

Tankers

Crude

VLCC Ag/East: ws 87.5 (\$62k)

Suezmax Wafr/Usac: 142.5 (\$50k)

V rates have come off a bit more as we approach the 20% fixture level for November loaders. At some point we should see a flurry of cgos - which are expected to boost rates. If we don't get any sort of demand flurry - I would interpret that as a bad sign.

More importantly, the price of crude is what needs watching rather than near term spot rates. Today it is down about \$3 to \$69 or so. How to interpret the falling price... I will leave to the reader. On one hand - a weak price will likely lead to an OPEC cut. On the other hand, a weak price will help increase demand. And on the other other hand, we have the fact that many cartel members will be forced to keep pumping as much as they can. Add up all the promises that King of Caracas has made to anyone willing to wear a "Go Home Yankee" t-shirt, and you have a lot of oil that needs to be sold. Good luck with that, comrade!!!

Also worth noting is that FRO is down 8% in pre market NYSE on about 60,000 shares. Ominous.

Crude FFAs have seen fair activity. TD3 trades flat - Nov at 88 and Dec at 85. The curve is just about pancake flat through the end of the year. TD5 Nov trades down 2 points to 138. TD7 Nov trades up 5 points to 165.

Clean

37kt Cont/ta: 200 (\$16k)

55kt Ag/East: 315 (\$52k)

The Atlantic arb looks decent and fair activity has kept t/a rates at the 200 level. The ample position lists, however, point towards potential softening unless demand can maintain its mojo. Caribs/Usac is still sad and/or depressed at 170 (\$11.5k) on limited inquiry. Asian clean continues to show underbelly. This market had held firm while all else in the world was collapsing - and now we see a softer tone.

Clean FFAs have been slow. TC2 Nov trades down 5 points to 220. TC4 Nov trades down 13 points to 265.

Reuters EIA estimates:

Crude	+ 2.6
Mogas	+ 2.8
Dist	+ .1

Dry Bulk

BDI	1221	down 71
BCI	1572	down 33
BPI	998	down 26
BSI	975	down 104
BHSI	552	down 73

>From Commodore Landsberg: The fall is finally slowing. Capesize day rates fell a meager 3.2% today; a far cry from last week's daily declines of 11 to 29%. Freight rates are now incredibly close to marginal costs. There are different variables to consider but rough calculations put Capesize operating costs at \$7,000/day. Taking into account financing costs as well, most vessels are trading below their total costs. \$13,000/day seems to be where Capesize owners began anchoring their vessels. More anchoring is likely in the near-term. Scrapping, however, is unattractive at the moment (due to low steel prices) which definitely won't help us get out of this slump.

There is a bit of talk of fresh inquiry returning to the market, more thermal coal and grain will likely be shipped in November. Combined with some vessels sitting out on the sidelines and LIBOR and related access to capital finally improving, freight rates will likely receive a bump up next week. But don't expect a proper rebound to come anytime soon, Chinese steel production - the major engine of growth in dry bulk - is set to continue to fall in the short-term. If and when sliding freight rates find their bottom (which seems likely very soon), a bottoming out won't necessarily result in a consequential rebound. Freight rates can stay depressed for a good deal of time. Dry bulk needs financing and confidence to fully return to the market.

Dry Bulk FFAs

Contract	Close	Current	Diff
=====			
BDI Oct	2000	2000	- 0
BDI Q4	2008	1950	- 58
BDI Q1	2425	2400	- 25
CS4 Q4	\$16,803	\$16,500	- \$303
CS4 Cal 09	\$25,359	\$24,500	- \$859
PM4 Q4	\$13,181	\$12,000	- \$1181
PM4 Cal 09	\$17,369	\$16,750	- \$619
SM6 Q4	\$13,188	\$12,500	- \$688

Trading remains thin - as FFAs offer few clues as to when, and if, this market will turn around.

Equities

- Greg Lewis maintains a NEUTRAL on OSG (\$75), an OUTPERFORM on TK (\$53) and a NEUTRAL on TNP (\$39).
- Henrik With maintains a BUY on Euronav, citing the strong TC rates obtained on their VLCCs, among other things.
- Natasha Boyden maintains a HOLD on ATB, but has suspended her price target due to the stock-for-stock merger with the G Team (BUY).

More from Greg Lewis on tankers:

IEA Continues to Trim Global Oil Demand 2009 Forecast. The IEA cut its 2009 oil demand forecast by 440k bpd earlier this month and cuts its 2009 oil demand growth forecast to 0.8% (down from 1.0% last month). To put that in perspective -

that equates to a reduction in VLCC demand of 10 vessels - assuming the cargoes are cut from the Arabian Gulf - Far East trade.

Tanker Deliveries Look Set to Pick Up Over Next 18 months. Roughly 47 million dwt of capacity is scheduled for delivery through 2009 (8 million dwt remainder of 2008 and 39 million dwt in 2009) - this equates to 15+% fleet growth over the next 15 months. However, with about 7 million dwt of the tanker fleet in the scrapping zone and our estimate of 2 million dwt of additional fleet removals - this points to tanker fleet growth of about 13% through 2009.

>From Justin Yagerman - dry bulk and tankers:

Increasing 2008E And 2009E Tanker Estimates To Reflect General Q3 Strength. We are increasing our day rate and earnings estimates for both TNK and CPLP, as the Q3 tanker rate environment was stronger than expected. While we remain somewhat concerned over the possibility of an OPEC production cut, we believe Tanker rates could see modest seasonal strength in Q4, with the 2009 rate environment dependent, in large part, on how quickly western and emerging economies rebound from the global economic slowdown.

Lowering 2009E Dry Bulk Estimates To Reflect Continued Weakness In Demand. We are lowering our 2008E and 2009E charter estimates, and by extension our EPS estimates for our dry bulk coverage, to reflect continued weakness in day rates stemming predominantly from lower Chinese demand. The long-haul Brazilian iron ore trade, which played an instrumental role in driving rates to two separate historic peaks over the past twelve months, has slowed materially, as Chinese iron ore inventory levels remain elevated and Vale (RIO, not rated) continues to push for a 12-20% additional price increase on its contract iron ore. While we believe recent demand weakness may abate to some degree in the near-to-intermediate term, we believe Chinese iron ore demand has lost its extra 'gear,' and is unlikely to drive dry bulk stocks back to their May peaks near-term amid the increasing global supply of dry bulk tonnage. However, considering how much negative news is already priced into the stocks, we believe a Q4 rebound is still possible, even if only a moderate pick-up in volumes occurs.