WEBER WEEKLY TANKER REPORT

CHARLES R. WEBER COMPANY INC.

WEEK 35 – August 28, 2009 **ISSUE 35 - 09**

Oil: No room for demagoguery

Oil prices briefly touched $75 per barrel earlier this week on renewed optimism of economic recovery. Representing a rise of 150% in just eight months, the recent high oil prices are prompting both a barrage of conjecture on the culprit behind the rising prices. Accordingly, high prices are fueling the push to create a harsher regulatory environment to prevent prices from rising further, as well as a departure from sustainable oil policies in favor of energy independence.

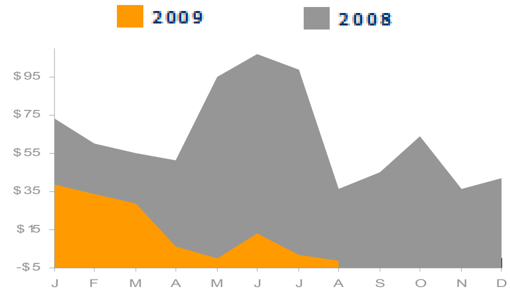
In an editorial published in Foreign Policy this week, Prince Turki al-Faisal, Saudi Arabia's former ambassador to the United States, took issue with much of the rhetoric being employed by US politicians to muster support for a departure from the energy policies of previous administrations towards one which falls under the mantra of "Energy Interdependence," which the Prince summarizes as "demagoguery." In his own words:

"The allure of demagoguery is strong, but U.S. politicians must muster the courage to scrap the fable of energy independence once and for all. If they continue to lead their people toward the mirage of independence and forsake the oasis of interdependence and cooperation, only disaster will result."

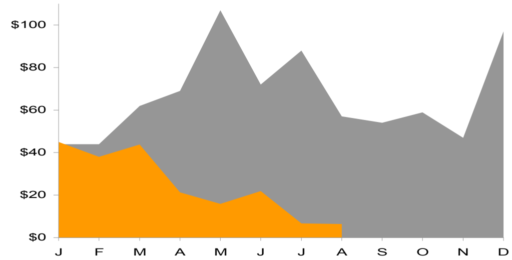
To this end, the Prince makes a very valid argument. The aim to transition America's energy sources to renewable ones in the short term are nearsighted and do not take into account the fact that the United States will remain reliant upon oil – given its use in military, industrial, land and air transportation, etc. – for many decades to come. Though no one discounts the need for better efficiency and indeed the ultimate goal of complete reliance upon renewable, green energy sources, in the case of the latter, the transition will not precede a return to sharp demand growth.

Thus it is somewhat paradoxical that whilst it is indisputable that the American economy will continue to rely upon oil, the US political elite continue to create an adversarial relationship with oil companies (i.e. threats of taxes on windfall profits, accusations of price gouging, et cetera).

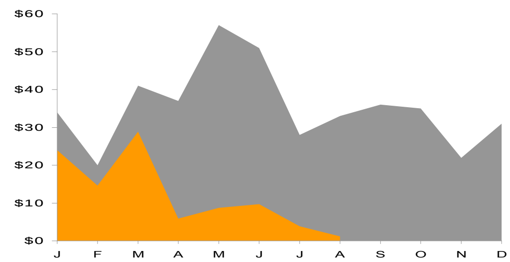
Last May, as oil prices were on a steady climb to their $147 peak, reached two month's later, the Senate Judicial Committee summonsed a number of executives from the oil industry to a hearing on their supposed "price gouging" practices. Unfortunately for that assemblage of politicians – who were at least outwardly steadfast in their belief that oil companies were opportunistically driving up oil prices to the detriment of the average American – the hearing did not shame the executives into admitting to such a practice as hoped, but instead concluded with the revealing of those politicians' obvious lack of knowledge on the fundamentals behind oil pricing. Steeped in the knowledge which accompany their positions, the executives schooled the politicians that gouging simply was not the case, pointing out that 15% of the price paid for motor gasoline at the pump goes to federal and state governments whilst just 4% represents the profits of the oil companies. The executives further argued that had American companies not faced more than thirty years of severely restricted access to domestic oil reserves, American consumers would be more immune to the spikes in demand generated by other net-importing countries who subsidize oil to fuel economic growth. At the time, oil demand from emerging markets, including such densely populated countries as



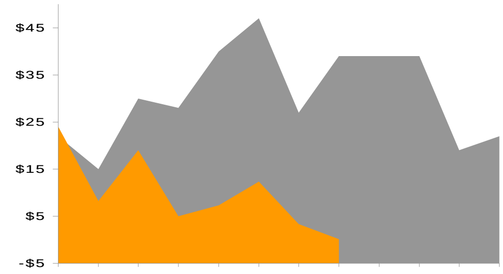
VLCC TD1 TCE '000/day | MTD Average -$1,250 | '08-'09 M-o-M ▼ -104%



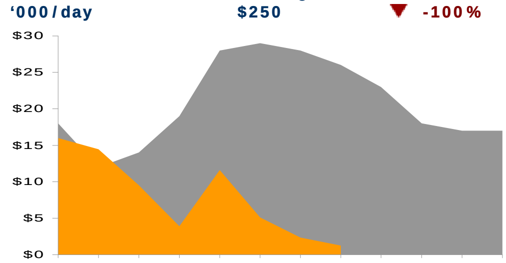
S'MAX TD5 TCE '000/day | MTD Average $6,250 | '08-'09 M-o-M ▼ -89%



A'MAX TD9 TCE '000/day | MTD Average $1,250 | '08-'09 M-o-M ▼ -96%



P'MAX TD10 TCE '000/day | MTD Average $250 | '08-'09 M-o-M ▼ -100%



MR TC3 TCE '000/day | MTD Average $1,250 | '08-'09 M-o-M ▼ -95%

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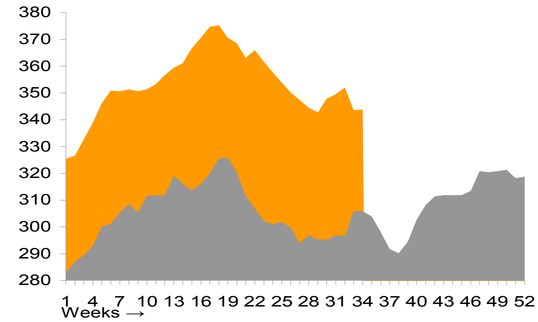
India with 1.1 billion and China with 1.3 billion, was forecast to post sharp growth despite the mounting financial turmoil in the United States, and accordingly, oil production was not forecast to be able to adequately cope with the projected increase.

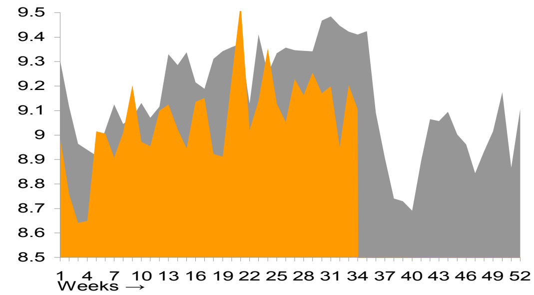
Today, the political elite argue that the culprits of rising oil prices are speculative investors. The Commodity Futures Trading Commission, at the obvious behest of the Obama administration and congress, is working together with a number of overseas regulatory bodies to impose limits on the positions that purely financial investors, such as hedge funds and banks, may take in the oil market. Despite these efforts, the general consensus among analyst is that oil prices are unlikely to deflate if limits are indeed imposed and that, further, the number of beneficiaries of such investments will be more limited, at least in the United States. So, essentially, the CFTC's plans will potentially fail to alleviate the cost of oil for the consumer whilst keeping much of the profits from such "speculative" trades outside of the sphere of the American economy.

The stark reality is that as economic conditions improve and a return to growth commences, oil demand will rise and so too will prices.

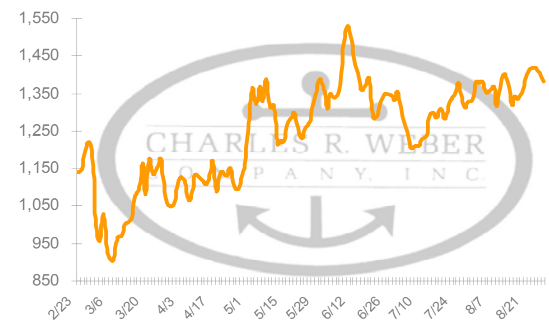
Were we to heed what such figures as Prince Turki and oil executives are saying, to ensure Americans have affordable access to oil at a sustainable level, then we must not focus solely on the goal of weaning off oil – however idealistic that idea may be. Instead, a balance must be struck whereby investment is split to facilitate both the protection of the reality of our short-term needs and the necessity of working towards our long-term goals. Most certainly, there is no room for demagoguery and counterproductive rhetoric.



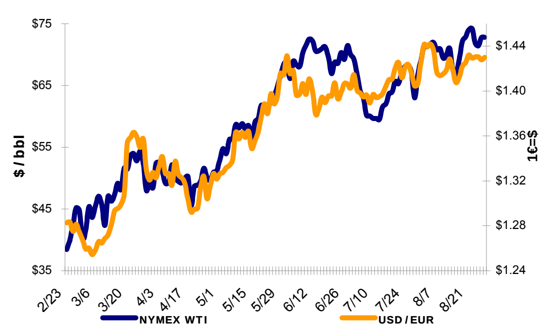
US Crude Stocks (Mbbls)	343.8 Mbbls	'08-'09 WoW ▲ +12.4%



US Gas Demand (Mbpd)	9.105 Mbpd	'08-'09 WoW ▼ -3.3%



Weber Tanker Index*	1,380.57	Weekly Change ▼ -0.9%



		Weekly Change
NYMEX WTI	$72.80 / bbl	▼ $1.22
EUR / USD	€1=$1.43	▼ -0.1%

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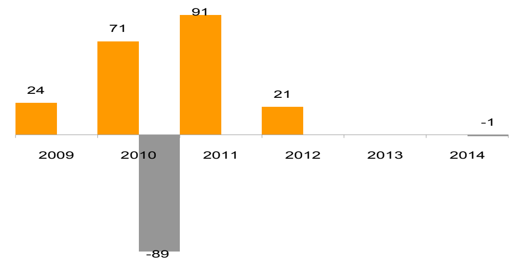
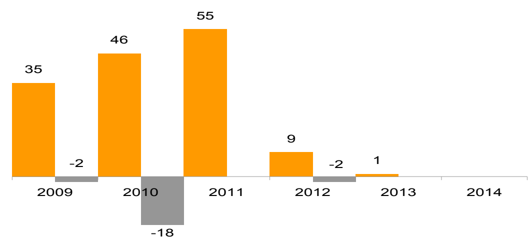
Trade		Cargo	WS Rate
Where available, click on the trade route for TCE calculations.			
VLCC			
TD1	AG>USG	280,000 MT	26.5
TD2	AG>SPORE	260,000 MT	32.5
TD3	AG>JPN	260,000 MT	32.5
TD4	WAFR>USG	260,000 MT	45
SUEZMAX			
TD5	WAFR>USAC	130,000 MT	70
TD6	B.SEA>MED	135,000 MT	82.5
AFRAMAX			
TD7	N.SEA>UKC	80,000 MT	67.5
TD9	CBS>USG	70,000 MT	67.5
TD11	NAFR>MED	80,000 MT	65
PANAMAX			
TD10	CBS>USAC-G	50,000 MT	85
TD12	CONT>TA	50,000 MT	70
CPP			
TC3 MR	CBS>USAC	38,000 MT	87.5
TC2 MR	CONT>TA	37,000 MT	82.5
TC1 LR2	AG>JPN	75,000 MT	85
TC5 LR1	AG>JPN	55,000 MT	90
TC4 MR	SPOR>JPN	30,000 MT	85

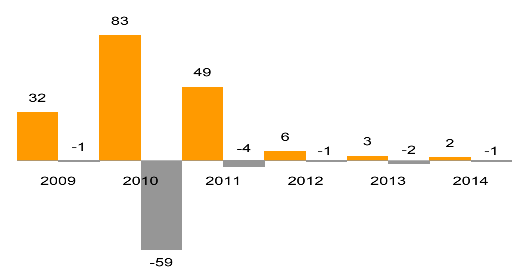
Time Charter Rates	1 Year	3 Years	5 Years
VLCC	$34,500	$37,000	$38,000
Suezmax	$26,000	$27,000	$30,000
Aframax	$17,000	$18,000	$21,500
Panamax	$16,500	$17,500	$21,500
MR	$12,500	$14,500	$16,000



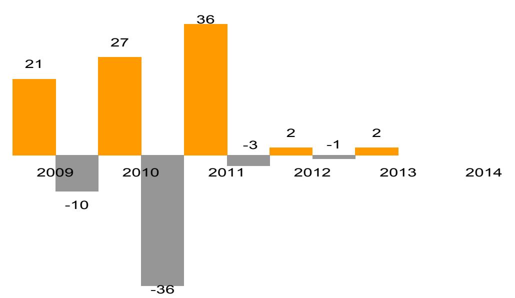
VLCC Orderbook / 13G & H Removals



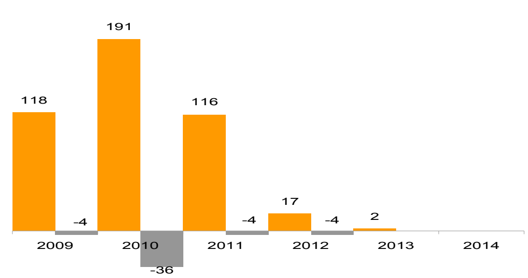
Suezmax Orderbook / 13G & H Removals



Aframax Orderbook / 13G & H Removals



Panamax Orderbook / 13G & H Removals



MR Orderbook / 13G & H Removals

THE TANKER MARKETS

VLCC

Last week the rising price of crude oil and in turn bunkers was enough to hold worldscale rates steady despite an over-populated position list and limited inquiry. This week however was a different story as oil prices held steady and the ample list of available units seemed even greater, leaving charterers with plenty of choices for their cargoes that entered the market. Owner's confidence that was present last week slowly subsided as Oil Company relets popped up on the position list, leading to a 20% drop in eastbound rates for double hulls. This at current levels yields a t/c return of around $6,500 pdpr which is not enough to cover operating costs. Looking ahead in the short term we do not foresee much change in the current climate, but we do expect a greater resistance from Owner's as many are already considering the possibility of sitting versus fixing at or close to a loss.

This week we saw a total of 29 fixtures reported, 20 emanating from the Middle East and 9 from the Atlantic Basin. The former was dominated by eastbound business where double hulls started the week in the high ws30's but under the pressure from several competitive units pushed down to the low ws30's; the latest fixture at ws29 for a voyage to Korea on a NITC new building. There are certainly questions if that rate is repeatable, but the cargo did receive 9 offers so there was certainly competition. The single hulls were less active as the smaller delta between the two classes had many charterers concentrating on the more modern units. Single hull rates were arguably at the ws30 level most of the week and now probably just below that. Westbound business was inactive with one shorter haul fixture to South Africa at ws32.5 and one longer voyage to the US west coast at the usual premium. The last westbound fixture recorded was at ws27.5, although the next will likely be less; but Owners are showing a greater resistance due to the larger effect of the bunker prices on the longer voyage.

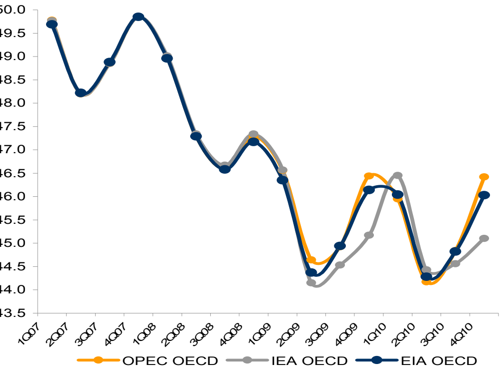
Looking ahead to next week we expect to see some more settling in rates as Owner's resistance to lower levels grows. September has yielded 41 fixtures thus far and although the tonnage list still holds 31 units over the first half of next month we see a much more balanced 75 units through the end of September. That being said we expect eastbound rates to hold steady in the low ws30's on the doubles while the singles take whatever they can in the mid-high ws20's. Westbound rates will re-establish in the mid ws20's and settle around there.

The Atlantic Basin was busy again after two weeks of being dominated by Suezmax action; with the million barrel rates pushing towards the ws70 level, charterers began to explore the co-load opportunities yielding 9 fixtures from the Atlantic Basin with TA rates re-establishing in the mid ws40's. There was an initial push for higher levels, but as charterers looked further ahead into September ballasters from the faltering eastern market came into play. Looking to next week expect to see more Owners coming from the east, putting downward pressure on rates.

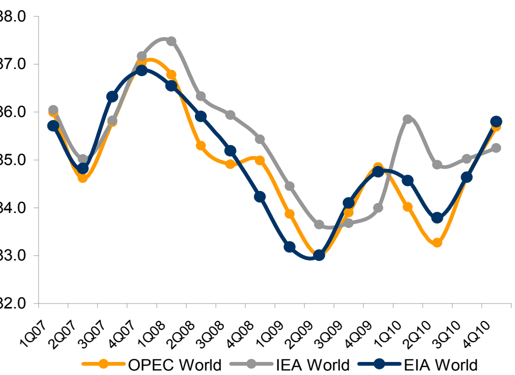
Suezmax

With the level of unrest in Nigeria having eased slightly and oil production there having picked-up, the Suezmax market saw an increase in activity for liftings through the second decade of September, driving the market to fresh highs – when compared with rates near the breakeven level for the last few months – with owners continuing to ask for rates exceeding last done. Towards week's end, however, the rally seems to have eased slightly.

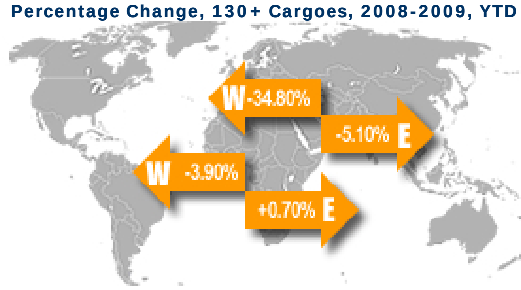
Projected OECD Oil Demand



Projected World Oil Demand



Percentage Change, 130+ Cargoes, 2008-2009, YTD



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Aframax

The Aframax market progressed relatively flat for another week, with owners resisting a further deflation of rates from the mid/high ws60s. With supply continuing to outweigh demand, there is little to suggest a bolstering of rates in the short term.

Panamax

In the European market, steady inquiry permitted rates to hold steady at the 55x70 level for the UK/Continent and Mediterranean on trans-Atlantic voyages. Owners are now starting to show resistance to last done; with the quiet Caribbean market and some prompt tonnage remaining available, however, rates are expected to remain flat – especially with the UK bank holiday on Monday.

In the Caribbean market, the optimism of owners seen at the start of the week to hold on to last week's momentum was dashed with only two market fixtures done on Tuesday at the 50x85 levels little else through the remainder of the week. Going forward, there should be ample prompt tonnage available in the Caribbean to support the expectation that rates will soften.

In the Caribbean market, inquiry was light with only one fixture concluded, at the 50x112.5 level. Rates are expected to ease to the 50x110 level next week.

With the reversal of the 81-mile trans-Panama PTP pipeline, it is likely that downward pressure will continue on the Ecuador-up coast rates as charterers have a new alternative. Stay tuned for more on this dynamic situation.

Products

We close this week with little new to report in the Atlantic clean market. The Caribs/Upcoast market made a slight gain of 5 points, with 38x90 fixing during the second half of the week. While it was not a large gain, it was the first seen in weeks, and thus was a popular topic of discussion. We may see the opportunity for some gain for the Owners for US Gulf loading in the near term, as there is some pressure on tonnage there, but given the current fixing environment, this is far from certain.

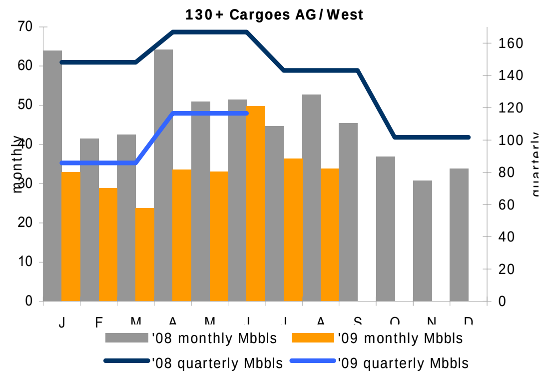
In an unusual turn of events, we did see the Cont/States market flip around, to close the week below the Caribs/Upcoast market. By mid-week, this route was fixing down to 37x80, thus underperforming the Caribs/up market by some 5-10 ws points. While there is still activity Cont/Wafr, and as usual there are plenty of delays there, this has not been able to positively affect the other Atlantic trade lanes, as there is clearly no shortage of tonnage for European loading.

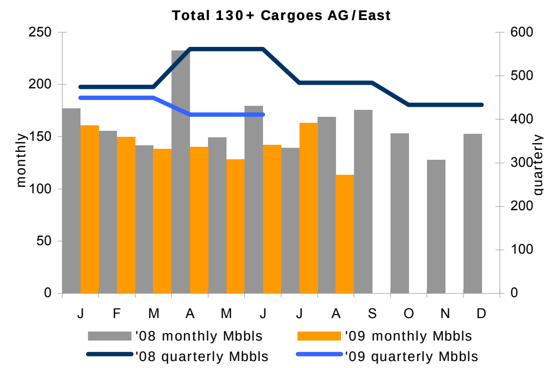
SALE & PURCHASE

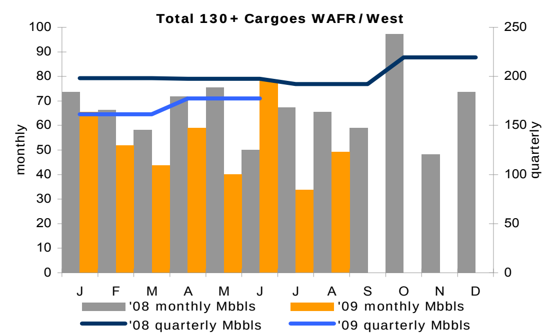
As we near the end of the summer holiday season there is scant real or exciting news to report for this week. The market indices have been oscillating between positive and negative and ended the week practically unchanged with the BDI struggling at around 2500 points.

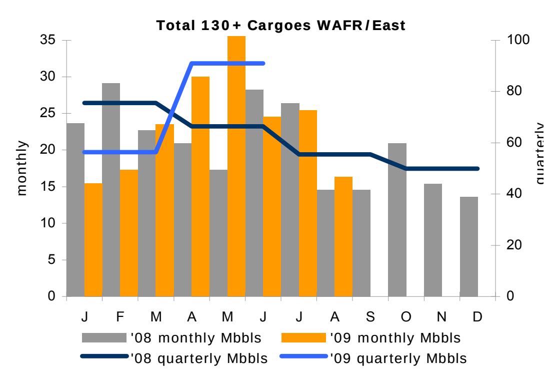
Even though in the last couple weeks we have noted a reduction in the volume of purchase enquiries, when owners return from their holidays we expect activity to pick up again substantially. Owners have already begun their return and we would expect activity to pick up as we head into next week.

Currently, a good number of buyers are on the hunt for good specification, well maintained units, but few seem to be in a hurry









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to buy. We are reporting very interesting sales this week which (in general) indicate that values are maintaining their levels, despite prospective buyer's concerted efforts to push prices down over the quiet summer.

The Chinese continue their interest in modern-resale and large sized capes, reportedly buying the CIDO controlled cape resale MV ORIENTAL (180,000 / delivery ex Sasebo, Japan November 2009) reported sold for US$ 72 million.

On the panamaxes, the MV GOLDEN JOY (70,044 / 94 CHINA) has finally found a buyer but at a price reduced from owners initial ideas. She is reported sold for a price in the region of US$ 16.5 million basis prompt delivery with SS/DD due in September 2009. Taking into account the present estimated costs of SS/DD, we consider this a "quite firm" price for a Chinese build unit.

More and more buyers appear daily for modern or prompt resale Supramaxes.

Since there are a lack of available units in the market at the moment, prices appear to be firming, evidenced by the reported sales of tonnage. The MV ANNA-JOHANNA (58,490 / August 2009 Tsuneshi Cebu, Philippines), fetched a "strong price" in the region of US$ 34.5 million, whilst the "highlight" of the week is the sale of MV NORDEN (56,032 / 05 JAPAN) which is said to have gone to Turkish buyers for a "very firm" price, in the region of US$ 31 million (others reporting as high as US$ 32 million). Comparing this sale to the ANNA-JOHANNA sale or to comparable sales of previous weeks (i.e. MV NORD EMPATHY 55,803 / 06 JAPAN), it would appear that prices are on the rise in this sector.

Demolition Market

The demolition market keeps surprising everyone with its strength and constantly rising prices. Even though there is a significant and continuing flow of tonnage to the "recycling" yards, it seems that there are a large number of "thirsty for tonnage" end users in the sub-continent as well as in China at the moment.

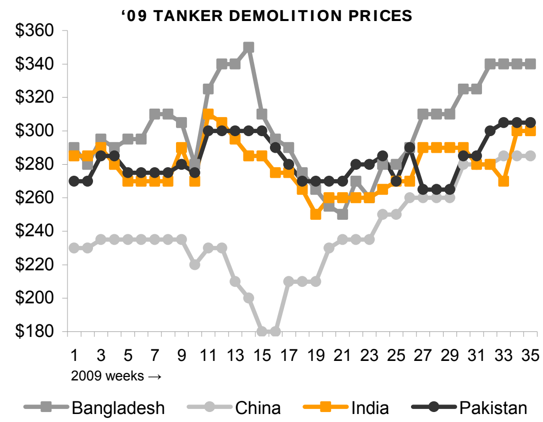
Specifically, the Bangladeshis are now in strong competition with the Chinese and have been pushing prices to new highs every week, but for how long is a matter of some speculation. The reason being that the Bangladesh recycling yards' capacity is quite limited compared to other countries such as India. Capacity in Bangladesh is rumored to be almost full, so how long they can drive prices is open to debate. Nevertheless, prices remain very firm even for forward delivery.

TANKER SALES

No sales were reported this week.

TANKER DEMOLITIONS

No demolition sales were reported this week.



*The Weber Tanker Index commenced on March 1st at the 1,000-mark, and has been back-dated to February 23rd. 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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