

Expectations for September

CONTRADICTIONS abound amid talk of economic recovery, causing large crude oil draw-downs and, in turn, upward pressure on crude prices. Returns to tanker owners continue to scrape bottom limits during a traditionally slow time of the year, with VLCC timecharter returns (timecharter equivalent [TCE]) stagnating at levels not covering costs, and certain Aframax trades barely yielding *any* cash contribution.

One Statoil fixture, North Sea/UKC on *Minerva Iris*, illustrates these desultory economics. At the reported W75, Imarex economics on the TD7 route work back to a TCE of a loss of about \$1,000/day, while a Baltic Exchange calculation shows a profit of \$1,000/day.

In the product sector, refining margins (a big driver of demand for product cargo) were pinched in the wake of crude oil priced above \$70/barrel again. The one bright spot was Suezmaxes in the Atlantic Basin, which were bid up by charterers shifting cargoes away from the VLCC sector.

The analyst team at Connecticut broker CR Weber, in their weekly reports, suggested that market participants were looking ahead at their



Photo: Dietmar Heespenich

Livanos's VLCC *Meandros* was taken by Shell for West Africa-Gulf of Mexico at W48

September liftings. Concerning the larger vessels, the broker told clients: "...we do expect to see a busier period as the current fixing window of two to three weeks forward should have charterers working to secure tonnage for their first half September programmes."

Recent fixtures include Glasford's booking of the double-hulled *Formosapetro Giant* at W40 on Gulf/China. Chinese charterer BlueLight did an identical deal on *Sea Fortune 1*. W37.5 was booked by S-Oil on NSCSA's *Safwa*, into South

Korea. In to Thailand, the single-hulled *Shinyo Sawako* was booked by Integrated Refining (IRPC) at W30. The same rate was paid by CPC on the single-hulled *Ruby III* to Taiwan. Ex-West Africa, larger VLCC loads to the Gulf of Mexico were booked at W48 by Shell, on Livanos's *Meandros*, and by Conoco-Phillips on the Minerva-controlled *Andromeda*.

For Gulf loaders, North American destinations could barely command W30, Vela booked a Gulf cargo into the Gulf of Mexico on Lykiardopulo's

Bunker prices

Latest mid-range prices listed in \$ as at Monday 24 August 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	304.00	308.50	430.00	460.00
d GREAT BELT	454.00	484.00	592.00	637.00
d HAMBURG	448.50	477.00	571.00	639.00
d ROTTERDAM	432.50	452.50	567.50	610.50
d ANTWERP	440.00	466.00	562.50	618.00
d LE HAVRE	462.50	477.50	n/a	657.50
d FALMOUTH	474.50	499.50	668.00	670.50

MEDITERRANEAN

d ISTANBUL	471.50	485.50	n/a	632.50
d PIRAEUS	457.00	475.50	n/a	612.00
d VALLETTA	470.50	485.50	n/a	621.50
d AUGUSTA	471.50	491.50	n/a	654.50
d FOS/LAVERA	480.00	534.50	n/a	627.50
d GIBRALTAR	458.50	480.00	622.50	642.50

AFRICA

d ARZEW	450.00	448.00	n/a	648.00
d DURBAN	n/a	477.50	642.50	662.50
d LAGOS	512.50	557.50	n/a	697.50
d DAKAR	497.50	532.50	n/a	674.00
d LASPALMAS	470.00	485.00	620.00	630.00

MIDDLE EAST

d KHOR FAKKAN	455.50	482.50	n/a	645.00
d ADEN	500.00	510.00	n/a	715.00
d JEDDAH	495.00	505.00	n/a	710.00
d SUEZ	499.50	502.00	n/a	760.00
d DAMMAM	450.00	455.00	n/a	640.00

ASIA

d TOKYO	461.00	466.50	585.00	n/a
d SYDNEY	530.00	535.00	n/a	700.00
d COLOMBO	472.50	482.50	n/a	655.00
d SINGAPORE	442.50	452.50	597.50	602.50
d HONG KONG	458.00	463.50	617.50	622.50
d KAOHSIUNG	533.00	534.00	630.00	645.00
d SOUTH KOREA	470.00	481.50	617.50	622.50

AMERICAS

w NEW YORK	445.00	455.00	632.50	n/a
w HOUSTON	448.00	458.00	602.50	n/a
w CRISTOBAL	459.00	473.50	652.50	n/a
w VENEZUELAN PORTS	459.00	474.00	662.00	670.00
d RIO DE JANEIRO	463.00	481.50	n/a	661.00
d BUENOS AIRES	476.50	496.50	712.50	712.50
d LA LIBERTAD	440.00	480.00	n/a	938.00
w LOS ANGELES	437.50	447.50	632.50	n/a
w SEATTLE	472.00	482.00	621.00	n/a
w VANCOUVER BC	479.50	504.50	660.00	667.50



Torrid time for Torm and Mærsk

MICHAEL Steimler has resigned from the board of Danish tanker company Torm as it announced dismal first-half results. Chairman Niels Nielsen told *Fairplay* that Steimler "has stepped down".

For the first half of this year Torm posted profits \$7M lower than expected, with losses before tax of \$33M for 2Q09. The company has also reduced its full 2009 financial forecast in light of low freight rates. It has now set its sights on breaking even. Torm blamed the adjustment on lower than expected freight rates for product tankers, caused by lower demand for transport of oil products as global consumption slumped.

Meanwhile AP Møller-Mærsk also posted a heavy loss of \$540M for 1H09. Revenues for the period fell 25% to \$22.7Bn. As well as a dire box segment performance, Mærsk blamed rates for dismal tanker activity that was "considerably" lower than in 1H08. The results for 2H09 are expected to be at the same level, the company said.

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Apollonia at W26.25; Irving Oil booked a Gulf loader, *Maersk Nautica*, into Canada, at W27.5. CR Weber's online calculator values this Worldscale rate, on the TD1 (Ras Tanura/LOOP) at barely \$2,000/day.

The rising crude prices translate into increased variable operating costs for tankers. CR Weber reminded owners that nominal increases in Worldscale rates, across sizes and origins/destinations, were reflecting increased bunker prices, rather than real improvements in owners' TCEs. Analysts at Compass Maritime in New York pegged the Fujairah fuel price at \$469/tonne (basis 180cSt spec), versus \$391/tonne in mid-July. At present bunker prices, the TD3 (Gulf/East) route, at W38, yields \$9,300/day (basis 45 total days on Imarex); a CR Weber template (using 41 days), works back to around \$14,000/day. The Baltic Exchange rates W38.3 on the route at \$11,660/day. Illustrating the sensitivity to rising fuel prices, a TCE in excess of \$20,000/day obtains in CR Weber's template, using mid-July's lower bunker prices.

FFA prices, adjusted for higher bunker costs, show an upward slope; traders expect the market to be better at that time. But the sloppy spot market is wearing on expectations. Imarex's 4Q10 position shows a settle worth around \$28,000/day, contrasted with the TCE closer to \$30,000/day in evidence a month ago.

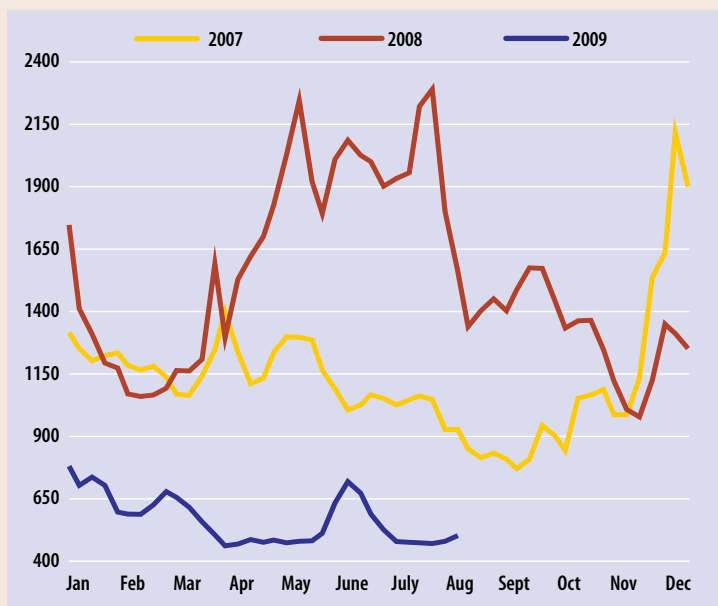
Suezmaxes have seen extra duty. According to CR Weber analyst George Los, "...chartering activity for cargoes emanating from West Africa is up by almost 34% through three weeks of August, versus the entire month of July." Los told *Fairplay*; "with the level of unrest in Nigeria having eased over the past week, oil production there has picked up, and although the improved situation may prove to be short-lived, this brought a rush to export – particularly with oil prices and fundamentals having improved."

The Cosco-owned *Da Ming Hu* was booked by Hess at W55 for a cargo into St Croix. The same rate was paid by ENI for 130,000 tonnes on *Hellespont Trader* into the Gulf of Mexico. Plains Oil booked a similarly-sized cargo into the Gulf of Mexico on *Catherine Knutsen*. Shell agreed W48 on *Minerva Georgia* for a cargo into the Gulf, while Mercuria took *Astro Polaris* at W45 on the same run. Into Spain, CEPSA paid W53 on the Wallem-managed *Suezmax Nautic*. Out of the Mediterranean, Petro Canada chartered *Minerva Marina* at W48 for 130,000 tonnes into Portland, Maine and W45 on *Minerva Symphony*.

Calculations for TD5 Suezmaxes show some positive contributions beyond operating costs; the Weber TCE works out to \$13,000/day, in line with Imarex in the mid-\$14,000s, and with the Baltic Exchange's assessment just shy of \$14,000/day.

Baltic Spot Rates — Crude Oil

The Baltic Dirty Tanker Index continued to climb carefully this week, reaching 502 points – an increase of 25. VLCC market sentiment was flat though, and the outlook remains muted for the near-term. Suezmax owners took home the best rates while Aframax returns sagged.



Baltic Clean Rates

The clean tanker index fell again this week, closing at 430 after a fall of 29 points. The East did not look any better apart from early signs of strengthening rates for cross-Far East MR's. Business in the Western hemisphere picked up markedly but the trans-Atlantic trades are softening.

