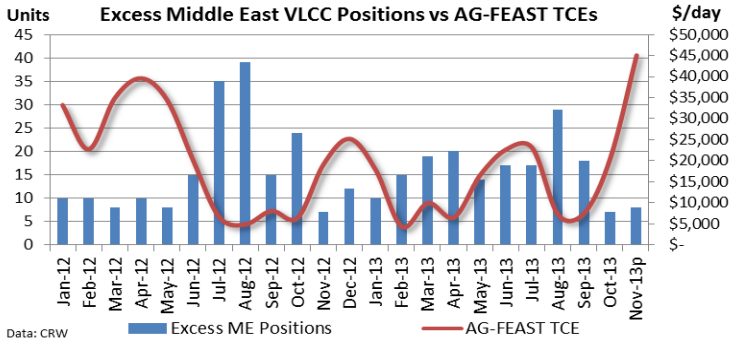
WEBER WEEKLY
TANKER REPORT
CHARLES R. WEBER COMPANY, INC.

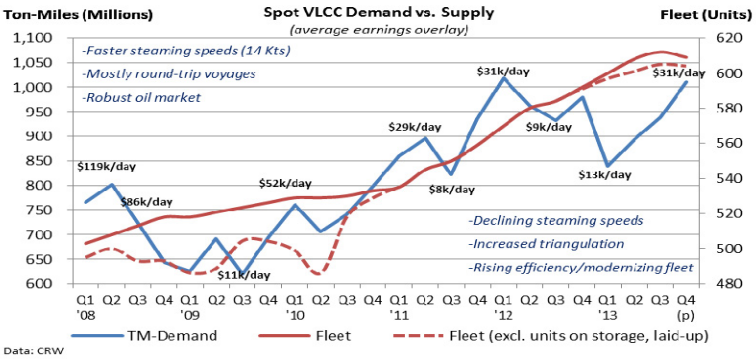
WEEK 45 – 8 NOVEMBER 2013 **ISSUE 45 – 2013**

VLCC earnings at 1.5-year high belies structural oversupply

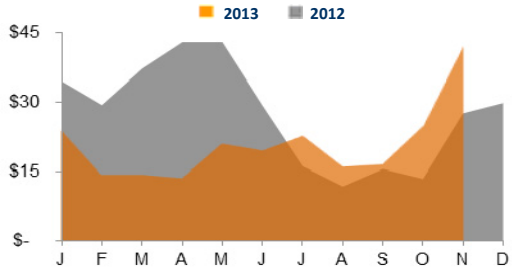
VLCC rates continued to firm this week as the November Middle East program surpassed 130 cargoes for the third consecutive month, reaching 135 cargoes (a 1 year high) and placing regional supply/demand positioning at its most closely aligned level since 2Q12. Though the November program now appears likely to conclude with 8 surplus units, or a marginal increase on the 7 units observed at the conclusion of the October program, it remains well below the YTD monthly average of 17. Moreover, observing surplus capacity as a two-month moving average is arguably a better barometer of market sentiment. On this basis, the VLCC market concludes November with 8 excess units, surpassing the 9 observed during three consecutive monthly programs during 1H12 and marking the most closely-aligned the Middle East market has been since early 2010.



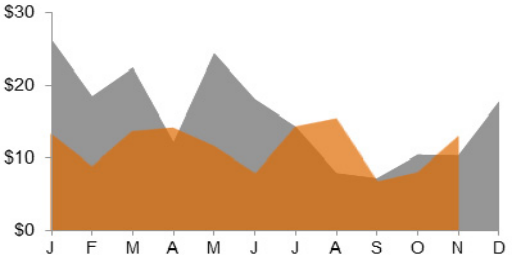
Earnings have rallied accordingly, with the worldwide average standing at ~$48,590/day – levels not observed since 1H12. The progression of earnings is largely in-line with the counter-seasonal nature of the global oil market this year, which has helped to exacerbate a normal rallying of rates so far this quarter having come on the back of a rare Q/Q ton-mile demand gain during Q3. As a return to normal seasonal demand trends suggests also that Q1 could see earnings remain relatively strong, the psychological impact of a multi-month rally could prove counterproductive as participants start to ignore the true level of structural oversupply that remains in the market.



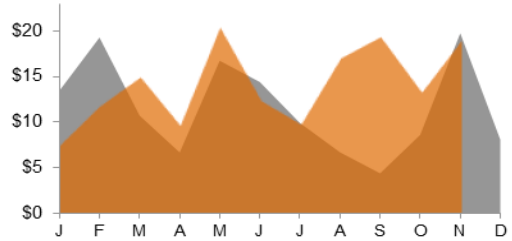
We suggest that the market remains oversupplied by at least 50 units and that the present rally has been aided – in no small part – by slower sailing speeds. The market norm is presently 12 knots during laden voyages and many large commercial managers indicate average ballast speeds as low as 8. Owners have also accelerated the pace at which they phase out older units in recent months (to an average 2.0 per month since August from 0.7 between January and July). If these trends reverse, the present rally will likely collapse quite quickly. Thus, we view the move by Frontline to remove two units from trading rather than undertake costly third special surveys as a positive development – and note that by following this example, other owners can contribute to a more sustainable structural rebalancing of the VLCC market.



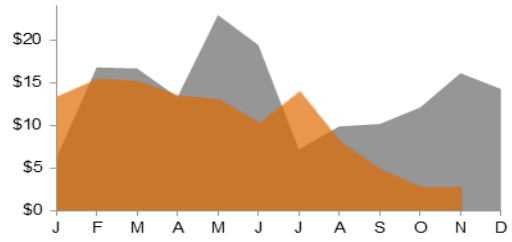
VLCC TCE 280k AG-USG + CBS-SPORE | **MTD Average $42,200/Day** | **Month y/y ▲ +53%**



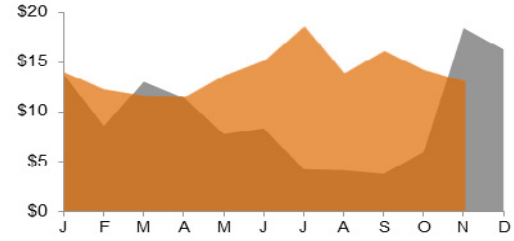
S'MAX TCE 130k WAF-USAC | **MTD Average $13,100/Day** | **Month y/y ▲ +27%**



A'MAX TCE 70k CBS-USG | **MTD Average $19,000/Day** | **Month y/y ▼ -4%**



P'MAX TCE 50k CBS-USAC | **MTD Average $2,900/Day** | **Month y/y ▼ -82%**



MR TCE 38k CBS-USAC | **MTD Average $13,100/Day** | **Month y/y ▼ -29%**

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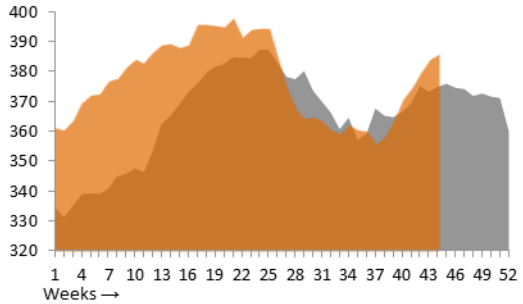
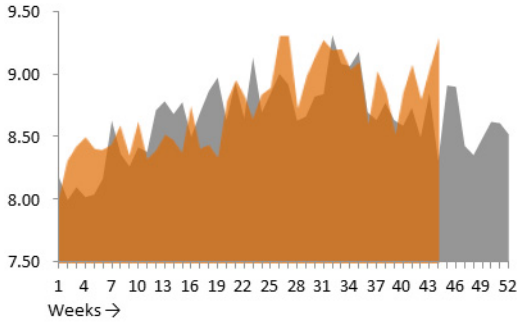
WEBER WEEKLY TANKER REPORT

Spot Market	WS	TCE $/day	WS	TCE $/day
VLCC (12 Kts L/11.5 Kts B)	**1-Nov**		**8-Nov**	
AG>USG 280k (TD1)	32.5	$11,283	35.0	$15,678
AG>USG/CBS>SPORE/AG	--	$38,611	--	$43,988
AG>SPORE 270k (TD2)	52.5	$38,338	60.0	$50,671
AG>JPN 265k (TD3)	52.5	$39,029	60.0	$51,781
WAFR>USG 260k (TD4)	50.0	$33,039	57.5	$43,113
WAFR>CHINA 260k (TD15)	52.5	$35,949	57.5	$43,899
SUEZMAX (12 Kts L/11.5 Kts B)				
WAFR>USAC 130k (TD5)	57.5	$12,845	57.5	$13,340
BSEA>MED 135k (TD6)	55.0	$3,188	57.5	$5,968
CBS>USG 130k	65.0	$9,910	66.25	$16,105
AFRAMAX (12.5 Kts L/B)				
N.SEA>UKC 80k (TD7)	85.0	$8,346	85.0	$14,793
AG>SPORE 70k (TD8)	85.0	$14,145	90.0	$14,939
BALT>UKC 100k (TD17)	60.0	$9,265	57.5	$5,517
CBS>USG 70k (TD9)	95.0	$14,528	107.5	$21,247
MED>MED 80k (TD19)	70.0	$5,590	70.0	$6,134
PANAMAX (12.5 Kts L/B)				
CBS>USG 50k	97.5	$8,371	92.5	$6,780
CONT>USG 55k (TD12)	90.0	$3,401	87.5	$2,011
ECU>USWC 50k	147.5	$16,460	147.5	$16,483
CPP (13.5 Kts L/B)				
CONT>USAC 37k (TC2)	70.0	$(1,829)	70.0	$(1,779)
USG>CONT 38k (TC14)	130.0	$14,923	145.0	$19,008
USG>CONT/CONT>USAC/USG	--	$16,820	--	$20,711
CBS>USAC 38k (TC3)	117.5	$10,574	132.5	$15,379
AG>JPN 35k	108.0	$6,355	107.0	$6,924
SPORE>JPN 30k (TC4)	115.0	$5,440	111.0	$5,990
AG>JPN 75k (TC1)	85.0	$14,803	72.0	$9,574
AG>JPN 55k (TC5)	95.0	$7,939	96.0	$8,329

Time Charter Market *$/day (theoretical)*	1 Year	3 Years
VLCC	$21,000	$21,500
Suezmax	$15,750	$17,750
Aframax	$13,250	$15,250
Panamax	$14,000	$15,500
MR	$14,500	$15,750



US Crude Stocks (EIA) | **Last Week 385.4 Mbbls** | **Week y/y ▲ +2.8%**



US Gasoline Demand (EIA) | **Last week 9.292 Mb/d** | **Week y/y ▲ +11.9%**

2013 2012

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WEBER WEEKLY
TANKER REPORT

THE TANKER MARKETS

VLCC

Middle East

There were 28 fresh fixtures reported in the Middle East market this week with all but two bound for points in Asia. This represents a 3% w/w decline in total regional activity but remains 8% above the YTD weekly average. Rates to the Far East gained 8.6 points, w/w, to an average of ws53.4. Corresponding TCE earnings gained ~$13,108/day, w/w, to an average of ~$41,075/day. The present assessment of ws57.5 yields ~$47,396/day. Rates to the USG via the Cape gained 5 points, w/w, to an assessed average of ws32 and closes the week at ws33. Triangulated Westbound trade earnings averaged ~$39,751/day, representing a w/w gain of ~$1,769/day. At present AG-USG and CBS-SPORE assessments, triangulated Westbound trades yield ~$41,380/day.

With the November program now likely concluded with a tally of 134 cargoes, all eyes are on the December program, for which 6 cargoes have been covered to date. Accordingly, an acceleration of chartering activity to cover first-decade cargoes is expected to be met with increasing bullishness by owners; this could see rates experience further modest upside at the start of the upcoming week. Also contributing to recent pressure is sustained demand for Middle East positions to service West Africa cargoes while few units are presently showing availability to meet the current West Africa laycan windows.

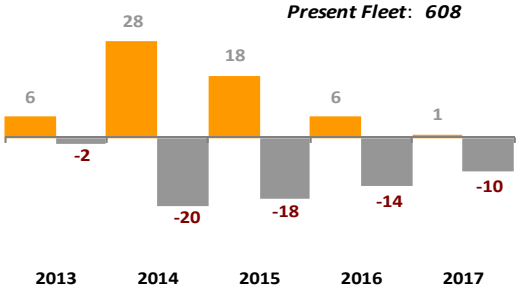
Atlantic Basin

With a fixture tally of 10, the Atlantic basin was modestly less active this week. However, fixtures from West Africa remained steady at a total of 6. Rates on the WAFR-FEAST route gained 6.8 points, w/w, to an average of ws53.8. Corresponding TCE earnings gained ~$10,047/day to an average of ~$38,194/day. The present assessment of ws55 yields ~$40,181. The Caribbean market remained tight, pushing rates on the CBS-SPORE route to a closing value of $4.95m LS.

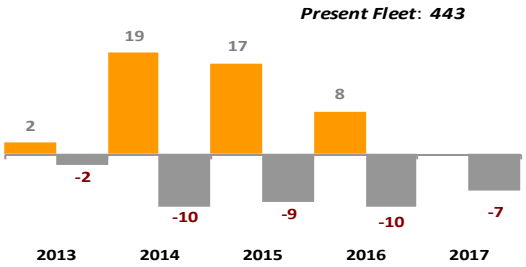
Suezmax

The West Africa Suezmax market was slightly less active this week with total fixtures easing 8.3%, w/w. Rates remained largely level, however, as earlier downside risk ultimately proved limited by rising rates for VLCCs and a small rise in demand and rates for Suezmaxes in the Black Sea market. The WAFR-USAC route concluded unchanged at ws57.5, accordingly. As BSEA-MED rates remain firm at the close of the week and seasonal factors should keep the West Africa market relatively active, rates on the WAFR-USAC route could see modest upside during the week ahead.

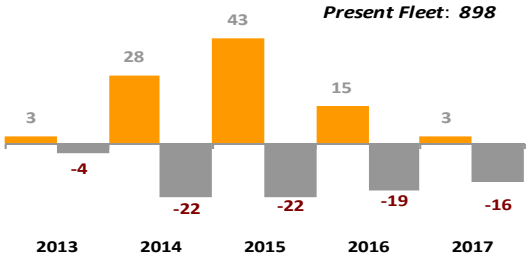
VLCC Projected Deliveries/Removals



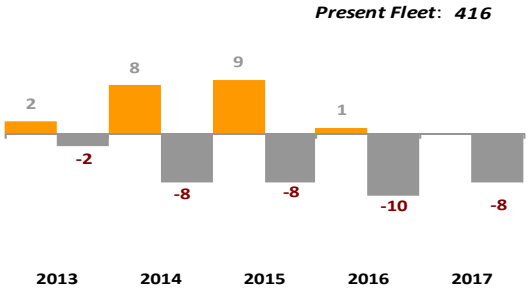
Suezmax Projected Deliveries/Removals



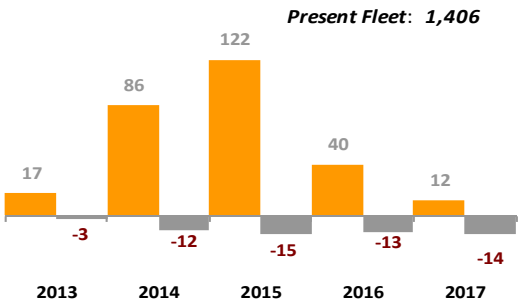
Aframax/LR2 Projected Deliveries/Removals



Panamax/LR1 Projected Deliveries/Removals



MR Projected Deliveries/Removals



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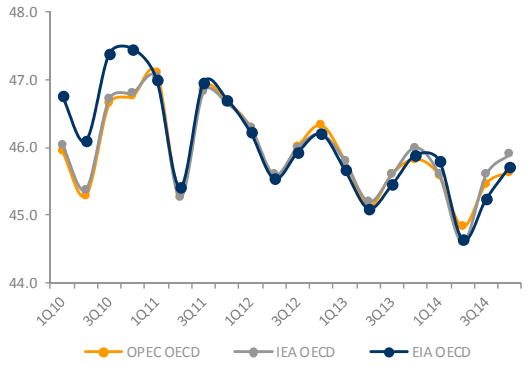
Aframax

Chartering in the Caribbean Aframax market remained generally robust this week with 18 fresh fixtures materializing. Though off by 5% from last week, activity remained 30% above the YTD weekly average – largely as a progression by USG-area refineries from seasonal maintenance boosted demand for heavy crude grades from Caribbean-area producers. This helped to extend last week's rate gains with the CBS-USG route gaining 12.5 points to conclude at ws107.5. With some upward pressure remaining at the close of the week, rates could rise to the ws110 level assuming demand remains level.

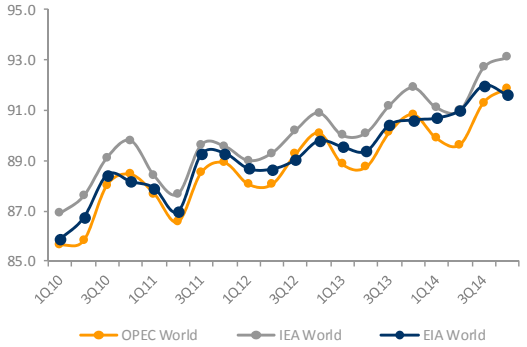
Panamax

The Caribbean Panamax market remained generally lackluster this week with rates quickly easing off of last week's close, dropping 5 points to ws92.5 – where the market remained through the remainder of the week. Availabilities continue to outweigh demand and failing a major improvement of demand, rate should remain around present levels through the week ahead.

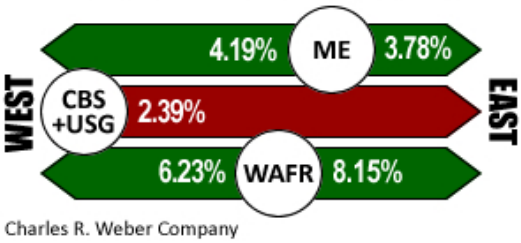
Projected OECD Oil Demand



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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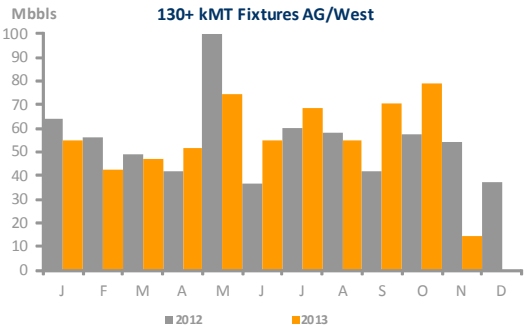
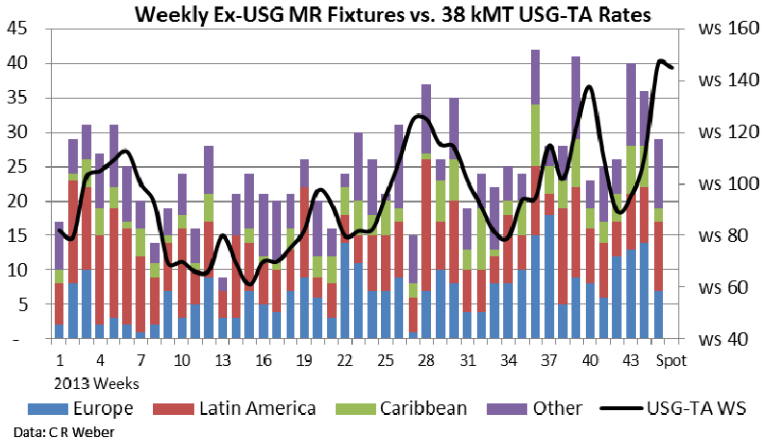
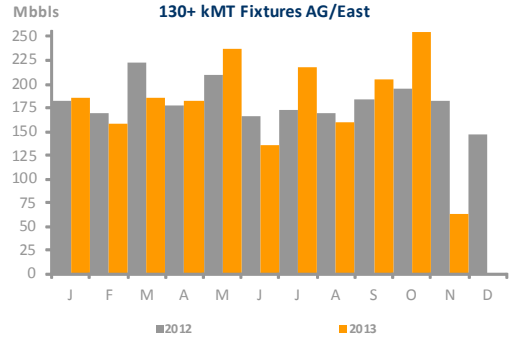
CPP

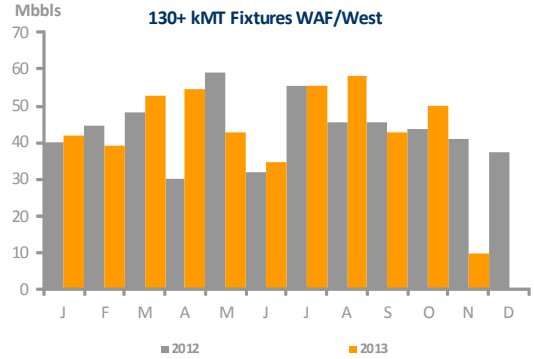
Total activity in the USG MR market declined 19%, w/w, to 29 fresh fixtures. However, following two consecutive weeks of strong activity and with the market remaining very active through to mid-week, rates posted strong gains through mid-week before concluding the week at volatile levels. The USG-UKC route concluded last week at ws130 and had reached as high as ws155 by Wednesday before concluding the week around the ws145 level. However, rates are presently highly date-sensitive and while further upside could be expected for rates off of normal dates, rising interest by units freeing in Europe in ballasting to service ex-USG cargoes could limit fresh gains (or prompt further rate erosion failing a rebound of activity from end-week levels).

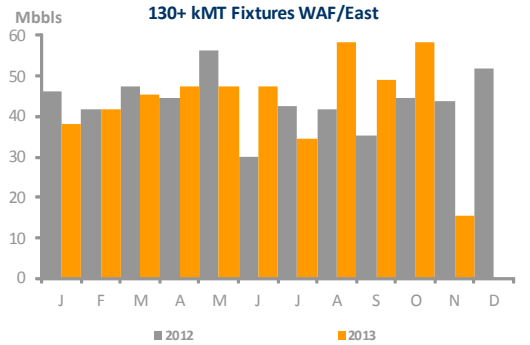






The European MR market saw rates struggle to gain ground this week, despite a small rise in the number of fixtures concluded on voyages to the US. The CONT-USAC route closed unchanged from the ws70 recorded at last week's closing, despite earlier hopes that a small premium could be added. Overall, the number of units discharging cargoes from the USG outweighs demand for CONT-USAC voyages, leaving an overhang of tonnage that continues to weigh heavily on rates (as illustrated by rising interest by owners to ballast units coming free in Europe to the USG). Little change of direction is expected during the week ahead, though further demand gains materializing from rising refining runs in Europe following turnarounds could see rates rise into the low ws70s.





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REPORTED TANKER SALES

"Ardenne Venture" 298,564/04 – Hyundai – DH
-Sold for $41.5m to South Korean buyers (Sinokor).

"Tenerife Spirit" 160,383/00 – Daewoo – DH
-Sold for $41.5m to undisclosed Greek buyers.

"Diamond Eternity" 107,497/11 – Tsuneishi Zosen – DH
-Sold for $31.0m to undisclosed buyers.

"Champion Peace" 106,042/99 – Namura – DH
-Sold for $11.0m to South Korean buyers (Sinokor).

"Paul Schulte" 12,972/06 – Samho – DH
"Peter Schulte" 12,940/06 – Samho – DH
"Franz Schulte" 12,900/06 – Samho – DH
"Ruth Schulte" 12,873/07 – Samho – DH
-Sold en bloc for $47.5m to South Korean buyers (Dong-A Tanker).

"Rapallo" 8,476/10 – Gisan – DH – Asphalt/Bitumen
-Sold at auction for $13.7m to Italian buyers (Mediterranea Di Navigazione).

REPORTED TANKER DEMOLITION SALES

Unknown

"Front Champion" 311,286/98 – 41,706 LDT – DH
-Sold on private terms.

"Golden Victory" 300,155/99 – 38,953 LDT – DH
-Sold on private terms.

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