

Tankers

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Crude

VLCC Ag/East	75-80	(\$38k)	down a touch from last Wed's report
SM Wafr/Usac	125-130	(\$38k)	down a touch from last Wed's report
AG March	47		up 19 since last Wed's report
Wafr March	61m		up 9 since last Wed's report
Turkish Straits	2n/2s		about same
Fujairah bunkers	477		same

Physical: Though rates appear to be a touch softer for Vs and SMs – the position list seems somewhat balanced until the latter part of March, implying Owners are not done fighting the good fight. The futures price for VLCCs is in line with spot for March – implying rates “should” remain in decent/fair territory for a bit longer. SM futures point to the downside – with the March contract trading at about 107.

Worth noting: LONDON, Feb 11 (**Reuters**) - Nigeria's Brass River crude can be exported via very large crude carriers (VLCCs) throughout the year, starting in April, after the completion of improvement works, market sources said on Thursday. One VLCC can carry 2 million barrels of crude oil. Previously, the Brass terminal could handle ships up to half the size of the VLCC, or Suezmax vessels, during the wet season from April to October.

Crude FFAs: Light volume. **TD3** March trades up 3 points to 77, reversing the mild decline seen last week. April trades up 3 points to 70.

Clean

37kt Cont/ta	177-80	(\$12k)	touch firmer than last week, rates in a wide range
38kt Caribs/up	135	(\$4.5k)	about same
55kt Ag/East	127	(\$10k)	possibly softer

Physical: Cont/ta routes have added a few points since the middle of last week – with current fixing ranging widely. Cont/Wafr mogas shipments continue to provide support – though the broader regional picture remains prosaic. In the East, AG clean rates may have softened a touch on ample ship supply – though the ATS Report mentions that the naphtha market “has found support from good demand for April barrels when petrochemical are looking to maintain cracker runs at close to 100%.” That would have positive implications for the broader economy as well.

Clean FFAs: **TC2** volume has been good. March trades flat at 180 – in line with spot. Eastern volume has been light. **TC4** April trades up 3 points to 143 while **TC5** April trades up 1 point to 131.

Dry Bulk

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Baltic Indices

BDI	2760	up 22
BCI	3163	down 11
BPI	3448	up 49
BSI	2316	up 28
BHSI	1166	up 13

Dag Kilen: Drybulk port congestion increased again last week, latest data from Global Ports show. 154 Capesize vessels and 164 Panamax vessels were tied up versus 94 and 137 vessels respectively a week earlier. The rebound in congestion was driven by longer queues in Brazil, Indonesia and China in particular, with queues in China building due to low activity level during the New Year holiday. Australia's main coal ports continued to see steady queues with waiting delays still being significant after heavy rain lately. This has affected the railing of cargo to the ports of Gladstone, Dalrymple Bay and Haypoint in

particular. Dalrymple Bay has 60 vessels at anchorage with 25-30 days waiting time. Newcastle Port had 47 vessels with 12-16 days waiting time.

Martin Korsvold: Official data released today show that Chinese PMI contracted to 52.0 in February down from 55.8 in January. New Orders PMI fell from 59.9 to 53.7 MoM, whilst New Export Orders PMI fell from 53.2 to 50.3 MoM. Meantime, HSBC's PMI index for China fell to 55.8 in February from 57.4 in January. The numbers suggest that the government efforts to rein in stimulus and credit growth are beginning to find traction.

Dry FFAs - light volume

	Spot	Q2 FFA
Cape:	28281 down 97	33500 unch
PM:	27723 up 397	27750 unch
SM:	24217 up 290	24250 up 250

Equities

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OSG – 1 Buy, 1 Hold, 1 Sell

- Dag Kilen maintains ADD on OSG (\$45).
- Justin Yagerman maintains HOLD on OSG (\$40).
- Wilhelm Gedde-Dahl maintains SELL on OSG (\$32).

FRO – 4 Buy, 3 Hold, 5 Sell

- Omar Nokta reiterates BUY on FRO (\$42).
- Frode Morkedal and Dag Kilen maintain BUY on FRO (\$35).
- Robert MacKenzie reiterates OUTPERFORM on FRO and raises target to \$39 (from \$33). "We believe asset prices have bottomed."
- Doug Mavrinc maintains BUY on FRO and raises target to \$47 (from \$44).

- Scott Burk maintains PERFORM on FRO.
- Martin Korsvold maintains HOLD on FRO (NOK 150).
- Justin Yagerman maintains HOLD on FRO (\$31).

- Jonathan Chappell maintains UNDERWEIGHT on FRO and lowers target to \$23 (from \$24).
- Greg Lewis maintains UNDERPERFORM on FRO (\$18)
- Anders Karlsen reiterates SELL on FRO and raises target to \$23 (from \$22.40).
- Anders Rosenlund reiterates SELL on FRO (\$20).
- Henrik With maintains SELL on FRO (NOK 125).

DRYS – 8 Buy, 3 Hold

- Anders Karlsen maintains BUY on DRYS though lowers target to \$7.80 (from \$8.20).
- Anders Rosenlund reiterates BUY on DRYS and increases target to \$8.50 (from 7.00).
- Justin Yagerman maintains BUY on DRYS (\$10).
- Natasha Boyden maintains BUY on DRYS (\$8).
- Frode Morkedal/Dag Kilen maintain ADD on DRYS (\$6.50)
- Martin Korsvold maintains BUY on DRYS (\$7.20).
- Greg Lewis maintains OUTPERFORM on DRYS (\$8).
- Urs Dur maintains BUY on DRYS (\$11).

- Scott Burk maintains PERFORM on DRYS.
- Doug Mavrinc maintains HOLD on DRYS and lowers target to \$6 (from \$8).

- Omar Nokta maintains HOLD on DRYS. "We remain cautious."

GMR – 4 Buy, 2 Hold, 2 Sell

Jonathan Chappell: overweight, \$10 (from 11)

Robert MacKenzie: outperform, \$9

Doug Mavrinnac: buy, \$12

Dag Kilen/Frode Morkedal: add, \$8

Natasha Boyden: hold, \$7 (from 8)

Scott Burk: perform

Anders Karlsen: sell, \$5.40 (from 4.10)

Martin KorsvoldL: sell, \$4

GNK – 5 Buy, 3 Hold, 4 Sell

George Pickral: overweight, \$30

Justin Yagerman: buy, \$29

Doug Mavrinnac: buy, \$46

Jonathan Chappell: overweight, \$26 (from 28)

Scott Burk: overweight, \$28

Natasha Boyden: hold, \$23

Adam Fleck: 3 stars, \$24

Greg Lewis: neutral, \$25

Anders Rosenlund: sell, \$15

Anders Karlsen: sell, \$12

Frode Morkedal/Dag Kilen: sell, \$13

Martin Korsvold: sell, \$15

EXM – 1 Buy, 4 Hold, 3 Sell

Doug Mavrinnac: buy, \$10

Scott Burk - perform

Justin Yagerman: hold, \$7

Adam Fleck: 3 stars, \$5

Robert MacKenzie: perform, \$6

Anders Karlsen: sell, \$2.70 (from 2.02)

Natasha Boyden: sell, \$4

Martin Korsvold: sell, \$3

SFL – 3 Buy

- Omar Nokta reiterates BUY on SFL and raises target to \$20 (from \$15).

- Jonathan Chappell maintains OVERWEIGHT on SFL and raises target to \$22 (from \$20).

- Doug Mavrinnac maintains BUY on SFL (\$19).

JIN.OL – 2 Buy, 1 Hold, 1 Sell

- **Anders Karlsen upgrades JIN.OL to BUY** (from hold) and raises target to USD 5.60 (from 4.50).

- Frode Morkedal/Dag Kilen maintain ADD on JIN.OL (\$5).

- **Anders Rosenlund upgrades JIN.OL to HOLD** (from sell) and raises target to \$4.30 (from 4.00).

- Henrik maintains SELL on JIN.OL (NOK 18).

SBLK – 2 Buy, 1 Hold

- Robert MacKenzie maintains OUTPERFORM on SBLK though lowers target to \$5 (from \$6).
- Natasha Boyden maintains BUY on SBLK and lowers target to \$4 (from \$5).
- George Pickral maintains EQUALWEIGHT on SBLK and lowers target to \$3 (from \$4).

ANW – 3 Buy

George Pickral: overweight, \$40 (from 45).
Doug Mavrinnac: buy, \$40
Urs Dur: buy, \$41

GLNG – 4 Buy

- Omar Nokta reiterates BUY on GLNG (\$15).
- Anders Rosenlund reiterates BUY on GLNG (\$15).
- Frode Morkedal/Dag Kilen maintains ADD on GLNG (\$14).
- Henrik With maintains BUY on GLNG (NOK 90).

>From the Shipping Weeklys

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Justin Yagerman: Supramax Period Market Gains Steam. The time charter market for Supramaxes has picked up w/w, with average rates for shorter period time charters climbing to \$23,500/day according to Lloyds List. Fixing activity has picked up w/w with charterers anticipating growing cargo volumes in the Atlantic basin, as well as a tighter overall balance based on the notion that trade in the East should pick up as business continues to return to normal following Chinese New Year.

Omar Nokta: Flat steel prices remain an overhang over the Capesize market. Rebar prices have climbed modestly over the past week, but remain below the \$555/ton level, still below where the year began. Relative underperformance of steel compared to spot iron ore and met coal has kept a lid on the freight market, and as such we are keeping a particularly close eye on this year's iron ore price negotiations. We believe overall growing dry bulk volumes can support the market at levels in-line with those seen at the second half of last year, but as long as iron ore pricing remains spot-oriented we could continue to see occasional periods of disconnect between dry bulk rates and demand levels reflected through fixture volumes.

Natasha Boyden: While there was an ample amount of VLCC vessels in the Middle East, there was a shortage of modern, double-hull ships for the first ten days of March. This dynamic, combined with firmer Suezmax rates in the Atlantic, appeared to have given owners the confidence to push rates higher. However, charterers responded later in the week by slowly letting stems into the market, which helped to slow the increase in rates, in our opinion. On the week, average spot rates for modern VLCCs rose 37% to \$47,900 per vessel/day. Tight availability of Suezmax vessels for West Africa loadings contributed to a mild panic for charterers last week, which led to a flurry of fixtures and a subsequent surge in rates, we suggest. At the same time, a busy week for early March cargoes in the Black Sea, combined with charterers seeing the strength in West Africa, led to stronger rates in that area, despite delays through the Turkish Straits coming down to 2-3 days, in our opinion.

Doug Mavrinnac: "Last week, spot iron ore prices hit an 18-month high with the Australian benchmark hitting \$133 per ton primarily as Chinese purchasers returned to the market after the Chinese New Year holiday. With demand for iron ore clearly strengthening as evidenced by the strength in spot prices and below normal levels of inventories at Chinese ports, we believe dry bulk shipping spot charter rates, particularly Capesize spot charter rates, are likely to improve in the coming weeks..."

Martin Korsvold: “The iron market had a good end to the week and spot prices, 62% FE content CIF China, reached an all-time high of USD 133.1/pmt on Thursday, up almost USD 5 since last Friday. We believe increased demand from mills post Chinese New Year and traders taking positions due to potential export duties on ore from India and Brazil have contributed in pushing prices up, along with steady upward revisions of contract price expectations. Price levels are fairly high though, and incentivise use of domestic ore at the expense of imports. Furthermore, increase in steel prices...”

Scott Burk: Shipping equities were slightly lower this week, again following the broader markets despite generally positive earnings reports. Strength in oil prices and firming VLCC rates seemed to be the bigger driver of tanker stock outperformance compared to drybulk stocks. Drybulk Panamax and Handymax rates were stronger this week but Cape rates fell off substantially. On their conference calls, several management teams pointed to signs firmer rates in the coming months as chartering activity picks up coming out of the Chinese New-Year and heading into the end of iron ore price negotiations their conference calls. Aside from higher VLCC rates, tanker rates across all other routes continued to pull back from seasonal highs last month. We maintain our Outperform ratings on DSX, TK and GNK.