Dry upturn stalls on thin demand

THE VIEW that dry bulk's recent move upward was only a temporary 'blip' has been borne out by the market's slight softening in the second half of February, particularly in the Panamax portion. Near term, futures traders do not see rates spiking up further.

The Baltic Dry Index, reflective of multiple sectors, has reached a plateau at around the 2,000 level, with expectations for later in the year sloping downward to the 1,600 region on the Imarex screens. Calendar 2010 and 2011 contracts were mired in the same congestion zone on charts.

In a peculiar pricing anomaly and inversion of the normal relationship, the Supramax sector, which has retained value (with its Baltic index composite pricing at $15,985/day), exceeded that of Panamaxes, which were pegged at $12,329/day at the end of February. The Capesize composite held up at around $30,000/day, benefiting from strong fronthaul hires.

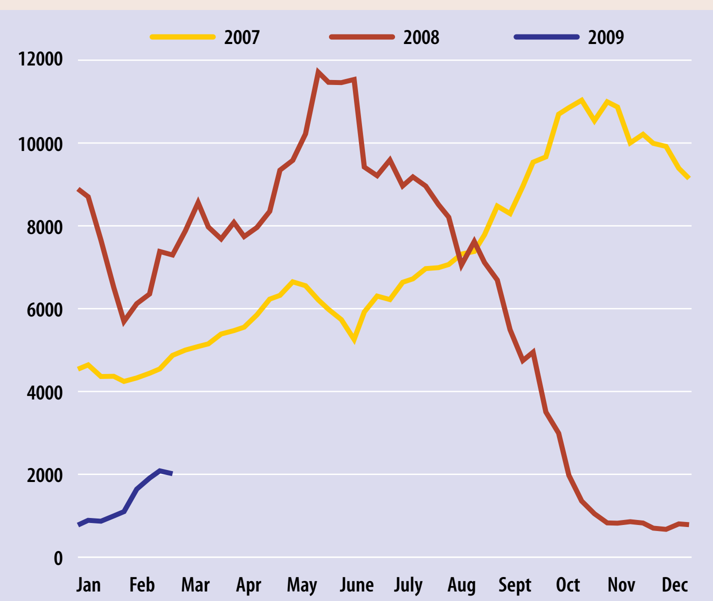
A likely marquee fixture for the week would be SK Shipping's $51,000/day booking of the 2004-built Japanese owned *Shining Star* (177,000dwt), giving delivery Immingham for a trip via Brazil with redelivery in China. On a voyage basis, a spate of Capesizes, including *Wugang Orient* (a converted tanker) fixed by Vale, and Capers *Shagang First* (booked by Kleimar), and *Tian Fu Hai* (surplus to the needs of head charterer Shagang and then relet to Koreans STX Pan Ocean), were being booked at between $20.00 and $21.00/tonne for voyages from Tubarao to Quindao. Atlantic Capesize business was spotty, but nevertheless Baltic panellists rated the trans-Atlantic Capes at $31,000/day. Cetrapa paid $12.95/tonne on a voyage basis for a 160,000 tonne ore cargo on *Great Challenger* loading Tubarao for discharge at Rotterdam and Dunkirk with fast terms.

Pacific business was rated around $26,000/day, amid scant fixture activity – only two weeks after a big spurt. Dahlman Rose's daily comment offered a typical viewpoint, with the broker's research team saying: "Iron ore supplies remain disrupted in West Australia … Coupled with pressure on Chinese steel prices this week, the events in Australia could continue to keep Capesize activity quiet."

Supramax rates, which had reached a nadir

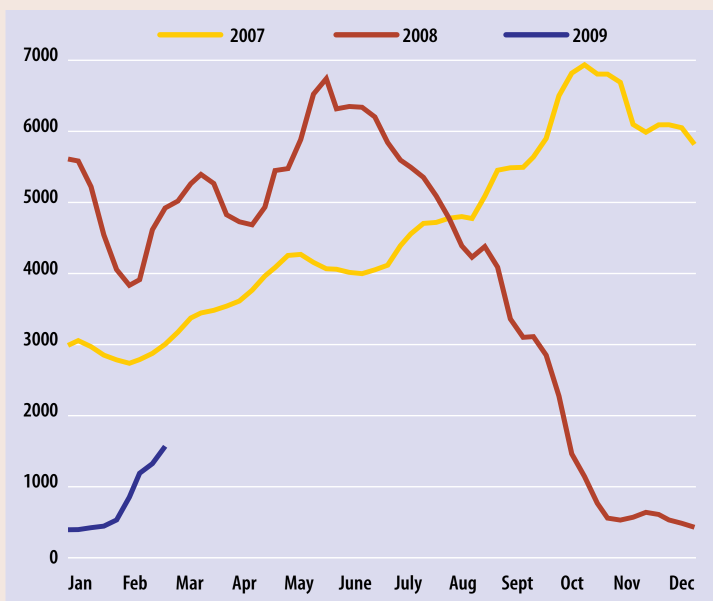
Baltic Dry Index

Capesize rates were dull but as the week progressed optimism returned to the market. In contrast, Panamax rates finished the week on a strong note, which ultimately filtered down into the Supramax and Handymax sectors too.



Baltic Supramax Index

Supramax rates again firmed noticeably in the Atlantic, while the Gulf of Mexico also remained firm. By contrast the eastern markets remained rather dull, though charterers with cargo in the Atlantic were beginning to look to the region for tonnage.



at the end of January, were benefiting from what banks were reporting as renewed flows of trade. Cargill agreed to pay $36,750/day for Gulf of Mexico delivery of the D'Amico-controlled *Medi Valencia* (a 2008-built 56,000 dwt vessel) for a trip out to Singapore/Japan.

Meantime, Eitzen grabbed a Cargill relet, the 2005-built *Crown Princess* (52,000dwt) giving delivery at Belem for a trip via north coast South America back to the Continent, paying a healthy $25,000/day. Other strong fixtures included Pacific Basin taking *Aliki*, a 52,000 tonner built 2001, with Gulf of Mexico delivery for two laden legs, at $25,000/day and ABC's booking of the similarly sized, 2002-built *Chrissa K*, already in the Gulf of Mexico, at $27,500/day for a trip to West Africa.

Panamax vessels available continued to outnumber nearby cargo stems. The 2008-vintage *De Xin Hai*, a 76,000-tonner in the Cosco stable, was taken on a North Pacific round by Dreyfus at $8,000/day. In the Atlantic, Toepfer paid $14,000/day to book *Medi Baltimore* (also linked to D'Amico), a 76,000 tonner built in 2005 for a Med delivery, trip via the Gulf of Mexico and Egypt, and redelivery passing Passero outbound.

The South American grain season has brought about some fresh demand. Cargill tied up the 1993-built *Bremen Max* (75,000dwt, owned by SeaEnergy) with an EC South America delivery, trip out and redelivery PMO, at $18,800/ day plus a hefty $470,000 ballast bonus. Cargill grabbed the Greek-owned *Ecostar GO* (75,000dwt, built 2007) at $12,000/day, with delivery in China, trip back to EC South America, to load up for a trip back to Singapore /Japan range. In Pacific ore business, Noble fixed *Aeolian Breeze*, a 2001-built Panamax on period charter to Klaveness at $15,000/day, with delivery in the Philippines, trip via EC India redelivery China, at $11,000/day.

Mirroring the flat to downward sloping FFA curves, the few period charters being reported offer very little excitement, and offer little in the way of return on capital. In the Panamax sizes, Great Pacific Navigation did a three-five month deal on the 2006-built *Fortune Ocean* at $11,500/day, with STX Panocean taking the 2001 built *Avra* for a similar term at $12,500/day.

Cosco Bulk reportedly agreed to $13,750/ day on a one-year charter of the 2002-built *Anna*. The same charterer fixed the 1996-built Handymax *Pacific Mercury* (controlled in Hong Kong) for one year at $11,000/day. An ex-yard Supramax newbuilding, *Oxygen*, was reportedly fixed by Furness Withy, for two years, at $13,000/day. Like the congestion zones on FFA charts, period timecharter rates seemed stuck in a similar place.

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Dry bulk stocks slip

A LARGE number of shipping shares fell to fresh 52-week lows amid a widespread rout on Wall Street earlier this week.

Trading volume was heavy on Monday and shares lost across the board, with both the Dow and NASDAQ shedding 4%. Dry shipping stocks were no exception as DryShips closed down 14% and at one point was selling for $2.97/share, its lowest point in the past year.

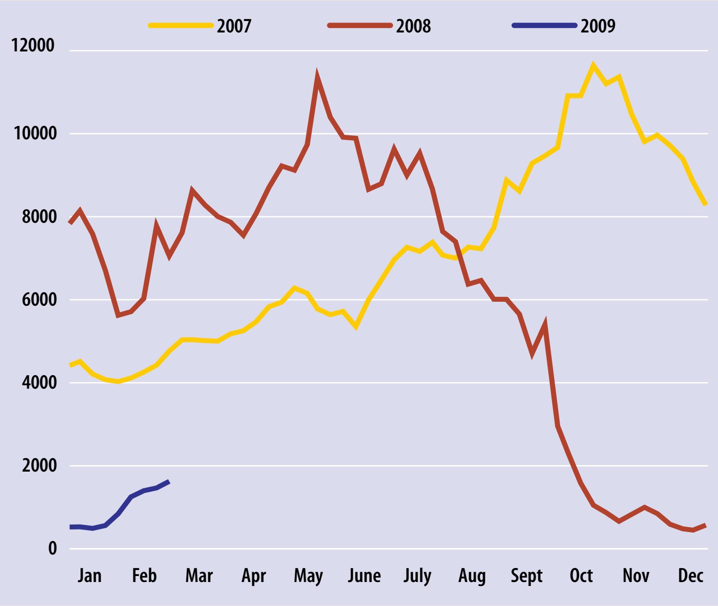
Other companies hitting new 52-week lows on Monday included FreeSeas, Oceanfreight and Top Ships. Double-digit losses were also sustained by Diana, Eagle Bulk, Euroseas, Genco, Navios and Paragon.

India's shipping stocks also failed to gain despite a rebound in the Baltic Dry Index so far this year. The index has surged 160% since the beginning of 2009, yet shipping share values have eroded more than 15%, Hindu Business Line reported. Mercator Line's shares fell 22%, while Great Eastern Shipping plunged 18%, Essar Shipping dropped 19% and Shipping Corp of India stock fell 3%.

For more Dry Markets news please visit www.fairplay.co.uk

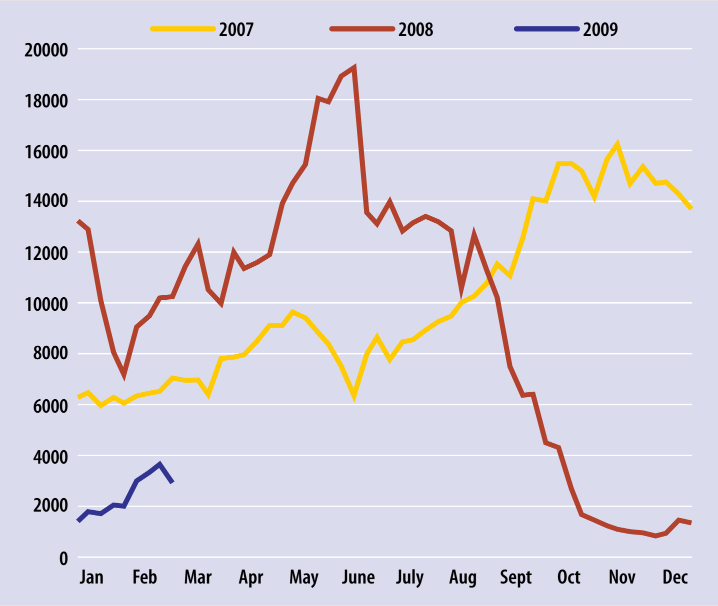
Baltic Panamax Index

Panamax rates firmed as charterers continued fixing short period tonnage and year-long fixtures. These rates subsequently rose above paper values. Short period rates for ships in the east also remained firm.



Baltic Capesize Index

Rates slipped during the week as heavy rains interfered with ore shipments from mining giants Rio Tinto and BHP Billiton, unsettling the market. Lower rates were suggested but little fixing was committed. Early tonnage was tight in the Atlantic, but rates wavered before optimism returned.



Analysts bearish on coming quarter

ULTIMATELY, reduced movements of oil are likely to catch up with the market, according to analysts who have soured on listed tanker owners with the broadest spot market exposures.

Dahlman Rose, maintaining its 'hold' on Frontline, said: "We expect utilisation issues apparent in 4Q08 to become more severe in the first part of the year, with OPEC output over 2M bpd below the summer peak." The views of Morgan Stanley energy analyst Ole Slorer explain the predominantly gloomy view of the tanker market for the months ahead. Slorer, also covering a wide spectrum of energy service stocks, commented: "Oil movements data continues to indicate a substantial pullback in Persian Gulf oil shipments. Gulf sailings and oil in transit (both eastbound and westbound) dropped [in late February] and are sitting well below their multi-year averages."

In Morgan Stanley's view, catalysts for crude oil storage are disappearing. Slorer told investors recently: "The combination of OPEC cuts ramping up, a falling Brent curve (suggesting further cuts needed, in our view), and a flattening [forward oil price] curve should put significant pressure on surprisingly resilient tanker rates."


***New Valor*, a 1992-built double-hull tanker, fixed at W47 for a PTT charter Gulf/Taiwan**

Such statistics notwithstanding, VLCC chartering was active as February ended. Double-hulled tonnage was getting a solid W47 for voyages to the East, as seen by HMM's fixture of the *C. Vision* for a cargo to Bataan. The *New Valor*, a 1992 double-hulled tanker, took the same rate on a PTT charter Gulf/Taiwan, although the single-hulled *BW Nile*, built 1991, was only able to garner W37.50 on a lifting to Ningbo. Exxon Mobil paid W50 on a VLCC cargo to Singapore, chartering *Blue Nile*. Conoco also paid W50, chartering *Habari,* for an eastbound lifting. Toward the end of the week, Bluelight reportedly paid W50 on a cargo to China on *Astipalaia*, as did Chevron on a Taiwan-bound shipment fixed on *New Century*.

A cargo to South Korea was reportedly done at W46. Exxon Mobil obtained a discounted W37.5 on *Maersk Navarin* for a cargo into the

Bunker prices

Latest mid-range prices listed in $ as at Tuesday 3 March 2009.
d = delivered, w = ex-wharf. Ports listed regionally clockwise from NE
Information supplied by Cockett Marine Oil. Tel: +44 1689 883400

REGION		380CST	180 CST	MDO	MGO
EUROPE					
d	ST PETERSBURG	202.50	212.50	405.00	435.00
d	GREAT BELT	260.00	298.00	397.00	443.00
d	HAMBURG	226.00	241.00	358.00	403.00
d	ROTTERDAM	219.00	240.00	345.00	373.50
d	ANTWERP	221.00	246.00	342.50	372.50
d	LE HAVRE	236.00	288.00	n/a	427.00
d	FALMOUTH	265.50	302.00	453.00	453.00
MEDITERRANEAN					
d	ISTANBUL	264.00	275.00	n/a	442.50
d	PIRAEUS	239.00	252.00	n/a	369.00
d	VALLETTA	272.50	285.00	n/a	417.50
d	AUGUSTA	273.00	286.00	n/a	429.00
d	FOS/LAVERA	254.00	306.00	n/a	443.50
d	GIBRALTAR	242.50	257.50	402.00	422.50
AFRICA					
d	ARZEW	272.00	332.00	n/a	472.00
d	DURBAN	n/a	246.00	395.00	405.00
d	LAGOS	302.50	342.50	n/a	492.50
d	DAKAR	302.50	342.50	n/a	481.00
d	LAS PALMAS	253.50	272.00	420.00	440.00
MIDDLE EAST					
d	KHOR FAKKAN	244.50	264.50	n/a	480.00
d	ADEN	295.00	305.00	n/a	705.00
d	JEDDAH	305.00	305.00	n/a	750.00
d	SUEZ	296.00	305.50	n/a	785.00
d	DAMMAM	270.00	270.00	n/a	580.00
ASIA					
d	TOKYO	266.50	271.50	457.50	n/a
d	SYDNEY	n/a	380.00	n/a	555.00
d	COLOMBO	297.50	310.00	n/a	695.00
d	SINGAPORE	234.00	252.50	352.50	357.00
d	HONG KONG	249.00	255.50	397.50	410.00
d	KAOHSIUNG	269.00	272.00	455.00	470.00
d	SOUTH KOREA	281.50	292.50	467.50	472.50
AMERICAS					
w	NEW YORK	257.50	281.00	492.50	n/a
w	HOUSTON	257.50	263.50	415.00	n/a
w	CRISTOBAL	282.00	307.50	547.50	n/a
w	VENEZUELAN PORTS	293.00	308.50	509.00	517.00
d	RIO DE JANEIRO	262.00	282.50	n/a	453.00
d	BUENOS AIRES	275.50	300.50	614.00	617.50
d	LA LIBERTAD	278.00	341.00	n/a	805.00
w	LOS ANGELES	259.00	292.50	430.00	n/a
w	SEATTLE	246.00	275.00	449.00	n/a
w	VANCOUVER BC	252.00	295.00	535.00	545.00

Gulf of Mexico, where it is estimated that more than two dozen ships are sitting with storage cargoes. Analysts have suggested owners may be induced into agreement on low rates where they see a prospect of ample demurrage payments a month outward.

Traders are putting money on bearish views of the rate term structure. On Imarex, the 4Q09, traditionally a time of a seasonal pick-up, has been settling at W42 (around $35,000/day TCE), contrasted with the present spot VLCC rate of W47.5 (in line with recent fixtures, and working back to $40,000/day TCE).

For the typically slower summer months, sellers have been willing to concede levels around W34, which works back to barely remunerative $22,000/day. For Suezmazes, the forward levels of FFAs predict summer doldrums at $28,000/day (W60 on West Africa/Philadelphia) – hardly the stuff of raging bull markets.

At least one listed company is agreeing, at least partly, with analysts' bearish prognostications, admitting it expects to see sluggish conditions in 2009. General Maritime said: "The combination of scrapping and conversion [to ore carriers] improved the net supply picture in 2008, but 2009 has less promising fundamentals."

On the demand side, General Maritime estimates OPEC has already cut output by 3M bpd – some 70% of its target. The company is better situated than some peers, with timecharter coverage currently at 77 % of its fleet days (mainly on Suezmaxes); thus, it faces limited spot exposure. Meanwhile, the Suezmax *Genmar St. Nikolas* (on to Eiger until late 2010), received W90 from BP for a lifting from West Africa to South Africa.

Throughout the winter of 2008-09, Aframaxes have disappointed. Spot rates on TD 7 (North Sea to Wilhelmshaven) and TD 9 (mainstay Venezuela to Corpus Christi trade) are worth $12,000/day (W81) and $10,000/day (W68) respectively.

A recent Poten report describes the Caribbean as the domain of the "Slumpdogs", noting that "When the forward price structure reacts to the amply supplied market, the release of stocks into the system may cause the Caribbean market to once again be on the go."

Indicative of the torpor was the fixture of a General Maritime TBN that agreed W67.5 for a move for Marathon Oil, Caribs/Gulf of Mexico. The majority of this owner's Aframaxes are presently trading spot.

On a recent analyst tele-conference, General Maritime chairman Peter Georgiopoulos said of his Aframax fleet: "We would definitely lock up more days at the right numbers." On the same call, operations executive Peter Bell said: "We will not be ballasting our Aframaxes away from the Caribbean market." But the present slump will keep these vessels spot for a while.

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Furtive summit

A VEIL OF secrecy was drawn over a Moscow summit between Russia's independent gas producers and Gazprom this week.

Novatek, the largest of Russia's independent producers, has acknowledged that the meeting took place, but it refused to discuss the results. Gazprom denied all knowledge of the event.

The summit had been billed as a meeting to co-ordinate production cuts and exports – which could mean Gazprom leaning on the other producers to curtail production and foreign sales by acting as a gas cartel similar to oil's OPEC. The impact of such a restriction could filter down to both crude and chemical tanker markets, as well as gas carriers.

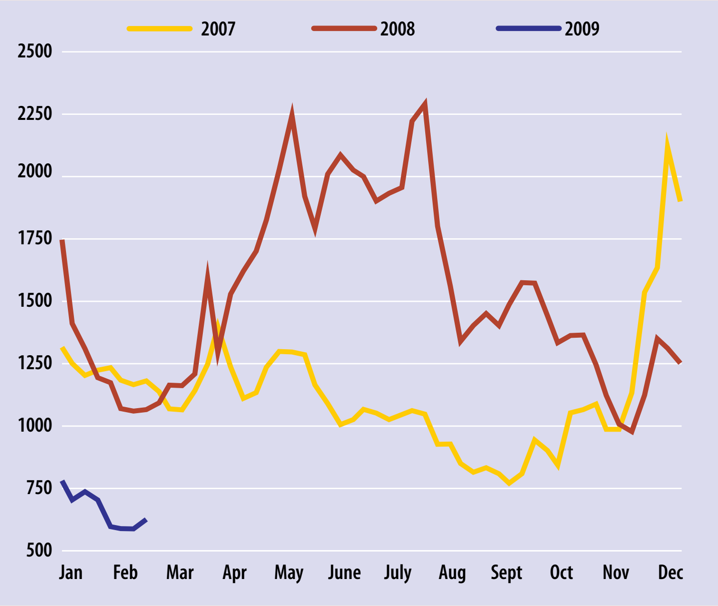
Novatek and Rosneft, the state oil company, have been boosting output, while Gazprom has been cutting back. In January, Gazprom produced 44.5Bn m^3 of gas, down 14% on January 2007 – the sharpest contraction in Gazprom output for many years.

Novatek lifted its production to 2.95Bn m^3 in January, a gain of 10% year-on-year. Rosneft reportedly lifted its output in January by 23%.

For more Tanker Markets news please visit www.fairplay.co.uk

Baltic Spot Rates — Crude Oil

Freight rates for VLCC tankers remained steady to soft last week on negative owner sentiment. Suezmax trades weakened in West Africa while Mediterranean trades remained steady. Mixed conditions prevailed in the European Aframax market while Caribbean rates softened.



Baltic Clean Rates

Trans-Atlantic MR trades weakened despite the support from an opening arbitration window for US diesel exports to Europe. Caribbean trades were steady to soft while Asian MR trades were limited on tight storage opportunities and rising tonnage availability. LR1 trades were much softer.