

Time comparison of heavy bunker IFO380 prices versus rates for the Gulf to Japan 250,000dwt tanker route

continued shortage of VLCCs in the area has meant that co-freighting options are reduced and so the Suezmax is the best option. Expect the next fixture to be fixed at about W80 level, if not slightly more, and the market remains buoyant." Sun, a leading charterer on the West Africa/Philadelphia run, was busy, taking the Nereus (CM Lemos)-owned *Cosmic*, and *Minerva Doxa*, both at W72.5.

Fearnleys expressed similar optimism, saying: "the Suezmax market remained firm during the past week and rates improved further. The West Africa market is presently trading at about W70 with some potential for improvement. The Med and Black Sea market increased to W95 level, and is firm with a reduced position list." Gibsons provided additional colour on the inter-regional aspects of the strength, saying the West Africa venue "then gained on firmer news from the Mediterranean, and the consequent thinning of availability." Market reports indicated that Itochu had fixed *Huelva Spirit* from Novorossisk/UKC Med at W95, with Vitol attributed to a fixture of *Teide Spirit*, also at W95, on Black Sea/Med. Broker CR Weber also picked up on the inter-regional theme and

Crude markets still swinging

TANKER markets are interconnected across geography and size classes. The strength noted last week in VLCCs has spread down the line. Clearly in evidence as June has unfolded is the impact of strengthening VLCC markets – which have once again pulled up their million-barrel cousins, the Suezmaxes. The upward rates movement in that sector is beginning to move even further down the chain to Aframaxes.

Imarex's Mike Reardon told *Fairplay*: "West

African exports last month reached 115M barrels despite the average for the three months prior only being about 92M barrels," implying greater need for the Suezmaxes. In the past weeks, the sector has exhibited strength, causing Braemar Seascope to point out: "a slight standoff has developed between owners and charterers, last done West Africa-Gulf of Mexico [for a Suezmax size] was W70, however since then owners, ideas are increasing. The

Bunker prices

Latest mid-range prices listed in \$ as at Monday 22 June 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	362.50	372.50	425.00	461.00
d GREAT BELT	403.00	433.00	557.00	602.00
d HAMBURG	384.00	394.00	521.00	572.00
d ROTTERDAM	375.00	385.00	501.00	556.00
d ANTWERP	377.00	387.00	519.00	559.00
d LE HAVRE	426.50	452.50	n/a	621.00
d FALMOUTH	424.50	449.50	633.00	633.00
MEDITERRANEAN				
d ISTANBUL	418.00	437.00	n/a	614.50
d PIRAEUS	420.00	427.50	n/a	604.50
d VALLETTA	434.00	447.50	n/a	617.50
d AUGUSTA	413.50	437.00	n/a	620.00
d FOS/LAVERA	433.50	488.00	n/a	661.00
d GIBRALTAR	407.00	418.50	603.50	617.00
AFRICA				
d ARZEW	412.00	422.00	n/a	633.00
d DURBAN	n/a	482.50	647.50	657.50
d LAGOS	458.50	497.50	n/a	661.50
d DAKAR	450.00	485.00	n/a	667.50
d LASPALMAS	425.00	439.50	612.50	620.00

MIDDLE EAST

d KHOR FAKKAN	400.50	422.50	n/a	622.50
d ADEN	430.00	440.00	n/a	655.00
d JEDDAH	440.00	440.00	n/a	780.00
d SUEZ	447.50	454.50	n/a	790.00
d DAMMAM	415.00	415.00	n/a	680.00

ASIA

d TOKYO	415.50	418.50	560.00	n/a
d SYDNEY	487.50	490.00	n/a	687.50
d COLOMBO	465.00	470.00	n/a	627.50
d SINGAPORE	403.50	411.00	n/a	580.00
d HONG KONG	411.50	416.50	602.50	602.50
d KAOHSIUNG	439.00	442.00	610.00	625.00
d SOUTH KOREA	419.50	429.50	607.50	617.50

AMERICAS

w NEW YORK	391.50	416.50	605.00	n/a
w HOUSTON	386.50	396.50	515.00	n/a
w CRISTOBAL	406.50	426.50	620.00	n/a
w VENEZUELAN PORTS	409.50	429.00	604.00	612.00
d RIO DE JANEIRO	419.00	437.50	n/a	627.00
d BUENOS AIRES	449.50	468.50	681.00	697.00
d LA LIBERTAD	420.00	468.00	n/a	920.00
w LOS ANGELES	388.50	406.50	560.00	n/a
w SEATTLE	436.50	446.50	545.00	n/a
w VANCOUVER BC	447.50	495.50	705.00	n/a

commented "the Med market saw very substantial gains, attracting some of the prompt ships from the Caribs." But an oversupply of tonnage has still prevented further upward movement.

Mediterranean Aframax fixtures attracted the attention of the Gibson analysts, who noted the strengthening as follows: "rates up to nearly double those of last week to stand at 80,000 by W155 cross-Mediterranean and up to W180 seen from the Black Sea."

Fixtures lists revealing a market on the rise included Total's booking of Arcadia's *Aegean Power* on cross-Med business loading in Libya at W120, and Cepsa's fixture of Centrofin's *Panagia Armata* with Libyan crude into Spain at W125.

In contrast to the strengthening crude trades, product tanker markets can be described as anaemic at best. New York equity analysts at Dahlman Rose, led by Omar Notka, have tied the smaller vessels' poor showing to developments in pricing of underlying commodities. Dahlman Rose (DR) said "low crack spreads could remain an overhang. We note that Far East crack spreads began to increase slightly toward the end of last week, up from a low of \$6/bbl to \$9/bbl, however in the past \$20/bbl was the typical level that support spot tanker rates." Fearnleys noted a tonnage build-

up west of Suez, but saw the same glimmers of firming noted by DR. Their analysis described MRs Singapore/Japan reported on subs at W80 basis 30,000/tonne, LR1 rates basis Gulf/Japan maintaining W85 basis 55,000/tonne, while LR2 rates improving to W75 basis 75,000/tonne. They point to better returns for owners due to moderating fuel costs in Asia.

So how much strengthening have we seen? Not surprisingly, recent increases seen in Worldscale rates have reflected the rapid rise in fuel costs. The graph opposite shows this relationship on Baltic Exchange rates for the TD3 route for VLCCs trading Gulf to Japan. Not shown are the vacillating timecharter equivalents (TCE), calculated by the Baltic Exchange. These are a measure of returns to owners after deducting fuel, port and canal costs.

After bottoming at around \$3,000/day in early May, the *per diem* (net of fuel costs) has risen nearly tenfold to above \$30,000/day, indicative of real improvement. Suezmaxes on TD5 bottomed out in early June around \$9,000/day, but Baltic quotes approaching W84 equate to a TCE of \$34,000/day, again after netting out fuel's impact. The strength is real.

In summing up the markets for crude traders, Gibsons said it best: "vertigo may soon set in, but things look set to swing for a little while yet."

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Indonesian gas

INDONESIA will reportedly divert LNG supplies from its Donggi plant in central Sulawesi for its domestic market. "We still need more gas," Widarma Raya, a spokesman for vice-president Jusuf Kalla, confirmed to *Fairplay*, while expanding on comments made by Kalla to Indonesian reporters.

Kalla told the *Jakarta Post* newspaper that a venture with Mitsubishi of Japan might founder amid mounting concerns of an oil and gas shortage.

"We cannot export gas overseas while at the same time our industry faces gas shortages," he explained. "Independence in energy is critical."

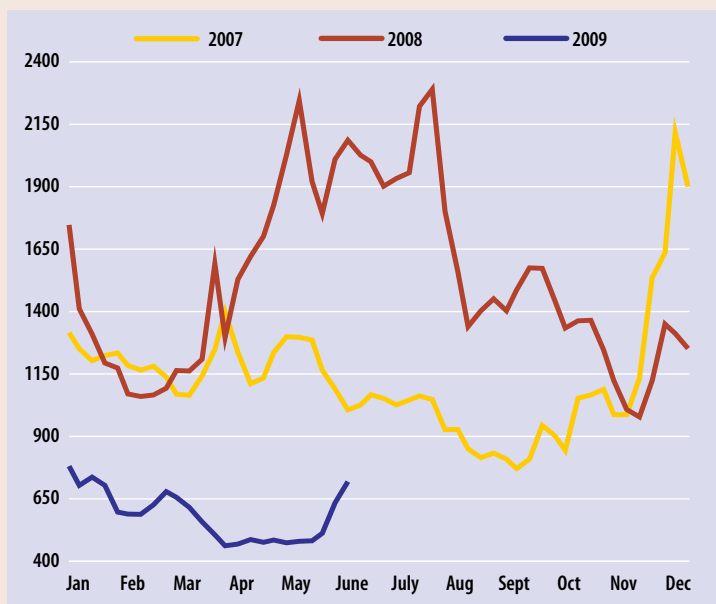
Raya said talks continue among parties that include national oil and tanker company Pertamina, Mitsubishi and other key domestic Indonesian oil and gas players. Any LNG diversion might be a blow to Japan, which has invested close to \$1.6Bn in Donggi with Tokyo's co-partners.

Japan has been hard pressed to get its LNG supplies up to speed, with former prime minister Shintaro Abe even making an impassioned plea when he visited Jakarta in 2008.

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Baltic Spot Rates — Crude Oil

The Baltic Exchange Dirty Tanker Index has risen steadily since late May to close at 719, a level last seen in late January. Strength is mixed across the sizes. VLCCs were the biggest gainers, but not evenly across the routes. Suez and Aframax had mixed (but generally higher) rates during the week.



Baltic Clean Rates

Clean tanker rates moved down on the index, but western markets were slightly stronger; those to Asia were generally soft. Some markets have seen rates stall or fall back slightly. Rates to the east for LR1s were up to WS72.5 and 87.5 for LR2 up slightly from last week.

