WEBER WEEKLY TANKER REPORT

WEEK 42 – 18 OCTOBER 2013 | **ISSUE 42 – 2013**

China's Q3 GDP expansion a positive sign for large crude carriers?

Official statistics from China this week showed GDP growth of 7.8% during Q3, representing an expansion from 7.5% during Q2. The figures were largely in-line with the expectations of many analysts – and match levels reported by Bloomberg in an earlier survey.

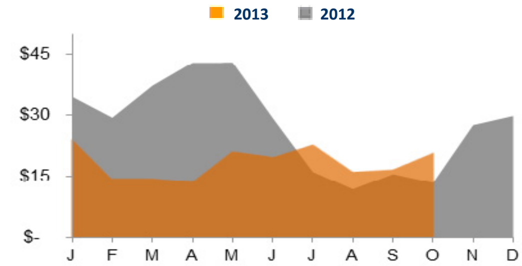
The data comes on the heels of China's surpassing of the US as the world's largest energy producer in September. China's oil demand of 10.9 Mb/d during the month boosted crude imports to 6.27 Mb/d -- a 27.9% y/y gain – which broke the previous imports record set during July of 6.15 Mb/d.

As the China refocuses its economic growth policy to consumer-driven demand, the figures could appear to suggest that the transition is progressing successfully. Last month, non-manufacturing economic activity rose to a 6-month high—a development received by the market as a largely upbeat indication that China's services sector is performing well.

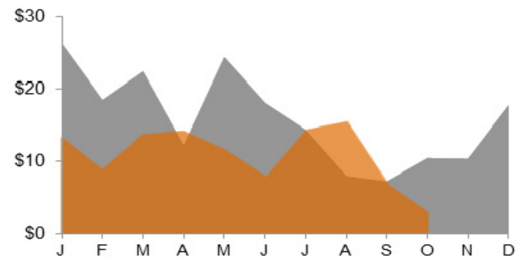
However, during the first 9-months of 2013, infrastructure investments rose rather robustly at 29%, suggesting that the transition to consumer-driven growth remains very much in its infancy. Thus, it is not surprising that analyst surveys show that GDP growth will slow to 7.5% during Q4 and 7.0% during 2014. These are all well off from the double digit growth rates observed during much of the 2000s and again in 2010, but represent more sustainable growth levels.

For large crude tankers, the ability for China to maintain its crude oil demand growth is key, given the ton-mile demand that long-haul voyages to China from points in West Africa and the Caribbean generate. Estimates from the IEA show that China's oil demand will rise by 3.7% to 10.52 Mb/d during 2014, representing a slight decline from the 3.8% y/y growth rate projected for 2013. While the 380,000 b/d gain remains positive against declining fleet growth levels (we project net VLCC growth of 1.6% during 2014, down from 2.2% during 2013), a diverting of the long-haul growth patterns observed from 2010 to 2012 could ease the positive implication for large crude tankers.

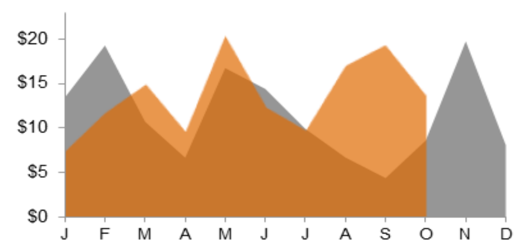
One such possibility, for instance, comes from reports this week that China is seeking to boost its crude imports from Iraq by 70% to 850,000 b/d during 2014.



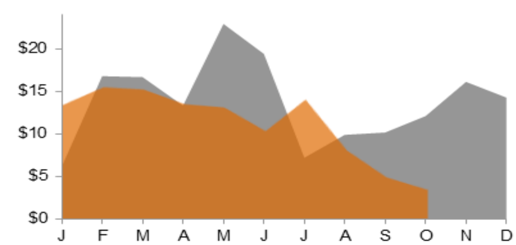
VLCC TCE 280k AG-USG + CBS-SPORE	MTD Average $21,000/Day	Month y/y ▲ +56%



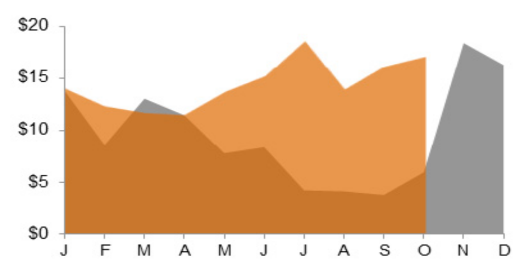
S'MAX TCE 130k WAF-USAC	MTD Average $3,200/Day	Month y/y ▼ -69%



A'MAX TCE 70k CBS-USG	MTD Average $13,600/Day	Month y/y ▲ +58%



P'MAX TCE 50k CBS-USAC	MTD Average $3,600/Day	Month y/y ▼ -70%

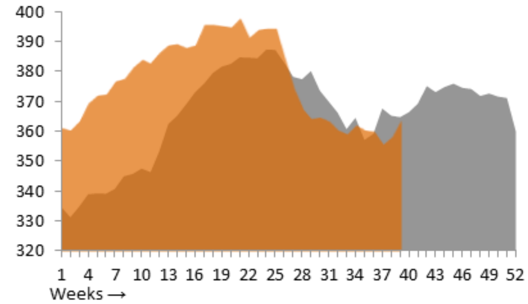


MR TCE 38k CBS-USAC	MTD Average $17,100/Day	Month y/y ▲ +187%

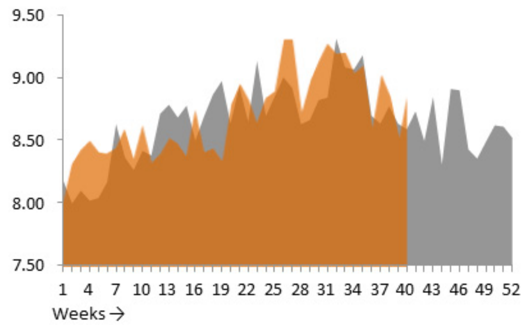
WEBER WEEKLY TANKER REPORT

Spot Market	WS	TCE $/day	WS	TCE $/day
VLCC (12 Kts L/11.5 Kts B)	**11-Oct**		**18-Oct**	
AG>USG 280k (TD1)	25.0	$175	28.0	$4,749
AG>USG/CBS>SPORE/AG	--	$20,104	--	$25,034
AG>SPORE 270k (TD2)	38.0	$17,555	41.0	$22,436
AG>JPN 265k (TD3)	38.0	$17,473	41.0	$22,185
WAFR>USG 260k (TD4)	40.0	$19,165	42.0	$22,147
WAFR>CHINA 260k (TD15)	40.0	$17,932	42.5	$21,730
SUEZMAX (12 Kts L/11.5 Kts B)				
WAFR>USAC 130k (TD5)	47.5	$5,756	47.5	$5,936
BSEA>MED 135k (TD6)	50.0	$(1,422)	52.5	$988
CBS>USG 130k	55.0	$2,121	53.0	$798
AFRAMAX (12.5 Kts L/B)				
N.SEA>UKC 80k (TD7)	87.5	$10,013	125.0	$37,604
AG>SPORE 70k (TD8)	85.0	$14,453	85.0	$14,647
BALT>UKC 100k (TD17)	75.0	$21,975	130.0	$69,353
CBS>USG 70k (TD9)	97.5	$14,921	90.0	$11,991
MED>MED 80k (TD19)	67.5	$3,817	72.5	$7,146
PANAMAX (12.5 Kts L/B)				
CBS>USG 50k	100.0	$2,764	92.5	$731
CONT>USG 55k (TD12)	100.0	$6,597	100.0	$6,751
ECU>USWC 50k	150.0	$17,470	147.5	$16,607
CPP (13.5 Kts L/B)				
CONT>USAC 37k (TC2)	70.0	$(2,680)	70.0	$(2,581)
USG>CONT 38k (TC14)	102.5	$7,799	85.0	$3,452
USG>CONT/CONT>USAC/USG	--	$11,276	--	$7,913
CBS>USAC 38k (TC3)	125.0	$12,324	100.0	$6,203
AG>JPN 35k	120.0	$9,024	115.0	$8,044
SPORE>JPN 30k (TC4)	120.0	$6,454	119.0	$6,371
AG>JPN 75k (TC1)	98.0	$21,133	97.0	$20,843
AG>JPN 55k (TC5)	111.0	$13,653	102.5	$10,903

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	Week y/y
	Not Published	--%



US Gasoline Demand (EIA)	Last week	Week y/y
	Not Published	--%

2013 2012

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

THE TANKER MARKETS

VLCC

Sentiment in the VLCC market this week was offered boosted by a markedly more active Middle East market, where fixture activity rose 54%, w/w, to a total of 40. Importantly for rate progression, with the majority of this week's fixtures in the Middle East concluded for October dates, the month's cargo program there has now reached 132 – surpassing the previous 2013 high of 130 set during the September program. Both programs represent a strong improvement of the 1H13 average of 116 per month and, having come in sequence, have helped to reduced excess regional positions. Indeed, we now project that just 7 units will carryover from October to November dates, representing the monthly excess since November 2012. At the conclusion of the August program, 29 positions carried into September days, prompting a 68% decline in TCE earnings on the AG-JPN route. The stronger than expected conclusion of the October program appears to correlate with recent record aggregate oil production figures in the Middle East – as well as with the resumption of oil exports from previously closed terminals at Iraq's Basra Oil Terminal.

Given the recent pace of activity, upward momentum on rates remains at the close of the week – and appears likely to remain through the upcoming week, though the extent of further gains may be capped by the appearance of previously "hidden" units as owners seek to capitalize on the recent gains.

Middle East

Rates to the Far East gained 1.6 points, w/w, to an average of ws38.9 and concludes the week at ws41. Corresponding TCE earnings gained 11%, w/w, to an average of ~$19,285/day; at the present assessment, TCE earnings stand at ~$22,254/day. Rates to the USG via the Cape averaged ws26.5, representing a w/w gain of 1.5 points and the route is presently assessed at ws27. Triangulated Westbound trade earnings gained 13%, w/w, to an average of ~$23,116/day.

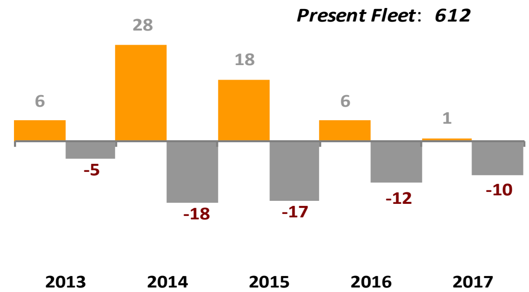
With the October program having completed with 132 cargoes and 35 November cargoes now covered, we estimate that a further 30 cargoes remain through mid-November dates. Against this, there are 45 units available during the same period. While this positioning represent an expansion of surplus units from the conclusion of the October program, the small number of West Africa VLCC fixtures concluded this week implies a rebound of activity there during the upcoming week, which will likely draw on Middle East availability.

Atlantic Basin

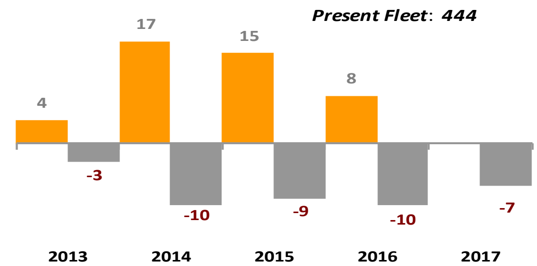
The Atlantic basin was markedly quieter this week following last week's flurry of activity, with just one West Africa fixture and one Caribbean fixture materializing. This notwithstanding, rates on the WAFR-FEAST experienced upward pressure, in-line with the Middle East market, and ultimately the route retested at the close of the week at ws42, representing a w/w gain of 2.8 points. Corresponding TCEs gained 22%, w/w, to an average of ~$20,997/day.

In the Caribbean market, assessed rates on the CBS-SPORE route showed a $100,000 w/w gain to $3.5m (lump sum), largely in line with overall sentiment in the VLCC market. Just one regional fixture was concluded this week, on a CBS-WCIND run at $3.15m. A gain in activity during the week ahead should see rates remain on the positive trend.

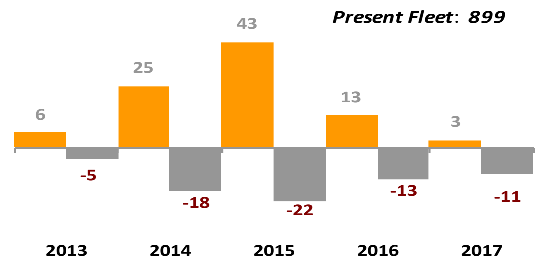
VLCC Projected Deliveries/Removals



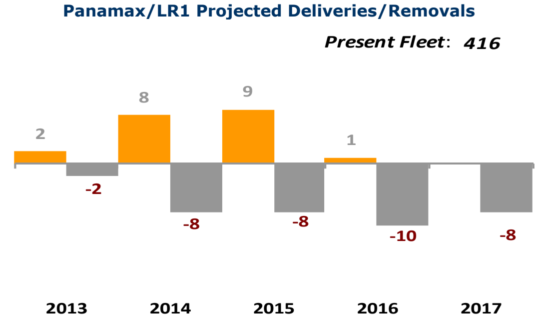
Suezmax Projected Deliveries/Removals



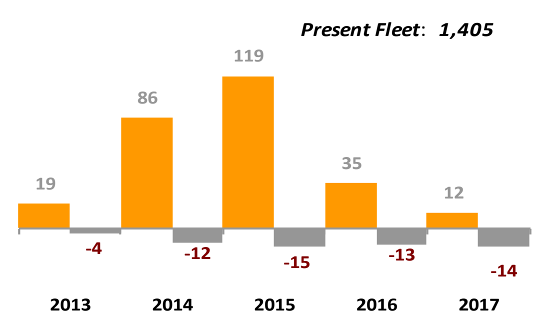
Aframax/LR2 Projected Deliveries/Removals



Panamax/LR1 Projected Deliveries/Removals



MR Projected Deliveries/Removals



Suezmax

Chartering activity for West Africa Suezmax cargoes was off by 56% from last week to 8 fixtures (a 17-week low), with the activity lull halting earlier upward pressure and whatever positive momentum may have materialized on the back of the strengthening VLCC market. Rates on the WAFR-USAC route were unchanged, accordingly, at the ws47.5 level. Given that demand for VLCC to service ex-West Africa cargoes was also markedly sluggish (and at a 12-week low), activity for both classes is expected to prove more robust during the upcoming week. On the back of anticipated further rate strength for VLCCs, Suezmaxes appear poised to realize modest rate gains by mid-week.

Aframax

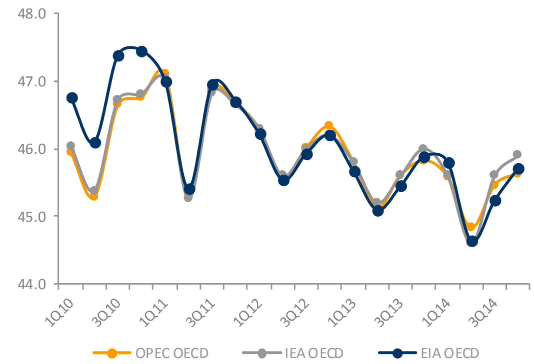
The Caribbean Aframax market was extremely quiet this week with very few fixtures materializing. Despite owners' hopes that rates could hold around last done levels, given the resilience the market has observed in recent months, the sustained demand lull ultimately eroded sentiment and with a late-week cargo being met with a rather lengthy list of prompt tonnage, the market was retested, pushing the CBS-USG route to a 7.5 point loss from last week's close to ws90. While there is reason to believe that the market has reached a near-term floor, the pace of fresh inquiry prevailing at the start of the upcoming week will likely determine the direction that rates take. Undoubtedly, many owners with units in the Caribbean market are eyeing the recent rallying of rates in the Baltic and North Sea markets – where TCE earnings have reached ~$37,604/day and ~$69,353/day, respectively, against Caribbean market earnings of ~$11,991/day – ballasting to those markets appears unlikely for now given uncertainty over the ability for those markets remain strong once charterers move beyond October dates.

As mentioned above, strong gains materialized in the Baltic Sea market this week with the BSEA-UKC route gaining 55 points to ws130. The rate gains there came on the back of sustained demand strength in recent weeks and a rush to fix end-October cargoes. On the back of rates gains in the Baltic, the NSEA-UKC route followed suit, adding 37.5 points to conclude at ws125.

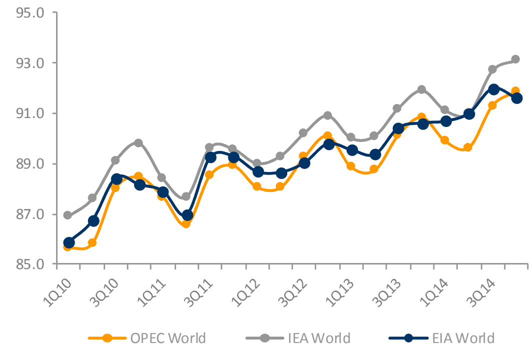
Panamax

A recent demand lull in the Caribbean Panamax market continued this week, pushing regional rates to fresh lows for the year with TCE earnings at lows not observed for about two years. The CBS-USG route shed 7.5 points to conclude at ws92.5. Give the extent of recent rate erosion, the market appears likely to be at or near its floor, which implies limited further losses during the week ahead. Simultaneously, a marked improvement of demand will be required to allow rates to start to recover.

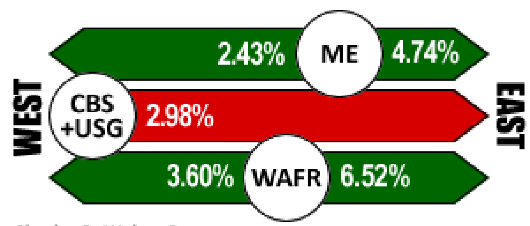
Projected OECD Oil Demand



Projected World Oil Demand



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



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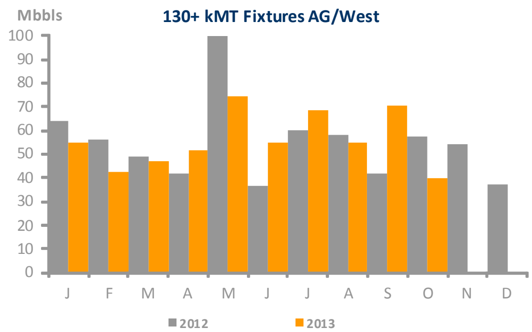
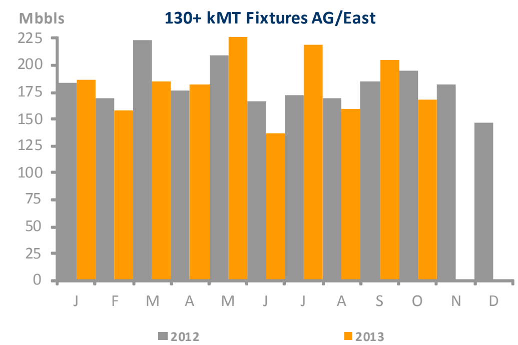
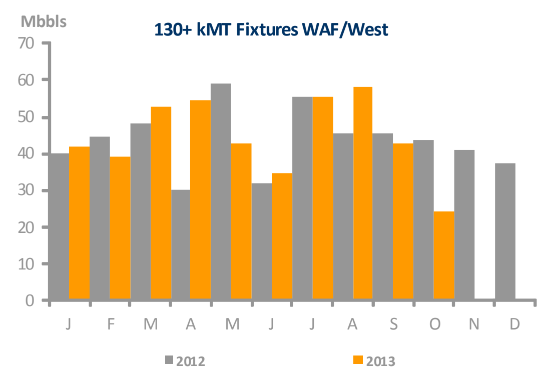
CPP

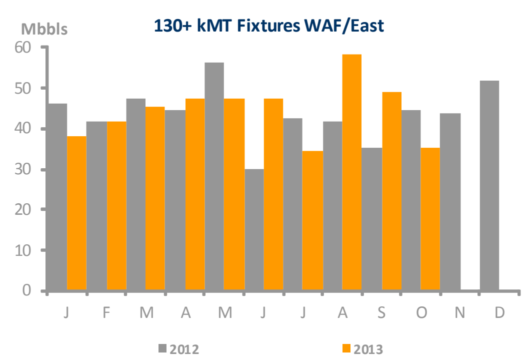
Rate erosion in the USG MR market extended this week with the USG-UKC route shedding a further 17.5 points over the course of the week to conclude at ws85. Regional demand was up by a modest 8% this week to 27 fresh fixtures – which is slightly above the YTD weekly average; rates however, stand at 9% below the YTD average. Given the fact that much of this week's activity materialized towards the close of the week and with owners expected that further demand gains will materialize during the upcoming week, as of the close of the week charterers were finding it increasingly difficult to find owners willing to trade units at last done levels. One end-week cargo was met with offers at or near the ws100 level. Assuming that the market remains active at the start of the upcoming week, rates should rise into at least the mid-ws90s.

The Continent MR market remained largely lackluster as exports remain slow on the back of a strong seasonal maintenance program and an ongoing shutdown of Ineos' 210,000 Grangemouth, Scotland, refinery due to labor dispute which has impacted regional product supply. This saw the CONT-USAC route remain mired at the ws70 level. With many refineries set to emerge from maintenance work early in November, the market should start to experience an improvement of demand when charterers progress into November dates late next week and thereafter.









REPORTED TANKER SALES

"Pacific Brave" 115,577/07 – Sasebo – DH
"Pacific Apollo" 115,577/07 – Sasebo – DH
"Pacific Condor" 115,577/07 – Sasebo – DH
"Pacific Empire" 115,577/07 – Sasebo – DH
-Sold en bloc for $25.75m each to UK buyers (Zodiac).

"LR Regulus" 70,312/04 – Daewoo – DH
-Sold for $21.0m to undisclosed Greek buyers.

"Challenge Passage" 48,659/05 – Iwagi – DH
-Sold for $19.0m to undisclosed buyers.

"Citron" 46,938/07 – Hyundai Mipo – DH
"Citrus" 46,934/08 – Hyundai Mipo – DH
-Sold en bloc for $54.0m to US buyers (Diamond S. Shipping).

"Barcarolle" 44,999/96 – Halla – DH
-Sold for $9.5m to undisclosed Mexican buyers.

"Bow Harmony" 33,619/08 – Kitanihon – DH
-Sold for $30.0m to undisclosed Norwegian buyers.

REPORTED TANKER DEMOLITION SALES

India

"Arjuna Satu" 41,502/91 – 8,186 LDT – DH
-Sold on private terms.

"Gem of Dahej" 9,935/93 – 3,737 LDT – DH
-Sold on private terms.

Turkey

"Miramare" 17,248/83 – 4,925 LDT – SH
-Sold on private terms.

Argentina

"Felicidad" 39,013/82 – 9,940 LDT – DB
-Sold for $205/ldt, basis as is, Buenos Aires.

Unknown

"Eagle Carina" 95,639/92 – 15,922 LDT – DH
-Sold on private terms.

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