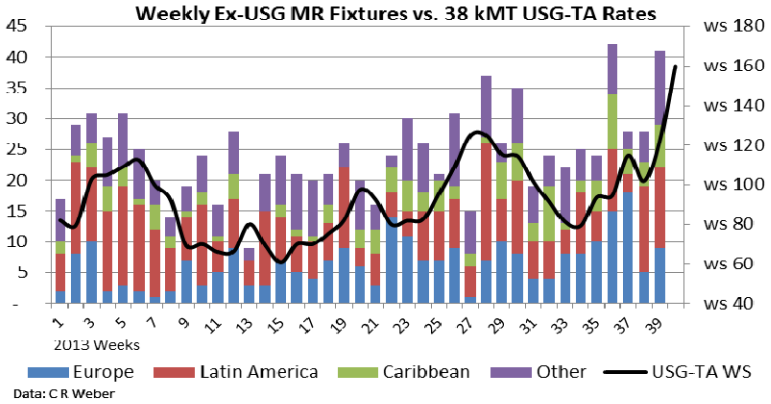
WEBER WEEKLY
TANKER REPORT
CHARLES R. WEBER COMPANY, INC.

WEEK 39 – 27 SEPTEMBER 2013 **ISSUE 39 – 2013**

USG-TA MR rates reach record high

Strong gains in activity materialized in the USG MR market, where this week's fixture tally rose 46% to 41 – just shy of the 42 record fixtures recorded three weeks ago. With this week's activity pushing the 4-week moving average of fixtures to a record high of 35, the sustained demand progressively exhausted available tonnage.

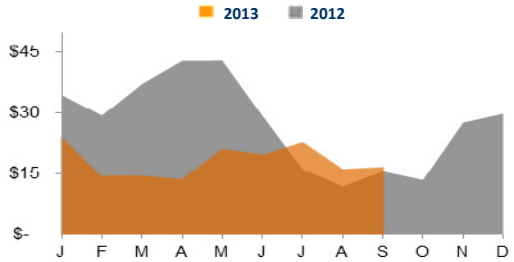
Ultimately, this prompted massive rate gains – with the USG-TA route gaining 60 points over the course of the week to ws160. In terms of corresponding gross freight, the closing value exceeds the previous record high set last November just after Hurricane Sandy impacted the US Northeast. Basis the 2013 nominal Worldscale rate (flat rate), that high was ws152.45. The 2012 high broke the previous record, set at the height of the 2000s rally in August 2008 at a 2013 Worldscale equivalent of ws151.24.



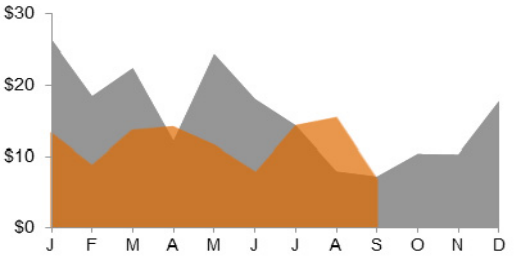
In addition to the ex-USG chartering activity gains, the poorly performing European MR market factored strongly into this week's rate gains; given further rate erosion on the CONT-USAC route, which shed a further 10 points this week to ws80, onward trading options for units trading cargoes to the Continent appear markedly bleak. At the present market, a round-voyage USG-CONT trade yields a TCE of ~$22,527/day. Normally, owners capture significantly stronger earnings through onward triangulated trading on a USG-CONT/CONT-USAC/USG trading pattern, but today that premium is just ~$1,502/day, assuming minimal additional waiting time in between the two laden voyages of 2.5 days. With a number of units now spot (idle) off of the continent awaiting business, the waiting time could well prove longer for units contemplating ex-USG options trading today.

Moreover, the returns achievable on voyages to Latin America presently offer a strong premium to trans-Atlantic voyages. For instance, TCE returns on voyage from the USG to Pozos Colorados, Colombia, are presently ~$29,511/day. However, with a round voyage to Pozos Colorados taking just 13.2 days, the relatively longer employment time of 35 days for round-voyage USG-TA trades and 45 days for triangulated ex-USG trades may appear more attractive to owners, depending on their forward views.

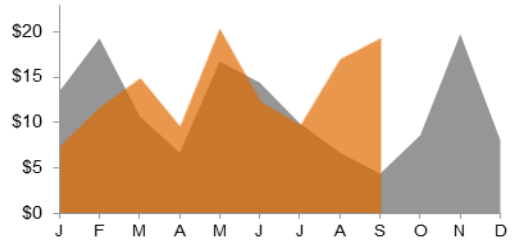
With PADD 3 (US Gulf) refining runs dropping 400,000 b/d during the week ending 20 September and regional refineries progressing into seasonal turnarounds, exports appear poised to moderate. In fact, preparations for the eventuality of softer regional production have likely factored into the recent MR demand to service product exports. On this basis, rates appear likely to retreat during the coming week – whether that happens early during the week or later will largely be determined by how many new units appear on position lists following the weekend.



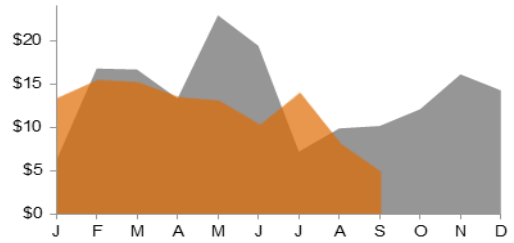
VLCC TCE 280k AG-USG + CBS-SPORE	MTD Average $16,700/Day	Month y/y ▲ +8%



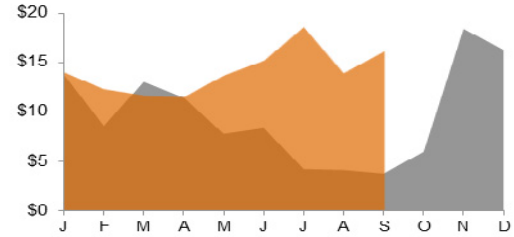
S'MAX TCE 130k WAF-USAC	MTD Average $7,000/Day	Month y/y ▼ -3%



A'MAX TCE 70k CBS-USG	MTD Average $19,400/Day	Month y/y ▲ +344%



P'MAX TCE 50k CBS-USAC	MTD Average $5,000/Day	Month y/y ▼ -51%



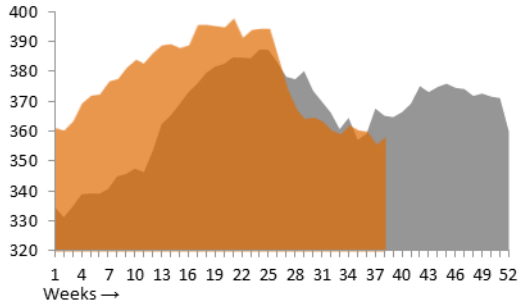
MR TCE 38k CBS-USAC	MTD Average $16,100/Day	Month y/y ▲ +325%

Whilst every care has been taken in the production of this study, no liability can be accepted for any loss incurred in any way whatsoever by any person who may seek to rely on the information contained herein. All information is supplied in good faith and Charles R. Weber Company, Inc. accepts no responsibility for any and all errors and omissions contained within this study.

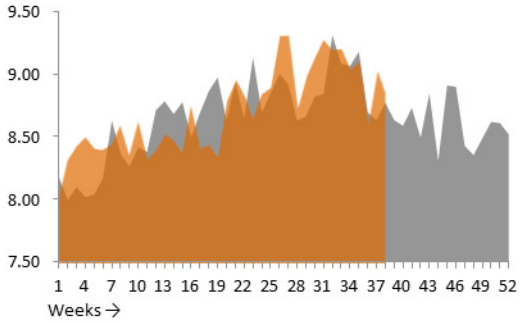
WEBER WEEKLY TANKER REPORT

Spot Market	WS	TCE $/day	WS	TCE $/day
VLCC (12 Kts L/11.5 Kts B)	**20-Sept**		**27-Sept**	
AG>USG 280k (TD1)	25.0	$(234)	25.0	$407
AG>USG/CBS>SPORE/AG	--	$20,168	--	$19,479
AG>SPORE 270k (TD2)	35.0	$13,934	35.0	$13,821
AG>JPN 265k (TD3)	35.0	$13,701	35.0	$13,587
WAFR>USG 260k (TD4)	37.5	$15,824	37.5	$15,993
WAFR>CHINA 260k (TD15)	35.0	$10,897	37.0	$13,905
SUEZMAX (12 Kts L/11.5 Kts B)				
WAFR>USAC 130k (TD5)	46.25	$4,936	42.5	$2,477
BSEA>MED 135k (TD6)	52.5	$828	50.0	$(1,270)
CBS>USG 130k	50.0	$(1,633)	50.0	$(1,514)
AFRAMAX (12.5 Kts L/B)				
N.SEA>UKC 80k (TD7)	82.5	$6,384	82.5	$6,482
AG>SPORE 70k (TD8)	85.0	$14,803	85.0	$14,842
BALT>UKC 100k (TD17)	60.0	$9,127	60.0	$9,230
CBS>USG 70k (TD9)	105.0	$19,378	90.0	$11,991
MED>MED 80k (TD19)	70.0	$5,445	70.0	$5,554
PANAMAX (12.5 Kts L/B)				
CBS>USG 50k	100.0	$2,799	107.5	$5,083
CONT>USG 55k (TD12)	110.0	$10,024	110.0	$10,139
ECU>USWC 50k	150.0	$17,433	150.0	$17,692
CPP (13.5 Kts L/B)				
CONT>USAC 37k (TC2)	90.0	$2,168	80.0	$(169)
USG>CONT 38k (TC14)	100.0	$7,189	160.0	$22,527
USG>CONT/CONT>USAC/USG	--	$13,424	--	$24,029
CBS>USAC 38k (TC3)	125.0	$12,347	140.0	$16,142
AG>JPN 35k	117.5	$8,785	117.5	$8,732
SPORE>JPN 30k (TC4)	118.5	$6,366	118.0	$6,289
AG>JPN 75k (TC1)	93.0	$19,170	92.5	$18,848
AG>JPN 55k (TC5)	104.0	$11,625	99.0	$9,761

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 358.3 Mbbls	Week y/y ▼ -1.9%



US Gasoline Demand (EIA)	Last week 8.846 Mb/d	Week y/y ▲ +0.9%

Whilst every care has been taken in the production of this study, no liability can be accepted for any loss incurred in any way whatsoever by any person who may seek to rely on the information contained herein. All information is supplied in good faith and Charles R. Weber Company, Inc. accepts no responsibility for any and all errors and omissions contained within this study.

WEBER WEEKLY TANKER REPORT

THE TANKER MARKETS

VLCC

Total activity in the VLCC market gained this week on the back of a more active Atlantic basin, where the fixture count doubled from last week. Rates across almost all VLCC markets saw rates trend higher – though volatility thereof was plainly evident as illustrated by the 5-points band within which rates were concluded this week on the key AG-FEAST routes. The notable exception to this week's modest gains was the Caribbean market, where rates eased despite a gain in fixture activity to eight from just three last week as a rising number of available units weighed negatively on sentiment.

With market participants continuing to eye Middle East crude production levels for their potential support of regional VLCC demand during Q4, news this week that Iraq has restored normal production and comments from Saudi Arabia's oil minister affirming Saudi's commitment to fill global oil supply shortages appear positive. The front month TD3 (AG-JPN) FFA contract remains largely unchanged from a week ago while the November and December contracts have posted modest gains.

Despite this week's gains in the Middle East market, sentiment there appears to be souring as charterers pause before progressing more aggressively past first-decade cargoes. With owners cognizant of the potential for further demand gains, their resistance has prevented significant rate erosion and progression during the upcoming week will be subject to the extent to which fresh demand materializes.

Middle East

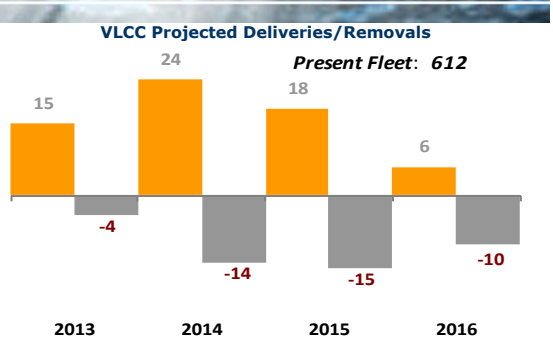
Rates to the Far East gained 2.6 points on last week to an average of ws35.5. Corresponding TCEs gained ~$3,752/day to an average of ~$14,654/day (assuming 12 Kts Laden and 11.5 Kts Ballast). Rates to the USG averaged ws24.0, representing a w/w gain of 1.5 points. Triangulated Westbound trade earnings gained ~$1,939/day, w/w, to ~$18,135/day.

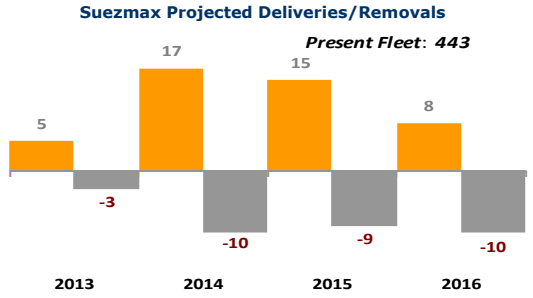
To-date, there have been 52 October Middle East cargoes covered, with a further 13 expected to materialize for loading during the first half of the month. Against this, there are 23 units available, implying a surplus of 10 units against a surplus of 16 units available on the conclusion of the September program (though units hidden by pools and large commercial managers could skew these figures). With the market appearing more balanced, rates could stagnate around present levels of ws24 to the USG and ws35 to the Far East through the start of the upcoming week, while rates could advance thereafter as charterers progress further into the October program.

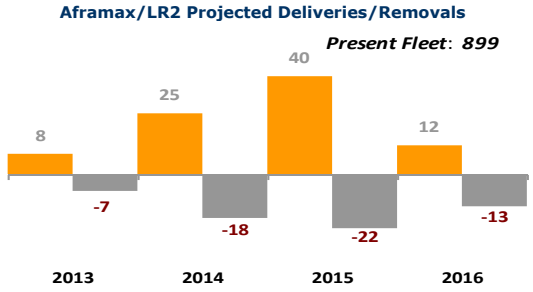
Atlantic Basin

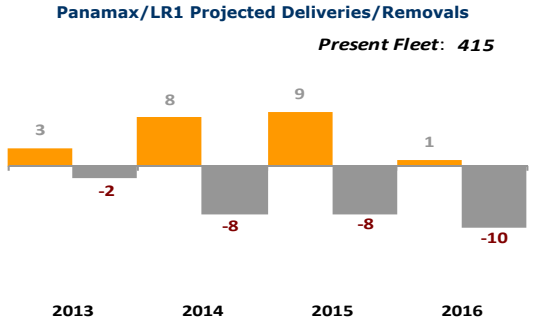
Total activity in the Atlantic basin gained strongly this week on a rise in both ex-West Africa and ex-Caribbean fixtures. Rates in the West Africa market posted gains in correlation to those in the Middle East market and the WAFR-FEAST route gained 2 points, w/w, to an average of ws37. Corresponding TCEs gained ~$2,837/day, w/w, to an average of ~$13,905/day.

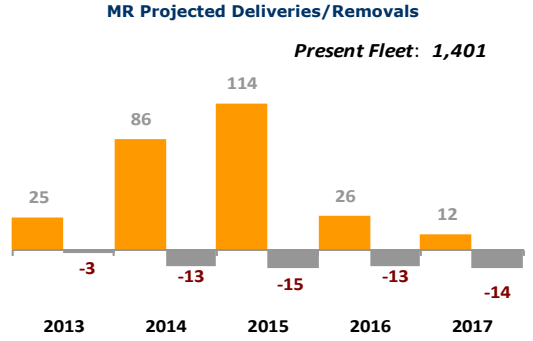
Rates in the Caribbean market declined at the start of the week and remained generally soft thereafter despite the stronger activity as a greater number of units appeared on position lists. Rates on the CBS-FEAST route lost an average of $110,000 to $3.31m LS. By the close of the week, downward pressure on rates appears to have eased following the stronger recent activity, though fresh gains will likely require an extension of inquiry observed this week.







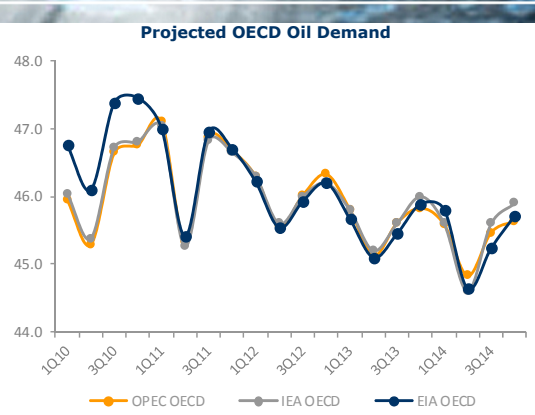




Whilst every care has been taken in the production of this study, no liability can be accepted for any loss incurred in any way whatsoever by any person who may seek to rely on the information contained herein. All information is supplied in good faith and Charles R. Weber Company, Inc. accepts no responsibility for any and all errors and omissions contained within this study.

Suezmax

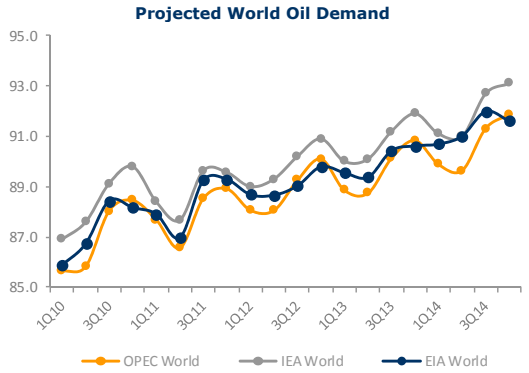
Chartering activity in the West Africa Suezmax market was largely unchanged from last week with the fixture tally rising to 17 from 16. Against a greater number of units coming free as more units continue to vie for cargoes in the relatively more active West Africa market, sentiment remained in negative throughout the week. Rates on the WAFR-USAC route shed 3.75 points to conclude at ws42.5. Corresponding TCEs concluded at ~$2,477/day; although well below OPEX levels, the return remains well in excess of the negative TCEs facing units trading in alternative markets. With the market remaining under negative pressure at the close of the week, further rate erosion is expected at the start of the upcoming week, though the extent thereof will likely be limited by the already meager returns facing owners.



Aframax

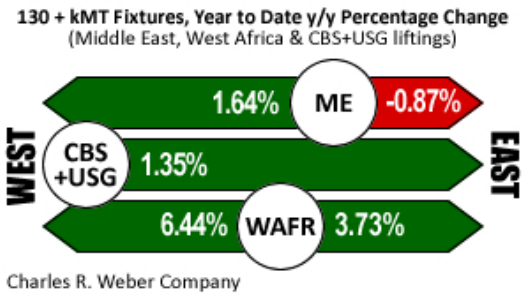
Chartering activity in the Caribbean Aframax market fell to a 20-week low this week as PADD 3 (Gulf Coast) refinery crude inputs fell 400,000 b/d against a 2.6 Mbbls rise in regional crude inventories. With further crude input declines expected as refineries progress into seasonal turnarounds, some demand erosion was expected, though the extent thereof exceeded most expectations. This week's inquiry lull could also illustrate a measure of patience by charterers to prompt rate erosion – and indeed after the market posted a relatively modest 7.5 points rate decline to ws97.5 earlier during the week, upon retesting at ws90 at the close of the week, two additional fixtures were quickly concluded at that level thereafter.

Further rate erosion is likely to accompany a prolonged demand lull. However, with the Caribbean market now yielding a TCE of ~$11,991/day, which is more closely aligned with worldwide average earnings of ~$9,940/day than earlier in the week, the extent of further rate erosion could be limited.



Panamax

The Caribbean Panamax market finally saw a rebound of fixture activity, which helped to halt earlier rate erosion and by the close of the week allowed the market to conclude at a w/w gain. The CBS-USG route rose 7.5 points to conclude at ws107.5. Rates should hold around present levels during the start of the upcoming week while the progression thereafter will depend largely on the extent of inquiry for early-October dates that materializes.

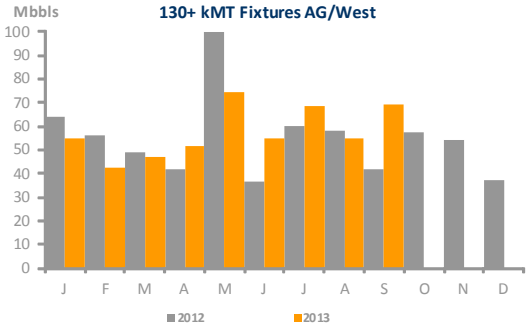


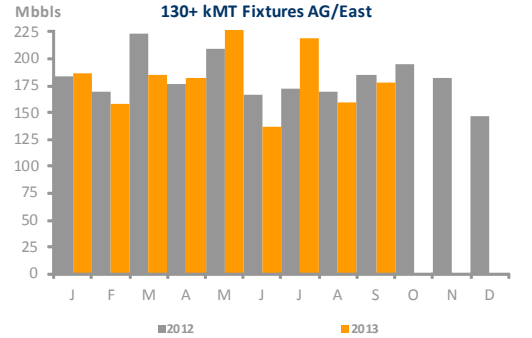
Whilst every care has been taken in the production of this study, no liability can be accepted for any loss incurred in any way whatsoever by any person who may seek to rely on the information contained herein. All information is supplied in good faith and Charles R. Weber Company, Inc. accepts no responsibility for any and all errors and omissions contained within this study.

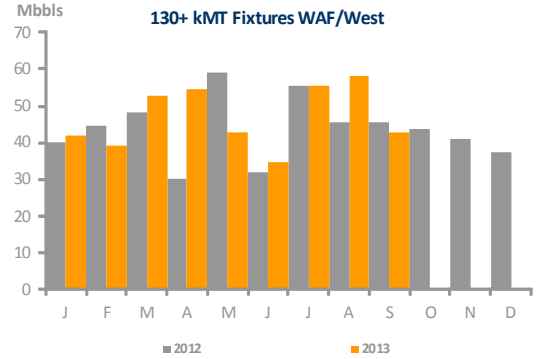
CPP

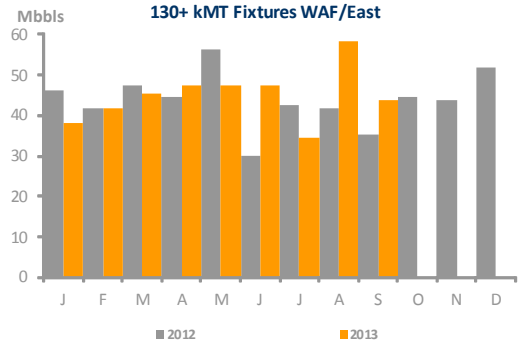
The Continent MR market remained under negative pressure throughout the week as limited demand saw progressively lower rates concluded. The CONT-USAC market lost 10 points to conclude at ws80, at which level corresponding TCEs have migrated to negative earnings territory (on a round-voyage basis). Little change in direction is expected as European refineries progress further into an extensive turnaround period. Against rising volumes of product deliveries, available tonnage is likely to swell, keeping negative pressure on the route and solidifying its recent status as a backhaul.

Undermining further the ability for Europe's product exports to regain footing is the prolonged and deepening depression of refinery margins, which remain despite the expected impact on regional product supplies from the extensive seasonal maintenance works. Moreover, with Saudi Arabia's 400,000 b/d Jubail refinery starting earlier than expected and reportedly having loaded its first export cargo of products this week, European refining is likely to be further displaced, which eliminates the excess gasoline supply that offset the US East Coast's gasoline production shortfall and feeds the CONT-USAC route.









Whilst every care has been taken in the production of this study, no liability can be accepted for any loss incurred in any way whatsoever by any person who may seek to rely on the information contained herein. All information is supplied in good faith and Charles R. Weber Company, Inc. accepts no responsibility for any and all errors and omissions contained within this study.

REPORTED TANKER SALES

SPP Sacheon S5122 50,300/14 – SPP – DH
SPP Sacheon S5123 50,300/14 – SPP - DH
SPP Sacheon S5124 50,300/14 – SPP - DH
SPP Sacheon S5125 50,300/14 – SPP - DH
-Sold en bloc for $37.75m each to Monaco buyers (Scorpio) in a combination of cash and shares.

"Pacific Polaris" 47,999/04 – Iwagi - DH
-Sold for $17.2m to undisclosed Greek buyers. Unit had failed twice to separate buyers earlier this year.

"Eagle Gulf" 46,000/95 – Halla Incheon - DH
-Sold for $9.0m to undisclosed Indian buyers.

"Champion Star" 45,999/91 – AESA - DH
-Sold for $6.0m to undisclosed buyers.

"Global Peace" 19,993/09 – Usuki – DH
"Global Challenge" 19,992/09 – Usuki - DH
"Bum Eun" 19,992/09 – Usuki - DH
"Bum Chin" 19,991/05 – Usuki - DH
-Sold en bloc for $74.2m to undisclosed US buyers.

"Northern Wolverine" 16,000/06 – Aker Tulcea – DH
"Northern Lynx" 16,000/06 – Aker Tulcea - DH
-Sold en bloc for $12.5m each to UK buyers (Borealis Maritime).

"Fure Star" 14,972/94 – Siong Huat - DH
-Sold for $7.9m to undisclosed Panamanian buyers.

"Dawn" 11,668/95 – Fukuoka - DH
-Sold for $5.6m to undisclosed Emirati buyers.

"Star Dream" 11,667/01 – Fukuoka - DH
-Sold for $10.0m to undisclosed South Korean buyers.

REPORTED TANKER DEMOLITION SALES

Pakistan

"Maran Taurus" 301,686/93 – 41,220 LDT – DH
-Sold for $410/ldt basis as is, Fujairah, including 250 MT bunkers ROB.

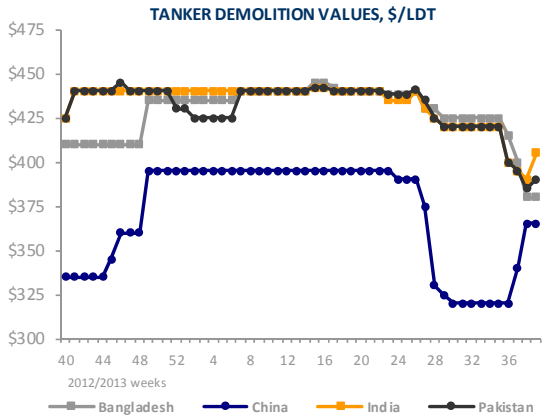
India

"Pratibha Neera" 28,610/86 – 9,680 LDT – DH
-Sold on private terms.

"Global Sea" 6,015/84 – 2,204 LDT – DB
-Sold on private terms.

Bangladesh

"Zeetee" 4,699/78 – SH
-Sold for $364/ldt.



George P. Los,
Senior Market Analyst
Charles R. Weber Research

Charles R. Weber Company, Inc.
Greenwich Office Park Three,
Greenwich, CT 06831
Tel: +1 203 629-2300
Fax: +1 203 629-9103
research@crweber.com
www.crweber.com

Whilst every care has been taken in the production of this study, no liability can be accepted for any loss incurred in any way whatsoever by any person who may seek to rely on the information contained herein. All information is supplied in good faith and Charles R. Weber Company, Inc. accepts no responsibility for any and all errors and omissions contained within this study.