Tankers
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<u>Crude</u>

VLCC Ag/East	50	($29k)	firm
SM Wafr/Usac	82.5	($31k)	firm
Nov AG fixtures	85	up 7	
Dec AG fixtures	1		
Nov Wafr bbls	112m		
Dec Wafr bbls	21m	up 5	
Turkish Straits	3n /3s	about same	
Fujairah bunkers	467	same	

Physical: Momentum remains on the side of Owners as the rate atmosphere stays firm. The AG may still have some upside as that region is now closer to being in balance than anything we have seen in recent months. The Wafr market also favors Owners – though it's worth pointing out that a lot of forward bbls are now being covered, thereby reducing future demand at some point (unless of course demand is truly on the rise to a noteworthy extent).

Reports of a SH ban in China beginning on Jan 1 are of course relevant and clearly provide good news to Owners. It should be kept in mind however that most models/forecasts have already factored in 70-100% of the Sh fleet being phased out within 2010 – so while the impact will be a real positive for Owners – it is not a total landslide victory (unless other countries being to enact similar legislation).

Further, the SH ban reported in Fujairah last week is now being denied. The reports are "fully wrong" says the harbor master. The impact on this issue would have been negligible anyway – as this would have posed only an operational inconvenience to SHs, rather than anything that would shift the overall rate atmosphere.

Crude FFAs: TD3 has seen light volume. Dec trades up 1 point to 55 while the Q1 adds 1 point to 69.

<u>Clean</u>

37kt Cont/ta	85-90	($.7k)	still ugly
38kt Caribs/up	75	(- $2k)	still miserable
55kt Ag/East	100	(12k)	same

Physical: Atlantic basin arbs remain closed and the supply/demand mismatch continues. There is more talk of floating storage in the region. Eastern routes remain mostly steady. The firm Asian naphtha market is said to have opened the arb for cgos from Europe.

FFAs: TC2 has seen limited volume. Nov and Dec seem to be facing some downward pressure. Dec is offered at 104 – 1 point below Friday's close. Eastern activity has been light. **TC4** Dec trades flat at 100, while **TC5** Dec adds 2 points to 116.

Dry Bulk
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<u>Baltic Indices</u>

BDI	4220	up 109
BCI	7326	up 143
BPI	4091	up 113
BSI	2257	up 110
BHSI	985	up 15

Martin Korsvold: Drybulk rates continues upwards with rates above USD 100,000/day achieved on the the iron ore capesize run from Brazil to China. With the average spot ratio between capesize and panamax at 2,4x and the ratio on the fronthaul at 2,3x, this points towards continued push for the panamaxes too. The bid/offer spread on iron ore in China is currently USD 104/106 pmt on 63/63,5% FE cargoes delivered CFR North China. Although the spot price of iron ore moved up by 5,5% last week the forward curve failed to follow with the various contracts posting WoW decline in the range 0,5%-2,8%. Steel prices continue to rise in China with the main products showing a 2-3% increase WoW.

Dag Kilen: Latest congestion data from Global Ports suggests port congestion has worsened over the last month. In the Capesize segment 132 vessels were at anchorage in the main coal and iron ore ports last week versus 112 a month earlier. In the Panamax segment 128 vessels were tied up in port congestion versus 90 vessels a month earlier. The increase in port congestion is found in China and Australia with 99 and 136 vessels currently versus 63 and 122 a month earlier. Congestion is unchanged/slightly lower elsewhere.

Dry FFAs - good volumes for a Monday with prices coming back down after initial increases

	Spot	Q1 FFA
Cape:	78075, up 1541	48000, umch
PM:	32879, up 907	26500, up 250
SM:	23600, up 1147	21500, up 250

Equities
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Capital Link Indices

Maritime:	1,777.17	+45.82	+2.65%
Tanker:	2,099.62	+32.06	+1.55%
Dry:	1,071.12	+36.23	+3.50%

- **Justin Yagerman upgrades Dry Bulk Stocks**. "We are upgrading GNK and ESEA to a Buy rating and EGLE to a Hold rating, as we believe near-term fundamentals point towards continued Q4 day rate upside. While we remain cautious on the sector over the long-term due to supply growth, we believe recent vessel dislocation stemming from seasonal coal and grain trades and continued strength in iron ore imports into China will likely continue to drive near- term upside in day rates and dry bulk stocks."

TK – 0 Buy, 4 Hold, 0 Sell
- Omar Nokta maintains a HOLD on TK.
- Doug Mavrinac maintains a HOLD on TK and raises target to $25 (from $23).
- Urs Dur maintains a HOLD on TK.
- Justin Yagerman maintains a HOLD on TK ($18).

TNK –2Buy, 0 Hold, 0 Sell
- Omar Nokta maintains a BUY on TNK ($11).
- Jonathan Chappell maintains a BUY on TNK and raises target to $11 (from $10).

- Forde Morkedal maintains a BUY on BLT (SGD 0.17).
- Charles Rupinski maintains a HOLD on ESEA.
- Charles Rupinski maintains a HOLD on GASS.
- Charles Rupinski maintains a HOLD on DAC.
- Glenn Lodden maintains a BUY on AP Moller Maersk (DKK 42750).

From the Shipping Weeklys
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Scott Burk: October Chinese Iron Ore Imports Down from Record September. China imported 45.5 million tons of iron ore in October, according to preliminary data from the Chinese Ministry of Transport, which represents YoY growth of 48.7% but a decline from record import levels of 64.6 million tons in September 2009. The robust import levels seen over the last several months are a result of continued steel demand in China, driven by record automobile sales and stimulus-driven investment in infrastructure. Additionally, recovery in China's crucial foreign markets appears to be materializing, with steel product exports in China up nearly 10% compared with September.

Natasha Boyden: While we expect this bullish sentiment to remain in the dry bulk sector over the near-term, we suggest an acceleration of newbuild deliveries in 2010 could likely contribute to a correction in rates. Furthermore, we look for Chinese commodity demand to also be vulnerable to a correction. Last week, the Chinese government announced plans to target overcapacity problems in the steel, aluminum, coke, cement, paper and utility industries, which combined with the winding down of the stimulus program, could contribute to subpar demand growth for dry bulk imports in 2010, in our opinion.

Omar Nokta: Chinese iron ore imports dropped in October. The import figure of 45.5 million tons was a steep drop from September's record volumes of 64.5 million tons. The reduced import volumes reflect slower dry bulk spot fixture activity in August and September; although we would not be surprised to see import totals begin to rebound before year-end, given the acceleration in dry bulk activity seen during the past month. An increase in imports could also reverse the iron ore destocking trend we have seen, with port inventories down to 66 million tons as of last Friday, down 8 million tons over the past 6 weeks.

Doug Mavrinac: Last week, China's Bureau of Statistics announced China's industrial production rose 16.1% in October from year ago levels which represents the biggest monthly increase since March 2008. Also last week, Japan's Cabinet Office announced machinery orders increased 10.5% in September from the previous month, more than doubling expectations. With industrial activity increasing in both the largest and second largest iron ore importing nations, we believe dry bulk shipping demand and correspondingly dry bulk shipping charter rates should remain firm in the coming months.