

Tankers

Crude

VLCC Ag/East: ws 70 (\$46k)
Suezmax Wafr/Usac: ws 185 (\$75k)
Turkish Straits Delays: 1.5 north / 1 south

The AG fixing pace remains measured as we approach the 50% mark. Seems we have found a potential conference rate of ws 70 - which implies a bottom might be at hand. I will agree with this assessment as soon as rates move up. There is a lot of uncertainty in the realm of worldwide finance and credit, combined with just as much uncertainty concerning how much oil will be needed...pumped...and shipped. The good news, for those who are into such things - is that the Atlantic basin has firmed on steady demand - allowing Suexmaxes to earn more than \$70k/day on out of Wafr. Bravo!!!!

Crude FFAs have again started the day slowly. Yesterday this route showed some paper strength, though today that mild momentum has disappeared due to the continued soft physical market. The TD3 Nov and Dec contracts are mostly in line with the spot rate of ws 70. TD7 Cal 2009 trades up 1.5 points to 116, while little brother TD11 Nov trades down 10 points to 150.

Clean

37kt Cont/Usac: ws210 (\$17k)
55kt Ag/East: ws 292.5 (\$49.5k)

Atlantic basin clean remains about the same - as enough demand exists to keep Cont/Usac at about the 210 level, while the Caribs/Usac is still full of bourbon at 165 (\$11k). Eastern clean routes are still coming off. According to the ATS Report, demand from petrochemical firms has collapsed due to negative cracking margins. The report also advises that naphtha prices in the East are at 5 year lows.

TC2 has seen slow trading - with the Nov and Dec largely in line with the spot market in the low 200s. Out East, TC4 and TC5 Nov trade mostly flat at 245 and 220.

Dry Bulk

BDI	885	down 40
BCI	1307	down 38
BPI	697	down 39
BSI	617	down 38
BHSI	346	down 22

>From Justin Yagerman at Wachovia:

Channel Checks Note That Several Top Tier Counterparties Are Renegotiating. Our channel checks indicate that several top-tier charterers, including large companies from Korea, and major international commodity players are renegotiating charter contracts, with one company physically in Greece meeting with management teams on an ongoing basis. While both Industrial Carriers and Britannia Bulk (DWT, not rated) have capitulated over the past two weeks, recent counterparty damage has been predominantly limited to second and third tier counterparties. It

is uncertain as to whether or not public dry bulk players will be willing to renegotiate. On one hand, once that process begins the likelihood of it continuing is high. On the other hand, something may be better than nothing depending on how dire the market becomes.

>From Urs Dur at Lazard (read the whole thing): Major negatives remain for the sector... The dry bulk spot market remains virtually closed. No letters of credit appear available to move short-term cargoes. The collapse in charter rates put heavy downward pressure on ship asset values, making many of the public dry bulk shipowners face possible breaches of their leverage covenants, and some small owners may face bankruptcy today. Charterers are stressed in paying existing contracts. Dividends will likely decline in coming quarters. Secured debt is unavailable, let alone the capital markets. Spot demand from China is virtually nil. The ship orderbook, even if you cut it 40%, remains huge and almost certainly will outpace demand in 2009. No way to sugarcoat it, it's very bad out there today.

...but there are hints of friendlier seas ahead. The long-term charter market for dry bulk ships is higher than the spot market. LIBOR has been coming down, the commercial paper market is looking to perk up, and we expect the lack of L/Cs for spot commodity cargoes to end in 4Q. Banks will find it a challenge to enforce LTVs when the whole asset class is under pressure, and we expect them to work with borrowers. The stronger dollar is good for Asian exports over the longer term, the ECB has room to cut interest rates, and the high amount of global credit stimulus is unprecedented. Lower commodity and oil prices are good for the consumer. Chinese iron ore inventories have been coming down on balance in recent weeks, and Chinese steel prices are hinting (only) at stabilizing. Finally, we believe today's share valuations are betting that dry bulk companies lack NAV, and that global trade is about to end ... we simply believe that bet is, at best, premature.

Dry Bulk FFAs

Contract	Close	Current	Diff
=====			
BDI Nov-Dec	1275	1375	+100
BDI Q1	1575	1675	+100
BDI Q2	2125	2225	+100
CS4 Q4	\$11,838	\$13,000	+\$1162
CS4 Q1	\$13,281	\$15,250	+\$1969
CS4 Cal 09	\$18,805	\$20,500	+\$1695
PM4 Q4	\$8,689	\$9,000	+\$311
PM4 Q1	\$9,825	\$10,750	+\$925
PM4 Cal 09	\$13,400	\$14,000	+\$600
SM6 Q4	\$9,411	\$10,000	+\$589
SM6 Q1	\$9,575	\$10,250	+\$675
SM6 Cal09	\$11,531	\$12,500	+\$969

Volumes have picked up and...prices have turned north. Hip Hip!!!! Hard to read the tea leaves here - as we see nothing new on the physical that would suggest a turn. However, with some of the equities making moves to the upside - maybe

someone knows something I don't. It wouldn't be the first time that ever happened. One suggestion from Tulane's finest was that maybe an overall short covering mindset has crept into numerous markets after the VW debacle from earlier this week.

Equities

George Glass got in on another pairs trade after noticing that FRO surged while OSG and GMR failed to budge. The 6% or so spread he entered the trades at showed mixed results. The GMR result was about even, though the OSG leg drifted to moderately painful 10%. Let's help George avoid the Ebay shuffle and help close those spreads.

In ratings news...

*** Correction from yesterday: Anders Rosenlund maintains a HOLD on GOGL.OL with target price of \$ 0.80 (not \$8).

Genmar

- Omar Nokta maintains a BUY on GMR (\$18), and views the \$2 dividend as sustainable.
- Henrik With maintains a HOLD on GMR, citing reliable contract coverage but also high leverage.

Genco

- Urs Dur has upgraded GNK to a BUY (from hold).
- Omar Nokta maintains a HOLD on GNK, citing a dry bulk market that has taken a turn for the worse, among other things.
- Henrik With maintains a HOLD on GNK, citing a current attractive share price based on multiples, though one that could see downside once rate assumptions are cut.

Other

- Justin Yagerman downgrades EGLE and DSX to Market Perform, citing - among other things, a depressed charter market with no signs of correcting in the near future.
- Urs Dur upgrades DSX, EGLE and NM to BUY (from hold), he cuts estimates but advises investors "Don't miss the boat!"
- Glenn Lodden maintains a SELL on Solvang (Norwegian listed LPG company). Target price is NOK 20.
- Glenn Lodden maintains a SELL on NOL (SGD .70).
- Justin Yagerman maintains a Market Perform on ESEA.

Glenn Lodden has released a report showing the orderbooks for all dry bulk and crude tanker companies they cover in terms of shipyard exposure. Yard classification is also provided. Some highlights:

- Many ship owners are struggling to obtain financing to fund newbuild capital commitments. This development is likely to lead to order cancellations at shipyards.

- Many shipyards are even now struggling with working capital requirements, and could be harder if/when cancellations materialize.
- A number of shipyards that have taken newbuild orders have moreover yet to be built, and there is uncertainty whether some of them will see the light of day.