

WEBER WEEKLY TANKER REPORT



WEEK 17 – 26 APRIL 2013

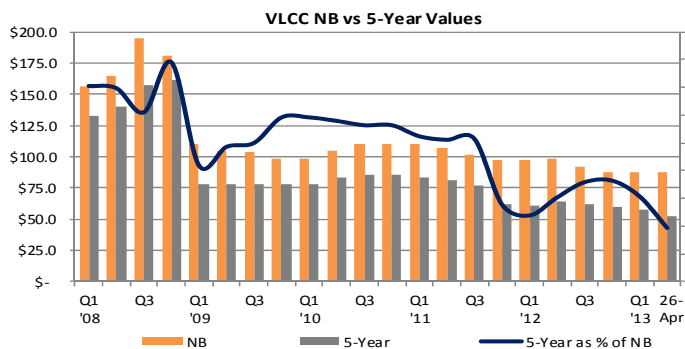
ISSUE 17 – 2013

Second hand values representing “sweet spot” for investment opportunities?

Tanker values across all classes and age categories have experienced strong corrections from peak levels reached just before the financial crisis went into full swing in 2008. The rate of descent, however, has been uneven with second-hand values representing a much greater discount to newbuilding prices.

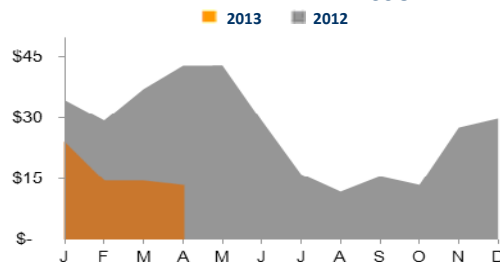
Following a period of initial uncertainty during the tail-end of 2008 and through much of 2009 – when a limited number of transactions heavily complicated valuations – values have now generally followed the progression of spot market earnings. Notably, the 1H10 and 1H12 earnings rallies boosted confidence in the tanker market and brought greater numbers of buyers into the market to take advantage of cheap asset values with the resulting activity gains prompting rises in second hand values. From 2H10 and through 2011, much of the earlier gains were eroded by a return to lower earnings. Since 2H12, however, declining values have been somewhat more limited; in the larger crude tanker segments, with earnings now essentially at a bottom, seller price fortitude (and the absence of fire sales) has kept value downside minimal.

In the newbuilding market, after a strong correction at the start of 2009, yards have offered minimal further discounts due to steel and labor costs associated with the construction process – even despite a lull in tanker orders within the crude carrier segments. A slightly greater rate of descent has materialized in isolation for VLCCs, where newly touted ECO designs have incorporated the fact that cargoes seldom exceed 280,000 MT by reducing summer deadweight from 320,000 MT to 300,000 MT. In doing this, yards reduced the quantity of steel required in construction, enabling a reduction of price.



In the VLCC space, 5-year values today represent just 60% of a newbuilding cost. This is a divergence rates hovering in the high 70% range through much of 2010 and 2011 and as high as 90% during peak levels in mid-2008 – and similar trends are evident across the large crude tanker classes.

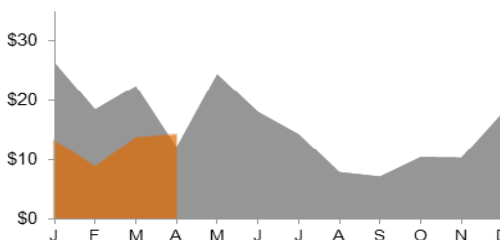
Against ongoing overcapacity in the crude spot tanker markets, the higher barriers to entry and breakeven rates associated with newbuildings have made 5-year values more attractive to many owners and the age segment represents now represents a potential “sweet spot” for selectively targeted investments.



VLCC TCE
280k AG-USG
+ CBS-SPORE

MTD Average
\$13,600/Day

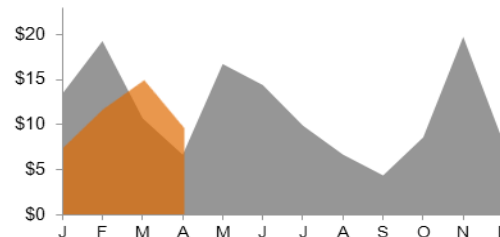
Month y/y
▼ -68%



S'MAX TCE
130k WAF-USAC

MTD Average
\$14,300/Day

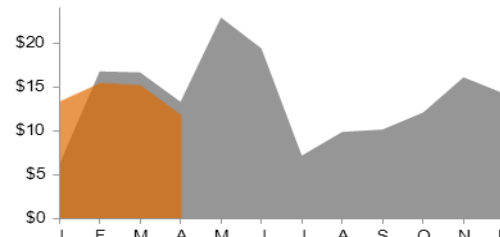
Month y/y
▲ +18%



A'MAX TCE
70k CBS-USG

MTD Average
\$9,700/Day

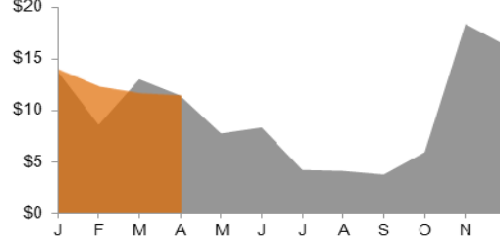
Month y/y
▲ +45%



P'MAX TCE
50k CBS-USAC

MTD Average
\$11,900/Day

Month y/y
▼ -11%



MR TCE
38k CBS-USAC

MTD Average
\$11,500/Day

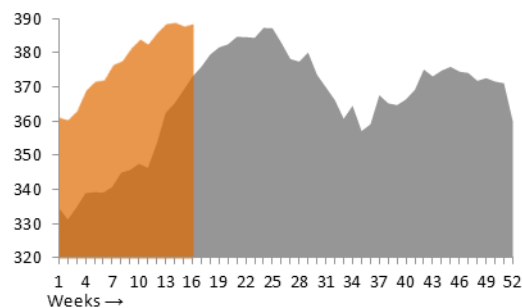
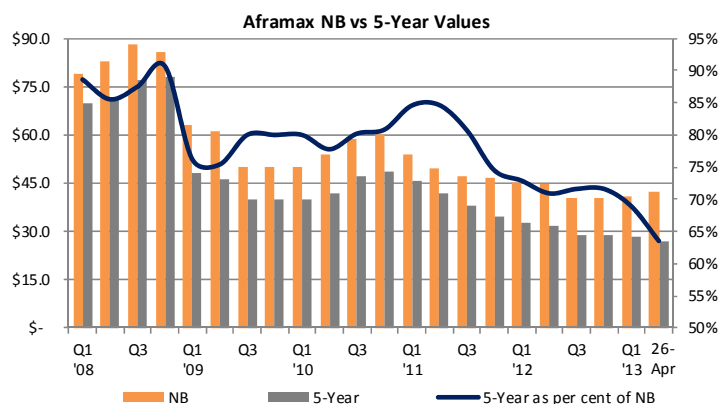
Month y/y
UNCH

WEBER WEEKLY TANKER REPORT



Unlike the products tanker market, which enjoys a more attractive forward demand picture that has justified adding new units to the market – and reaping the additional benefit of improved consumptions on ECO newbuildings – the crude tanker market presently offers a much less attractive forward demand picture, making the addition of further new units a less attractive strategy.

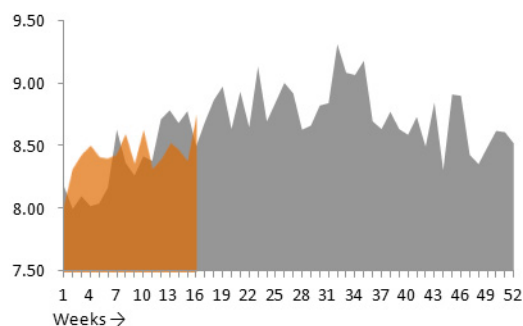
Many longer-term strategies in the crude tanker market are increasing their focus on units in the 5-year category, selectively – and with varying strategies. The Aframax class represents one, on the expectation that it is poised to benefit from a limited forward fleet growth profile relative to projected forward demand gains. In the VLCC class, prospective buyers are eying the low present barrier to entry against the fact that the class traditionally enjoys strong earnings upside during market upturns, with the corresponding structural change to the market environment very likely providing quick upside to asset values.



US Crude Stocks (EIA)

Last Week 388.6 Mbbls

Week y/y ▲ +4.2%



US Gasoline Demand (EIA)

Last week 8.750 Mb/d

Week y/y ▲ +3.0%

■ 2013 ■ 2012

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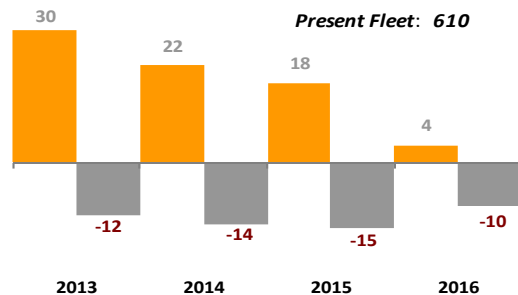


Spot Market	WS	TCE \$/day	WS	TCE \$/day
VLCC	19-Apr		26-Apr	
AG>USG 280k (TD1)	18.0	\$(11,200)	18.0	\$(11,400)
AG>USG/CBS>SPORE/AG	n/a	\$15,800	n/a	\$17,000
AG>SPORE 270k (TD2)	32.0	\$7,800	32.0	\$7,400
AG>JPN 265k (TD3)	32.0	\$7,100	32.0	\$6,700
WAFR>USG 260k (TD4)	40.0	\$19,900	40.0	\$19,700
WAFR>CHINA 260k (TD15)	34.0	\$10,600	34.0	\$10,400
SUEZMAX				
WAFR>USAC 130k (TD5)	62.5	\$18,200	57.5	\$14,300
B.SEA>MED 135k (TD6)	67.5	\$16,100	72.5	\$20,700
CBS>USG 130k	61.5	\$14,000	57.5	\$10,700
AFRAMAX				
N.SEA>UKC 80k (TD7)	85.0	\$12,400	82.5	\$10,200
AG>SPORE 70k (TD8)	77.5	\$11,800	80.0	\$12,800
BALT>UKC 100k (TD17)	80.0	\$28,460	67.5	\$17,100
CBS>USG 70k (TD9)	85.0	\$9,200	97.5	\$15,000
MED>MED 80k (TD19)	80.0	\$13,100	75.0	\$9,700
PANAMAX				
CBS>USG 50k (TD10)	115.0	\$11,000	120.0	\$15,600
CONT>USG 55k (TD12)	115.0	\$15,900	110.0	\$13,900
ECU>USWC 50k	155.0	\$25,900	157.5	\$25,300
CPP				
CONT>USAC 37k (TC2)	160.0	\$19,600	152.5	\$17,700
USG>CONT 38k (TC14)	72.5	\$700	75.0	\$1,300
CONT>USAC/USG>CONT	n/a	\$18,100	n/a	\$17,600
CBS>USAC 38k (TC3)	120.0	\$11,600	120.0	\$11,500
AG>JPN 35k	120.0	\$9,500	120.0	\$9,300
SPOR>JPN 30k (TC4)	151.0	\$13,200	151.0	\$13,000
AG>JPN 75k (TC1)	95.0	\$20,400	95.0	\$20,100
AG>JPN 55k (TC5)	114.0	\$15,400	114.0	\$15,200

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

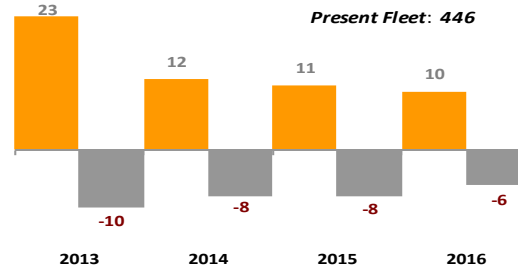
VLCC Projected Deliveries/Removals

Present Fleet: 610



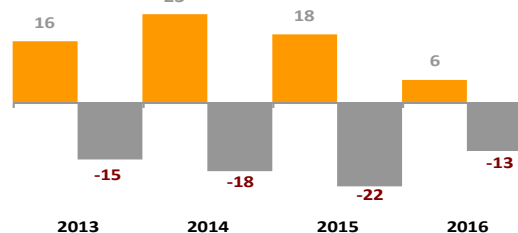
Suezmax Projected Deliveries/Removals

Present Fleet: 446



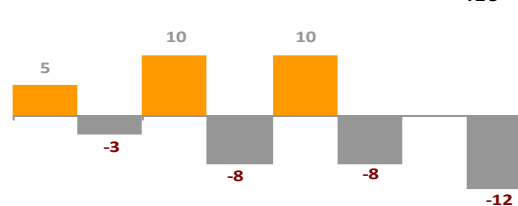
Aframax/LR2 Projected Deliveries/Removals

Present Fleet: 902



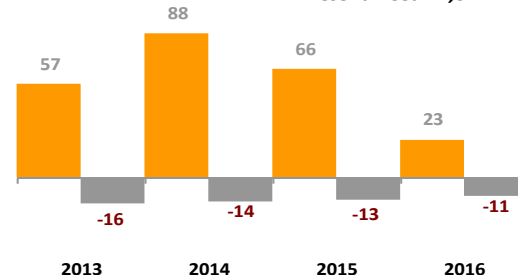
Panamax/LR1 Projected Deliveries/Removals

Present Fleet: 416



MR Projected Deliveries/Removals

Present Fleet: 1,372



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THE TANKER MARKETS

VLCC

Calls from Venezuela earlier this week for an emergency meeting of OPEC members raised suspicions that lower prices could see the cartel act to reduce exports to bolster prices amid sluggish demand and recent price drops. Despite that news having initially helped in stemming further oil price downside, other members have been resistant to the idea of an emergency meeting, as evidenced by comments by the UEA's oil minister that the oil market is well balanced. Any further curbing of production – particularly by Middle East producers – would have held negative implications for VLCC demand, which has already been impacted by softer Middle East exports. Saudi Arabia has led much of the supply reduction of recent months, having produced just 9.0 Mb/d during 1Q13 from an average of 9.9 Mb/d during the first three quarters of 2012.

VLCC activity commenced the week on a softer tone in the Middle East market as charterers paused before progressing into the May program. By mid-week, activity levels had improved and allowed for a stemming of negative pressure on regional rates. The only positive movements seen in the VLCC sector this week were limited to the Caribbean market, where prompter cargoes were faced with limited availabilities. As dates move further forward, however, a more flexible list will likely see rates there while the Middle East and West Africa markets are likely to see limited rate movements during the remainder of Q2.

Middle East

There were 19 fresh fixtures reported in the Middle East market this week. Rates to the Far East shed 0.75 point, w/w, to an average of ws31.2. Corresponding TCEs averaged ~\$7,0705/day, down ~\$381/day, w/w. Rates to the USG via the cape averaged ws17.5 – down 0.5 points from last week's assessed average. Triangulated Westbound trade earnings gained ~\$640/day, w/w, to an average of ~\$15,375/day.

With 35 May Middle East cargoes covered to date, a further 24 are reasonably expected to remain uncovered through the first half of month, for which 44 units are available. The resultant 20 surplus units are likely to keep rates at present lows during the week ahead.

Atlantic Basin

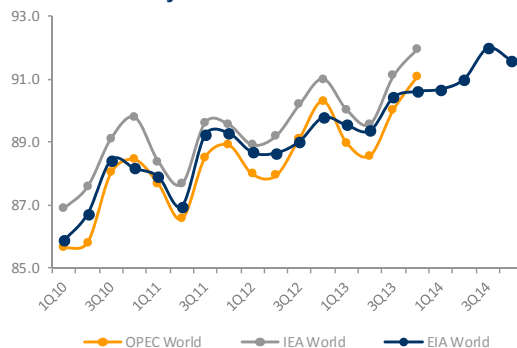
Activity in the Atlantic basin was busier this week on the back of greater Eastbound activity. In the West Africa market, rates were softer despite the activity gain as charterers progressed into dates for which positions were more flexible. The WAFR-FEAST routes shed 3.25 points, w/w, to average ws34.25. Corresponding TCEs averaged ~\$11,040/day, representing a w/w loss of ~\$4,515/day. Further downside through the upcoming week appears limited with rates now trading at ws34.

Rates on the CBS-SPORE route posted a gain of almost \$100k (LS) and averaged \$3.82m as available tonnage through early May remained limited. With charterers now progressing towards mid-May dates, a more flexible list of available units could see rates pare some of this week's gains.

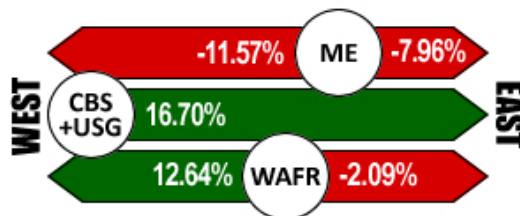
Projected OECD Oil Demand



Projected World Oil Demand



130 + kMT Fixtures, Year to Date y/y Percentage Change
(Middle East, West Africa & CBS+USG liftings)



Charles R. Weber Company

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Suezmax

With fixture activity moderating and charterers moving further into May dates, West Africa Suezmax rates retreated from earlier highs. Rates on the WAFR-USAC route eased 5 points from last week's close to ws57.5 by midweek and remain untested at that level at the close of the week. While tonnage available for normal dates remains abundant, strong resistance by owners could hold rates around present levels at the start of the upcoming week, before further activity strength materializes.

Bloomberg data indicates Nigeria is set to boost exports by 15% during May from April levels while Angola is expected to ramp up exports by 6%, m/m, to 1.86 Mb/d – representing the largest monthly schedule since late 2009.

Rates on the BSEA-MED route extended gains, inching up a further 5 points this week to ws72.5. Further modest gains could accompany sustained activity during the upcoming week, with the potential for fresh modest gains in the West Africa market over the coming weeks also offering some upside for the Black Sea market.

Aframax

In the Caribbean Aframax market, rates on the CBS-USG rose into the ws90s at the end of the week after charterers working prompt dates and replacement cargoes were faced with a tighter list. The resulting gains saw owner indicate more bullish rate ideas for normal dates. The route closed at ws97.5, representing a gain of 12.5 points for the week. Though further gains during the week ahead are unlikely to materialize, rates could hold in the ws90s if activity levels remain robust.

In the European markets, BALT-UKC rates posted a sharp correction from the earlier ice-fuelled gains, shedding 12.5 points to conclude at ws67.5. With TCE's at this level remaining at a ~\$6,900/day premium to North Sea returns, further modest losses could accompany an easing of activity levels. NSEA-UKC rates eased 2.5 points to ws82.5 on a more flexible position list while MED-MED rates lost 5 points to conclude at ws75.

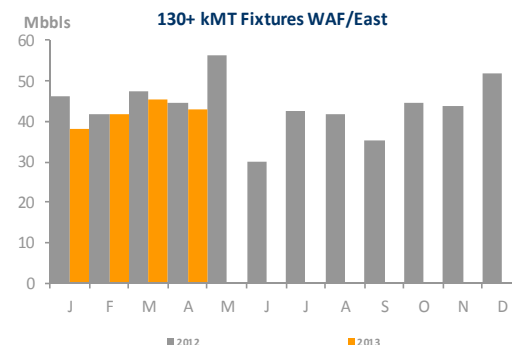
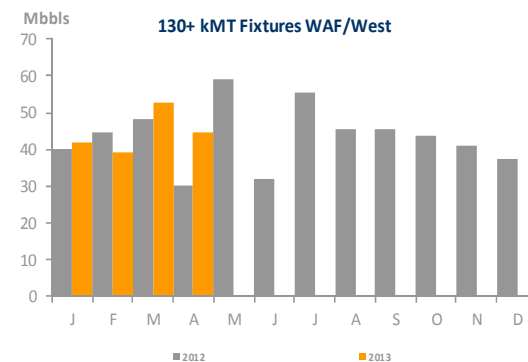
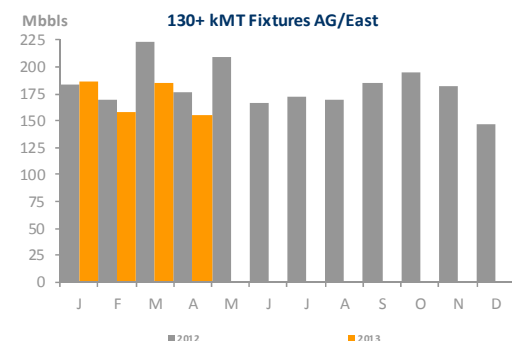
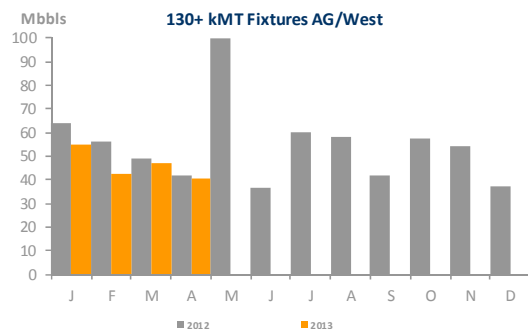
Panamax

Rates in the Caribbean Panamax market were volatile this week on fluctuating activity levels. The CBS-USG route saw rates rise as high as ws125 by mid-week before ultimately retreating to a closing value of ws120, representing a 5 points gain, w/w. With a closer supply/demand ratio prevailing following this week's activity, rates remain firm and modest gains could materialize during the week ahead on sustained activity.

CPP

Activity in the MR market remained relatively strong this week with 20 fixtures reported, compared with a YTD weekly average of 17. By late-week, the fresh activity had tightened positions and rates posted a 2.5 points gain to ws75. Further activity during the week ahead could see rates rise toward the ws80 level.

MR rates in the Continent market were softer this week on a slower pace of fresh trans-Atlantic activity. The CONT-USAC route shed 7.5 points to conclude at ws152.5.



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REPORTED TANKER SALES

"Morning Glory VII" 73,980/99 – Onomichi – DH
-Sold for \$9.0m to undisclosed buyers.

"Starling" 73,723/08 – New Times – DH
-Sold for \$24.0m to undisclosed Greek buyers.

"Bow Engineer" 30,086/06 – Kitanihon – DH
-Sold on private terms to Norwegian buyers (Odfjell). Buyers have managed unit on TC since delivery from yard.

"Kun Lun You 206" 30,052/12 – Yangzhou – DH
-Sold for \$28.0m to undisclosed Chinese buyers with BB back.

"Gamtoos" 16,500/12 – Taizhou Sanfu – DH
"Gouritz" 16,500/12 – Taizhou Sanfu – DH
-Sold en bloc for \$16.0m each to undisclosed European buyers.

"Clipper Klara" 11,283/07 – STX Busan – DH
-Sold for \$12.0m to undisclosed European buyers.

"Global Sea" 7,519/10 – Taixing Ganghua – DH
-Sold for \$7.1m to undisclosed buyers.

"Cappadocian" 5,667/06 – Tuzla – DH
-Sold for \$6.5m to undisclosed West African buyers.

"Global Moon" 4,394/10 – Yizheng – DH
"Global Moon" 4,394/10 – Yizheng – DH
-Sold for \$6.5m to undisclosed West African buyers.



REPORTED TANKER DEMOLITION SALES

Pakistan

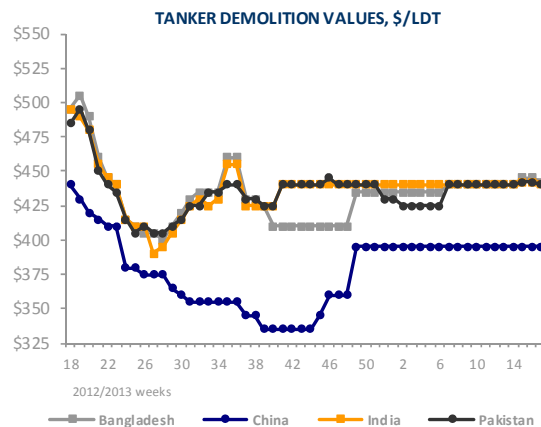
"Pratibha Warna" 40,141/88 – 8,281 LDT – DS
-Sold for \$440/ldt.

China

"Da Qing 94" 68,593/93 – 13,962 LDT – SH
-Sold on private terms (old sale).

India

"Sulphur Global" 11,872/96 – 3,667 LDT – DH
-on private terms (old sale).



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