

## Tankers

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### Basis 2010 Flat Rates

#### Crude

VLCC Ag/East	105	(\$58k)	fixing pace good, rates stalled
SM Wafr/Usac	160	(\$52k)	about same
Jan AG fixtures	86	up 7	
Jan Wafr bbls	95m	unch	
Feb Wafr bbls	10m	up 2	
Turkish Straits	8n/6s	down 1	
Fujairah bunkers	501	down 7	

**Physical:** The fixing pace in the AG is still good, though rates have maybe topped for the time being. We are close to the expected number of cgos for Jan – and the fixture count is now line with where we stood one month ago. Wafr activity has slowed as it appears January is mostly covered and Charterers look towards February, though some expect possible firming.

**Greg Lewis** on the contango trade: "While crude oil storage on tankers is not uncommon, in 2009 both product and crude tankers were used to store fuel oils (petroleum products). Many newbuilding crude tankers went from the shipyards to the refineries to be loaded with petroleum products before ever carrying a crude cargo. We estimate this relatively new storage trade at around 60-70 million barrels at the start of 2010. We note the fuel oil curve is also flattening. The curve exhibited sharp contango, with the 12 month curve at about \$24 above the spot price for most of Q1 2009. However, while the oil curve flattened in Q4 2009, the spread on fuel oil remained wide at \$22-\$24. More recently the 12 month spread has dropped to about \$16 – well below the average of \$24 in 2009."

**Robert MacKenzie** bullish on tankers: "A strengthening global economy coupled with contained fleet supply growth should provide a strengthening year-over-year trend. The IEA forecasts oil demand to recover in 2010 and a higher degree of seaborne oil transports further augments that recovery. Tanker rates rose through 4Q09 as seasonality bolstered the market. Now, as we transition into 2010, an improving global economic landscape should pick up the slack from subsiding seasonal strength and continue to push day rates higher. Fleet growth will persist, but cancellations, delays, and the single-hull phaseout should help to somewhat alleviate the negative effects of the new builds. As a result, we expect the market to improve in 2010 and approach balance by 2011."

**Crude FFAs:** Good volume. **TD3** Feb trades flat at 86 and is bid on at that level. Earlier trading brought the Feb contract down to 84 before the rebound. **TD5** Jan trades up 1 point to 142 while Feb remains priced close to 118.

#### Clean

37kt Cont/ta	215	(\$17k)	likely softer, lower numbers reported
38kt Caribs/up	160	(\$8k)	about same
55kt Ag/East	150	(\$14.5k)	maybe touch softer

**Physical:** We are seeing lower numbers reported on the Cont/ta route – but more importantly – we are hearing of multiple offers coming in for each cgo. Trend guessers see this as a bad omen for Owners in the near future. Clean floating storage is said to be down into the mid 60m bbls worldwide as the pricing structure has changed in addition to gasoil being discharged into the cold spell. Floating storage was estimated in the mid 70m bbls about a week ago – and has high as mid 90m bbls 5-6 weeks ago.

Eastern clean has shown further mild softening on some, though not all, routes.

**FFAs:** Light volume. **TC2** Feb trades down 4 points to 175 and is offered over at that level. Physical sentiment is likely playing a role. **TC5** Feb is trading down 2 points to 134.

## Dry Bulk

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### Baltic Indices

BDI 3160 up 12  
BCI 3759 up 41  
BPI 4156 down 68  
BSI 2507 up 55  
BHSI 1185 up 3

>From **Justin Yagerman's 2010 Shipping Preview**: Near-Term, we believe dry bulk iron ore imports will ramp into Chinese new year (February 14th), as trepidation surrounding rapidly rising iron ore import prices leads to an expedited iron ore inventory restocking, potentially above 75 million tons. While we believe China will time its participation in the iron ore spot market to protect steel margins, we believe China will continue to drive a firm overall environment, with improving activity from mature economies (Europe and Japan) continuing to diversify global ton-miles. Continued coal and grain strength may provide additional support for demand levels, increase global ton- miles, and potentially create pockets of supply/demand imbalances which could in-turn spur rate surges.

### Dry FFAs - thin volumes

	Spot	Q1 FFA
Cape:	34563, up 368	41000, down 1250
PM:	33369, down 546	29250, down 750
SM:	26213, up 573	24250, unch

## Equities

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### Capital Link Indices

Maritime:	2151.07	54.09	2.58%
Tanker:	2638.14	125.63	5.00%
Dry:	1095.83	6.72	0.62%

- Natasha Boyden maintains a HOLD on NMM though raises target to \$13 (from \$10).

From **Robert MacKenzie's** 2010 Shipping Outlook:

- FRO is our *FBR Top Pick*, as the company's asset-light business model amplifies its market exposure. Conversely, a large dry-bulk order book should drive rates lower in 2010. construction delays and cancellations will spread the impact across multiple years, but we nonetheless expect strong fleet growth that will lead day rates lower this year. Dry-bulk companies with capital to acquire vessels at trough prices should prove resilient. We favor DSX and SBLK.

>From **Justin Yagerman's** 2010 Shipping Outlook:

- BUY: DRYS, DSX, GNK, NMM, ESEA.  
- FRO upgraded to HOLD.

>From **Greg Lewis'** Tanker Storage note:

- Given the recent rally in the tanker names (FRO up 25 % YTD and OSG up 17% YTD), we recommend taking profits in FRO and OSG.