Tanker Market- October 12th

SEA PRINCE

The tanker sector continued to languish, even as the all – important "Q 4", with its potential to boost demand, had arrived. The November cargo stems emerging were doing little, so far, to bolster the rates. NYMEX oil prices, reaching new highs in the lower/ mid $80's, were reflecting new nervousness centering on supply disruptions in the Kurdish region of Turkey and Iraq. So far, however, there has been no tanker market impact in the form of a rush to cover. Overall oil demand continues to be strong, with the IEA prognosis for energy usage remained unchanged at 85.9 MB/day, in its October 2007 report.

On the VLCC's trading to the Far East from the Arabian Gulf, WS 50 -55, worth approximately $20,000- $22,000 per day in laden/ ballast trade, was emerging as a conference rate. Exxon Mobil took Tsakos Energy's *La Prudencia* for a 2 MB cargo at WS 55 while Unipec was linked to a same size load at WS 54.5 on AET's *Eagle Venice.* GS Caltex fixed Tanker Pacific's *Sunrise Jewel* on a VLCC cargo to S. Korea, at WS 52, while SK took Taiwanese owned *Front Vanadis* at WS 50 on the same run. The same charterers also took HMM's *Universal Hope* for two ports (Ras Isa and Yanbu) to Korea at WS 53. Thai charterer PTT paid WS 55 for a VLCC load AG/ Thailand on the Aramo-owned *Asian Progress II*. Chevtex booked a Tankers International TBN for 270,000 tons, at WS 55, on an AG/ S Africa run.

In the 1 MB sizes, on the same run, BP took 135,000 tons from AG to Durban on *South Sea* at WS 97.5. Oil major Shell fixed Top Tankers' *Stormless* from Kharg Island to UKC/ Med at WS 75. Out of the North Sea, Shell paid WS 82.5 on Thenamaris's ***SeaPrince*** for a Suezmax size Sullum Voe/ Portland, Maine. PetroCanada took the Turkish owned *Besiktas* for a Sullom Voe cargo into EC Canada, at a slightly higher WS 86.75. Sun booked Olympic Faith for 130,000 tons of crude on "TD5"- W Afr / USAC at WS 80- worth about $13,000 on a TCE basis. FFA traders noted that deals for Calendar 2008, 2009 and 2010 for "TD 5" are all priced around $30,000/day.

In the otherwise gloomy marketplace, the Aframaxes continued to garner interest, particularly for North Sea and Russian loadings, where FFA traders can now transact deals tied to the "TD17" Aframax from Primorsk to Wilhelmshaven. Spot fixings were done by Clearlake for 100,000 ton lifts on NYK's *Forward Bridge* and Sovcomflot's *Nevskiy Prospect*- both at WS 80, the same rate paid by ST Shipping on Varun's *Amba Bhakti.* Littasco booked 100,000 tons on Marmaras Navigation's *Delta Victory* at the same rate. Shell was behind a fixture at WS 110 of a 70,000 ton clean cargo from Ventspills into the USAC on Marinvest's *Kirsten* at WS 110.

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Though TC equivalents, a measure appearing in Fairplay market reports, provide guidance on earnings, the measure may be understating per diems. Analysts at McQuilling Services LLC have published a recent report on “triangulation”. This practice, concentrated in the VLCC sector, involves owners optimizing their vessels’ trading patterns- in order boost their utilization rate beyond 50%- the result of a purely laden fronthaul / ballast backhaul. Tankers International, carrying the S Africa cargo for ChevTex mentioned earlier, is known to be employing with highly sophisticated “multi-agent” routing software.

Using the examples of a VLCC in “TD1” (AG to US Gulf) and “TD15” (W Afr to China) , McQuilling’s team shows that WS 50 would equate to $18,500/ day (over 76 days) and $14,300/day (over 67 days) respectively. Then, the analysts show how a more efficient routing (ballast from US Gulf to W Afr before back-loading for China), over 115 days, with enhanced earnings- $31,100. The obvious paradox is that such routing, if applied fleetwide, will free up incremental VLCC tonnage deliverability from existing (inefficient) supply patterns and would have a fleet wide impact of lowering rates.

Such is not the case for the products trades- consider that Capital Products Partners LP (“CPLP”) was recently upgraded to “outperform” by brokers Bear Stearns. The equities analysts emphasize CPLP’s book of forward fixtures, in the form of timecharter employment, insulating it from traditional spot market vagaries. Indeed, the term structure of the rates in the “TC2” trades (37,000 ton clean cargoes from Rotterdam/ New York) puts rates for Calendar 2008 and Calendar 2009 above the spot WS 180 (approximately $12,000/day), in the vicinity of WS 230 (approx $18,000/ day)and WS 220 (approx $17,000/ day) respectively.

In actual fixtures in the TC2 trades, Morgan Stanley took the *NS Silver* on Cont/ US Atlantic at WS 187.5, while Chevtex booked the Japanese controlled *Jasmine Express* at WS 180. ExxonMobil joined the fray, booking Reliance II at WS 187.5, and ST Shipping booked a mid October 30,000 ton shipment on White Point at WS 190. In Caribbean trading, BP agreed to WS 140 on a 38,000 ton Gulf/ Caribs movement on Pietro Barbaro’s *White Point*.