

## Tankers

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### Crude

VLCC Ag/East	75	(\$35k)	firmer
SM Wafr/Usac	102	(\$26k)	firmer
AG Feb	94	same	
AG March	16	up 5	
Wafr Feb	90m	same	
Wafr March	38m	same	
Turkish Straits	1n/2s	up about 1 day	
Fujairah bunkers	476	up 6	

**Physical:** The fixture/bbl count is still noticeably light. As the Chinese return from their holidays – we can expect demand to pick up...and rates to rise. The position list appears somewhat balanced – in terms of approved double-hulls versus expected requirements – and we know that a balanced market is an Owners market. The futures market had been pointing the way towards higher numbers the past week or so – and today we see the futures market add a few more points. Smart money, if there is such a thing – likes the home team for the near term.

**Justin Yagerman introduces the DB Shipping Weekly:** “Major Mexican Port Closure Could Drive Positive Mid-Week Tanker Data Mexico's three main oil exporting ports – Coatzacoalcos, Dos Bocas, and Cayo Arcas- were closed for six days last week, which account for nearly 1.1 million barrels/day of U.S. imports. This lack of cargos may lead to a significant draw in U.S. crude stocks next week...Positive Tanker Data Point: Strike At Total SA's French Refineries Intensifies According to Energy News Today, the strike at Total's French refineries (impacted refineries have 783,000 b/d of capacity) has intensified, and may escalate to other refineries...”

**Crude FFAs:** Fair volumes. **TD3** March trades up 4 points to 83 and is bid on at that level. The Q2 trades up 1 point to 69. **TD5** March remains priced at 110.

### Clean

37kt Cont/ta	175	(\$11k)	about same
38kt Caribs/up	135	(\$4.5k)	about same
55kt Ag/East	125	(\$10k)	about same

**Physical:** The Atlantic basin backdrop remains the same – with current demand able to keep rates steady – though not enough demand to outweigh supply and move rates north. There are some who feel the strike in France may disrupt normal shipping patterns – and possibly boost the ton mile equation – though others see ample inventories and slack demand as preventing such a scenario. Eastern routes remain soft despite firming naphtha prices late last week. The ATS Report mentions “slightly stronger European sentiment.”

**FFAs:** **TC2** volumes have been good/fair as the Q2 trades up 3 points to 157. Eastern volumes remain light as **TC5** March trades flat at 129.

## Dry Bulk

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### Baltic Indices

BDI	2721	up 7
BCI	3476	down 41
BPI	3218	up 39
BSI	2103	up 26
BHSI	1067	up 12

**Frode Morkedal:** China imported 16.07 million tonnes of coal in January, down 2% from December's 16.38 million tonnes. January imports equal the second highest number on record, in June 2009, as December 2009 was a record high (see chart of the day below). Coal export was down nearly 50% from a month earlier to 1.82 million tonnes as China saw strong demand following the coldest weather conditions in 50 years. Iron ore imports declined 25% from a month earlier to 46.62 million tones.

**Xinhua:** Rio Tinto Ltd announced Monday their majority-owned Mesa A/ Warramboe mine in Western Australia has begun producing iron ore. More than two years after the construction began on the project, in the iron-rich Pilbara region, the 1 billion Australian dollar ( 901 million U.S. dollar) mine achieved first production on Friday. "This is a great day for Rio Tinto and for the Pilbara," said Rio Tinto's iron ore chief Sam Walsh. The open-cut mine, which Rio Tinto owns a 53 percent stake, would have initial production of 20 million tons per annum, increasing to 25 million tons by 2011, the company revealed. High-grade reserves at the Mesa A/ Warramboe deposit are estimated to be 249 million tons, with a mine life of 11 years.

Dry FFAs - light volumes, typical Monday

	Spot	Q2 FFA
Cape:	32437, down 481	34250, down 500
PM:	25888, up 309	26500, up 500
SM:	21987, up 267	22750, unch

### Equities

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Capital Link Indices

Maritime:	1923.38	9.41	0.49%
Tanker:	2296.14	-0.65	-0.03%
Dry:	957.42	12.04	1.27%

- Anders Karlsen maintains a SELL on **FRO** (USD 22.40).
- **Justin Yagerman downgrades** TGH to HOLD on valuation – target price (\$22).

From the Shipping Weeklys

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**Omar Nokta:** OPEC volumes are showing a seasonal pullback. For the four weeks ended March 6<sup>th</sup>, average daily OPEC sailings are projected at 23.2 mb, down over 200 kb/d from recent highs in mid-February. Earlier this year, OPEC sailings had increased to 12-month highs as cold weather supported crack spreads in Europe and the US. At the time we saw the increased demand carried over into the tanker market, with VLCC rates pushing past \$90,000/day However, with refinery utilization remaining at a 5-year low for this time of year, VLCCs are not likely to reach those levels until perhaps around mid-year when inventories are expected to be much lower on the back of lower refining output.

**Martin Korsvold:** Things are looking fairly upbeat for the capesize market relative to the panamax market in the coming weeks due to a number of factors. It is rumoured that the Indians will increase the export duties on iron ore to 15-20% shortly. Secondly we see that the number of vessels heading for already congested Chinese ports is increasing. The situation is the same in Brazil and this points to increased shipments of ore going forward. In general activity is expected to pick up as the Chinese return from holiday, and today we see the Q2 ore swaps moving up to USD 130/pmt whilst the steel rebar futures were in a 17% contango six months out when the Chinese went on holiday last Friday. We are entering a period of higher seasonal steel demand and lower seasonal coal demand.

**Scott Burk:** BHP Suggests Iron Ore/Coal Quarterly Pricing. According to Reuters, BHP Billiton has proposed to Japanese steelmakers a shift to a quarterly pricing system for iron ore and coking coal from the current annual price-setting structure. BHP CEO Marius Kloppers was quoted in an interview with the Nikkei *Business Daily* as saying that the traditional annual price negotiation system has become outdated...Japanese steelmakers are opposed to a shift to a shorter contract period, saying frequent changes in costs would hurt the business of its customers. But Kloppers was quoted by the Nikkei on Saturday as saying that it is not acceptable to continue using the existing system just for iron ore and coking coal now that the pricing mechanism for fuel coal has been shifted to a market price-based system. **In our view, a shift to a quarterly pricing system for iron ore/coal would serve to perpetuate rate volatility within the dry-bulk sector as short-lived demand surges would become more frequent.**

**Natasha Boyden:** We note that even if China were to agree to a 40% price increase, contract iron ore price levels would still be below what the Chinese mills paid on the spot market last year. In the Panamax market, chartering activity was also relatively quiet like the Capesize sector. However, continued port congestion in Eastern Australia and a steady supply of coal cargoes helped to support rates in the Pacific basin, we suggest. In the Atlantic, grain cargoes continue to employ ships, while a few bauxite cargoes also emerged. In all, spot rates are at a discount to short period charter rates, indicating the market is expecting a rebound in activity over the near-term, in our opinion.

**Doug Mavrinc:** Last week, the contango in the crude oil strip continued to flatten with the 1-month contango down to approximately \$0.25 per barrel and 6-month contango down to approximately \$1.85 per barrel. With future crude oil prices continuing to approach current crude oil prices, we expect crude oil inventories to continue to decline as the incentive to store crude oil dissipates ultimately requiring OPEC to increase production likely in 2H10 to balance the global crude oil market...Although we believe the crude oil tanker market is likely to remain challenging in the near-term, we believe the longer term outlook is attractive.