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THE TANKER MARKETS

VLCC
The VLCC markets were gripped with a large degree of uncertainty this week as a more active pace of activity in the Middle East market and sustained demand strength in the West Africa market offset negative pressure stemming from what looks poised to be a much shorter cargo program in the Middle East market. On this basis, rates across most markets were largely unchanged.

To date, 110 Middle East cargoes have materialized within the March program, leaving an estimated 5 remaining. Against this, position lists show 22 units available through end-month dates. Tempering the implied regional surplus, with charterers now firmly oriented to April dates in the West Africa market, demand there should remain strong given Saudi Arabia’s April OSPs for Asian buyers and refinery turnarounds in Europe, both of which should push more West African crude to Asia on VLCCs. Factoring for a further drawing of ~7 units from March Middle East positions to the West Africa market, the implied surplus of Middle East units at the close of the March program is ~10 units. This number compares with an average of 7 excess units between December and February. Though a usual uncertain number of “hidden” positions likely exist, the extent is unlikely to represent a departure from recent norms sufficient to have a strong impact on rate progression. Whereas on the basis of fundamentals, rates appear poised to command fresh gains accordingly, during the upcoming week charterers are expected to pause before progressing into the April program and the corresponding lull is likely to have a greater influence on sentimentality. Thus, rates could observe modest downside in the very near-term though a rebound to around present levels is likely to accompany progression into April dates.

Middle East
Rates to the Far East averaged ws50.7 this week, representing a weekly loss of 1.8 points. Corresponding TCEs fell by 1.7% to an average of ~$47,100/day. Rates to the USG via the Cape were unchanged at an assessed average of ws28. Softer rates in the Caribbean market saw triangulated westbound trade earnings decline 4% to an average of ~$63,413/day.

Atlantic Basin
In the West Africa market, rates on the WAFR-FEAST route fell by 1.3 points to an average of ws52 with corresponding TCEs easing 1.6% to an average of ~$46,294/day. Rates in the Caribbean market continued to soften modestly on an expected expansion of available units currently fixed on AG-USG voyages. The CBS-SPORE route lost $100k to conclude at the $6.60m level. Further rate losses are expected to materialize with the extent subject to the onward trading orientation of units freeing on the USG. A six-month WTI contango spread of ~$8.16/bbl has raised interest in USG-area floating storage enabled by licenses for exports to Canada. Such trades, however, are complicated by both export licensing procedures and freight costs. Net gains associated with such plays range from -$0.55/bbl to $3.16/bbl, depending on the assumed daily TC rate with the higher end representing hire rates for the period at a previously locked-in rate of $42,500/day and the low end assuming the present assessed rate of $80,000/day to secure a unit with April delivery in the USG area.

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Suezmax
Demand in the West Africa Suezmax market declined this week as charterers covered the remainder of the March program and progressed into the April program. The regional fixture tally declined 33% w/w to a total of 14. Rates were softer on this basis, but pared some of their losses late in the week due to a tight position list for early April dates. The WAFR-USAC route lost 5 points overall to conclude at ws100 while the WAFR-UKC route lost 5 points to ws102.5. Though availability remains tight at the close of the week on date-sensitivity, any resulting positive pressure on rates early during the upcoming week will likely prove short lived. As charterers move further into the April program, availability appears poised to expand disproportionally to demand as refinery turnarounds in Europe and stronger purchases by Asian buyers has supported recent regional VLCC demand but will now trim Suezmax demand.

Aframax
Demand in the Caribbean Aframax market was slow this week with just seven fixtures materializing, marking a w/w decline of 36%. Against rising levels of availability, the demand slowdown was sufficient to offset both weather-related delays along the Gulf of Mexico coast and closures of the Houston Ship Channel. Rates continue their decent from the YTD high observed early last week with the CBS-USG route losing 20 points to conclude at ws165. TCEs on the route remain the highest among worldwide benchmarks at ~$54,244/day, which compares with a worldwide average of ~$39,092/day. As delay issues get worked through the prevailing oversupply situation is likely to become more apparent and exacerbated by seasonal factors and thus continue to erode rates through end-March.

Panamax
The Caribbean Panamax market was markedly slower this week which, combined with falling rates on larger regional Aframaxes, moved fundamentals towards charterers’ favor. The CBS-USG route lost 35 points during the week to a closing assessment of ws150. Further losses are expected to materialize during the upcoming week.

\[\text{VLCC Projected Deliveries/Removals} \quad \text{Present Fleet: 622}\]

\[\begin{array}{cccc}
2015 & 2016 & 2017 & 2018 \\
17 & -8 & 48 & 26 \\
\end{array}\]

\[\text{Suezmax Projected Deliveries/Removals} \quad \text{Present Fleet: 432}\]

\[\begin{array}{cccc}
2015 & 2016 & 2017 & 2018 \\
6 & -11 & 29 & 29 \\
\end{array}\]

\[\text{Aframax/LR2 Projected Deliveries/Removals} \quad \text{Present Fleet: 884}\]

\[\begin{array}{cccc}
2015 & 2016 & 2017 & 2018 \\
26 & -27 & 51 & 27 \\
\end{array}\]

\[\text{Panamax/LR1 Projected Deliveries/Removals} \quad \text{Present Fleet: 413}\]

\[\begin{array}{cccc}
2015 & 2016 & 2017 & 2018 \\
6 & -2 & 21 & 10 \\
\end{array}\]

\[\text{MR Projected Deliveries/Removals} \quad \text{Present Fleet: 1,273}\]

\[\begin{array}{cccc}
2015 & 2016 & 2017 & 2018 \\
78 & 96 & 20 & 10 \\
\end{array}\]

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A total of 30 fixtures were observed in the USG MR market this week (a weekly decline of 2). Voyages to Europe remained limited with just 2 such fixtures reported, unchanged from last week. Voyages to points in Latin America and the Caribbean tallied 20 with the remainder yet to be determined or bound for alternative areas. Rates softened through much of the week on slower activity and the presence of USAC units on USG position lists. By mid-week, however, Atlantic basin fundamentals changed markedly as demand in the UKC market rallied to a nine-month high and prompted strong UKC rate gains which drew USAC positions firmly back to Europe. The disappearance of these units from USG positions came just ahead of a rebounding of USG demand which allowed rates to command fresh gains by the close of the week. The USG-UKC route added 10 points to conclude at ws125 while the USG-POZOS route ended unchanged at $775k. Further rate gains – and an extending of gains to intraregional routes – could be complicated by a 7% rise in two-week forward USG availability to 34 units, which came despite the removal of USAC positions. Moreover, PADD 3 refinery utilization rates dropped further last week to 87.2% from 87.8% a week earlier, which may limit export demand in the near-term. Downside, however, should be limited by the continued removal of USAC positions from USG lists in line with the tight prevailing UKC market.
REPORTED TANKER SALES

“Selma B” 319,869/10 – Hyundai Ulsan – DH
“Camilla T” 319,869/11 – Hyundai Ulsan – DH
-Sold en bloc for $80.0m each to undisclosed Greek buyers; units were converted from OBOs during 2014.

“Universal Prime” 299,985/97 – Hyundai Ulsan – DH
-Sold for $31.2m to undisclosed Chinese buyers.

“Giacinta” 50,308/10 – Hyundai Ulsan – DH
-Sold for $22.0m to undisclosed buyers.

Hyundai Mipo 2455 50,000/15 – Hyundai Mipo – DH
Hyundai Mipo 2456 50,000/15 – Hyundai Mipo – DH
-Sold en bloc for $36.5m each to Croatian buyers (Tankerska Plovidba).

REPORTED TANKER DEMOLITION SALES

There were no reported tanker demolition sales for week 11.

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