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

WEEK 33 – 16 AUGUST 2013 **ISSUE 33 – 2013**

Suez canal back in focus

Mounting unrest in Egypt this week culminated in violent clashes on Wednesday after the interim government there commenced a crackdown on Muslim Brotherhood supports. On that day alone, the violence left at least 638 dead, according to revised Health Ministry figures -- though others estimate figures much higher. On Friday, officials said a further 60 people were killed in unrest.

With Wednesday's death toll marking the deadliest day in the country since the 2011 uprising against President Hosni Mubarak and underscoring the extent of unrest, instability once again raises the prospect for operations at the Suez Canal to be affected.

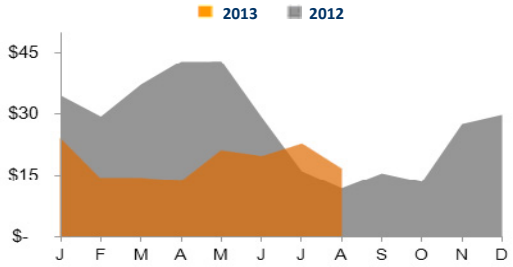
So far, transits have remained unaffected despite national curfews and the closure of the country's bourse and banks on the instruction of the central bank. This is likely due to the importance of the canal to the Egypt's economy, generally accounting for around 10% of the country's hard currency income and representing $2.4 billion during 1H13, according to canal authorities. Combined with implications on global trade over any closure of the canal, which could heighten interest in the situation in Egypt by foreign governments, the military has made canal security a top priority. However, while a closure of the canal presently remains an unlikely eventuality, further escalation of violence would raise its potential.

For the tanker market, a closure of the canal would hold greater implications that it would have during the 2011 uprising. At that time, canal transits by tankers had come off significantly since the onset of the tanker market slump. However, we note that between 2010 to 2012 tanker transits rose significantly – specifically those by the largest tanker classes – and data for the first seven months of 2013 suggest an extending of the trend.

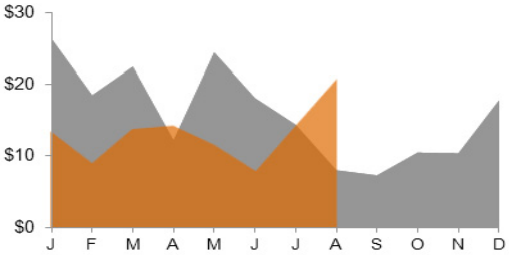
For VLCC earnings, the greater utilization of the Suez Canal since 2011 has had negative implications by decreasing ton-mile demand generated on AG-West routes. Accordingly, a closure of the Suez Canal hold promise for positive earnings progression, but such an eventuality would likely be short lived and would nevertheless take time to impact fundamentals in the key Middle East market. VLCCs trading cargoes to the West generally find onward trading and thus take upwards of 110 day to return to the Middle East. Accordingly, a quick respite from the present rate downturn would be complicated though oftentimes during such developments psychological factors have a greater bearing on rates than fundamentals do.

NB Suez Canal Transits

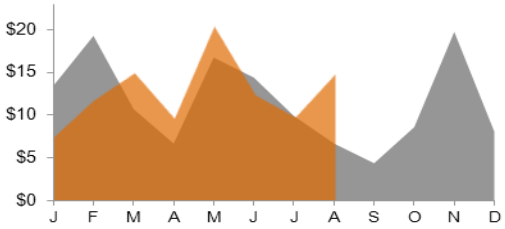
	2010	2012	*'10/'12 %Δ*	Wk 1-30 '13
VLCC	38	115	*203%*	78
Suezmax	51	213	*318%*	129
Aframax	211	207	*-2%*	90



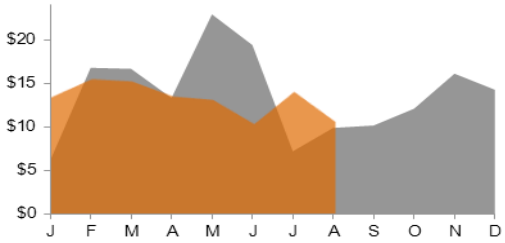
VLCC TCE 280k AG-USG + CBS-SPORE | **MTD Average $16,700/Day** | **Month y/y ▲ +42%**



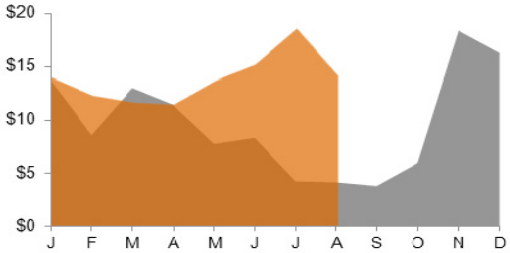
S'MAX TCE 130k WAF-USAC | **MTD Average $20,800/Day** | **Month y/y ▲ +163%**



A'MAX TCE 70k CBS-USG | **MTD Average $14,800/Day** | **Month y/y ▲ +71%**



P'MAX TCE 50k CBS-USAC | **MTD Average $10,800/Day** | **Month y/y ▲ +9%**



MR TCE 38k CBS-USAC | **MTD Average $14,200/Day** | **Month y/y ▲ +242%**

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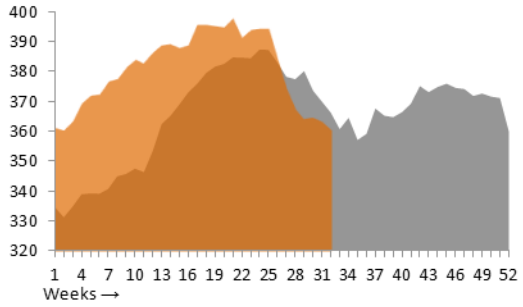
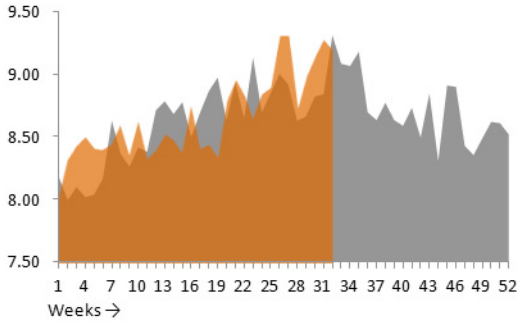
WEBER WEEKLY TANKER REPORT

Spot Market	WS	TCE $/day	WS	TCE $/day
VLCC	**9-Aug**		**16-Aug**	
AG>USG 280k (TD1)	22.0	$(5,259)	21.0	$(7,423)
AG>USG/CBS>SPORE/AG	--	$17,578	--	$15,637
AG>SPORE 270k (TD2)	33.0	$9,717	32.0	$7,356
AG>JPN 265k (TD3)	33.0	$9,026	32.0	$6,584
WAFR>USG 260k (TD4)	40.0	$19,168	40.0	$18,699
WAFR>CHINA 260k (TD15)	36.5	$13,837	35.0	$10,993
SUEZMAX				
WAFR>USAC 130k (TD5)	67.5	$21,475	62.5	$17,396
BSEA>MED 135k (TD6)	62.5	$10,872	62.5	$10,587
CBS>USG 130k	77.5	$25,978	72.5	$21,772
AFRAMAX				
N.SEA>UKC 80k (TD7)	80.0	$7,145	92.5	$16,770
AG>SPORE 70k (TD8)	85.0	$15,347	85.0	$14,880
BALT>UKC 100k (TD17)	60.0	$9,473	72.5	$19,967
CBS>USG 70k (TD9)	105.0	$17,544	110.0	$19,537
MED>MED 80k (TD19)	82.5	$13,768	85.5	$15,424
PANAMAX				
CBS>USG 50k	112.5	$8,711	110.0	$7,693
CONT>USG 55k (TD12)	110.0	$13,119	110.0	$12,851
ECU>USWC 50k	162.5	$25,746	162.5	$24,213
CPP				
CONT>USAC 37k (TC2)	120.0	$9,653	100.0	$4,655
USG>CONT 38k (TC14)	85.0	$3,633	78.75	$1,862
CONT>USAC/USG>CONT	--	$15,054	--	$10,953
CBS>USAC 38k (TC3)	137.5	$15,680	120.0	$11,173
AG>JPN 35k	93.0	$3,625	94.5	$3,642
SPORE>JPN 30k (TC4)	110.0	$4,979	110.0	$4,691
AG>JPN 75k (TC1)	69.75	$8,282	70.0	$7,931
AG>JPN 55k (TC5)	87.5	$6,166	92.0	$7,301

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



US Crude Stocks (EIA)	Last Week 360.5 Mbbls	Week y/y ▼ -1.6%



US Gasoline Demand (EIA)	Last week 9.190 Mb/d	Week y/y ▼ -1.3%

2013 2012

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WEBER WEEKLY TANKER REPORT

THE TANKER MARKETS

VLCC

The VLCC market saw rates remain under negative pressure this week as activity remained sluggish, despite an improvement from levels observed last week. The key Middle East market saw 20 fresh fixtures materialize, representing a 33% w/w gain but which remains 17% below the YTD weekly average. A total of 6 cargoes materialized on the AG-USG route, the greatest weekly tally since March and double the YTD weekly average. We note that sustained demand for units on this long-haul route which, together with onward triangulated trading keeps units out of the Middle East market for over 105 days, could bode well for rate progression during Q4.

Elsewhere, the West Africa market, which largely draws on tonnage from the Middle East market, remained active with 7 fixtures concluded against a YTD weekly average of 5 on sustained relative rate strength for regional Suezmaxes, which continued to push co-load cargoes on the larger class. Interestingly, 2 fixtures were concluded on voyages to Europe this week while prior to last week the YTD tally had been zero.

Near-term prospects continue to appear weak; the Middle East August cargo program is near its conclusion with 122 cargoes covered leaving some 27 excess units projected to remain uncovered through end-month and carryover into the September program. While this is a downward revision from the 29 units projected a week ago, it continues to represent the greatest imbalance in a year. Rate downside, however, is expected to remain limited through the coming week as already-sub OPEX earnings have seen owners pose greater resistance this week. Average earnings across the VLCC market stand at ~$10,135/day against an estimated average OPEX of $10,600/day.

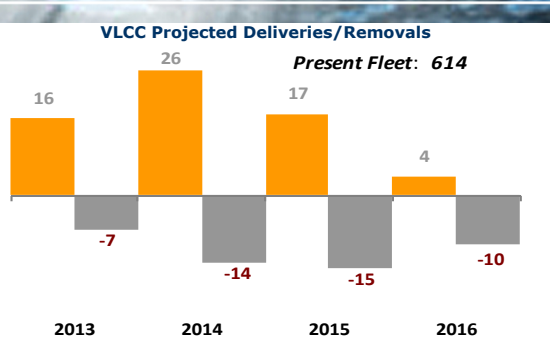
Middle East

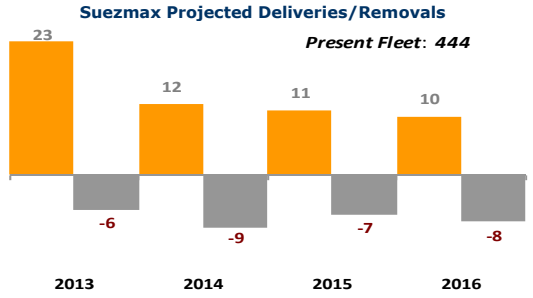
Rates to the Far East lost 1.6 points, w/w, to an average of ws32.1. Corresponding TCEs averaged ~$7,246/day, off ~$2,942/day from last week. Observed rates to the USG lost 0.4 points to ws21.5 from last week's assessed average. Expectations that the route would drop to the ws20 level did not come to fruition this week after owners showed stronger resistance. Triangulated Westbound trade earnings lost ~$886/day, w/w, to an average of ~$16,481/day.

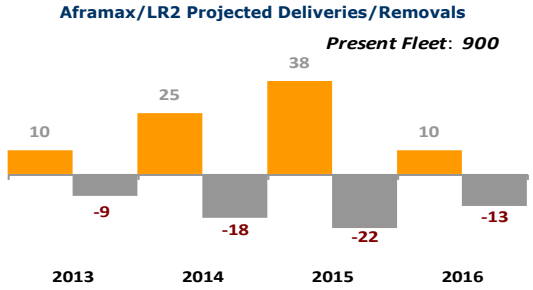
With 122 August cargoes covered, a further 4 are likely to remain uncovered against which 31 units are available through end-month dates. Though the 27 resulting carryover units into September dates will complicate positive rate progression through the coming week, further rate downside is likely be halted by both continued resistance by owners and a more active period as charterers progress into September dates.

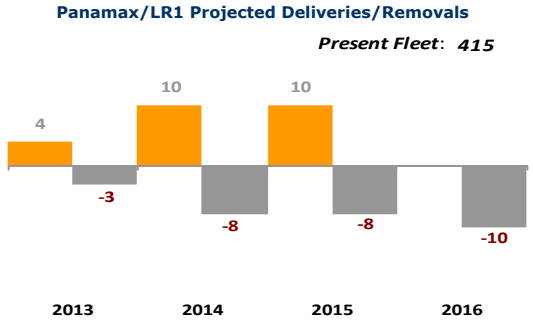
Atlantic Basin

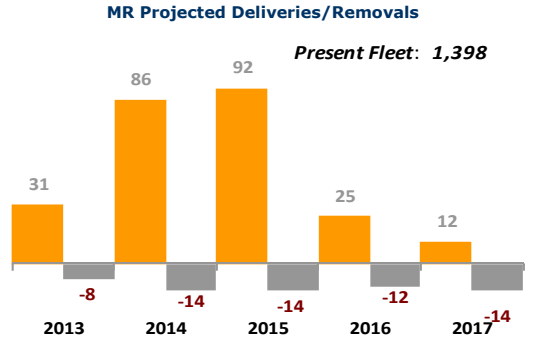
The Atlantic basin saw fairly stable activity with 10 fresh fixtures reported. Rates on the WAFR-FEAST route lost 0.7 point, w/w, to an average of ws35.7. Corresponding TCEs eased ~$937/day, w/w, to an average of ~$12,506/day. The Caribbean market remained under negative pressure this week as regional positions expanded while activity slowed. Rates on the CBS-SPORE dropped $500k to an average of $3.4m LS.











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Suezmax

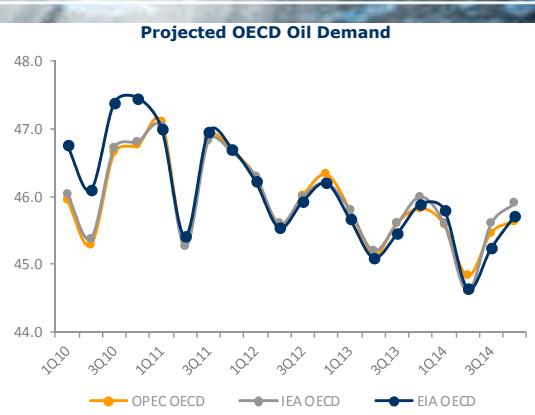
The West Africa Suezmax market commenced the week by retaining the relative strength of the previous two weeks; however, with freights continuing to incentive co-loading on the VLCCs (prompting regional VLCC fixtures to total 28.6% more than the YTD weekly average and total Suezmax fixtures to decline 42%, w/w), rates came under fresh negative pressure by the close of the week. The WAFR-USAC route shed 5 points to conclude at ws62.5. With supply/demand fundamentals at a greater imbalance and more units likely undertaking ballasts from the Americas, rates should remain soft during the upcoming week.

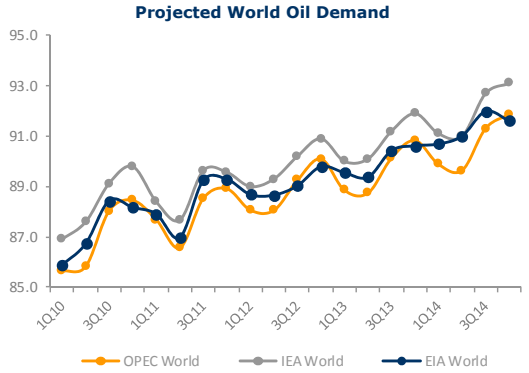
Aframax

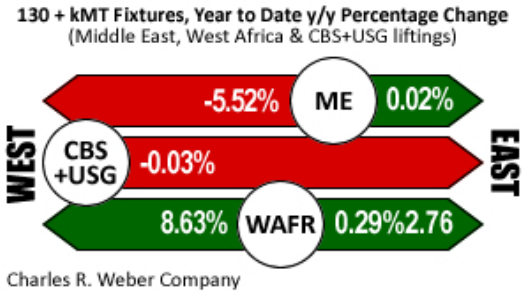
The Caribbean Aframax market remained active this week with regional fixture activity gaining 6.3%, w/w, to 17 fixtures – or 21.4% above the YTD weekly average. This prompted rates on the CBS-USG route to gain 10 points to ws115 by midweek as fundamentals continued to favor owners. However, with participants expecting more units to populate regional position lists at the start of the upcoming week, the market lost some of its steam by Friday, resetting rates at ws110. Rate progression during the upcoming week will likely be dependent upon the pace of fresh activity with a decline thereof likely to see rates continue to correct from the most recent rally.

Panamax

In the Caribbean Panamax market, the CBS-USG route retested at the ws110 level this week, representing a 2.5 points decline from last week's close. With an unchanged supply/demand position, rates should continue to trade around this level during the upcoming week.







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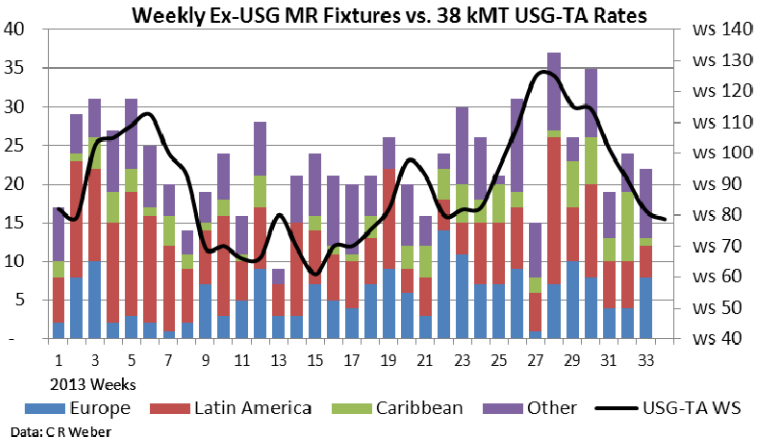
WEBER WEEKLY TANKER REPORT

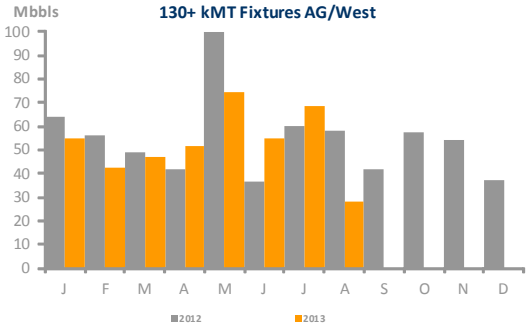
CPP

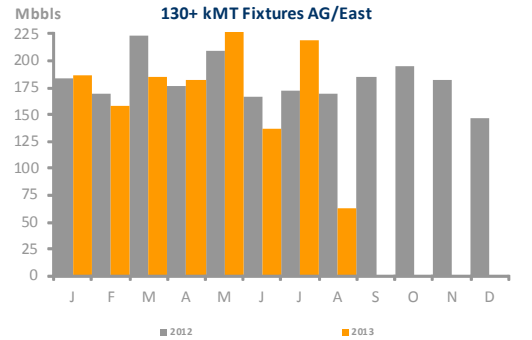
The USG MR market continued to experience a steady pace of rate erosion this week as a sustained regional activity lull against a more flexible position list allowed charterers to command lower rates. Fixture activity eased 8%, w/w, to levels just shy of the YTD average. However, combined with another consecutive week of strong rate losses in the European markets, which continues to push tonnage into the relatively more active USG market, rates on the USG-UKC route are now in excess of 10 points shy of the YTD average. The route shed 6.25 points to conclude at ws78.75.

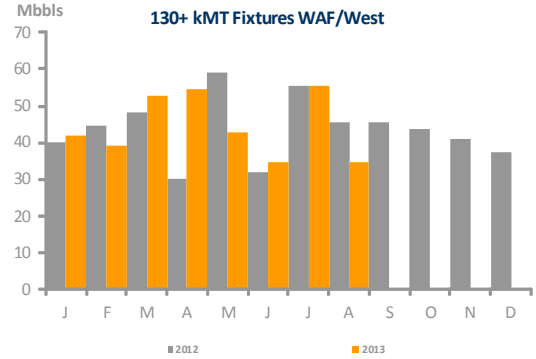
Technical issues prompted units to be shut down at both Motiva's 600,000 b/d Port Arthur, TX, refinery and at Petrobras' 106,500 b/d Pasadena, TX, refinery. These issues pushed production down by 2.4%, w/w, and raised fears of gasoline and diesel supply issues in the PADD 3 (Gulf Coast) region, which could have contributed to the softer fixture figures. However, regional distillate inventories were unchanged during the week ending 9 August, per EIA data, at 41.7 MnBbls which is 8.6% above year-ago levels while total US distillate demand was just 1.2% above year-ago levels. Fixtures to Europe gained on last week, possibly on the back of a Reuters report on Monday indicating that European refiners were to cut processing rates by around 500,000 b/d due to poor margins. This scenario should continue to support fixtures to Europe while a gain in those bound for points in the Caribbean and Latin America will be necessary to boost total activity and halt further rate erosion.

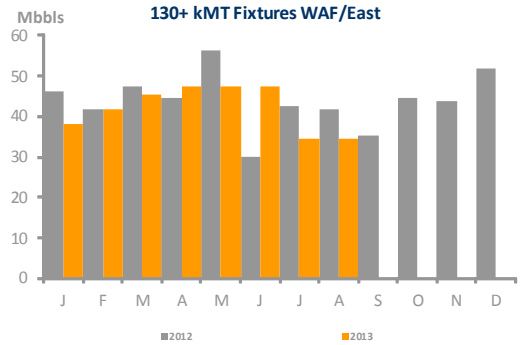


The European market recorded strong rate losses with the CONT-USAC route dropping 20 points to ws100 by the close of the week – a rate which touches upon the 2013 low, which was last observed during early July. The rate losses followed another week of recessed activity, likely compounded by reports of declining European refinery utilization and softer US gasoline demand (-56,000 b/d w/w) and greater forward days of supply with PADD 1 (East Coast) inventories at 22.8% above year ago levels during the week ending 9 August. Rumors of a fixture concluded below the ws100 level could imply further downside during the week ahead, but with units actively avoiding ballasting towards Europe and rates already at 2013 lows, the pace of rate erosion should moderate during the week ahead.









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REPORTED TANKER SALES

"Crystal Amethyst" 8,143/94 – Boelwerf – DH – IMO II/III – ICE 1A
"Crystal Emerald" 8,143/94 – Boelwerf – DH – IMO II/III – ICE 1A
"Crystal Pearl" 8,143/94 – Boelwerf – DH – IMO II/III – ICE 1A
-Sold en bloc for $12.0m to undisclosed Russian buyers.

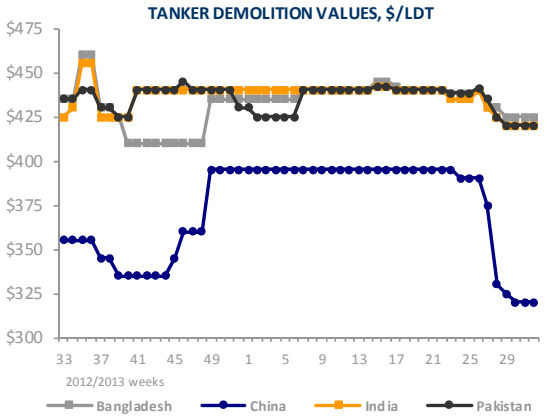
"Onsys Leo" 7,008/09 – Titan Quanzhou – DH
"Onsys Aries" 3,989/09 – Titan Quanzhou – DH
-Sold en bloc on private terms to undisclosed buyers.

"Natasja" 4,318/05 – Gisan – DH – IMO II
-Sold for $4.25m to undisclosed Middle East buyers.

REPORTED TANKER DEMOLITION SALES

Bangladesh

"Glaros" 298,432/95 – 42,676 LDT – DH
-Sold on private terms.



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