Tankers
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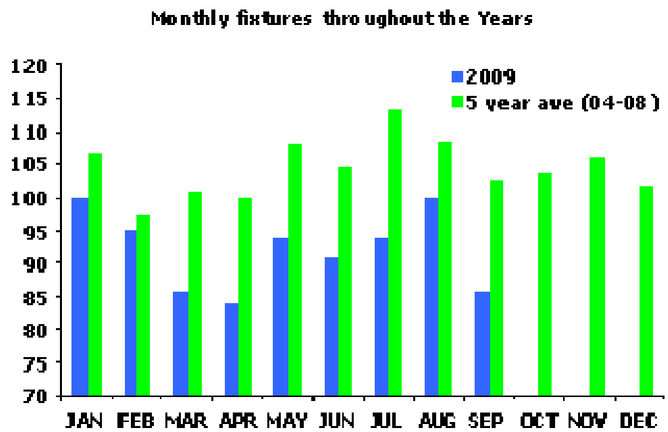
<u>Crude</u>

VLCC Ag/East	33	($5k)	touch higher on higher bunkers
SM Wafr/Usac	54	($13k)	about same
Sep AG Fixtures	87		plus 3
Oct AG Fixtures	5		plus 2
Fujairah bunkers	444		plus 6

Physical: The Sep tally is looking bleak – with only 86 cgos fixed thus far. Though we will see some more deals get done before we close the books, it is fairly apparent that the cgo count will be low this month. The below graph, sent to us by Kevin Sy of our Spore office, tells the story better than I can. With that said – we will soon see October cgos hit the wires – and with that we might just see a few more points in Owners favor, as the rising price of bunkers has raised the floor. Unfortunately, this doesn't do much to increase the ever-important TCE.



Crude FFAs: Fair activity thus far with upward price action. **TD3** October trades up 1.5 points to 38.5 while the Cal 10 adds ½ point to 63. Could be rising bunker prices, or could be…well….I am not quite sure what else it could be. **TD5** Oct remains priced at 57 – a few points above spot.

<u>Clean</u>

37kt Cont/ta	90	($3k)	softer
38kt Caribs/up	87.5	($1k)	about same
55kt Ag/East	110	($16k)	touch firmer

Physical: No surprise that we see the Atlantic basin mkt come down a touch. As demand slowed it became clear that a return to sub opex on Cont/ta was imminent. Fundamentals still apply in the tanker world – and right now they are less than stellar. We are hearing that clean floating storage w/w may now be as high as 75m bbls. We are further told of some distillates within the floating storage pool having been put off spec. If anyone has further info on this – pls send my way. Eastern clean mkts remain steady, or even a touch firmer in some cases. RIM Intelligence reports that Taiwan CPC is considering deepening cutbacks on crude throughput at some of its refineries starting in October.

FFAs: **TC2** Oct trades up 5 points to 101 – though, I have no idea why. Eastern volumes have been very strong as prices rise. **TC4** Oct adds 5 to 100 while Nov gains 2 points to 97. **TC5** Oct adds 4 to 113, while Nov adds 7 to 107.

Dry Bulk
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<u>Baltic Indices</u>

BDI	2356	down 34
BCI	3008	down 157
BPI	2572	up 17
BSI	2063	up 15
BHSI	948	up 11

The smaller ships are holding up well despite the declining Cape sector. Bearish comments on dry can be found at bottom of this report.

<u>Dry FFAs</u> - capes are weighing on the smaller asset classes. Fair volume.

	Spot	Q4 FFA
Cape:	27529, down 1633	23500, down 1250
PM:	20630, up 144	17250, down 750
SM:	21567, up 156	16500, down 500

Equities
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Capital Link Indices

Maritime	1694.97	-24.57	-1.43%
Tanker	2014.72	-18.02	-0.89%
Dry	996.05	-9.03	-0.90%

- **Jonathan Chappell** issued a note (yesterday) highlighting the fact that the tanker equities have received their fair share of love from the investing world as part of the global macro bull run, yet the dry sector has seen no such affection. "Specifically, we believe that the near-record high multiples at which many tanker stocks are currently trading point to a belief that a robust rebound in global oil demand will drive a material increase in tanker rates and thus earnings. On the other hand, many dry bulk stocks' valuation apparently reflect a belief that recent favorable economic data points represent a recovery head-fake and that global trade is set to decline again."

- Urs Dur initiates coverage on ANW – BUY ($30).
- Johannes Moller maintains a SELL on D/S Norden (DKK 140).

Dry Bulk Commentary
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Robert MacKenzie at FBR: **Largest Chinese Shipbuilder Expects All Vessels to Be Delivered.** After our recent meeting with the largest and most advanced shipbuilder in China, China Shipbuilding Industry Corporation (CSIC), in Beijing, China, we reiterate our Underweight position on the dry bulk industry. CSIC confirmed our thesis that there will be fewer-than-expected order book cancellations. The resulting oversupply situation should continue to pressure day rates and, thus, asset values. We believe dry bulk equities will underperform the broader market in the near and medium term, but we maintain that companies that have capital can buy cheap assets that should create long-term shareholder value. We learned that CSIC expects no net order book cancellations and only 1%–2% delays, that there is an implicit guarantee for orders to be financed by banks, based on the government's strategic plan, and that China aims to grow its shipyard market share from 29.5% to 43%–48% over the next five to seven years.

Dag Kilen: **Chinese steel mills are being forced to cut back output** because the fall in product prices has not been matched by a decrease in costs, an executive from Hebei Iron and Steel told Reuters yesterday. Domestic hot-rolled stand at around $512.7 per ton, lower than the production costs of most Chinese steel mills, the executive said.

Johannes Moller: **Chinese iron ore imports to trend lower**. Participants have turned more negative in our monthly survey on Chinese iron ore imports and now expect imports to trend lower in October and November. Steel prices in China have dropped 20-25% since the peak in August, which has created more uncertainty about the short-term development in the country. However, demand outside China is starting to pick up, which is expected to offset lower Chinese imports. Our main worry is on the supply side, as new vessels continue to leave the yards and keep rates under pressure. The order book indicates that the dry bulk fleet will grow by some 35% in the coming 15 months. Even though many of these vessels will not be delivered, we believe the risk is overwhelming in the dry bulk market on a one-year horizon.