WEBER WEEKLY TANKER REPORT

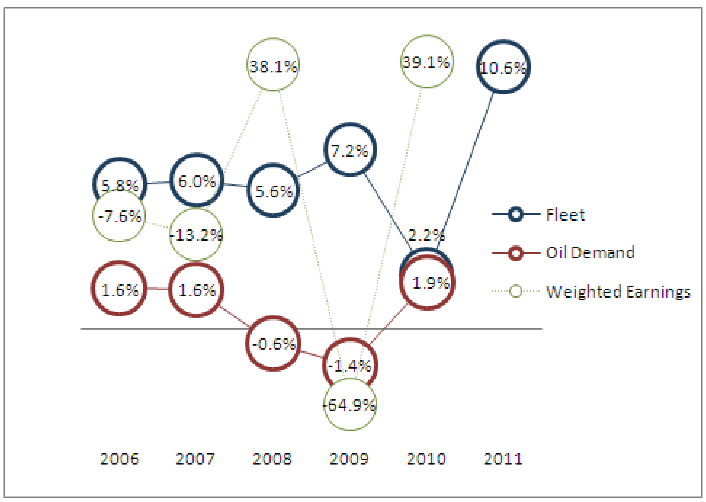
WEEK 27 – July 9, 2010 **ISSUE 27 - 2010**

Q2 2010 Quarterly: Executive Summary

Excerpted from the forthcoming Weber Quarterly Report

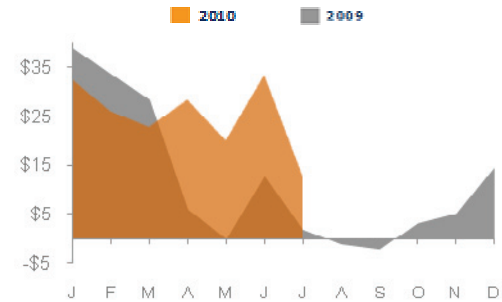
At the time of the last Weber Quarterly Report, there had been a modest improvement in rates underpinned by one of the coldest winters in recent years combined with a gradual recovery in the world economy as some of the largest countries started to emerge from recession.

As we progress into 2H10, tanker rates are above corresponding 2009 levels, but the world economy has entered a tempestuous period with governments having to contend with the transition from the stimulus phase of the recovery to the austerity phase quicker than expected as the sovereign debt crisis batters South Europe leaving Greece needing to be bailed out and other countries on the parapet.

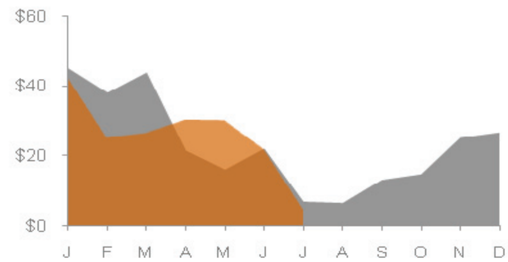


In 2009, global crude oil trade contracted by 5% according to IEA estimates and tanker owners went into survival mode. The chart (above) shows how after two years of crude oil demand contraction (-0.6% 2008, -1.4% 2009), tanker rates plunged in 2009.

It has been hoped that 2010 would represent a recovery year for tanker owners with reviving crude oil demand (IEA est. +1.9%) coinciding with easing tanker supply pressure as single hull tankers continue to be phased out (Weber est. +2.2% fleet growth). However, despite the modest recovery in earnings seen in the first six months of the year, it seems that **this year remains one where tanker owners continue to take a wait-and-see approach**…

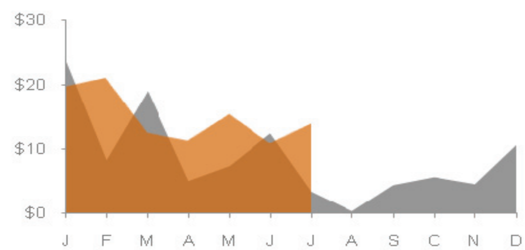


VLCC TD1 TCE `000/day	MTD Average $12,750	`09-`10 MoM ▲ +567%

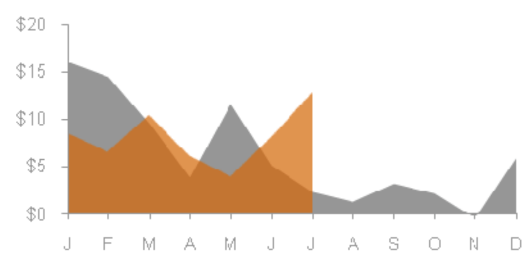


S'MAX TD5 TCE `000/day	MTD Average $4,250	`09-`10 MoM ▼ -35%

A'MAX TD9 TCE `000/day	MTD Average $26,000	`09 -`10 MoM ▲ +574%



P'MAX TD10 TCE `000/day	MTD Average $13,750	`09-`10 MoM ▲ +314%



MR TC3 TCE `000/day	MTD Average $12,684	`09-`10 MoM ▲ +437%

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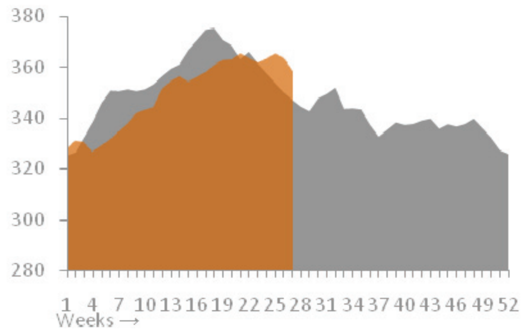
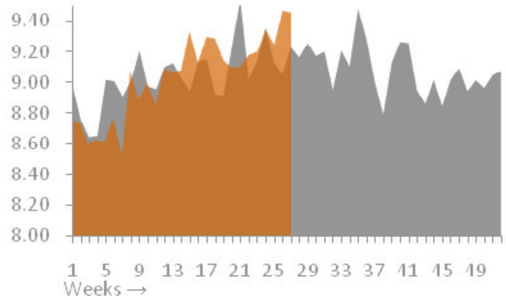
Trade		Cargo	WS Rate
Where available, click on the trade route for TCE calculations.			
VLCC			
TD1	AG>USG	280,000 MT	42.5
TD2	AG>SPORE	260,000 MT	55
TD3	AG>JPN	260,000 MT	55
TD4	WAFR>USG	260,000 MT	55
SUEZMAX			
TD5	WAFR>USAC	130,000 MT	72.5
TD6	B.SEA>MED	135,000 MT	82.5
AFRAMAX			
TD7	N.SEA>UKC	80,000 MT	90
TD9	CBS>USG	70,000 MT	162.5
TD11	NAFR>MED	80,000 MT	97.5
PANAMAX			
TD10	CBS>USAC-G	50,000 MT	142.5
TD12	CONT>TA	50,000 MT	140
CPP			
TC3 MR	CBS>USAC	38,000 MT	170
TC2 MR	CONT>TA	37,000 MT	197.5
TC1 LR2	AG>JPN	75,000 MT	112.5
TC5 LR1	AG>JPN	55,000 MT	150
TC4 MR	SPOR>JPN	30,000 MT	115

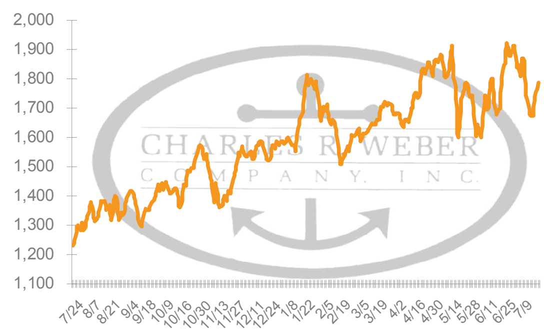
Time Charter Rates	1 Year	3 Years	5 Years
VLCC	$41,000	$40,000	$41,000
Suezmax	$28,000	$27,500	$29,000
Aframax	$19,000	$20,000	$21,000
Panamax	$16,000	$17,500	$18,500
MR	$12,500	$14,000	$14,500



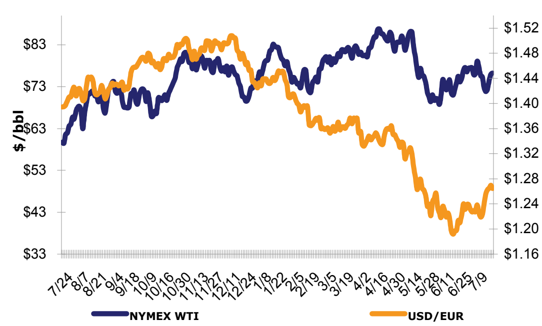
US Crude Stocks (EIA)	**358.1 Mbbls**	**'09-'10 WoW ▲ +3.1%**



US Gas Demand (EIA)	**9.449 Mb/d**	**'09-'10 WoW ▲ +2.4%**



Weber Tanker Index*	**1,785.79**	**Weekly Change ▲ +6.5%**



		Weekly Change
WTI FUTURE	**$76.28/bbl**	**▲ +6.2%**
EUR/USD	**€1=$1.2645**	**▲ +0.8%**

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

THE TANKER MARKETS

VLCC

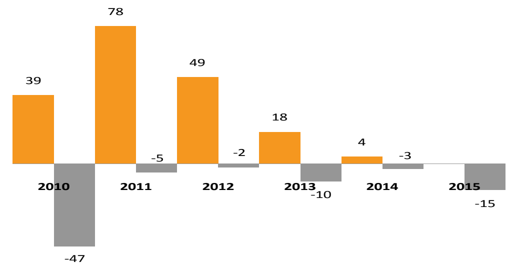
As far as volume was concerned, the number of fixtures this week which amounted to 31 from the MEG, was in line with expectations considering the lower than normal level up to last week. However, it was almost exclusively limited to east-bound business with more than half of those heading to China including a large volume of COA fixtures which have rates assessed in line with the market, and do little to contribute to market movement, either positively or negatively. The continued downward slide of the market was not helped by this, but it was the sheer volume of excess tonnage available in comparison to the requirements, including numerous relets, that was and continues to be mostly to blame. The market to the east was busiest at the beginning of the week where it was holding in the mid ws60's, but as the week progressed, the volume and in turn the rates declined, initially falling towards ws60 with a new low of ws55 achieved at weeks end. The only long-haul fixture reported was to the USWC with no rate reported. West-bound activity was limited to talk and questions, with potential cargoes expected towards month's end and it would seem that the last done level of ws45 will be beaten, the market more likely ws42.5 today.

There have now been 80 fixtures reported for July loading, leaving another 25/30 to go which compares to 39 double hulled units and 7 single hulls that could be load-ready by months end. Considering a good handful of those are pushing the end of the month and will likely slip into August, especially as many vessels are slowing down to save bunkers, the list is not completely out of balance. However, it is worth noting that there are still numerous "relets" populating the list which does not usually help, as they are driven by different parameters and will often take whatever is on offer to contribute to their hire payments rather than remain idle. On the other hand, there are some Owners who are saying that they will not operate at current levels and will sit and wait on some improvement. Time will tell. Next week we do not anticipate much change in the current market. The volume will decline again compared to this week and rates will be stagnant, holding in the ws55-60 range for the east and, assuming some cargoes do come to the market, expect the west rate to settle around ws42.5.

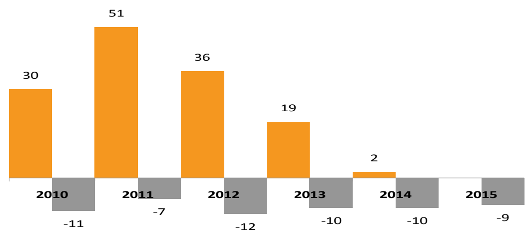
The Atlantic basin saw 6 fixtures this week, all, as has become normal recently, heading east. Much like the Middle Eastern market, rates are depressed with lower levels evident as below. The trans-Atlantic market for VLCCs has been non-existent due to the equally depressed Suezmax sector although at week's end, that did rebound a little, moving up from the low ws60s to the low ws70s which could bring the larger units back into play with rates in the ws50s, especially now that the MEG market has also fallen to such levels. Next week will be busier in this sector for both classes, and if the Suezmaxes do gain more ground, the VLCCs will quickly follow as the list of available tonnage remains relatively thin despite the inactivity.

Suezmax

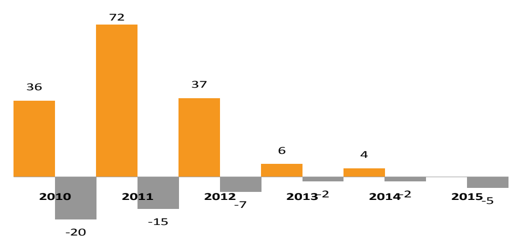
Rebounding levels of activity in the Atlantic Suezmax market saw rates pare some of their earlier losses. Having commenced the week on a weak tone, rates decline from the high ws60s to the low ws60s, at which point a spate of inquiry absorbed a portion of the excess tonnage prompting rates to climb to into the high ws70s at week's end.



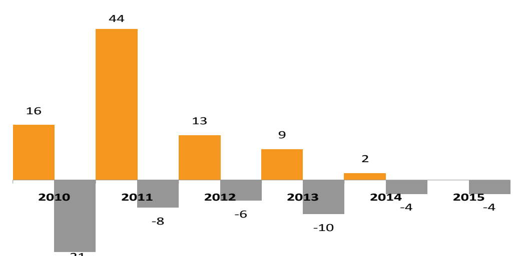
VLCC Projected Deliveries/Removals



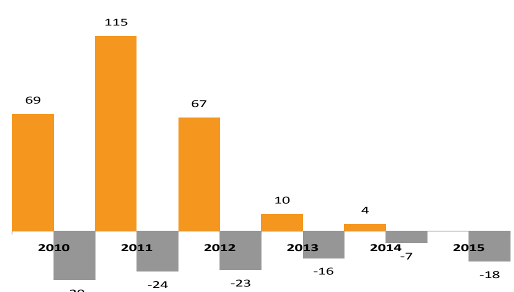
Suezmax Projected Orderbook/Removals



Aframax Projected Orderbook/Removals



Panamax Projected Orderbook/Removals



MR Projected Orderbook/Removals

Aframax

The Caribbean Aframax market held steady for much of the week in the ws170s before a lack of inquiry, coupled with attractive freight rates charterers could achieve by merging cargoes into Suezmax parcels for which costs were much lower eroded the ability of Aframax owners to maintain rates at that level. At the close of the week, a fixture had been achieved in the low ws160s and looking forward into next week the market fundamentals would suggest charterers will be able to achieve rates even lower.

Panamax

With a holiday-shortened week in the US, the Caribbean Panamax market proved to be relatively lackluster. Only a few cargoes were fixed on the market and with a softening European market, normal resulting correlations augmented by several prompt Caribbean tonnage projected by Monday the outlook is for a softening of rates in the week ahead.

Rates in the European market commenced the week on a volatile tone between ws140-152.5; however, with only a handful of inquiry to speak of and a quiet Caribbean market, charterers prevailed in seeing rates soften towards the ws130 levels for voyages to the USG.

The Ecuador market remained active with rates holding steady at the ws190 level.

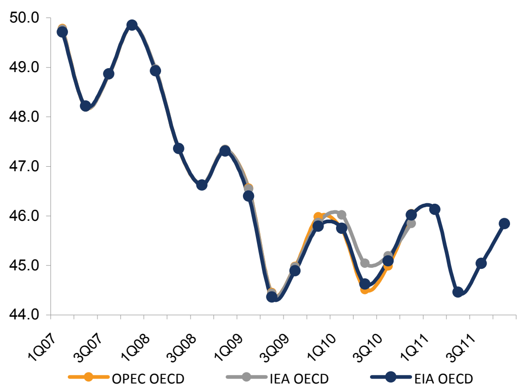
Products

It was another firm week, with limited tonnage and uncertain positions keeping rates firm in the Americas. East coast Mexico started to clear out a bit this week after the storm passed, however many of the positions were fixed away quickly and at ever increasing rates. USG/Caribs cargoes are well into the $500s, which is a far cry from even 4 weeks ago when the same voyage could be freighted for about half that amount. Caribs/Upcoast has continued on a steady climb and now stands at the 38x170 mark with charterers fixing out around 12-14 days in advance.

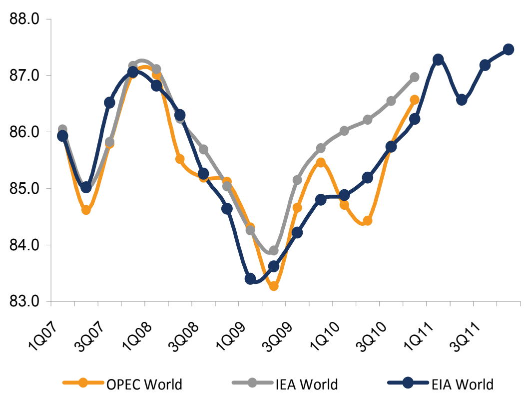
Although the arbitrage for ULSD from USG/Euro has been closed for at least 2 weeks, traders are still putting barrels on the water and bio-diesel is still fixing forward, this activity and lack of tonnage has brought the back-haul market to 38x125 and doesn't seem to be softening anytime soon. The only backtrack in rates has come from the TC2 Cont/USAC market where laycans two weeks out have achieved 37 x ws195 as opposed to closer stems which have concluded at the ws200 level. With mid-winter approaching in Chile and Argentina, the USA/SAM trade has continued to be strong with several cargoes getting booked to Chile in the 1.2-1.3m range and several Gasoil cargoes being booked off the Continent to Argentina.

Petrobras has kept a steady stream of diesel cargoes heading to Brazil as well. All of this activity has prevented any build in the tonnage lists and kept Charterers fixing forward – something that they haven't had to focus on in the past year.

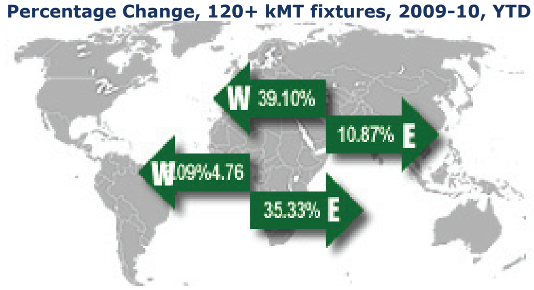
Projected OECD Oil Demand



Projected World Oil Demand



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



Sale & Purchase

It was another week in the red as the market continues in its correction – summer time is here and traditionally it is a period in the cycle where the market usually dips. There are, however, other issues that have been affecting the market over the past 1-2 months or so, the most important being the lack of Chinese iron ore demand. Steel prices have been under pressure for sometime now as, essentially, there is too much production and not enough demand. As a knock-on effect, iron ore imports have been affected as steel mills have the tendency, in a falling end-product environment to use up their stocks in an effort to curb their expenses and counter the declining returns from the reduced finished product prices.

With Capesize and Panamax-sized bulkers comprising the workhorses of the iron ore transportation, it is of no surprise that this market segment has been the hardest hit; this week alone the BCI and BPI fell by around 20%. The lack of cargoes compared to the available ships is causing owners to offer lower than last done in order to secure employment and minimize waiting times. Simultaneously, we see fresh cargoes in the market, but they are not sufficient. Perhaps we will not see a turn in the freight rates until the grain season in the US kicks off and for now coal seems to be the only cargo driving the market together with the odd grain and iron ore cargoes.

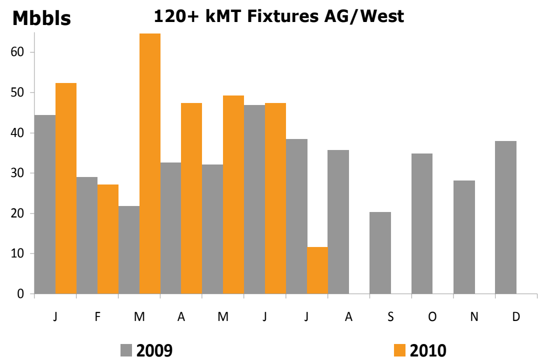
Going forward, world stock markets continued to rise on hopes that the global economic recovery is steady and growth will prove resilient, with investors viewing a surprise interest rate hike in South Korea as a sign of confidence in the recovery. After a fall in U.S. unemployment benefit claims the previous day, the Bank of Korea raised its benchmark interest rate from a record low (following the comparable rate hikes by Taiwan, India and Malaysia during the last two weeks) amid prospects for faster economic growth.

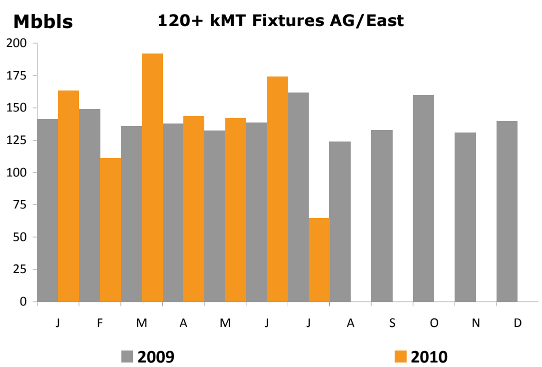
So as the market is trying to find its direction, sales are limited but those done are at numbers which are healthy, proving that forward expectation is there. The most significant reported sale is a structured deal from Japanese owners Mitsubishi Corporation, who sold *en bloc* two 180,000 dwt Capesize re-sales (scheduled for delivery September 2011 from Hyundai Korea) for $61.60 million each with T/C attached for 10 years at $27,000 per day - the buyers being Pacific Shipping Trust (PST) stock listed in the Singapore Stock Exchange and having made an announcement end of June.

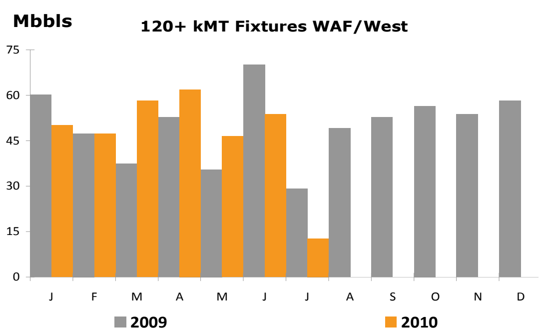
Interest for Handysize bulkers remains strong as evident from the reported sale of the "BRIGHT CORAL" (24,173 dwt / blt 1995 Japan) for $14.45 million.

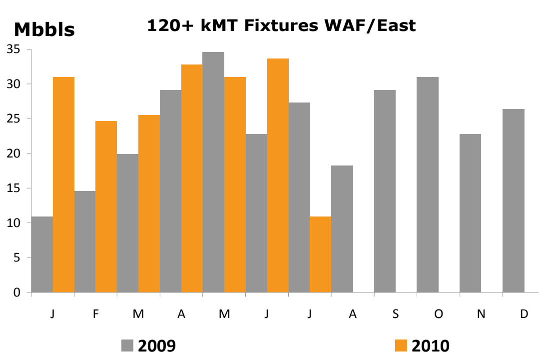
The demolition market remains slow with Bangladesh still inactive and it seems that it will stay so for the remainder of this month and the beginning of August, at least. Prices are stable, however, with a small tendency of being on the increase as demand is strong but supply still scarce.

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









TANKER SALES

"NB RESALE" 40,059/Aug-10 – SHINA SHIPBUILDING – B&W 13,452 IMO III - DH
-Sold for $34.0m to Italian interests (Scorpio Tankers).

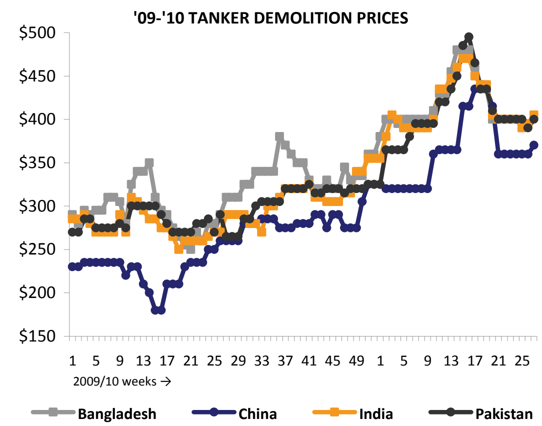
"MOUNT OLYMPUS" 40,011/03 - SAIKI - MIT 10,850 - COILED - COATED - IGS - SBT - COW - DH - SS 11/2013, DD 10/2011
-Sold for $24.6m to undisclosed buyers.

"GOLDIE" 29,998/87 - KURUSHIMA - B&W 8,556 - COILED - IGS - SBT - COW - SH - SS 12/2012 - DD 11/2010
-Sold for $2.7m to Indonesian interests (Waruna).

TANKER DEMOLITIONS

INDIA:

"FRONT SABANG" 285,715/90 - 33,685 LDT
-Sold for $405/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.

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