softer exports of Iraqi cargoes via Ceyhan were absorbed. The BSEA-UKC route halved to conclude at ws80 while the NSEA-UKC market eased 12.5 points to ws85 and the Med-Med

Panamax

The Caribbean Panamax market remained without a clear direction this week with rates on the CBS-USG route oscillating between the low and mid-ws110s. Ultimately, rates on the route closed unchanged from a week earlier at the ws115 level. Notwithstanding a significant change to the supply/demand ratio, rates should hold around present levels.







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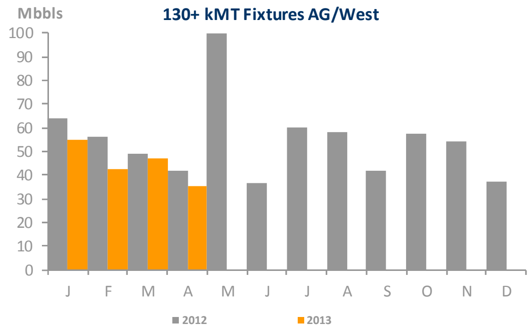
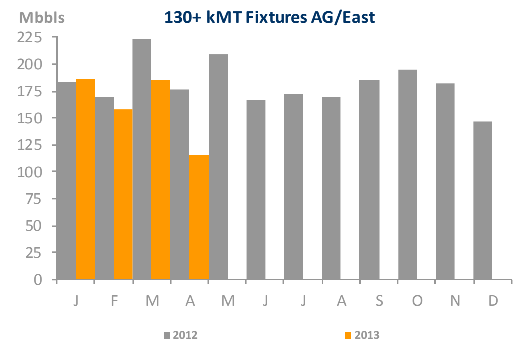
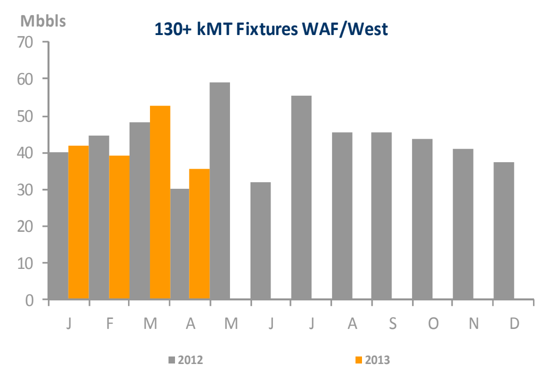
CPP

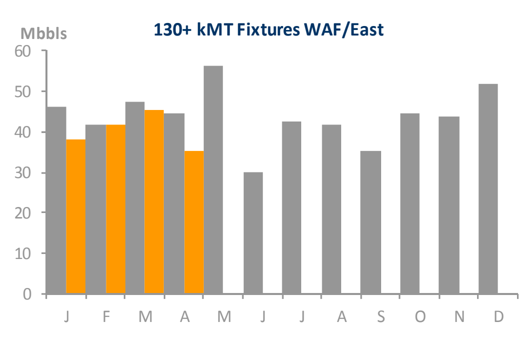
Rates on the USG-CONT route gained 7.5 points this week to conclude at ws72.5 on the back of steady ex-USG fixture activity over the past three weeks. With CONT-USAC voyages yielding TCEs of ~$1,500/day over triangulated CONT-USAC + USG-CONT trades, units redelivering on the USAC are likely to continue ballasting back towards the continent to capture stronger earnings. Against the potential for ex-USG activity to rise on the back of rising refinery utilization rates, rates are likely to remain firm.

In the European MR market, sustained activity placed further constraint on tonnage availability, prompting a 15 points gain on the CONT-USAC route to ws160. While sustained activity should see rates post further gains, the appearance of more units on position lists will likely limit the extent of any further gains.









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REPORTED TANKER SALES

"Artois" 299,330/01 – Hitachi – DH
-Sold on private terms to Japanese buyers (MODEC).

"Almi Explorer" 157,430/13 – Daewoo – DH
-Sold for $53.0m to US buyers (Nordic American Tankers).

"Wilana" 149,706/97 – Dalian – DH
-Sold for $12.5m to Greek buyers (Avin International).

"Northern Spirit" 112,827/09 – New Times – DH
-Sold for $30.0m to Angolan buyers (Sonangol).

"Maran Altair" 98,880/97 – Daewoo – DH
-Sold for $9.3m to Indonesian buyers (Soechi Lines).

"UACC Sila" 50,100/09 – SPP – DH
-Sold for $26.0m to undisclosed buyers.

"Kaltene" 37,261/03 – Hyundai Mipo – DH
-Sold for $12.9m to undisclosed buyers.

"Mariella Amoretti" 15,748/98 – Lindenau Kiel – DH
-Sold for $7.5m to Greek buyers (Avin International).

"Mount Jiuhua" 9,000/11 – Dongfang – DH
-Sold at auction for $8.6m to undisclosed Singaporean buyers.

"Anatolia Sky" 3,842/05 – Miura Saiki – DH
-Sold for $5.0m to undisclosed Greek buyers.

REPORTED TANKER DEMOLITION SALES

Bangladesh

"G. Glory" 275,914/91 – 39,205 LDT – DH
-Sold for $454.5/ldt. Unit was converted to DH 01/2008.

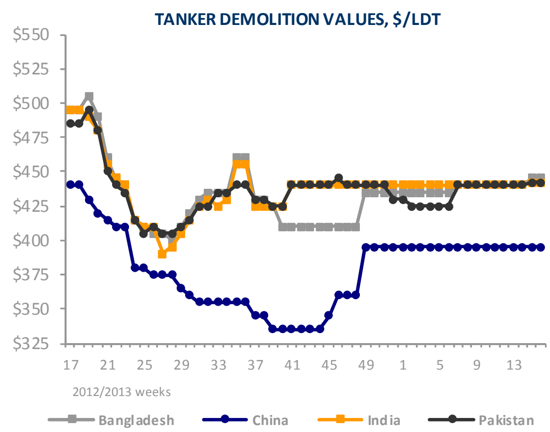
"Omvati Prem" 90,607/94 – 18,740 LDT – DH
-Sold on private terms.

China

"Napa 1" 31,543/81 – 8,170 LDT – DH
-Sold for $392/ldt.

Unknown

"Papudo" 68,232/93 – 16,248 LDT – DH
-Sold for $339/ldt, basis as-is, Chile.



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