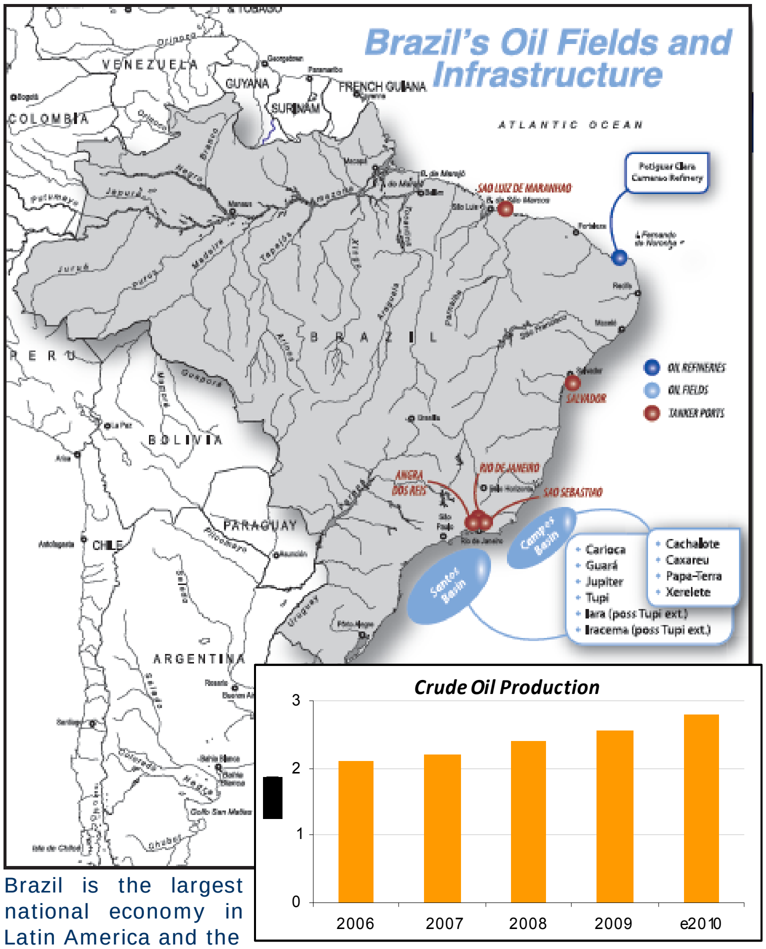
WEBER WEEKLY TANKER REPORT

WEEK 15 – April 16, 2010 **ISSUE 15 - 2010**

The Growing Importance of Brazil as Exporter

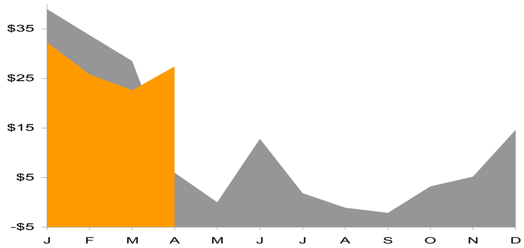


Brazil is the largest national economy in Latin America and the world tenth largest economy. Though it did not avoid the world economic downturn, it was amongst those countries which quickly found their way out, implementing a large stimulus package. A return to growth in 2Q09 meant that Brazil's recession was comparatively short, amounting to just two quarters of negative growth.

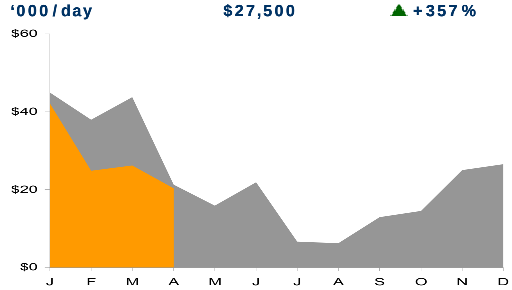
For the past 30 years, oil production has been constantly rising in Brazil, and where it once imported 85% of its oil it is now a net exporter, with **2010 output estimated to be 2.7 Mb/d.** The discovery from late 2007 of a new generation of offshore oil fields will have huge implications. The **Tupi field in the Santos basin is predicted to contain 5Bn-8Bn barrels of recoverable oil**, which would make it Brazil's largest field. On its own, Tupi has the potential to increase the country's oil reserves by more than 50%. Two other large fields, Jupiter and Carioca, have been discovered, and global oil companies are keen to exploit them.

Brazil's President Luiz Inácio Lula da Silva called the find "a gift from God." He also announced he was trying to boost state control over the oil deposits that could turn Brazil into a major energy exporter. **If Brazil's hopes are realized, combined oil and gas output will rise to 5.7mb/d by 2020.** The expansion process will require public/private cooperation and will see Petrobras allied with a range of foreign partners.

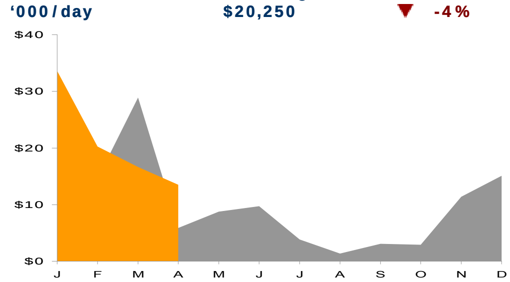
2010 2009



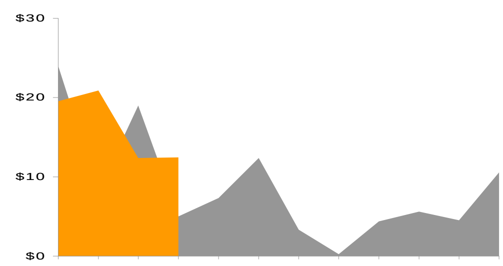
VLCC TD1 TCE '000/day	MTD Average $27,500	'09-'10 MoM ▲ +357%



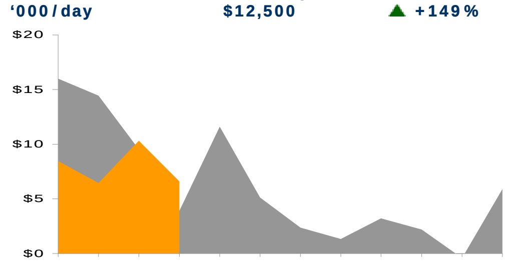
S'MAX TD5 TCE '000/day	MTD Average $20,250	'09-'10 MoM ▼ -4%



A'MAX TD9 TCE '000/day	MTD Average $13,500	'09 -'10 MoM ▲ +129%



P'MAX TD10 TCE '000/day	MTD Average $12,500	'09-'10 MoM ▲ +149%



MR TC3 TCE '000/day	MTD Average $6,500	'09-'10 MoM ▲ +69%

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.

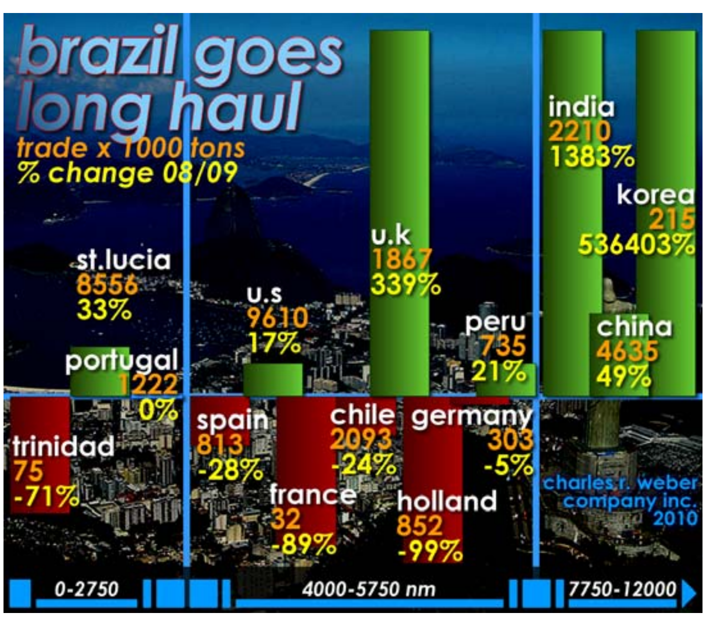
But Tupi is a pre-salt discovery – held in rocks beneath a salt layer, which in places reaches thickness of over 2km. This opens up a new horizon for exploration in Brazil. In order to reach the oil, which lie at depths of around 4-5k below the ocean floor, new technologies have to be developed, and will be expensive at an estimated cost of $50-100Bn. The goal is to start producing from Tupi in 2010, with a pilot project of 100,000 b/d.

Refineries are also being invested in. The Potiguar Clara Camarao Refinery is in the process of being upgraded to boost capacity. It is one of five remaining units that aim to increase overall refining capacity by 1.2 Mb/d by 2015.

Traditionally, exports have been mainly short haul to the US and Atlantic Basin. This type of trade is still important, with the US being the largest export destination in 2009. However, following Obama's 2009 edict "to end the tyranny of oil," it seems as though the US will become a less important outlet for Brazil in the future. Obama is determined to both reduce US demand for crude oil by switching to greener energies and boost its domestic production. The downward trend in the US call on Brazil exports is intensified by an apparent US preference for Canadian oil. St. Lucia is another important short haul destination for Brazil with crude refined for distribution within the Atlantic Basin. However, direct trade with OECD countries in this region is on the decrease with the exception of the UK.

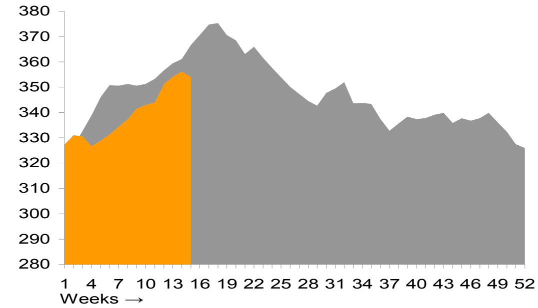
The fall in exports to OECD countries has been exacerbated by falling energy demand as a direct consequence of the current recession. However, Brazil has been able to change the distribution of its exports by taking advantage of continuing demand growth amongst emerging nations. In particular, **long haul exports to China and India have increased dramatically** in the last couple of years. In 2009, exports to China increased 50% yoy and 100% from 2007. Exports to India have seen a phenomenal rise of 2Bn barrels from 2008.

The rise in long haul trades and the economies of scale involved will mean more opportunities for the tanker industry with **more vessels and larger vessels required to service the expanding routes**.

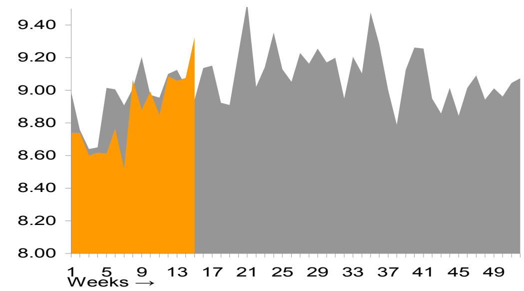


Distance in nautical miles from Brazil →

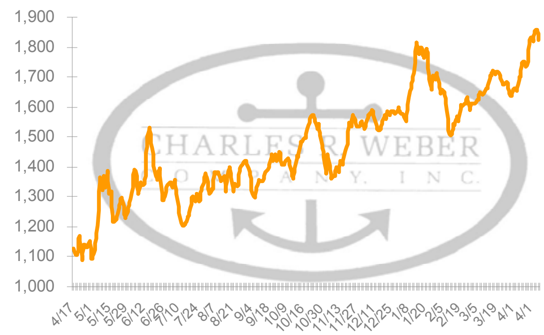
Graphic: John Kulukundis



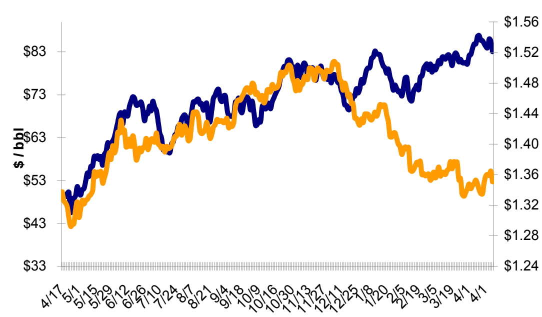
US Crude Stocks (EIA)	354.0 Mbbls	'08-'09 WoW ▼ -3.5%



US Gasoline Demand (EIA)	9.325 Mb/d	'09-'10 WoW ▲ +4.3%



Weber Tanker Index*	1,822.28	Weekly Change ▼ -0.2%



		Weekly Change
NYMEX WTI	$83.06 / bbl	▼ -2.2%
EUR / USD	€1=$1.3507	▲ +0.1%

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.

Trade		Cargo	WS Rate
Where available, click on the trade route for TCE calculations.			
VLCC			
TD1	AG>USG	280,000 MT	70
TD2	AG>SPORE	260,000 MT	95
TD3	AG>JPN	260,000 MT	95
TD4	WAFR>USG	260,000 MT	85
SUEZMAX			
TD5	WAFR>USAC	130,000 MT	95
TD6	B.SEA>MED	135,000 MT	97.5
AFRAMAX			
TD7	N.SEA>UKC	80,000 MT	110
TD9	CBS>USG	70,000 MT	110
TD11	NAFR>MED	80,000 MT	127.5
PANAMAX			
TD10	CBS>USAC-G	50,000 MT	140
TD12	CONT>TA	50,000 MT	147.5
CPP			
TC3 MR	CBS>USAC	38,000 MT	130
TC2 MR	CONT>TA	37,000 MT	160
TC1 LR2	AG>JPN	75,000 MT	105
TC5 LR1	AG>JPN	55,000 MT	122.5
TC4 MR	SPOR>JPN	30,000 MT	115

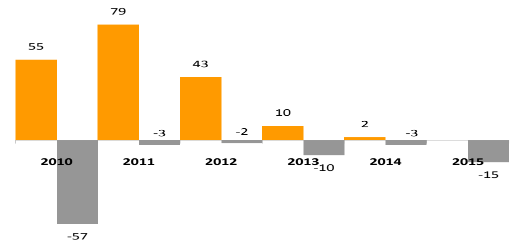
Time Charter Rates	1 Year	3 Years	5 Years
VLCC	$36,500	$36,000	$37,000
Suezmax	$23,500	$25,000	$27,000
Aframax	$18,250	$19,500	$20,500
Panamax	$16,750	$17,500	$18,250
MR	$12,000	$13,500	$14,250

THE TANKER MARKETS

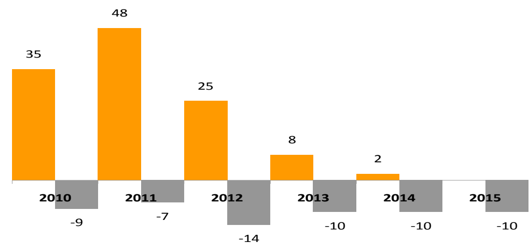
VLCC

Unsurprisingly, it was a much quieter week on the VLCC front; with 66 fixtures reported in the Middle East over the past two weeks we were certainly due for a slower period. When we add to that the fact that we are still a few days from May stem confirmations we see why charterers have just sat back, hoping the inactivity would ease the upward pressure from the market. Despite the very quiet week with limited inquiry Owners ideas, although mostly untested, held resolute with the anticipation of May stems that have yet to materialize. Offers for those few cargoes that were out there remained high and despite one fixture at below last done, other Owners continued to hold for higher. The market remains in a standoff, but the upward bias continues despite the uneventful week.

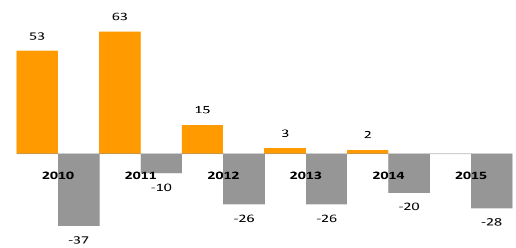
As mentioned above, it was quiet with a total of just 15 fixtures reported worldwide; 11 emanating from the Middle East and 4 from



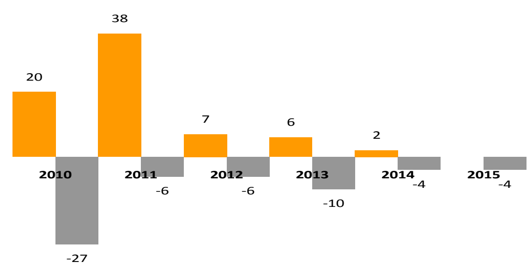
VLCC Projected Deliveries/Removals



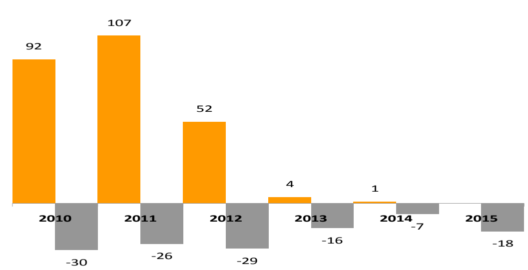
Suezmax Projected Deliveries/Removals



Aframax Projected Deliveries/Removals



Panamax Projected Deliveries/Removals



MR Projected Deliveries/Removals

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.

the Atlantic Basin. The former was led by Eastbound business with six of the ten fixtures going on COA or swaps, making the week seem even quieter than it actually was. All the fixtures seen were on double hull units and rates continued along the “conference level” of ws95. As the week progressed we did see one fixture for short east at ws90 off May 10th, but there is certainly a question if this rate is repeatable. The one Westbound fixture we saw was at the start of the week for very tight April dates at ws75 for UKC discharge with various other options attached, including Red Sea at ws120. The Westbound rate is arguably lower at the ws70 level, but remains untested.

Looking ahead to next week we expect the pace of activity to pick up as charterers get moving on their May programs. To date we have seen 10 fixtures reported for May, leaving us another 40 to 45 cargoes to go through the first half of the month. We compare that to a position list with 55 units load ready over that same period making for a rather balanced supply / demand equation, especially considering 12 of those units are single hulls. Single hull activity has been cut in half over the last two years; in 2008 we saw 160 single hull fixtures through April 15th, in 2009 that number was cut in half to 78 and this year cut in half again to 40 fixtures, a trend that will continue as we move forward. That being said, once the market does get going again which is matter of time rather than a matter of conjecture, we expect eastbound rates to re-establish in the mid ws90’s and push towards triple digits while Westbound rates hold in the low ws70’s.

The Atlantic Basin continued on a relatively quiet pace with only 4 fixtures reported, the majority of trans-Atlantic activity going on the Suezmaxes due to the small differential between the classes. The overall strength of the Middle East coupled with a limited list of natural players in the Atlantic Basin held rates steady with TA rates falling slightly to ws82.5 level, while eastbound rates improved to ws85. As we look ahead to next week and the continued firming of the Middle East, along with a busier pace of activity in the Atlantic Basin we expect to see further increases in rates.

Suezmax

The Atlantic Suezmax market remained volatile throughout the week with the ws90s. As of the close of the week, rates are in the low/mid ws90s with little change of course within sight on the back of decreased West Africa loadings.

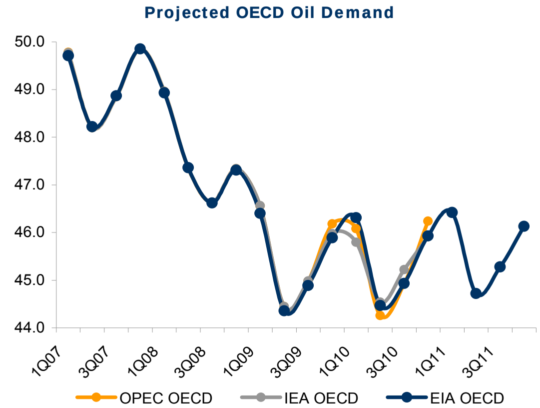
Aframax

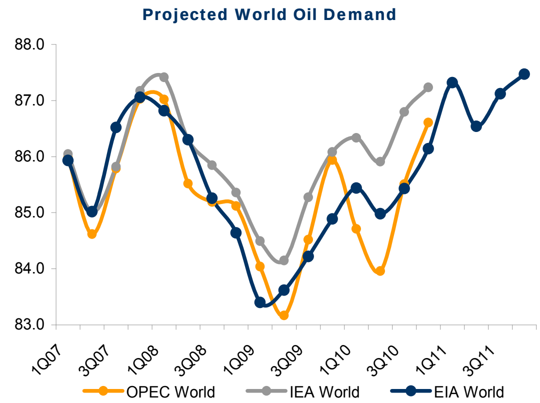
Having commenced the week at the ws135 level, the Caribbean Aframax market saw a major erosion of rates as tonnage steadily mounted through midweek, and with no alternative employment, the ability of owners to maintain last done evaporated. Rates bottomed around ws100 – a loss of nearly 67% on a TCE basis – before finally rebounding by week’s end at the ws115 level. With the Caribbean, North Sea and cross-Mediterranean markets all seeing increased inquiry, expect rates to remain firm at the start to the week ahead.

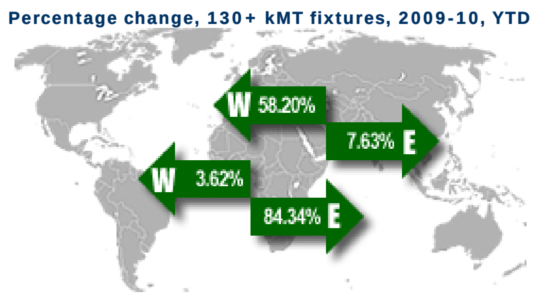
Panamax

In the Caribbean market, rates hovered around the ws140 level throughout the week; however, with ample tonnage remaining, once the benchmark CBS/USAC-G route is retested, the potential remains for rates to slip further.

The Trans-Atlantic market commenced the week at the ws140 level at rates remained punchy throughout the week with at least one owner refusing do fix below the ws160 level, causing one owner to







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.

pay the 20-pts premium desired due to date sensitivity. However, with ample tonnage remaining – particularly in the Caribbean – rates for natural laydates, rates concluded the week down a touch at the ws137.5 level, where rates are likely to open in the week ahead.

In the Ecuador market, tightness of tonnage saw the market remain at the ws205 level. Though the softening Caribbean market should effectively prevent any further rise in rates, it is likely that will at least hold stead next week.

Products

The clean markets spent yet another week moving more or less sideways. On this side of the Atlantic, there was solid enquiry ex-USG, and towards weeks end, it seemed as though most Charterers were looking for tonnage in an April 20-24 window. With little tonnage in that position, owners began to feel that perhaps some momentum was coming their way, after seeing Caribs/Upcoast rates drop w5 points to 38x130 mid-week. However, as we close the week, it appears that several ships are being left high and dry after all, having been released. Talk about the gasoil arbitrage USG/TA has increased over the week as well, and while it is still finding its legs, we are optimistic that there may be more activity in this direction going forward.

The Cont/States market, also, did very little of interest over the week. With fixtures reported at 37x165-170 at the weeks opening, Owners lost a bit of what little wind they have in their sails, and we see the rates at closing a bit softer, at 37x160.

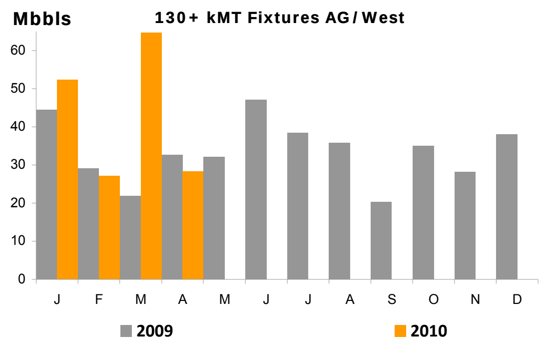
Sale & Purchase

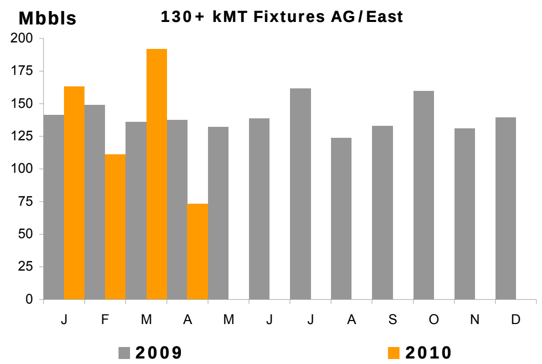
Improving rates are pushing the indices upwards–albeit at a much steadier pace. All of the market indices have finished the week positively with increases between 1-4%.

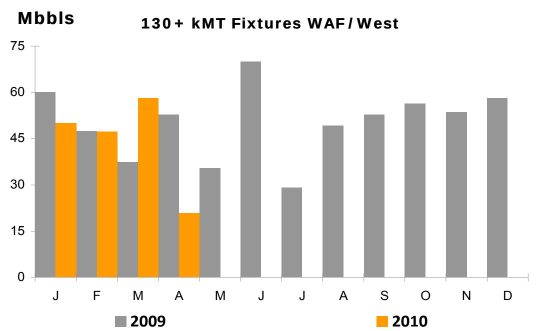
Undoubtedly, there is solid demand from China which, coupled with the continued congestion around the world's main loading/discharging ports, is creating a supply/demand imbalance. Worldwide congestion currently stands at around 31 million deadweight, approximately a third of which being attributed to Australia and Brazil. At Australia's loading ports alone, approximately 5.7 million deadweight tonnage is at anchor due to congestion with about half thereof being Panamax-sized bulkers. The figure is slightly lower in Brazil, with 4.7 mill deadweight.

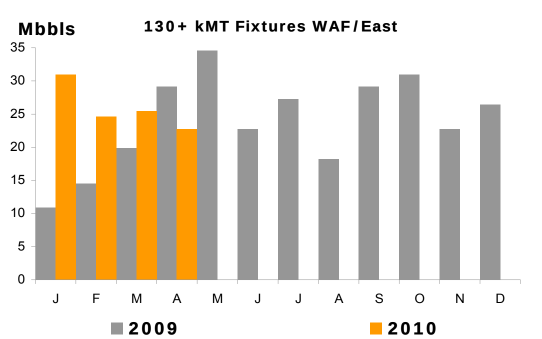
As the talks continue between the Chinese steel mills and the major mining producers (BHP Billiton, Rio Tinto and Vale) progressively higher proportions of the Chinese importation is being transported through the spot market from other areas, with India supplying the lion's share of cargo. This means that Supramax and Panamax bulkers are benefiting and presently experiencing strong freight numbers. Panamax bulkers seem to be benefiting the most at the moment from the congestion and we are seeing the BPI standing at a 25% premium over the BCI (4,034 and 3,071, respectively). Both the Supramax and Panamax segments have also been assisted by the good grain trading volumes.

On the S&P side we witnessed another very active week. Capesize resales with forward delivery have been concluded in the high 50's/low 60's and if the market's momentum is carried forward into autumn then these deals could prove to be realistic. Another Panamax has also been sold, this time to Greeks; the Italian-controlled “FILOMENA L” (76k/2003 Japan) was sold for $36.50 million with a 6-9 month balance of charter below market prices. On a charter-free basis, therefore, the vessel would have









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.

commanded a higher price.

As the tanker market has demonstrated consistent resistance to the lows which had already permeated the market around this time last year, tanker S&P activity is continuing to pick up. Frontline has once again made a noteworthy move with the purchase of three 320,000 dwt VLCCs built 2009/2010 in the region of $320.0 million en bloc, whilst Blystad has reportedly purchased the "SANKO UNITY" (298k / 2000 Japan) for $62.0 million.

The demolition market remains active and, although there is a good supply of ships, demand shows little sign of dissipating, and prices remain firm accordingly. Pakistan seems to be the most aggressive buyer as of late, with attractive prices being paid whilst Indian and Bangladeshi price levels appear to be moving laterally with activity likely to start easing as we progress towards the Monsoon season.

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

TANKER SALES

"ANDROMEDA GLORY" 321,300/09 - DAEWOO - B&W 39,989 IGS - SBT - COW - DH
"CALLISTO GLORY" 321,300/09 - DAEWOO - B&W 39,989 - IGS SBT - COW - DH
"ATLANTIS GLORY" 319,300/10 - DAEWOO - B&W 39,989 - IGS SBT - COW - DH
-Sold en bloc *for $320 mill. to Norwegian interests (Frontline).*

"BALTIC SEA" 97,046/93 - SAMSUNG - B&W 14,162 - COILED - IGS - SBT - COW - DH - SS 01/2013 - DD 02/2011
-Sold for $12.5 mill. to Singaporean interests.

"FALSTER SPIRIT" 95,416/95 - HYUNDAI - B&W 17,542 - COILED IGS - SBT - COW - DH - SS/DD 11/2010
-Sold for $17 mill. to undisclosed buyers.

"ARIADNE JACOB" 74,875/07 - STX - MAN/B&W 18,420 - COATED - COILED - SBT - IGS - COW – DH
"COLIN JACOB" 74,875/07 - STX - MAN/B&W 18,420 - COATED - COILED - SBT - IGS - COW – DH
-Sold for $43.5 mill. each to American interests (Navios), including 3-year t/c attached at $17,000/day.

"FR8 ADRIA" 47,300/05 - CROATIA - SUL 11,298 - COATED - SBT - IGS - COW - DH
-Sold for $26.75 mill. to Greek interests (Kassian).

"SHOSHUN" 19,817/04 - FUKUOKA - B&W 8,362 - COILED - ST. ST. COATING - IGS - COW - DH
-Sold for $22 mill. to European buyers.

"SOUTHERN YORK" 6,545/03 - SHITANOE - MIT 4,242 - FULLY ST. ST. - 12 PUMPS - DH
-Sold for $10.5 mill. to Chinese interests.

TANKER DEMOLITIONS

BANGLADESH:

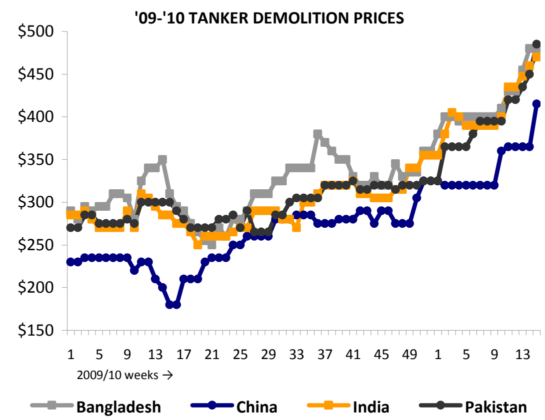
"SALAM MURNI" 7,078/77 – 3,100 LDT
-Sold for $460/ldt.

PAKISTAN:

"NAVARINO III" 245,653/88 - 33,735 LDT
-Sold for $503/ldt.

CHINA:

"KOHZAN MARU" 35,353/83 – 9,460 LDT
-Sold for $410/ldt.



*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.

FOR THE LATEST MARKET DATA AND NEWS GO TO [WWW.CRWEBER.COM](http://www.crweber.com)

George P. Los,
Charles R. Weber Research
gpl@crweber.com

Charles R. Weber Company, Inc.
Greenwich Office Park One,
Greenwich, Connecticut 06831
Tel: +1 203 629-2300
Fax: +1 203 629-9103

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.