WEBER WEEKLY
TANKER REPORT

WEEK 37 – 13 SEPTEMBER 2013 **ISSUE 37 – 2013**

Product fixtures to Europe at second consecutive weekly record high

The USG MR market has benefitted from a recent rise in fixture activity to Europe. Having set a record last week with 15 fixtures concluded, this week the figure rose again setting a new record of 18 fixtures. This week's tally is 2.4 times the YTD weekly average. A further 6 fixtures to Europe originating on the US East Cost also materialized this week, against a YTD weekly average of just one.

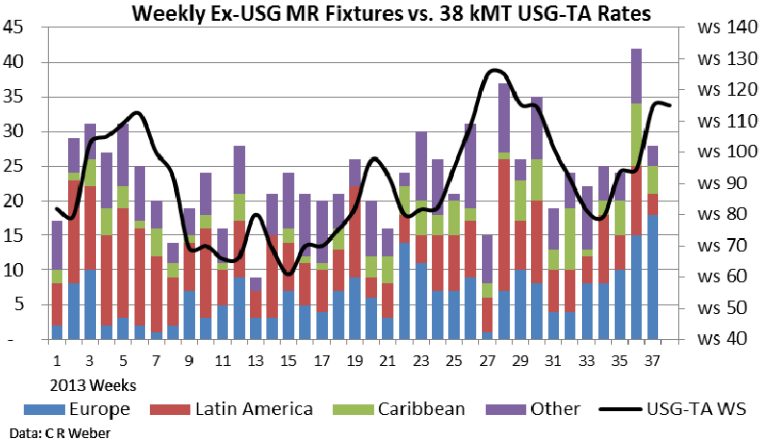
The activity hike has come as beleaguered European refiners idle capacity and progress into extensive seasonal maintenance amid extremely poor earnings. Already disadvantaged in recent years by their lack of access to both attractively priced crude feedstock and cheap natural gas to power refining operations relative to refineries on the US Gulf Coast – as well by high labor costs relative to refineries in the Middle East and Far East – European refiners have become even less competitive over the course of 2013. A report by Citi this week shows that since 2012, European refining margins have declined by a massive 60% -- with Citi's analysts estimating that 15% of European refining capacity is unprofitable.

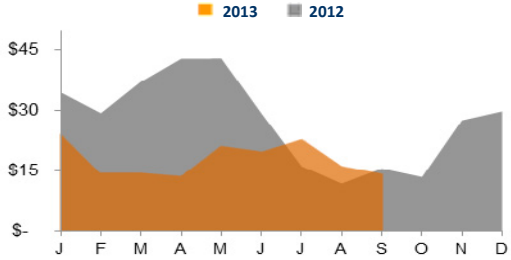
Indeed, their situation proved considerably worse at the start of the month as Libya's oil supply had slowed to just 10% of normal levels, reducing a significant source of usual crude supply. Simultaneously, the possibility of military action by the US in Syria and the risk of retaliation by Damascus and possibly Iran hiked up oil prices.

Having already shuttered around 500,000 b/d during August, the poorer margins this month further incentivized measures to reduce exposure to poor refining margins through a strong maintenance program; a further 250,000 b/d of refining cuts are expected during September and October. Maintenance programs will reduce runs by a further 1 Mb/d and 1.25 Mb/d during September and October, respectively.

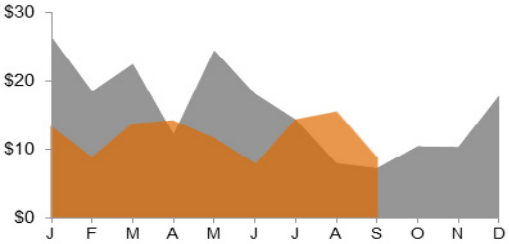
These factors, taken together, appear likely to maintain strong demand on MR routes servicing European product imports. This week, total ex-USG activity declined 33%, w/w, from last week's record high level, largely due to a drop off of fixtures to points in Latin America. Though the IEA projected in its latest report that Latin America's oil demand will ease by 200,000 during Q4 b/d from a peak of 6.6 Mb/d during Q3, demand there nevertheless remains robust, implying that cargoes to Latin America should rebound. Together with a 1.6 Mbbls rise in distillate inventories and 2.3 Mbbls rise in gasoline inventories at PADD 3 (US Gulf) last week, regional product exports appear set to rise.

A rebound in total ex-USG activity against a rate lull on the CONT-USAC route – and the likelihood that the greater number of units now bound for Europe will likely weigh further on the route – sustained demand will likely halt the present rate erosion during the coming week and prompt fresh rate gains on the USG-CONT route thereafter owners seek better rates to trade into an oversupplied Continent market.

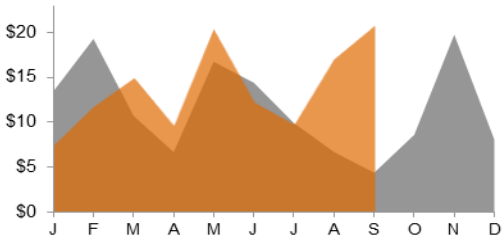




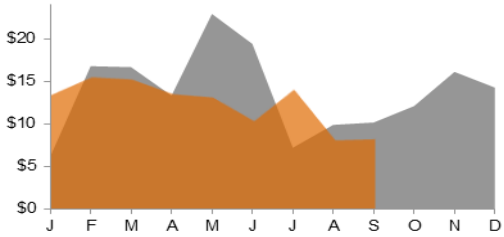
VLCC TCE 280k AG-USG + CBS-SPORE | **MTD Average $14,700/Day** | **Month y/y ▼ -5%**



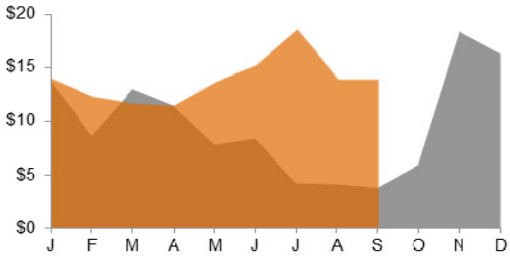
S'MAX TCE 130k WAF-USAC | **MTD Average $8,800/Day** | **Month y/y ▲ +22%**



A'MAX TCE 70k CBS-USG | **MTD Average $20,800/Day** | **Month y/y ▲ +376%**



P'MAX TCE 50k CBS-USAC | **MTD Average $8,300/Day** | **Month y/y ▼ -18%**



MR TCE 38k CBS-USAC | **MTD Average $13,900/Day** | **Month y/y ▲ +266%**

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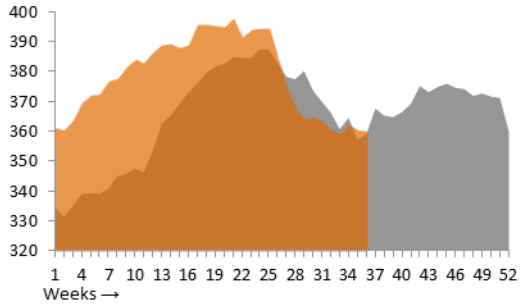
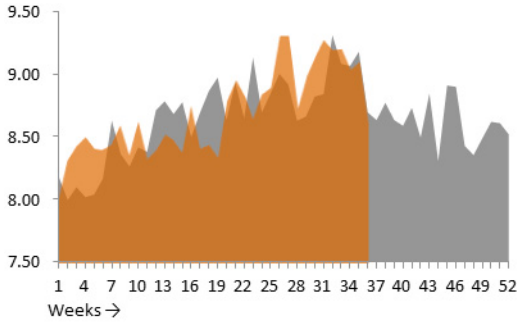
WEBER WEEKLY TANKER REPORT

Spot Market	WS	TCE $/day	WS	TCE $/day
VLCC	**6-Sept**		**13-Sept**	
AG>USG 280k (TD1)	22.5	$(5,458)	23.5	$(3,294)
AG>USG/CBS>SPORE/AG	--	$15,242	--	$17,069
AG>SPORE 270k (TD2)	34.0	$10,543	33.0	$9,395
AG>JPN 265k (TD3)	34.0	$9,897	33.0	$9,449
WAFR>USG 260k (TD4)	37.5	$14,409	37.5	$14,877
WAFR>CHINA 260k (TD15)	36.0	$12,025	35.0	$9,405
SUEZMAX				
WAFR>USAC 130k (TD5)	52.5	$9,509	50.0	$7,945
BSEA>MED 135k (TD6)	52.5	$765	55.0	$3,423
CBS>USG 130k	55.0	$(197)	55.0	$107
AFRAMAX				
N.SEA>UKC 80k (TD7)	82.5	$8,635	82.5	$8,859
AG>SPORE 70k (TD8)	82.5	$13,731	82.5	$14,003
BALT>UKC 100k (TD17)	62.5	$11,100	60.0	$9,196
CBS>USG 70k (TD9)	105.0	$16,985	102.5	$17,793
MED>MED 80k (TD19)	72.5	$6,855	65.0	$2,333
PANAMAX				
CBS>USG 50k	110.0	$7,410	100.0	$4,580
CONT>USG 55k (TD12)	110.0	$12,544	107.5	$11,901
ECU>USWC 50k	152.5	$22,727	150.0	$20,941
CPP				
CONT>USAC 37k (TC2)	97.5	$3,853	97.5	$4,027
USG>CONT 38k (TC14)	100.0	$7,060	115.0	$10,668
CONT>USAC/USG>CONT	--	$14,724	--	$18,924
CBS>USAC 38k (TC3)	125.0	$12,233	135.0	$14,877
AG>JPN 35k	120.0	$9,341	115.0	$8,414
SPORE>JPN 30k (TC4)	122.0	$7,148	119.0	$6,708
AG>JPN 75k (TC1)	105.0	$25,013	99.0	$22,367
AG>JPN 55k (TC5)	118.0	$16,625	110.0	$14,043

Time Charter Market *$/day (theoretical)*	1 Year	3 Years
VLCC	$17,750	$21,500
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 360.0 Mbbls	Week y/y ▲ +0.3%



US Gasoline Demand (EIA)	Last week 8.605 Mb/d	Week y/y ▼ -1.0%

2013 2012

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WEBER WEEKLY TANKER REPORT

THE TANKER MARKETS

VLCC

VLCC markets were markedly quieter this week – led by a 41% w/w decline in the Middle East market following last week's rise to an 18-month high. The lull came as charterers shored up remaining September cargoes and paused before making a concerted progression into the October program. Despite the lull in activity and softer bunker prices on the back of an easing specter of military action in Syria, rates were slightly firmer this week – with the benchmark AG-FEAST routes trading within the ws33 to ws33.5 range (against an average last week of ws32.4) – after owners showed continued resistance to lower levels. This helped to improve TCE earnings on the AG-FEAST routes to ~$10,060/day at the close of the week, which is much closer to OPEX levels than last week's average of ~$7,332/day.

Despite global oil production outages, which are estimated to be around 2.5 Mb/d, comments today by Saudi Arabia's oil minister that the global crude market is sufficiently supplied could imply a level Middle East cargo program during October. Saudi Arabia reportedly produced record crude volumes during August amid key supply outages in Iraq and Libya and ongoing production losses in Iran. The production hike is likely reflected in the September Middle East cargo tally which, at 127 cargoes, matched July's count for the YTD high. Though the comments do not suggest Saudi Arabia is prepared to tap further into spare production capacity, the they also suggest a concerted effort to allay fears over a tighter oil market and help to moderate oil prices to sustain demand, may imply sustained higher Saudi production levels during September. Given the normal lag between production changes and actual exports, the October program could remain fairly active.

Additionally, with the September program having risen to a higher tally than earlier forecast, the number of carryover units into the October program are now downwardly revised to 23 units (versus a previous estimate of 33 units – and the 29 units which carried over from August to September dates). On this basis, market fundamentals appear modestly improved, which together with a robust start to what could be a relatively active October program could see rates post small gains during the coming week and progress into normal Q4 seasonal gains thereafter.

Middle East

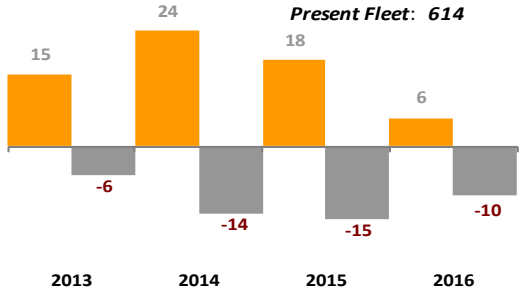
Rates to the Far East gained 0.5 point, w/w, to an average of ws32.9. Corresponding TCEs gained ~$1,100/day, w/w, to an average of ~8,432/day. Rates to the USG via the Cape posted stronger gains, rising 2.1 points w/w to an average of ws22.75. Triangulated Westbound trade earnings gained ~$3,179/day, w/w, to an average of ~$15,998/day.

With the September program now likely complete with a tally of 127 cargoes, all eyes are on the October program, which has yet to commence in earnest (just 2 October cargoes have been covered to date). The stronger than anticipated September figure, together with port delays in China and a further draw on Middle East positions to service West Africa program, leaves some 23 units available through end-September dates as carryover units into the October program.

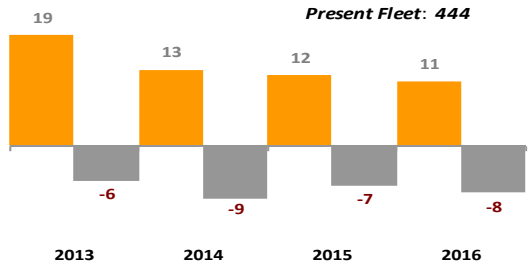
Atlantic Basin

The Atlantic basin was quieter this week with 5 fresh fixtures reported. Rates on the WAFR-FEAST route pared earlier softening and posted modest gains in line with the Middle East market, concluding untested at ws37.5 (a 2.7 points gain on last week's average). Rates from the Caribbean were flat with the CBS-SPORE route unchanged at $3.4m LS.

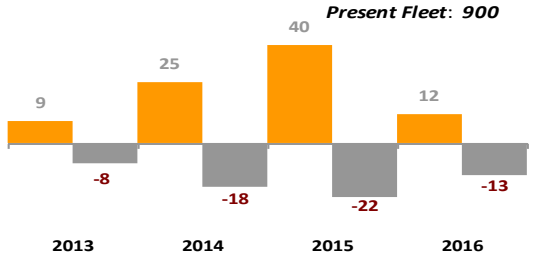
VLCC Projected Deliveries/Removals



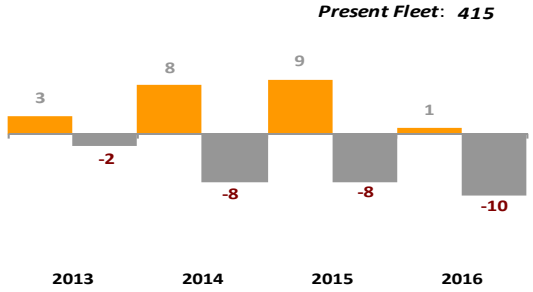
Suezmax Projected Deliveries/Removals



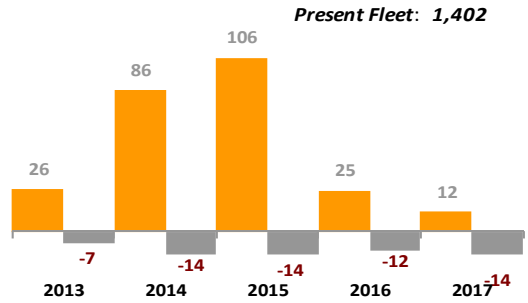
Aframax/LR2 Projected Deliveries/Removals



Panamax/LR1 Projected Deliveries/Removals



MR Projected Deliveries/Removals



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Suezmax

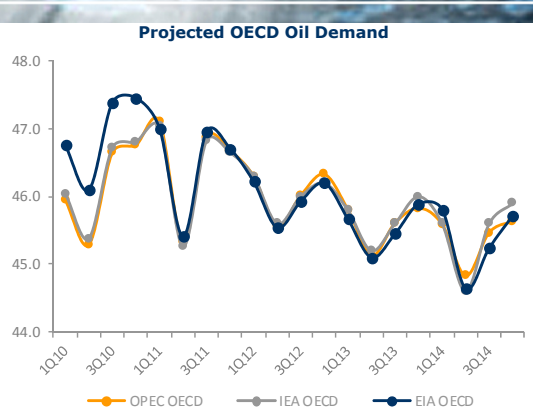
The West Africa Suezmax market saw further modest rate erosion this week the supply/demand ratio remained imbalanced and the stronger regional returns continued to draw tonnage from the weaker Black Sea market. Total fixture activity declined 6% w/w with voyages to Europe continuing to lead the discharge profile. The WAFR-USAC route shed 2.5 points to conclude untested at ws50.

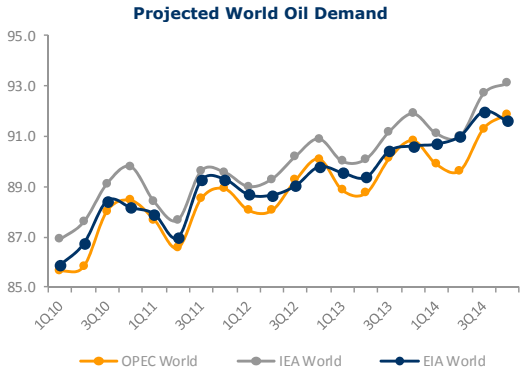
Aframax

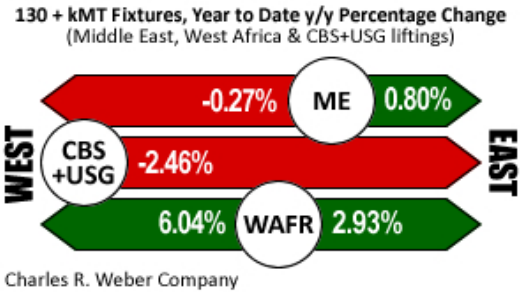
The Caribbean Aframax market commenced the week on a softer trend, which ultimately proved unsustainable as strong resistance by owners and various delays allowed the market to rebound through much of the remainder of the week. The CBS-USG route commenced at ws105 before returning to ws107.5 but concludes the week untested at ws102.5. On retesting during the start of the upcoming week, rates should continue their descent towards the ws100 level.

Panamax

The Caribbean Panamax market remained markedly quiet with little activity to test rates. However, with positions expanding and demand remaining nearly non-existent, rates on the CBS-USG route lost 10 points to an assessed closing value of ws100. Negative pressure remains which could prompt further rate erosion during the upcoming week – failing a strong return of fresh activity.







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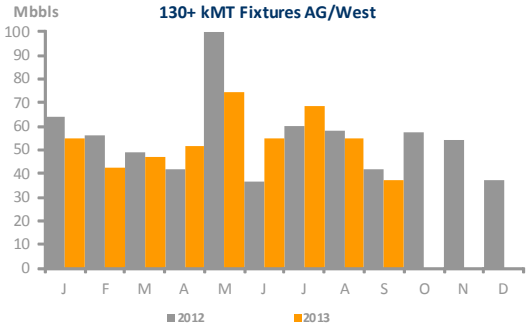
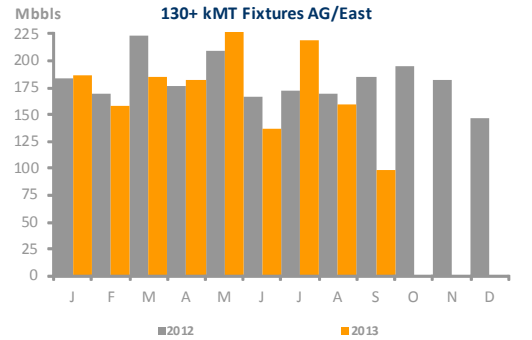
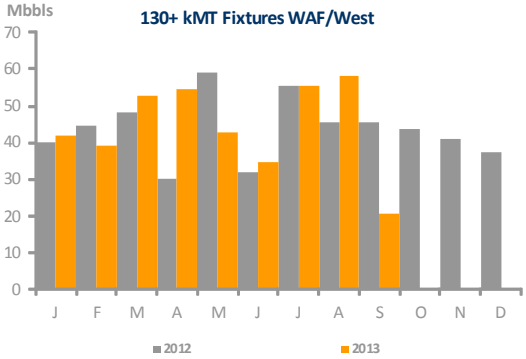
CPP

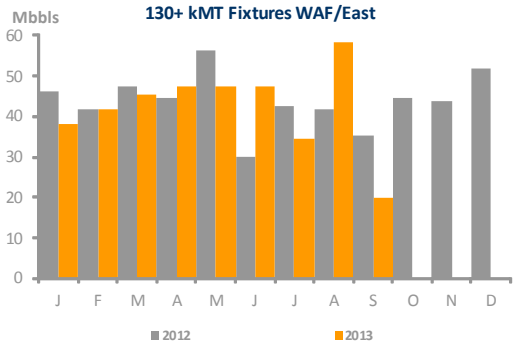
The USG MR market remained firm through much of the week on the heels of last week's record activity. However, with activity not maintaining last week's pace – this week's fixture count was down 33%, w/w – the upward momentum on rates proved unsustainable and a number of fixtures at the close of the week saw rates pare some of the earlier gains. Having risen to as high as ws122.5, the USG-CONT route ultimately concluded at ws115, representing a 15 points gain on last week's close. Though negative pressure remains at the close of the week and further modest losses could be recorded during the start of the upcoming week, with activity likely to rise rates should stabilize by mid-week and possibly post fresh gains thereafter.

The Continent MR market remained fairly quiet this week, which saw an early modest rate gain on the CONT-USAC route ultimately pare back gains to conclude at last week's closing level of ws97.5. Fixture activity to points in the US remained largely stable against last week's activity. PADD 1 (East Coast) gasoline inventories posted a 1.5 Mbbls draw last week while P66's appears set to begin an early October turnaround which should further impact regional gasoline production. Against relatively high gasoline inventories in Europe, activity should remain stable but with more units expected to appear on position lists rates should remain on a slightly negative trend.









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REPORTED TANKER SALES

"Energy Power" 51,383/05 – STX - DH
-Sold for $21.5m to undisclosed buyers.

"Eagle Bay" 47,084/91 – Halla Incheon - DH
-Sold for $6.0m to undisclosed Middle Eat buyers.

"Twinkle Express" 45,750/06 – Minami - DH
-Sold for $19.7m to Greek buyers (Product Shipping & Trading).

"Bow Plata" 19,807/06 - Kitanihon - DH
-Sold for $21.5m to US Buyers (Breakwater Capital).

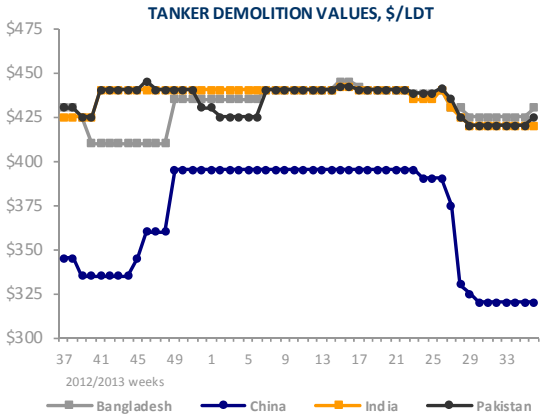
"Bro Axel" 16,839/98 – Kodja Bahari, ID – DH – ICE 1C
-Sold for $6.2m to Taiwanese buyers (Sino Chance Enterprises).

"Saag Sirius" 7,058/09 –Zhejiang Fanshun – DH
-Sold at auction for $8.0m to undisclosed buyers.

"Emma Cosulich" 6,876/07 –Zhenjiang Sopo– DH
-Sold at auction for $6.5m to undisclosed Singaporean buyers.

REPORTED TANKER DEMOLITION SALES

There are no tanker demolition sales to report for week 37.



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