

WEBER WEEKLY TANKER REPORT



WEEK 21 – May 28, 2010

ISSUE 21 - 2010

Caribbean Aframaxes benefitting from Deepwater Horizon or simply seeing extra duty?

Following the explosion on the Deepwater Horizon and the subsequent devastating flow of oil into the waters of the Gulf of Mexico, many industry pundits have been pointing to a positive impact on the Caribbean Aframax market amid sporadic reports of vessel delays in the Gulf.

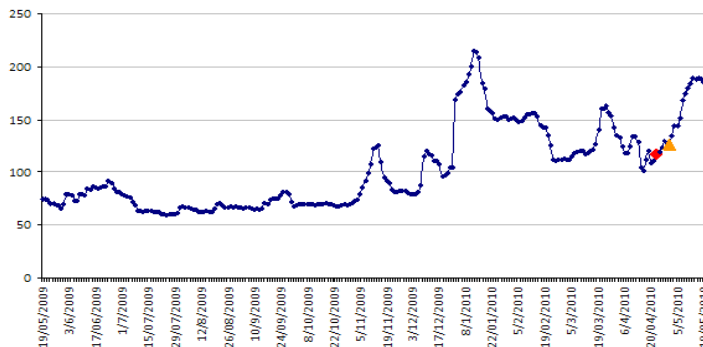
The seemingly immediate and sharp rise of rates on the TD9 route which covers Aframax-sized parcels shipped from Puerto La Cruz, Venezuela, to Corpus Christi, Texas, (as well as a number of variations, thereof) would tend to solidify the belief among some analysts that the oil spill has been the cause of the firming market. Our view, however, is that the spill has only been a topical factor as the fundamentals of the Aframax markets – which saw increased duty both in the Caribbean and worldwide – has been the factor prompting the rise in rates, and would likely have done so, not withstanding the oil spill.

Historically, Aframax rates in the Caribbean tend to trade with a certain degree of volatility due, largely, to the nature of the trade region which is geographically isolated from the other primary Aframax markets (including those in the North Sea and Mediterranean as well as for Middle East-Far East trades). Volatile rates are a feature which is particularly prevalent in instances of cargo date-sensitivity and because tonnage supply can quickly contract and expand.

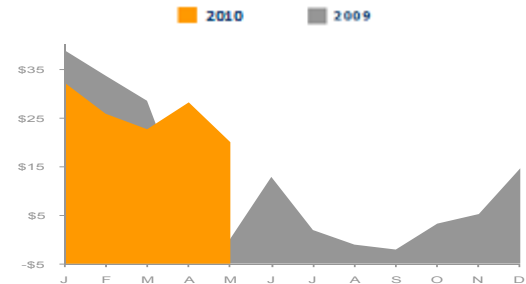
On April 21 – a day after the Deepwater Horizon exploded – we assessed the TD9 route at ws110 (\$9,822/day) with an upward bias, even before the rig sank and the failure of the blowout preventer became known. The following day, our assessed rates were revised to ws120 (\$12,965/day) – still before any available information suggested a catastrophic spill was in the making. Compared to an average TCE return of \$13,450/day for the whole of April and a 1Q10 average of \$23,500, the immediate rise was relatively insignificant as it was still well off those preceding averages.

The chart below uses the Baltic Exchange Rate assessment for TD9 to illustrate that volatility returned to the market during 4Q09 following a largely lackluster 2Q09 and 3Q09, and became an even more prevalent market feature over the course of 2010.

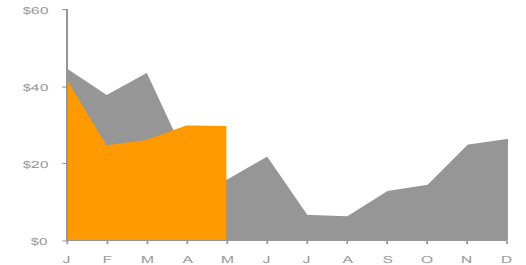
TD9 – 1-Year Daily Baltic Exchange TD9 WS Rate Assessments



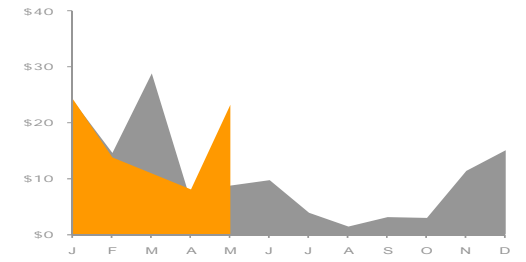
- Red:** 22 April - rates rose marginally basis normal market factors.
- Orange:** 29 April - rates began rising both due to uncertainty over the oil slick's effects on shipping & greater Aframax spot market activity.



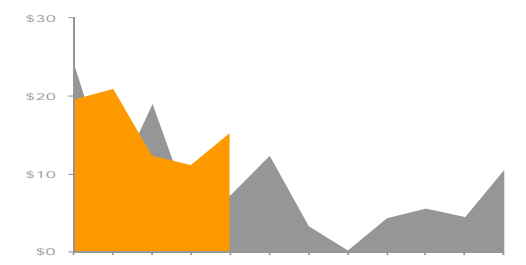
VLCC TD1 TCE '000/day MTD Average \$20,000 '09-'10 MoM ▲ +221,344%



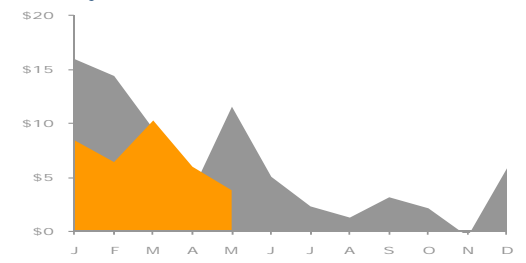
S'MAX TD5 TCE '000/day MTD Average \$30,000 '09-'10 MoM ▲ +88%



A'MAX TD9 TCE '000/day MTD Average \$23,250 '09-'10 MoM ▲ +166%



P'MAX TD10 TCE '000/day MTD Average \$15,250 '09-'10 MoM ▲ +108%



MR TC3 TCE '000/day MTD Average \$3,750 '09-'10 MoM ▼ -67%

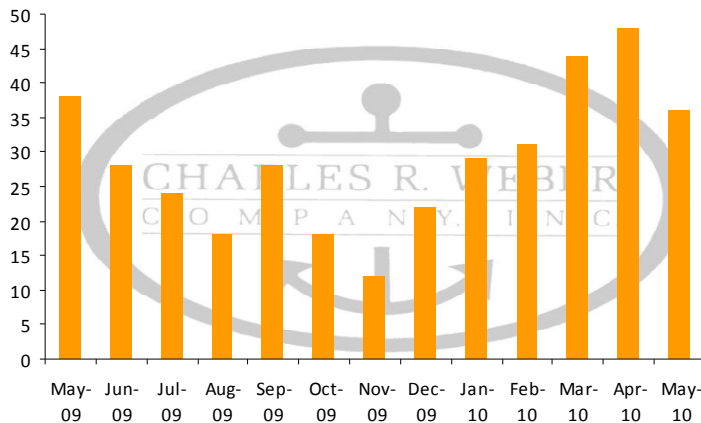
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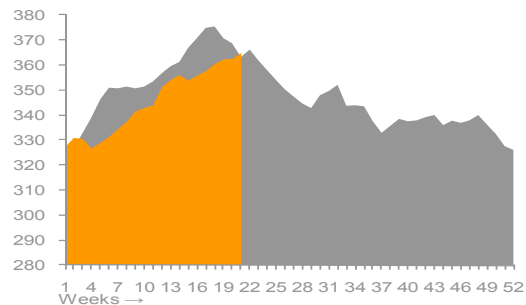
It cannot be discounted that owners undoubtedly desired a certain degree of risk-premium be built into the market once details of the extent of the spill became known, with owners becoming concerned over trading their vessels in the Gulf with the prospect of hull-cleaning and even the possible closure of vessel traffic at the mouth of the Mississippi river, which could potentially have seen their vessels trapped. Despite most of these fears, there have not been reports of significant delays which would have constricted vessel supply on the spot market.

Thus, the most probable reality is that the lion's share of the support seen in the market in the weeks following the spill came from simple economics; the number of Aframax fixtures in the Caribbean as well as those in the European and Far East markets rose during 1Q10 and became particularly active from mid-April – whilst rates simultaneously have not caught up to their January peaks. It cannot be discounted, therefore, that this would imply a mitigation of the affect the oil spill actually had on rates.

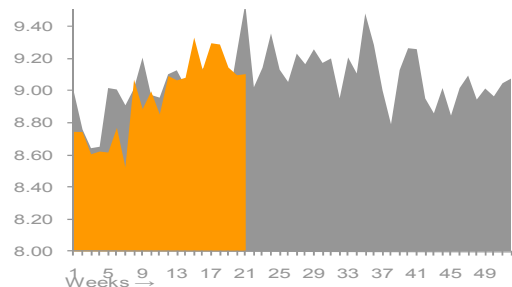
Total Reported Monthly CBS-USAC/G Fixtures



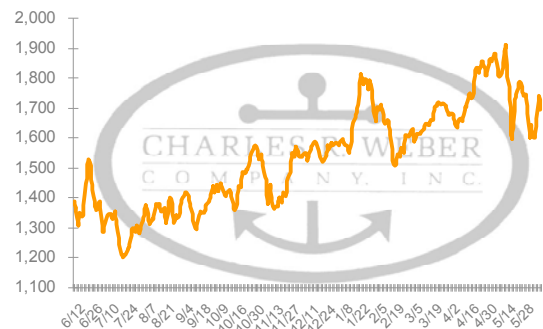
Data: C. R. Weber



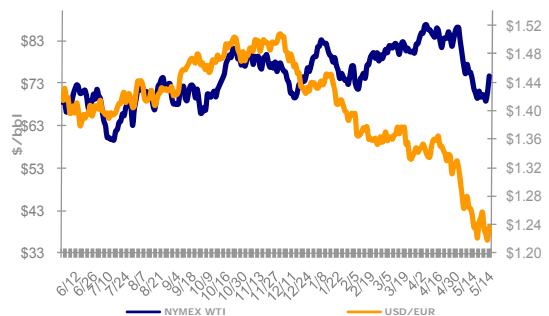
US Crude Stocks (EIA) 365.1 Mbbls '08-'09 WoW ▲ +0.5%



US Gasoline Demand (EIA) 9.099 Mbpd '09-'10 WoW ▼ -4.6%



Weber Tanker Index* 1,696.26 Weekly Change ▲ +3.2%



NYMEX WTI \$73.55/bbl Weekly Change ▲ +4.8%
EUR/USD €1=\$1.2296 Weekly Change ▼ -2.2%

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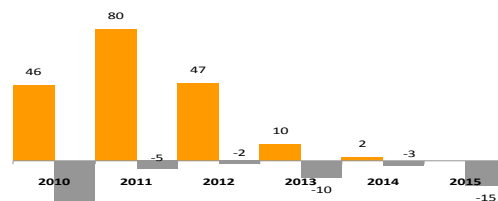
Trade		Cargo	WS Rate
<i>Where available, click on the trade route for TCE calculations.</i>			
VLCC			
TD1	AG>USG	280,000 MT	47.5
TD2	AG>SPORE	260,000 MT	70
TD3	AG>JPN	260,000 MT	70
TD4	WAFR>USG	260,000 MT	90
SUEZMAX			
TD5	WAFR>USAC	130,000 MT	110
TD6	B.SEA>MED	135,000 MT	120
AFRAMAX			
TD7	N.SEA>UKC	80,000 MT	135
TD9	CBS>USG	70,000 MT	150
TD11	NAFR>MED	80,000 MT	160
PANAMAX			
TD10	CBS>USAC-G	50,000 MT	125
TD12	CONT>TA	50,000 MT	142.5
CPP			
TC3 MR	CBS>USAC	38,000 MT	117.5
TC2 MR	CONT>TA	37,000 MT	145
TC1 LR2	AG>JPN	75,000 MT	135
TC5 LR1	AG>JPN	55,000 MT	142.5
TC4 MR	SPOR>JPN	30,000 MT	160

Time Charter Rates	1 Year	3 Years	5 Years
VLCC	\$40,000	\$38,500	\$37,500
Suezmax	\$27,000	\$27,500	\$29,000
Aframax	\$18,500	\$19,000	\$21,000
Panamax	\$16,000	\$17,000	\$19,000
MR	\$12,500	\$13,750	\$14,750

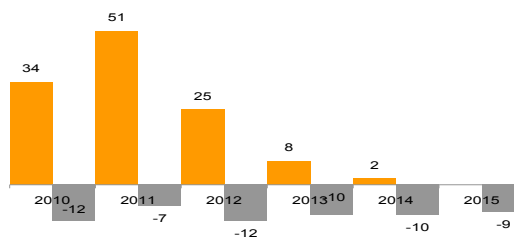
THE TANKER MARKETS

VLCC

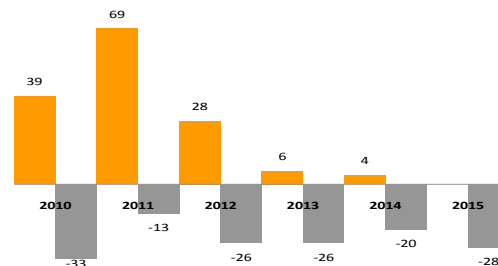
The market started the week in a standoff with Owners pointing to the anticipated June inquiry to come, coupled with the ballast options in the Atlantic Basin as reason for rates to rise. Neither of these scenarios ever really developed; four ships did ballast from the east to the Atlantic Basin, but the majority of opportunities were covered by local tonnage. In regards to the inquiry, charterers remained patient, sitting back on their June programs and letting the inactivity work to their advantage. The lack of fresh cargoes, left Owners with limited choices for employment and with falling bunker prices it proved easier for Owner's to lock in at slightly softer rates. When the activity finally did come at week's end (40% of AG fixtures concluded on the day of writing), the sentiment once again turned as upward pressure became evident. Although rates have



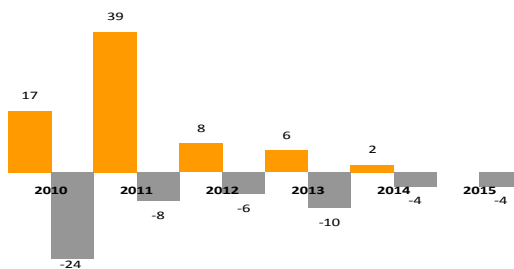
VLCC Projected Deliveries/Removals



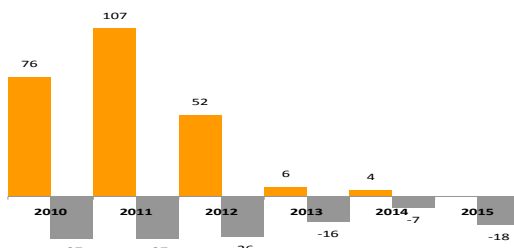
Suezmax Projected Orderbook/Removals



Aframax Projected Orderbook/Removals



Panamax Projected Orderbook/Removals



MR Projected Orderbook/Removals

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yet to reflect that change in sentiment, Owners confidence is on the rise and those cargoes that remain outstanding are facing higher than last done.

There were a total of 38 fixtures reported this week, 24 emanating from the Middle East and 14 from the Atlantic Basin. The former was led by eastbound business where China discharge again led the way, accounting for 7 of the 18 fixtures in this direction. Eastbound rates showed little variance throughout the week trading in a narrow band of 6.5 points, beginning the week at the high of ws72.5; a few days of quiet and rates dropped just below the ws70 level, a low of ws66 paid for a voyage to Korea on a vessel with limited approvals. The five westbound fixtures included two shorter voyages to the Red Sea and one longer voyage to the USWC. Last week saw westbound rates traded in the low ws50's; the one fixture concluded this week was a voyage to Spain at ws48.75.

Looking ahead to next week we expect the increased activity to continue as Charterers finish up on their first half June stems and get started on the second half of the month. With 42 fixtures reported we have not reached the halfway point and are looking at a tonnage list that shows 14 vessels including only 8 double hulls load ready through the first half of the month indicating a shift in the balance away from the Charterers favor but not yet totally over to the Owners. As we look further ahead to the end on June, the list is more in balance which will likely lead to the Charterers reaching further out to secure suitable tonnage. As they do, the forward fixing window will advance bringing more cargoes into play, which in turn will put further upward pressure on the market. We expect next week to start slowly, with a long weekend holiday in the States and London, with eastbound rates initially holding in the low ws70's, but as the week progresses and inquiry increases rates will move towards the ws80 level. Westbound rates will re-establish in the low ws50's and hold there.

The Atlantic Basin was busy with 14 fixtures reported, all but three bound for the east; the softening Suezmax sector during the week bringing trans-Atlantic business largely out of play. One positive sign for Owners was the re-emergence of Venezuelan cargoes which had seemingly gone quiet with COA tonnage fixing out and the last reported fixture over three weeks ago. With Venezuela coming back on line and the continued steady flow of eastbound inquiry we expect rates to hold steady at current levels as we move forward.

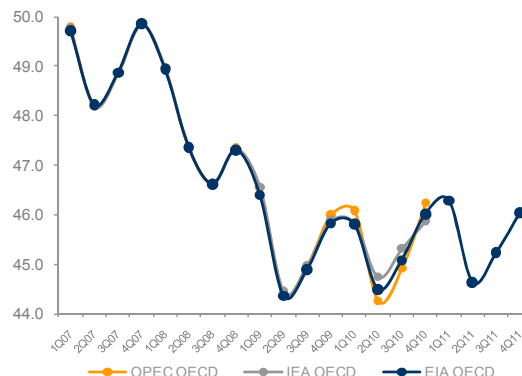
Suezmax

The Atlantic Suezmax market continued to ease following the most recent rally and on the back of an easing Black Sea-Mediterranean market. From the start of the week, rates eased by some 20 points to close at the ws110 level at week's end. With fresh inquiry appearing in the market ahead of the market's close, we expect the downward trend will be replaced by steadier rates in the week ahead.

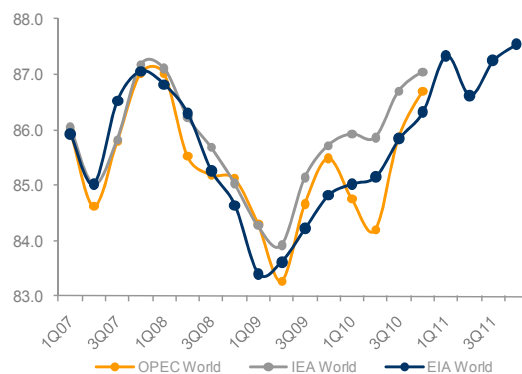
Aframax

The Caribbean Aframax market, owners hoping for a pre-holiday rush failed to materialize whilst rates eased further this week on the back of both mounting available tonnage and a sustained reduction of inquiry in the region. Moreover, with the Mediterranean market having corrected, the inability of owners to maintain last done persisted throughout much of the week with incremental decreases leading through toward the latter half of the week before stabilizing at the ws150 level, a reduction of 32.5 points from the start of the week.

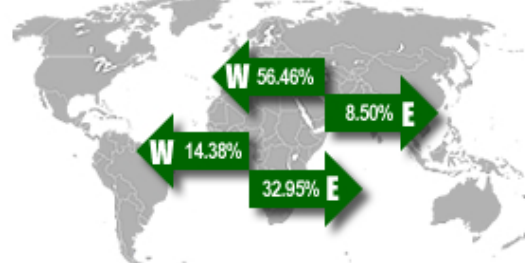
Projected OECD Oil Demand



Projected World Oil Demand



Percentage change, 120+ kMT fixtures, 2009-10, YTD



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Panamax

There was light inquiry this week in the European market. With rates having commenced the week at the ws160 level ex-Med, the inactivity saw owners willing to fix at ws140 levels from the UKC ahead of the holiday weekend. Due to a softer Caribbean market, we expect to see ballasters from the Atlantic basin to arrive which will affectively prevent any upward pressure.

Despite steady inquiry in the Caribbean market, rates declined from the ws145 level to ws127.5 by week's end with owners keen to fix their vessels and keep them busy as the holiday weekend was approaching. Many owners who find themselves spot in the Caribbean by Friday afternoon had placed their bets on a better European market and are under ballast toward Gibraltar. The Ecuador market was active this week as well, but due to the softening of the Caribbean market, rates eased down to ws200. The softer trend in both regions is likely to continue into the week ahead.

Products

The clean market continues in its inability to get out of its own way. Tonnage lists remain long and it seems that even for dates where tonnage appears thin it takes but a little bit of digging to find available tonnage that Owners have not been advertising. Rates have continued to soften through the week, and we see no evidence to suggest that rates will firm any time soon. The best news of the week was the big drop in bunker prices mid-week, although prices had generally recovered by weeks end.

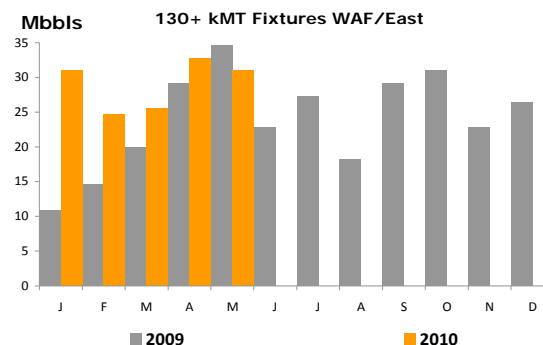
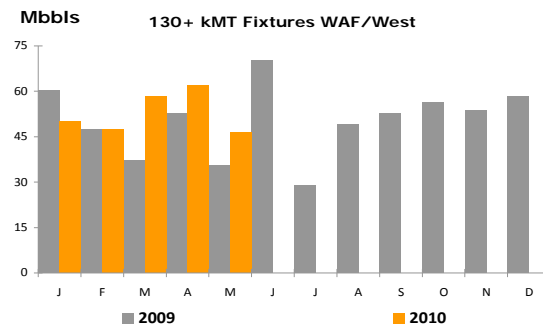
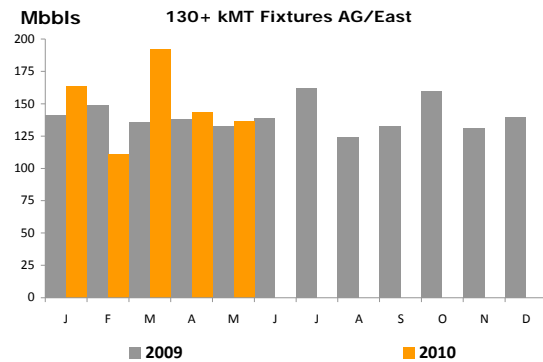
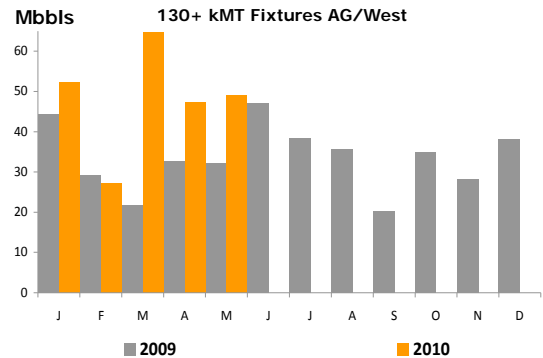
The Caribs/Upcoast market lost just a little bit of ground this week, hitting 38x115, with USG/Caribbean cargoes earning similar rates. In terms of volume, however, it does seem that USG/Caribbean is the more active route, with Owners now in the habit of ballasting their ships from the Caribbean up to the US Gulf. There was also some enquiry for USG-Caribbean through to WCCA and WCSA.

On the Continent, tonnage continues to outstrip demand, and we have seen rates for USAC and west Africa now touching as low as 37x135. Obviously, the question of when gasoline demand will increase in the States is weighing heavily on Owners minds at the moment. However, with this weekend's official start of the summer season here in the States, the timing for a big shift in demand in anticipation of the summer driving season is likely already behind us.

Sale & Purchase

It was all about the Capesize market this week. Despite showing some signs of weakness towards the end of the week, Monday's and Tuesday's near 1,000-point gain kept the BCI well in positive territory adding 900 points week-on-week and ending the week over the 5,200-point mark (a rise of nearly 21%). The rest of the indices ended in the red with the panamax BPI being the hardest hit loosing over 3,000 points, or 7%, for the week.

The capesize market is a key indicator to the market's overall direction and is therefore natural for this segment to have the highest attention. The supply of capes in 2009 added 100 ships to the market representing 66% of what should have been delivered. In the same period the capesize averaged US\$ 43,000 per day. So far this year nearly 45 capes were delivered in the 1st quarter suggesting that at this rate there will be around 180 capes delivered within 2010. Yet, at this point the capers are averaging shade over US\$ 48,000 per day.



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Despite this week's volatility in the capesize markets we believe that this segment will once again outperform the other indices, at least in the short-term. The demand for thermal coal in China is expected to remain strong as the country is entering the peak summer demand season and the economy continues to expand at a rapid pace. At the same time the rapidly approaching Indian monsoon season will almost certainly result in China needing to import more iron ore from Australia and Brazil thus increasing the average ton-miles, which will provide additional support to the Capesize freight rates.

The monsoon season decreases India's iron ore exports (typically carried on supramax and panamax bulkers) and this may suggest that these segments may lose out in the 3rd quarter; however, we expect that this drop in demand will be offset by an increase in Chinese grain imports.

Overall, although the dry bulk cargo demand seems to be taking a break, we are seeing good overall thermal coal and grain demand as well as solid iron ore demand.

So, although we have witnessed another week with few deals reported we expect that prices will remain firm even though we have an ever increasing supply of ships for sale in the market. Every deal that is being concluded is done at higher price levels and some at prices that one month ago would have been difficult to digest. The perfect example being the sale of the handymax "GRIFFON" (46,635 dwt / blt 1995 Japan) which has been sold for almost US\$ 22 million. This can be compared with the sale of the one year older "Pindos" (48,000 dwt / blt 1994 Den) which was committed earlier on in May at \$17 million !!!

The news-breaker of the week is once again Navios, this time having disclosed, together with their 1st quarter financial results, that they purchased a resale 180,000 dwt Capesize for delivery in January 2011 in Korea for a price of \$54 million. At the same time the vessel has been chartered out for ten years at \$24,674 net per day.

-Sale & Purchase commentary courtesy of WeberSeas (Hellas), S.A.

TANKER SALES

"BLUE" 156,644/10 - RONGSHENG - B&W 25,370 - COILED - IGS - SBT - COW - DH

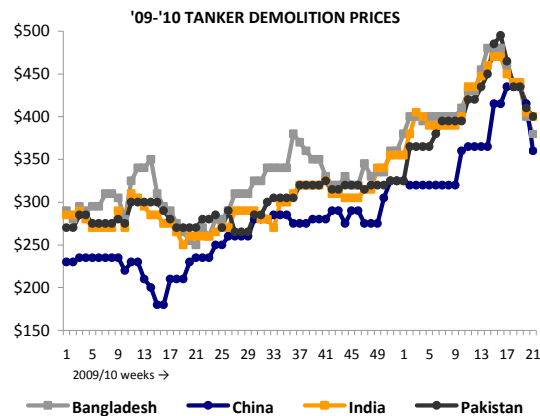
-Sold for \$70 mill. to Greek interests (Apollo) including TCB for 5-years to Geden.

TANKER DEMOLITIONS

BANGLADESH:

"FOSSANGER" 40,264/80 – 8,844 LDT

-Sold on private terms (old sale).



*The Weber Tanker Index commenced on March 1, 2009 at the 1,000-points mark. It is a market-capitalization weighted average of US-listed tanker stocks and is updated daily, basis market closing prices. It is intended to be used for reference purposes only.

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