Late October sees slight bounce

TANKER trades have bounced up a little in late October, no longer resting on a chart bottom, but they still face a backdrop of chronically high crude and products inventories. Ole Slorer of Morgan Stanley has expressed surprise at the strength of tanker equities. He is quick to caution his clients that "ample levels of Atlantic Basin inventories mean that the spectacular gains in the tanker market of 2007 are unlikely to be repeated."

Apart from the tail-end of the Pacific typhoon season, owners are lamenting a lack of disruptions that might energise the markets. Besides Worldscale rates that are yielding marginal returns, in most segments other symptoms of the current environment include poor earnings reports from listed companies, and a poor prognosis from the company analysts.

The "stop-start" pattern of the VLCC trades was captured in the comment from EA Gibson that all is "going to plan for VLCC owners in the Middle East Gulf – at least it was until later in the week, when charterers decided to take their foot off the accelerator." Analyst Dahlman Rose has noted the upward creep of bunker prices on a worldwide basis, which depresses timecharter returns. The company's Omar Notka told investors that "bunker has risen beyond $460/tonne, limiting the market across most segments."

Photo: Dietmar Hasenpusch

Vitol fixed Dynacom's *Equator* from W Africa to the Gulf of Mexico at W65

VLCCs had reached respectable levels, enabling owners to cover operating costs and make a large dent into financing costs. At W48, where the Gulf/Japan (TD3) route was pegged, the Baltic Exchange calculated a timecharter equivalent (TCE) of roughly $25,000, while Imarex arrived at levels around $22,000/day. Korean charterer S-Oil fixed W47.25 on the newly delivered *Ghazal* for a Gulf/Onsan crude cargo mid-week. By the weekend, the same charterer was able to better this, paying W43.5 on *Great China*, also built in 2009. A spate of fixtures was also done from the Gulf to China and Japan. For example, Glassford booked *Neptune Glory* at W47.5 and Idemitsu chartered SK Shipping's *C Galaxy* at W45 to Japan.

Returns on westbound business were non-remunerative, with the Baltic's TD1 (Gulf/Gulf of Mexico) polled at just above W30, for a scant $3,000/day. Fixtures included Vela's booking *Maran Carina* and the Saudi-owned *Jana* into the US at W29.5, and Total's charter of the Economou-linked *Universal Brave* at W29 on the Gulf/UK Continent run.

Quite simply, an ample supply of vessels in the Gulf has smothered any further market stiffening, at least for now. Nevertheless, Braemar Seascope noted reduced vessel availability over the next month, "which," the broker said, "should help owners keep a grip on the market." For mid-November, it was seeing a

Bunker prices

Latest mid-range prices listed in $ as at Monday 26 October 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	324.00	333.50	420.00	497.50
d	GREAT BELT	468.50	498.50	646.00	691.00
d	HAMBURG	458.50	473.50	625.00	683.00
d	ROTTERDAM	454.00	471.50	610.00	652.50
d	ANTWERP	456.00	476.50	625.00	652.50
d	LE HAVRE	476.50	491.50	n/a	716.50
d	FALMOUTH	494.00	522.50	718.00	718.00
	MEDITERRANEAN				
d	ISTANBUL	483.50	507.00	n/a	667.50
d	PIRAEUS	474.50	496.50	n/a	661.50
d	VALLETTA	484.00	499.00	n/a	667.00
d	AUGUSTA	491.00	511.00	n/a	699.00
d	FOS/LAVERA	498.00	554.00	n/a	732.50
d	GIBRALTAR	475.00	490.00	660.00	680.00
	AFRICA				
d	ARZEW	482.00	493.00	n/a	700.00
d	DURBAN	n/a	450.50	627.50	640.00
d	LAGOS	527.50	577.50	n/a	752.50
d	DAKAR	545.00	577.50	n/a	720.00
d	LAS PALMAS	486.00	502.00	675.00	685.00
	MIDDLE EAST				
d	KHOR FAKKAN	469.50	481.50	n/a	655.00
d	ADEN	505.00	515.00	n/a	705.00
d	JEDDAH	495.00	505.00	n/a	700.00
d	SUEZ	501.50	505.00	n/a	750.00
d	DAMMAM	455.00	465.00	n/a	640.00
	ASIA				
d	TOKYO	501.00	509.00	615.00	n/a
d	SYDNEY	529.00	542.50	n/a	720.00
d	COLOMBO	480.50	483.50	n/a	700.00
d	SINGAPORE	462.00	469.00	635.50	643.00
d	HONG KONG	478.50	484.50	667.50	675.00
d	KAOHSIUNG	491.00	495.00	670.00	685.00
d	SOUTH KOREA	466.50	479.50	647.50	657.50
	AMERICAS				
w	NEW YORK	465.00	477.50	642.50	n/a
w	HOUSTON	456.00	466.00	622.50	n/a
w	CRISTOBAL	477.50	497.50	687.50	n/a
w	VENEZUELAN PORTS	453.00	469.50	644.00	652.00
d	RIO DE JANEIRO	470.00	488.50	n/a	739.00
d	BUENOS AIRES	452.00	472.00	664.50	690.00
d	LA LIBERTAD	468.00	508.00	n/a	980.00
w	LOS ANGELES	459.00	465.50	697.50	n/a
w	SEATTLE	449.00	459.00	722.50	n/a
w	VANCOUVER BC	450.50	470.50	712.50	747.50

small surplus of ships, with minimal downside impact; to cargo interests, it advises "to regain control they are going to have to try and drip-feed the market."

Suezmaxes continue to hold their ground. The TD5 Suezmax Rate (West Africa/US East Coast) has been quoted near W62, reckoned at around $17,000/day by the Baltic Exchange (and about $18,000 by Imarex). Braemar Seascope's narrative has "Suezmax owners have played hard-to-get in the Atlantic and this resistance has paid off, charterers quoting cargoes have had very little response and this has forced the market upwards."

Brokers also saw difficulties drawing VLCCs into Suezmax loading areas, adding support to the arena. Market fixtures have included Vitol taking Dynacom's *Equator* from W Africa into the Gulf of Mexico at W65, and Sun booking *SKS Satilla* into Philadelphia at W60. Hess paid W60 on *Front Warrior* into the Gulf of Mexico. Cross-Med business was also brisk, with Suezmaxes earning W70 for shortened runs such as Total's booking of NITC's *Sarvestan* (fixed Libya/UKCM) and Samir's fixtures, both at W77, ex Sidi Kerir, on Tsakos's *Alaska* and *Hellespont Trooper*. Baltic Exchange TCEs for Black Sea/Med business (basis W84 on the TD6 route) at above $21,000/day.

Aframaxes have been range-bound for several months. Describing the Caribbean market, Gibsons said: "The Caribbean needs something – anything – to happen outside of the immediate marketplace to knock rates out of their lowly 'conference' 70,000 by W67.5/70 level upcoast." This is illustrated by Chevron's fixture into Pascagoula of another Tsakos unit, *Izumo Princess*, at W70 – a TCE of around $3,500/day.

Gibsons suggested that, without fresh developments "the supply/demand imbalance will continue to keep rates at these rock bottom levels." A whole slew of 80,000-tonne cargoes was fixed within the Med, at rates varying between W75 and W80, worth approximately $5,000/$6,000/day on a TCE basis.

The products sector has remained dormant because of the lack of significant dislocations in the oil products trades. Gibsons described the market as "East of Suez continuing to slump and in the West there is some sporadic activity." Braemar Seascope laments growing tonnage lists in the Atlantic in the TC2 (38,000-ton) category.

But Gibsons hints at possible demand from the storage sector, pointing out that "there have been some more storage questions being asked on the Continent, with LR1s willing $12,500/day excluding bunkers and LR2s are fixing over $17,000/day." Nice hires – if the products market co-operates.

Fairplay24

Oil giant suffers

PRODUCTION from Mexican state oil giant Pemex continues to fall due to the decline of the Cantarell field. September output fell to 2.6M bpd, from 2.7M bpd in 2008. Mexican exports for January-September 2009 averaged 1.2M bpd, falling from 1.4M bpd in 2008.

Mexico's decline could be important to tanker trades because the US might need replacement supplies from more distant sources. This has not yet occurred, because Mexico's drop has coincided with decreased US demand. US imports from Mexico remained essentially unchanged at around 1.3M bpd in July, Energy Information Association figures showed.

IHS Global Insight commented: "The best that can be hoped for is a slowing of the rate of decline at Cantarell and stabilisation of national output volumes at around the 2.9M bpd mark – rather than a substantial increase in production over the short term."

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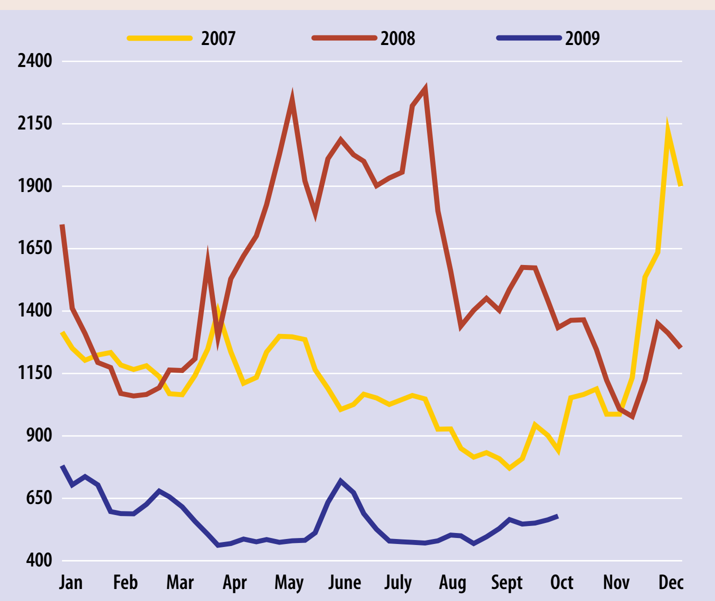
Baltic Spot Rates — Crude Oil

The Baltic Dirty Tanker Index remained steady to firm this week, rising 12 points to close at 580 (a 2.1% change). Business for VLCCs in the Middle East, which had been going strong, tapered off towards the end of the week, while the markets proved lacklustre for Suezmaxes and Aframaxes.



Baltic Clean Rates

A week consisting of a continued slump in the market East of Suez and only sporadic activity in the West resulted in a slight dip in the Baltic Clean Tanker Index. It closed at 463, down 14 points (-2.9%). There was no reprieve for a weakening LR market, while a shaky MR market managed to stabilise.