Tankers

<u>Crude</u>
VLCC Ag/East: 90 ($65k) Suezmax Wafr/Usac: 142.5 ($50K)

We still have plenty of November fixing ahead - so it shouldn't be long before we see a rush of inquiry to hit the wires. This is good news for Owners, though the position list will need to be whittled away at before we see rates make significant headway north. Until this happens – rates could drift lower. The Suezmax sector bounced above 140, though it is hard to tell whether this is sustainable, or just a one-off fixture.

Black gold is up about $2 to $74/bbl. Some interesting comments from the ATS report. The first is that Qatari Oil Minister expects OPEC to cut 1 million bpd or possibly more. The second, one that most are aware of, is that past compliance with production cuts has been poor. Lastly, the report points out that "those cartel members that find it easiest to cut from an economic viewpoint, are also those which can most easily weather the storm of lower oil prices." In other words, compliance will be a problem.

Crude FFAs have been slow. **TD3** Nov trades up 5 points to 90, while Jan trades up 2 points to 61. **TD5** Oct trades up 5 points to 155.

<u>Clean</u>

37kt Cont/ta: 195 ($13.5k) 55kt Ag/East: 325 ($53k/day)

Increased demand last week allowed the **Cont/ta** rate to move up close to the Mendoza Line, though it has been unable to punch through. **Caribs/Usac** activity remains dormant, at best – leaving rates there at about 170 ($10k). **Asian clean** is still slipping a small amount on certain routes, but overall it remains fairly steady.

Clean FFAs have been quiet. **TC2** Nov and Dec both sit at the 240 level – providing hope to those looking for better times before the year ends. **TC5** November trades up 6 points to 272 – though volumes in the East have been limited as well.

Dry Bulk

BDI	1355	down 83
BCI	1674	down 102
BPI	1050	down 60
BSI	1144	down 62
BHSI	676	down 56

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The good news is still hard to find – though ore inventories seem to be coming down slowly. Spot rates continue to fall – and sentiment follows the downward spiral with much of a fight. **China's** Q3 GDP growth came in at 9% - reinforcing fears that the Middle Kingdom has already begun slowing their economic engine. **Following from Commodore Landsberg:**

Lots of commodity numbers to report. Thermal coal prices are tanking. As of October 17, Richards Bay coal is trading around $109.28, an 11% decrease week-on-week. Newcastle is around $104.70, down 6% w-o-w. Des ARA is about $120.72, down 14% w-o-w.

Chinese iron ore stockpiles are also falling – which is interesting to say the least. As of October 20, ore at Chinese ports total 70.98 million tons, 1.13mt less than last week. This is only a 1.6% w-o-w drop but Chinese iron ore stockpiles have been falling for the last three weeks. Steel production cuts are still looming, however, so nothing to get too excited about just yet.

Grain prices are still on the decline. Corn in the US is trading around $4.03 a bushel (-18% m-o-m); wheat is $5.66 a bushel (-24% m-o-m); and soybeans are selling for $8.94 a bushel (-20% m-o-m).

The impact of waning commodity prices is two-fold. Falling prices normally indicate decreasing demand, but restricted access to capital (letters of credit, financing, etc) could very well be the main reason behind such drastic falls in commodity prices. If this is the case, we could see a surge in commodity buying and dry bulk related fixtures once financing comes back on line –-as long as demand in emerging markets is still there. If pent up commodity demand is still there, coal, grain, and iron ore is looking pretty cheap right now. No signs of any surge just yet however. The world's bank account is much poorer these days – we'll see how much buying interest there is once financing becomes more readily available.

Dry Bulk FFAs

Contract	Close	Current	Diff
BDI Oct	2075	2075	-0
BDI Q4	1900	2000	+100
BDI Q1	2225	2350	+125
CS4 Q4	$17,313	$18,000	+ $687
CS4 Cal 09	$23,391	$23,750	+ $359
PM4 Q4	$12,725	$13,000	+ $275
PM4 Cal 09	$15,900	$16,500	+ $600
SM6 Q4	$12,990	$13,750	+ $760

Thin volumes and not much to be gleaned here. The asymmetric returns offered by a short position at these levels have minimized the desire to trade. And…its Monday – a notoriously slow day in dry FFAs.

Equities

- Kevin Sterling maintains an OVERWEIGHT on **SBLK**, though he lowers his price target to $9 (from $19). He cites the bad news from the ICI bankruptcy as already priced in – and feels the dividend is secure and that company fundamentals are good.
- Erik Helberg maintains a REDUCE on **FRO** and reduces his target price to NOK 100 (from NOK 180). He additionally reduces 2009 VLCC rate estimates on expectations of an OPEC cut becoming more likely.
- **Henrik With** maintains a BUY on **FRO**. He points out that FRO has no large debt down payments to make in the next few years, though he lowers the Q3 dividend forecast to $1.25/share (from $2.00/share).
- **Henrik With** maintains a BUY on **GOGL.OL** due to its current attractive stock pricing.
- **Natasha Boyden** lowers estimates and prices targets on the following issues due to the significant retrenchment in the dry bulk market and on a more cautious outlook for 2009:

DSX - $21 (from $32) - HOLD
EGLE - $15 (from $38) - BUY
ESEA - $12 (from $20) – BUY
EXM - $12 (from $47) – HOLD
GNK - $45 (from $97) – BUY
NM - $10 (from $16) – BUY
OCNF - $12 (from $25) – BUY
SBLK - $12 (from $16) – BUY
NMM - $11 (from $21) – BUY
PRGN - $16 (from $27) – BUY
FREE - $7 (from $11) – BUY

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