WEEKLY TANKER REPORT

WEEK 41 – October 9, 2009 ISSUE 41 - 09

Non-OECD to aid tanker sector?

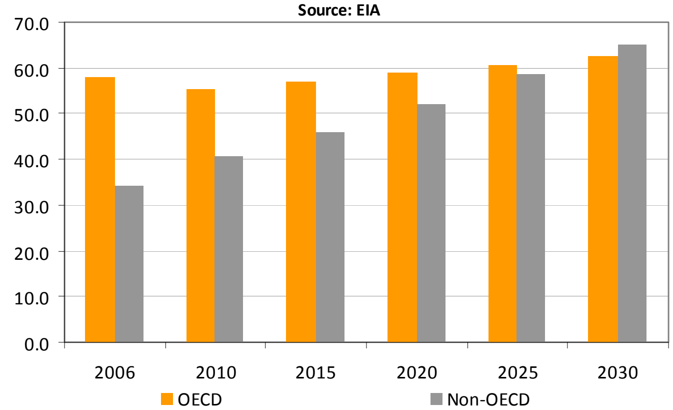
Determining the future direction of the tanker markets remains a daunting task and with projected fleet growth forming the most reliable fundamental to work with, the prevailing sense of pessimism which has gripped the industry is understandable. The question is, however, does tying in oil market dynamics yield a slightly better picture?

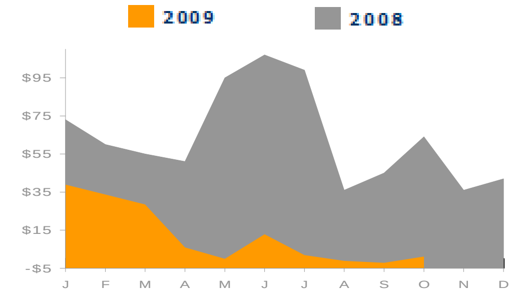
As with other shipping sectors, the tanker markets remain mired at the trough of the most extreme cycle to have gripped shipping in the post-modern era. Oil demand destruction has eliminated some 1.88 mb/d of crude oil consumption from the 2007 peak and although the consensus is that a return to demand growth can already now be observed, it is unlikely that demand will return to peak levels until at least 2012. Factoring this with the steadily growing supply of tonnage does not paint a very good picture.

However, what should not be discounted is the distinct possibility for oil demand emanating from the non-OECD countries to soar. With the economies of the developing world being very oil-intensive and, in a number of cases, oil prices being state controlled, the pace of development could actually soar much greater than many economists have been calculating, which in-turn would set the stage for a greater rise in oil demand as the middle classes in these areas grow, fueling demand for petroleum products for both industrial and transportation uses.

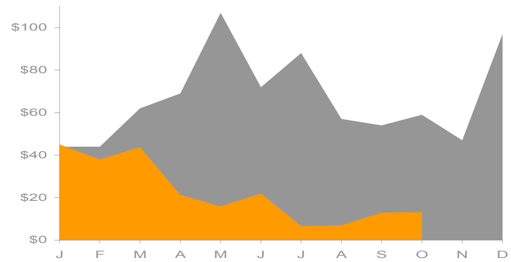
In line with this assessment, the International Monetary Fund raised their economic growth forecast for 2010 up to 3.1% from its April forecast of just 1.9%. Shortly following the IMF's report, the International Energy Agency raised their forecast for oil demand in 2010 by 1.7% to average 86.1 mb/d from their September forecast of 85.7 mb/d, citing, among others, "…buoyant economic activity in more oil intensive emerging countries" and the IMF's revised GDP forecast.

OECD and Non-OECD Transportation Sector Liquids Consumption
Source: EIA

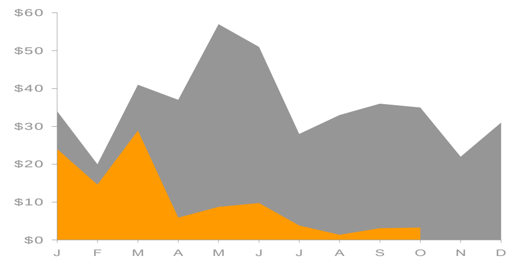




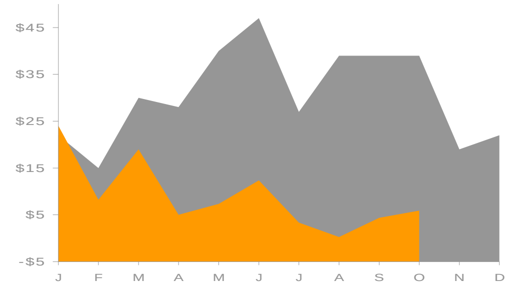
VLCC TD1 TCE '000/day	MTD Average $1,000	'08-'09 M-o-M ▼ -98%



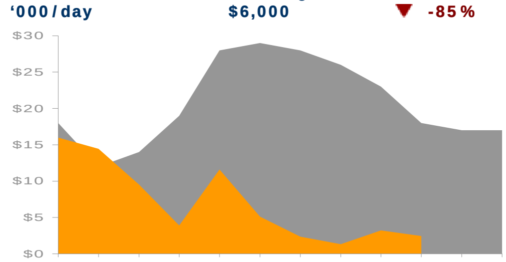
S'MAX TD5 TCE '000/day	MTD Average $13,250	'08-'09 M-o-M ▼ -78%



A'MAX TD9 TCE '000/day	MTD Average $3,250	'08-'09 M-o-M ▼ -91%



P'MAX TD10 TCE '000/day	MTD Average $6,000	'08-'09 M-o-M ▼ -85%

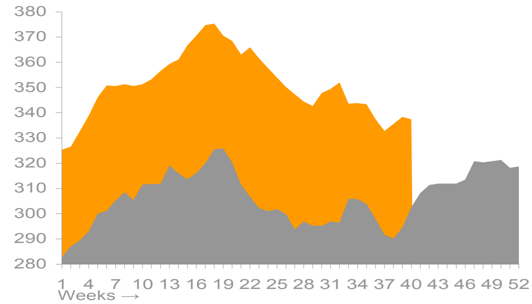


MR TC3 TCE '000/day	MTD Average $2,500	'08-'09 M-o-M ▼ -86%

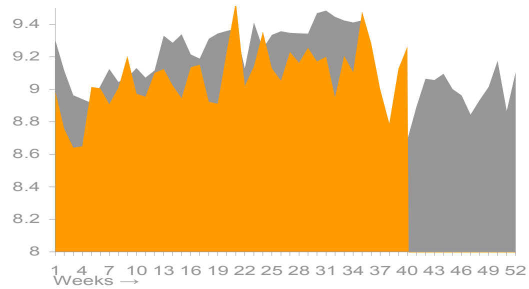
WEBER WEEKLY TANKER REPORT

Trade		Cargo	WS Rate
Where available, click on the trade route for TCE calculations.			
VLCC			
TD1	AG>USG	280,000 MT	25
TD2	AG>SPORE	260,000 MT	39
TD3	AG>JPN	260,000 MT	39
TD4	WAFR>USG	260,000 MT	45
SUEZMAX			
TD5	WAFR>USAC	130,000 MT	52.5
TD6	B.SEA>MED	135,000 MT	70
AFRAMAX			
TD7	N.SEA>UKC	80,000 MT	70
TD9	CBS>USG	70,000 MT	70
TD11	NAFR>MED	80,000 MT	85
PANAMAX			
TD10	CBS>USAC-G	50,000 MT	92.5
TD12	CONT>TA	50,000 MT	80
CPP			
TC3 MR	CBS>USAC	38,000 MT	82.5
TC2 MR	CONT>TA	37,000 MT	92.5
TC1 LR2	AG>JPN	75,000 MT	120
TC5 LR1	AG>JPN	55,000 MT	132.5
TC4 MR	SPOR>JPN	30,000 MT	100

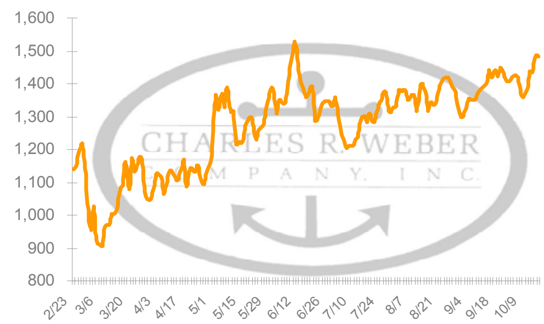
Time Charter Rates	1 Year	3 Years	5 Years
VLCC	$29,000	$32,000	$34,500
Suezmax	$22,000	$25,000	$27,000
Aframax	$17,000	$18,000	$21,500
Panamax	$16,000	$17,500	$21,500
MR	$10,000	$12,500	$14,000



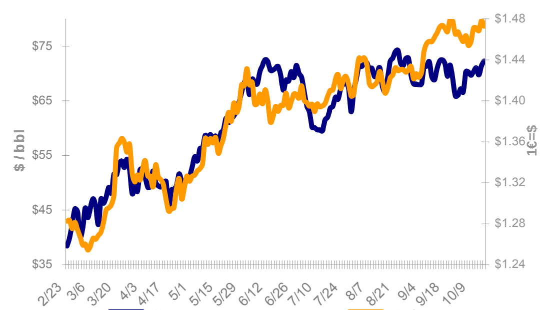
US Crude Stocks (Mbbls) **337.4 Mbbls** **'08-'09 WoW ▲ +11.5%**



US Gas Demand (Mbpd) **9.262 Mbpd** **'08-'09 WoW ▲ +6.6%**



Weber Tanker Index* **1,484.03** **Weekly Change ▲ +9.2%**



		Weekly Change
NYMEX WTI	**$72.29 / bbl**	▲ **$2.61**
EUR / USD	**€1=$1.4729**	▲ **1.0%**

THE TANKER MARKETS

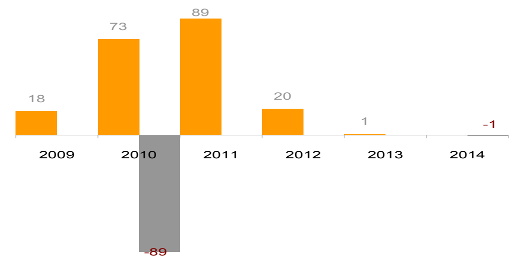
VLCC

As we conclude the first of week of what has historically been the strongest quarter of the year in the shipping market we so far have seen little evidence of this trend repeating as inquiry and rates remained generally flat, varying little from the year to date averages. For 2009 the AG/USG average to date has been 280/ws27.5 while eastbound voyages have averaged 265/ws38.75 on double hull units. (nb. compare that to last year when over that same period rates were ws280/ws104.5 for west and 265/ws142.5 for east) The diminished demand is certainly one of the reasons for the weaker market and we need only to look at the year to date AG/USG volume to emphasize this point; Thus far in 2009 we have seen 58 reported fixtures destined for the USG which originated from the AG, where as last year over that same period we saw 119, over double that number. Simplistic yes! But it is just the example to highlight the current market scenario and when you add to this the more than 60 new buildings that have or will enter the market this year it is clear to see why we have seen a 70% drop in rates.

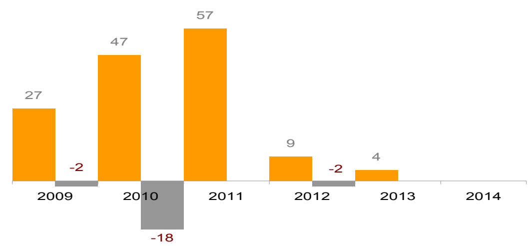
This was another moribund week with a total of 22 fixtures reported, 16 emanating from the Middle East and 6 from the Atlantic Basin. The former was led by eastbound business with China discharge leading the way as usual, accounting for 4 of the 13 fixtures. Double hull rates started the week at the ws40 levelas Owners mostly resisted attempts to push it lower and there was just enough inquiry for them to succeed however, as the week progressed, the activity slowed and we saw a slight weakening with a low of ws38 paid for a voyage to Korea. The singles hulls were relatively inactive with one fixture reported at ws34 for a voyage to Thailand. Westbound was again relatively inactive with one long-haul fixture concluded at a very competitive ws23 although most Owners are holding for at least ws25 as a reasonable comparison to the eastern returns, and that is the where the market is realistically set.

Looking forward the fundamentals currently point to a more positive trend. October has so far yielded 54 fixtures which should mean there will be at least another 40 to come while the tonnage list shows only 45 units available through the end of the month. At first glance that would point to the possibility of an uptick in rates however there is always the chance that numerous oil company relets will come out which will pad the list and thwart Owners hopes. For now rates should hold relatively steady as the above list will also be diminished by some tonnage ballasting to the stronger Atlantic market where local tonnage is extremely thin. So next week watch for eastern rates to hold very close to ws40 and western rates, should there be any activity, at or around ws25.

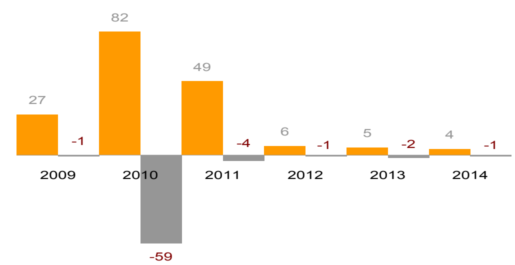
The Atlantic Basin was quieter this week as the Suezmax class took center stage again, their activity increasing and rates readjusting to the low ws50's. All but one of the 6 VL fixtures we saw was destined for the east and four of those fixtures were concluded on ballasters coming from the east. With a very limited position list in the Atlantic region charterers had few choices and those looking for October dates only had the option of ballasters. This trend will continue into next week as the list remains tight, trans-Atlantic rates holding steady at the ws45 level.



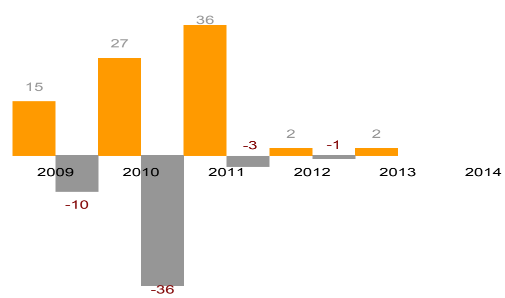
VLCC Orderbook / 13G & H Removals



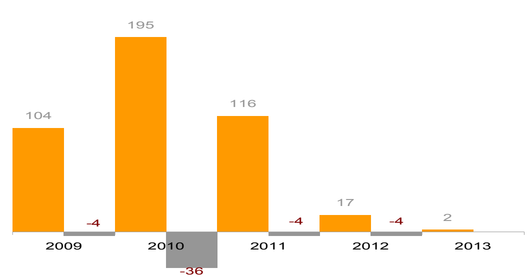
Suezmax Orderbook / 13G & H Removals



Aframax Orderbook / 13G & H Removals



Panamax Orderbook / 13G & H Removals



MR Orderbook / 13G & H Removals

WEBER WEEKLY TANKER REPORT

Suezmax

Despite a steady stream of cargoes, the market – which had been untested for some days – adjusted to the mid/low ws50s level, where it remained throughout the course of the week. Rates are expected to remain steady at the start of the week ahead.

Aframax

The Aframax market remained flat this week at the ws70 level. With few changes in dynamics, the prevailing trend is that owners are resisting lower rates whilst charterers are apathetic towards pushing for lower rates.

Panamax

The European Panamax markets remained flat this week at 5 by ws80 levels, with more inquiry for VGO Trans-Atlantic on MRs and Panamaxes. With the Caribbean market pushing up this week and stronger inquiry levels, the market could see a measure of upward pressure at the start of the new week.

The Caribbean market was more active this week with greater inquiry levels for fuel oil from East Coast Canada and from the US Gulf. Rates were punch, however, and strayed from the normal differentials for CBS/USWC and ECC/USAC.

CBS/USAC-G rates were retested by the end of the week with rates up by approximately 7.5 points, closing at 50 by ws92.5. It should be noted that a few ships remain spot for over a month in the Caribbean, where a discount may be available to charterers who can vet them.

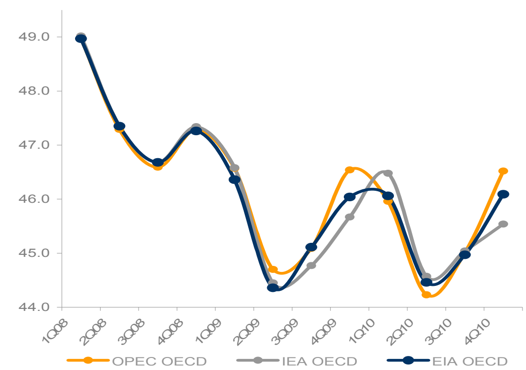
The Ecuador market remains steady at the 5 by ws112.5 level with light inquiry.

Products

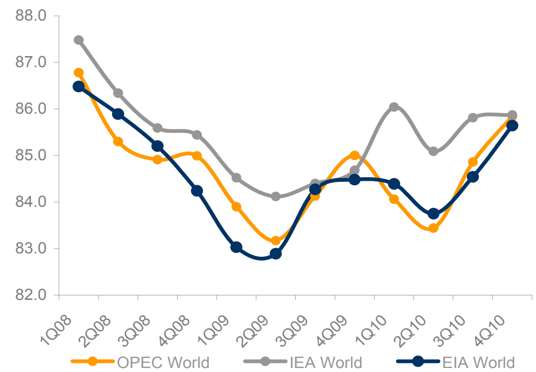
The clean markets continue to plod along with little change in any direction. With little to discuss in terms of market dynamics, talk is already turning towards 2010, what rates will look like, and how many MR's will actually deliver during the course of the year. We do expect to see something in the region of 185 new MR's deliver in 2010, which works out to nearly four new vessels per week. The concern, of course, is that even an expected increase in demand over the next year will not be enough to support increased returns. Indeed, with margins running at their current thin level, it seems that one of the main drivers for current freight levels is the bunker price, and unless and until the bunker price drops, Owners are and will do their level best to prevent the market from slipping any further. Certainly, at some point, it will simply not make sense for an Owner to perform a voyage at prevailing rates. This brings us inevitably to the issue of lay-up, which has been the elephant in the room for some time now. Most discussions these days lead toward the idea that lay-ups will be inevitable sooner rather than later, but certainly no owner would want to be leading the pack in that direction. Whichever Owners hold off the longest will surely reap the benefits, but at this stage, any discussion of lay-up is pure speculation.

We don't expect to see much movement in freight rates anytime soon, given the current supply/demand balance (or imbalance, depending upon your perspective) of tonnage and cargoes. We expect that Cont/TA, Caribs/Upcoast and USG/TA will all continue to move sideways around 37x92.5, 38x80 and 38x62.5 respectively.

Projected OECD Oil Demand



Projected World Oil Demand



WEBER WEEKLY TANKER REPORT

Sale & Purchase

With the Chinese holiday behind us it was a more positive week with the rates rising and nearly all of the indices posting healthy gains. Following a prolonged hiatus, the Capesize and Panamax vessels made their mark with their indices (BCI and BPI) gaining over 25% and 14% respectively and lifting the BDI over 14% to end the week nearly at the 2,700 mark.

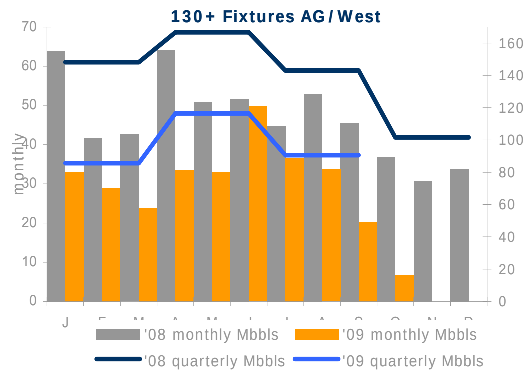
The Capesize market has become more active, despite the absence of Chinese business. Average time-charter equivalent rates are around \$37,000 per day and are pushing higher towards \$40,000 per day. This increase was dominated by the shortage of vessels in the Atlantic.

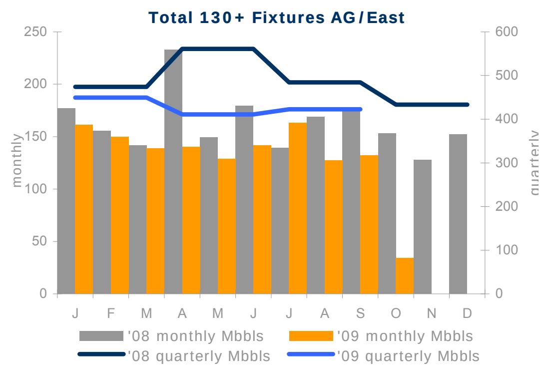
Although we are not reporting many deals we are seeing progressive growth in the number of enquiries (especially for dry cargo vessels of any size and age) and primarily from the Far East which is hopefully expected to be busier in the coming weeks.

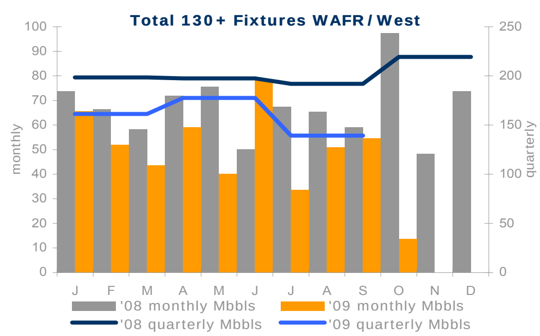
Greek buyers have purchased the MV “ENERGY STAR” (75K/2003 Japan) for \$29.5 million - a price that indicates lower levels if we compare with previous deals such as that of the MV “Efrossini” (75K/2003 Japan) sold in June for region \$34.0 million (representing a reduction in price of about 15%).

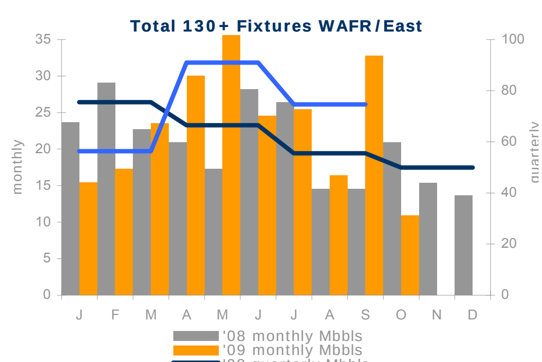
Demolition Market

The demolition markets seems to be experiencing some nervousness as we understand some deals in the Indian sub-continent have failed and China is capitalizing on this as it offers security at prices well worth the effort - bulkers are going for region \$260 per lightweight whilst containers are approaching the \$300 per lightweight mark.









WEBER WEEKLY TANKER REPORT

TANKER SALES

"CRYSTAL BEAUTY" – 274,743/93 - IHI - SUL 26,950 - IGS - SBT - COW - SH - SS 06/2013, DD 08/2011
-Sold for $ 14.5m to undisclosed buyers for conversion.

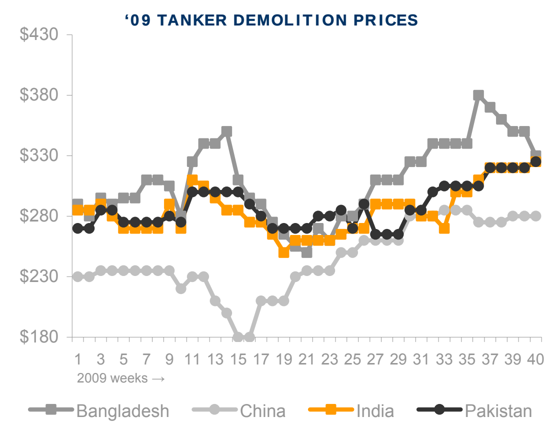
"JAG LAYAK" – 147,834/96 - SAMSUNG - B&W 20,942 - COILED - IGS - SBT - COW - DH SS/DD 09/2011
-Sold for $46.0m to Indonesian buyers (Bumi Armada). Sale includes long term subjects and delivery in 1st quarter 2011.

"SEARACER" - 149,830/02 - SAMHO - B&W 25,321 - COATED - SBT – IGS - COW - DH
-Sold for $51.5m to North American Tankers.

TANKER DEMOLITIONS

"NAIK JUDUNATH SINGH PVC" - 67,169/84 13,200 LDT –
-Sold for $292.5/ldt to Bangladeshi yards basis as is Kakkinada.

***"CHM PIRU SINGH PVC"* -** *67,161/84 - 13,200 LDT*
-Sold for $300.5/ldt to Bangladeshi yards basis as is Kakkinada.



*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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