Imarex Daily Brief – Thursday, March 12, 2009

Tankers

Crude

VLCC AG/East	37.5	(TCE $31k/day)	softer
Suezmax Wafr/Usac	82.5	(TCE $42k/day)	about same

Recent fixing activity has brought us up to 68 deals for March – yet it also brought us lower rates. With a few more requirements currently listed on the wires – we should be able to get to the 75 level, maybe 80 – but those keeping score at home are aware that demand in today's world ain't what it used to be. As we will see a fixture tally far below the norm, we can expect positions to build. When you throw in the healthy delivery schedule and OPEC's desire to either further enforce existing cuts or simply cut further, the picture is bleak. The forward curve agrees – as we see that the remainder of 2009 is priced at about $24k/day.

Last night's **ATS Report** points out that China's crude oil imports for Feb fell 17.9% y-o-y. They further commented," The overall picture, as given by net imports of petroleum, is however one of demand that is declining at an unexpectedly fast rate." The lone bright spot here is that crude imports may increase soon when refinery runs should start picking up to meet demand during agricultural season.

TD3 has seen limited trading. Q2 and Q4 trade flat at 32 and 37.50.

Clean

37kt Cont/Usac	107.5	($11k/day)	soft tone
38kt Caribs/Usac	102.5	($10k/day)	same
55kt AG/East	87.5	($16k/day)	softer

Limited fixing activity has left rates alone for the time being. As demand remains soft, the position list grows – keeping a lid on near terms rate rises. There are reports of lower numbers getting done on less than stellar tonnage. Good news can be found in the open diesel arb from USG to Europe – though it hasn't translated into high rates. The mogas arb Cont/ta is also improving – though not yet where we need it. The East remains weak – as a rate decline can always be found on one route or another each day.

Small volume trades have brought **TC2** Q2 down a point to 122, though this number sits 12 points or more above spot – implying mild optimism for the sector. **TC5** volume has been very good, though rates have come off. Q2 trades down 5 points to 107 while Q3 loses 2 points to 115.

Dry Bulk

Baltic Indices

BDI	2201	down 70
BCI	2580	down 126
BPI	2287	down 114
BSI	1727	down 8
BHSI	790	up 15

From Justin Yagerman at Wachovia: Chinese Steel Production Declines As Iron Ore Imports Reach Historic Levels. Chinese steel production declined 2% in February to 40.5 million tons, from 41.5 million tons in January. Chinese steel production remains 10% above its recent historical average (since 2000) of 36.7 million tons/month. February's modest decline in steel production marks the first decline since October of 2008. Chinese iron ore imports increased 43% to 46.7 million tons in February, China's largest monthly total by more than four million tons, and only the second time China has imported more than 40 million tons of iron ore in a month in recent history (with the other being 04/2008).

Dry FFAs

Contract	Close	Current	Diff
BDI Mar	2045	1970	-75
BDI Q2	1700	1625	-75
BDI Q3	1500	1450	-50
CS4 Q2	$20,250	$19,250	- $1000
CS4 Cal10	$20,203	$20,150	- $53
PM4 Q2	$13,700	$13,250	- $450
PM4 Cal10	$14,275	$12,150	- $2125
SM6 Q2	$13,375	$13,150	- $225
SM6 Cal10	$10,856	$10,850	- $6

Volumes are moderate – with most trades getting done for small days. It seems some pessimism has worked its way back into the sector – as the overall demand picture has grown a darker shade of grey. Rio Tinto's force majeure for Port Dampier ore shipments remains in effect and there are reports that most of the S Am grain cargos have been covered. Japan's steel demand dropped a concernable y-o-y 43% in January…though it is reported steel demand for shipbuilding actually increased almost 10%. A double whammy on shipping. Good news, assuming you were able to work your way through the bad news, is that Chinese ore buyers are pushing for 2007 pricing levels – which implies a 50% price cut from current contract levels. A significant price decrease will of course encourage demand for ore – and therefore demand for shipping.

Equities

- **Johannes Moller** maintains a HOLD on **D/S Torm**, though lowers target to DKK 55 (from DKK 80).
- **Omar Nokta** maintains a HOLD on **DAC**.
- **Charles Rupinski** has placed his Buy rating and $44 target on **DAC** **under review**.