

Monthly Market Report

July 2006

Very little has changed to write about since last month's report. Parcel tanker activity on the traditional trade routes remains very slow, but once again it is the strong volumes of Ethanol, along with a robust CPP market, and a newfound spike in Vegetable Oil markets which have kept freights from falling in the past month.

Once again, the deep sea routes to Asia appear to be the slowest, while there seems to have been a recent revival of Trans Atlantic volumes and space availability has tightened just a bit in the Atlantic basin. Generally speaking, contract nominations for part cargoes of Chemicals remain very sluggish, suggesting that there is very little margin in most products. Chemical trading activity is very quiet suggesting that there is also very little arbitrage. The fact that August is typically a very slow month for activity might be reassuring, but it still seems that the scent of an overall declining freight market is in the air.

US Gulf - Far East

The once proud USG to Far East market is arguably the slowest traditional trade route at the moment with absolutely dismal spot market activity. As we suggested in last month's report, freights for smaller par-

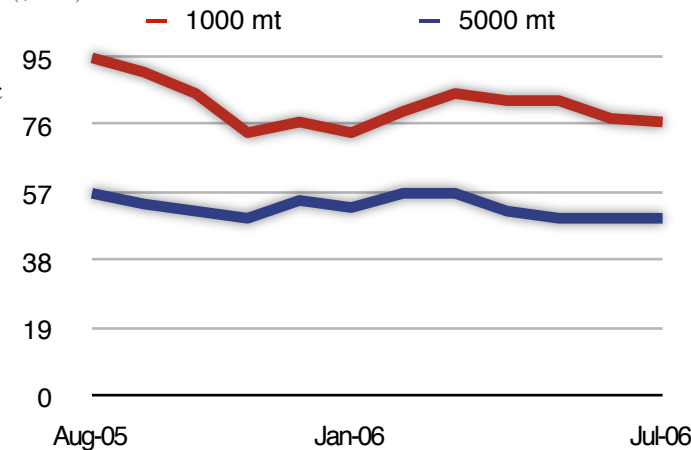
cels continued to slide over the past month, while rates for larger parcels have not cracked the psychological barriers of USD 50 pmt for main ports and USD 60 pmt for China, but we suspect this is only because of the fact that there have not been any firm cargoes to test these levels. Most of the activity to report has been from Owners reletting to one another as they are unable to fill their own vessels. Jo Tankers relet their July program to Dorval and again their August program to Odfjell, and thus for two months in a row have not even attempted a sailing in the route. Team Tankers had 15,000 tons of MX nomi-

nated for end July, and they convinced their contract customers to reduce the volume to 10,000 tons and they relet this to the "Chembulk Virgin Gorda" (32,055 dwt) thereby filling her out in end July.

August vessel space is a disaster. Jo Tankers and Team Tankers never put a vessel on berth for the month. Aurora never had a true August loader, but the

"Maritime Vanessa" (44,800 dwt) slipped to full August dates and got the bulk of completion cargo by fixing spot cargo from the US West Coast, and now the vessel is left with 2000 tons of space. Chembulk responded to market conditions by putting a 24,000 dwt vessel, "Chembulk Savannah", on berth for August instead of their normal 33,000 dwt type vessel. Odfjell only has the "Bow Firda" 937,518 dwt) and "Bow Cheetah" (40,263 dwt) on berth for August and despite fixing in Jo Tankers August program, is still struggling to fill space. FPC Marine appears to

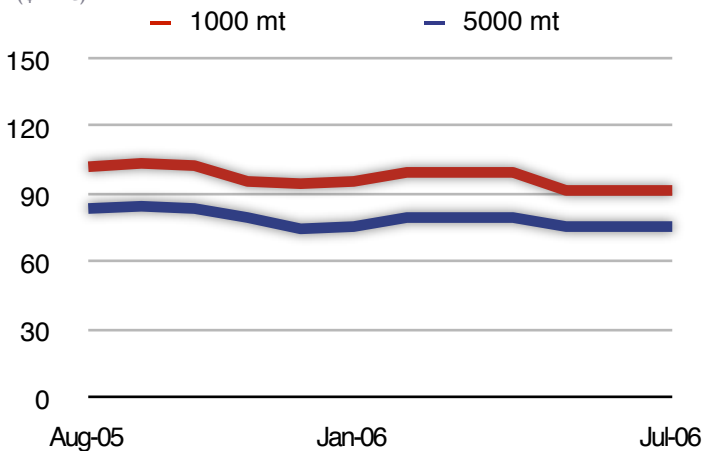
Figure 1 - USG - Far East Easy Chemical Spot Freight Rate (\$/mt)



be in the worst position. After fixing 3000 tons of ACN for DuPont from Houston to Taiwan at mid USD 60s pmt, they are mightily struggling to fill their "Formosa Eleven" (36,234 dwt) and "Formosa Seven" (35,657 dwt) both on end August dates. Dorval still has a whopping 10,000 tons of space available on the "Golden Tiffany" (16,645 dwt) in end August, while Tokyo Marine has 7000 tons of space available in early September on the "Ginga Merlin" (19,305 dwt). Only Stolt came out unscathed in this route as they are reporting full for August. With so much space, and so little going on in this market it is hard to believe that freight levels have completely crashed, yet it is easy to foresee that unless there is radical change, rates will continue their slow erosion.

Continent - Far East

Figure 2 - Cont - Far East Easy Chemical Spot Freight Rate (\$/mt)



It is a great time to go on vacation if you are involved in the Continent/Far East market because there is nothing to do as the market is extremely quiet. Chemicals are almost nonexistent with the exception of a few small specialty grades. Lube Oils are the only item of interest and the only commodity which seems to have an arbitrage which will allow it to be shipped.

Chem Tankers has taken the "Taviland" (22,717 dwt) on time-charter and fixed Feedco for 6/8000 tons Lubes from Kalingrad to Mumbai for first half August in the mid USD 80s. Tokyo Marine has the "Ginga

Cougar" (25,435 dwt) open second half August with at least 2000 tons space available. MISC is struggling with the "Bunga Melati Dua" (32,169 dwt) for second half August with a copious amount of space available. MISC will have two positions in September and they are willing to take one of the vessels in any direction. We understand Stolt is full for August with contract nominations.

We predicted the market will fall in August and if MISC hopes to fill the balance space they are going to have to offer incentives to Charterers to move product. September does not look promising with plenty of space available.

US Gulf - India

The US Gulf to India market has continued to sustain its strength. While other routes are suffering with declining freight rates, this route has maintained its highs. This is easily attributed to the difficulty "outsiders" have going on berth to compete with Odfjell and Stolt. Only on the occasion when we see a PL480 Tender come to the market do we see an outsider go on berth in this direction. This is what we saw in July. A tender for 5000 tons Vegetable Oil, New Orleans to Pakistan, was fixed on the "Bryggen" (16,484 dwt) loading end August with a freight rate in the range of mid-USD 120s pmt. The "Bryggen" is now looking to complete with cargoes to the Med, Red Sea or India. This position will now be in direct competition with Stolt's "Hyde Park" (39,013 dwt) and the "Stolt Vinland" (31,435 dwt) which are both loading between August 10-30 and have a combined 8000 tons balance space open as of this writing. Odfjell has the "Bow Faith" (37,479 dwt) loading August 1-15 but is already filled. This vessel quickly filled with contract nominations to Brazil, South Africa and India. The only spot space reported fixed on this vessel was ICC for 2000 tons Phenol and 2000 tons Acrylonitrile from Houston to MP India.

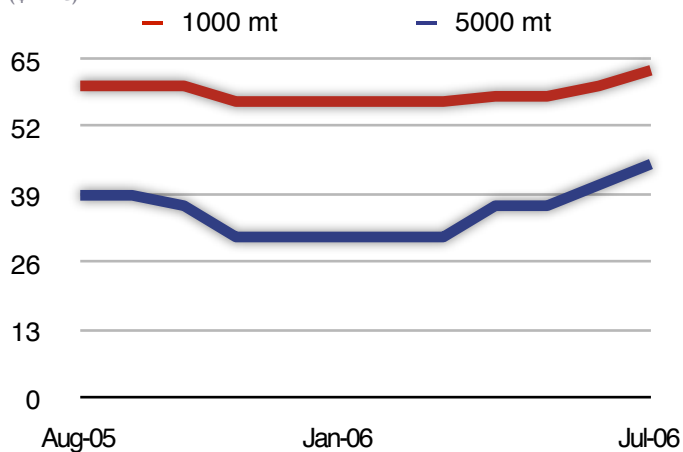
It will be interesting to see how Odfjell will continue trading on the US Gulf to India route going forward. Odfjell has been servicing this route from the US Gulf via Brazil and South Africa to India. However, Od-

fjell has been awarded a contract from Foskor for 750,000 tons Phosphoric Acid per annum from South Africa to India. The intention is to utilize two dedicated vessels for the service but some speculate that Odfjell will also utilize positions originating from the US Gulf. If this is true, it would take away some of the available spot market space Odfjell has to India each month which is roughly estimated to be about 10-12,000 tons. That being said, this space would still be available from US Gulf to Brazil or South Africa.

Transatlantic

Styrene is fuelling the Transatlantic eastbound freight market. Interest in Styrene has spiked in the last month with inquiries coming from traders and producers alike. The arbitrage between the USA and Europe has been reported as wide as USD 400 pmt. Helm was recently seen on the market for 10-15,000 tons Styrene, Houston/ Rotterdam prompt, but we believe they settled fixing a full cargo on Zodiac's "Emerald Park" (9103 dwt). Ineos has been steady with their eastbound Cumene activity most recently seen on the market for 10-12,000 tons, Corpus

Figure 3 - Transatlantic East Easy Chemical Spot Freight Rate (\$/mt)

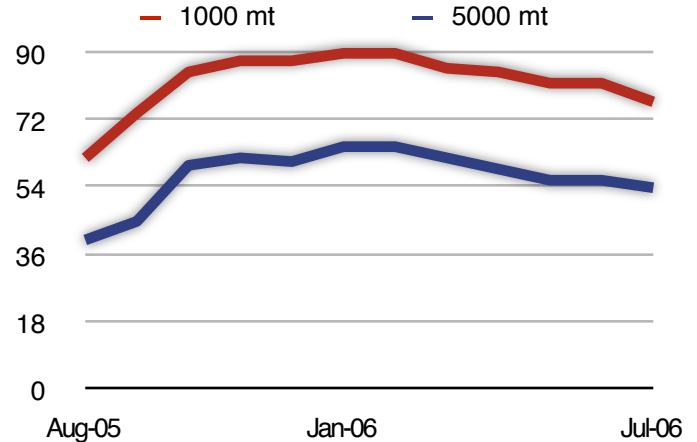


Christi/Rotterdam for second half September dates.

MTBE activity has remained steady. AOT recently fixed the "Great Swan" (23,500 dwt) for 15,000 tons MTBE to Rotterdam or the Baltic with rates in the

high USD 30s basis Rotterdam and high USD 40s basis Baltic.

Figure 4 - Transatlantic West Easy Chemical Spot Freight Rate (\$/mt)



Jo Tankers has the "Jo Eik" (19,234 dwt) for end August-early September and the "Jo Acer" (30,000 dwt) for end September. Currently, Jo has approximately 5-7000 tons of space remaining between these vessels. Stolt is full until second half September and Hiltveit is also without space until the "Nora" (23745 dwt), end August-early September. For the first time in several months, outsiders are able to find Transatlantic east cargoes. We have seen the "Finnstraum" (16,028 dwt), "Fairchem Danube" (19,399 dwt), "Irene" (11,921 dwt) and "LS Jacoba" (15,551 dwt) all as additional units on berth eastbound.

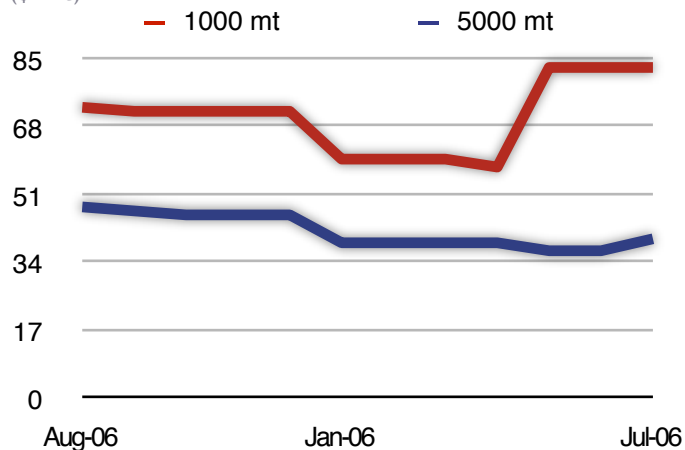
Westbound is a little different story. CPP vessels are being fixed in advance, but Chemical charterers are quoting many cargoes prompt rather than booking ahead. This is adding downward pressure to westbound parcel rates. The current sense from Owners is that eastbound and westbound are coming back into balance after being extremely far apart since the hurricanes last year.

US Gulf - Mediterranean

The US Gulf to Med market is proving to be the escape route for spot vessels open in the US Gulf. We have seen four "outsider" vessels go on berth in this direction for August loading. First we saw the "Shamrock Venus" (19,907 dwt) controlled by Serromah fix

11,000 tons Vegetable Oil for ADM from New Orleans to four ports in the Red Sea at USD 71 pmt. This vessel then completed with Chemicals to East Med ports. Of particular interest was 3000 tons Acrylonitrile, Houston to Yalova, for account ICC with rate reported to be in the low USD 60s pmt. We then saw the "Mattheos I" (45,999 dwt) go on berth from US Gulf to NW Africa for Caustic Soda loading August 1-10. The "Mattheos I" then quickly fixed 10,000 tons Exxpar, Houston to Augusta, for Exxon-

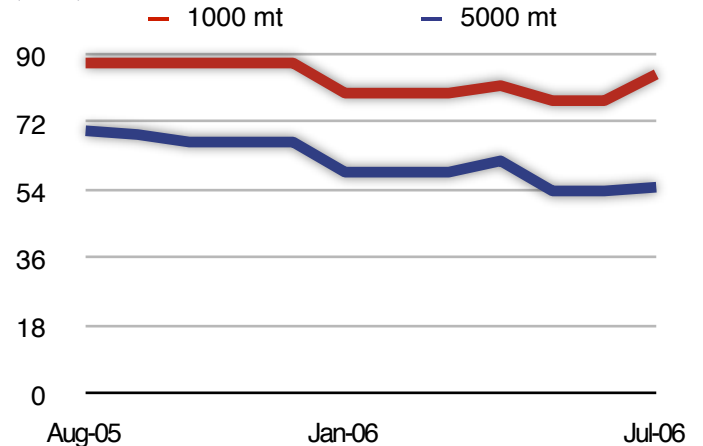
Figure 5 - USG - W. Med Easy Chemical Spot Freight Rate (\$/mt)



Mobil. As of this writing the vessel still has approximately 7- 8000 tons space available. The third vessel to make the escape was the "Star 1" (6,664 dwt) loading August 5-15; however they appear not to be as fortunate as the others. So far it is believed the only cargo fixed is 3-4,000 tons Avgas from Houston to Tarragona with freight rate in the mid to high USD 60s pmt. The vessel is now almost spot prompt with 2500 tons space available representing nearly 40% of the space on the vessel. The fourth vessel is an end August position, the "Bryggen" (16,484 dwt). The "Bryggen" fixed a US Aid PL 480 cargo from New Orleans to Pt. Qasim for 5000 tons Vegetable Oil. The "Bryggen" is now considering part cargoes to the Med, Red Sea, India and Pakistan.

With all the activity by outsider vessels it would be easy to assume it was a result of the regularly scheduled tonnage on the route being short for the month. However, that has not been the case. Stolt offered two sailings for August with the "Stolt Kent" (19,125

Figure 6 - USG - E. Med Easy Chemical Spot Freight Rate (\$/mt)



dwt) and the "Stolt Aimee" (19,000 dwt). They also have the "Stolt Ntaba" (13,946 dwt) as an end July/ early August position. Chem-Tankers offered the "Kerim" (16,150 dwt) for July 20-30 loading and the "Chemical Supplier" (17,427 dwt) for August 1-10 loading both of which had no trouble filling. Rounding out the regulars, Seatrans has the "Trans Catalonia" (19,733 dwt) July 20-August 5 which is full and the "Trans Iberia" (19,733 dwt) which as approx 3-4000 tons space open as of this writing.

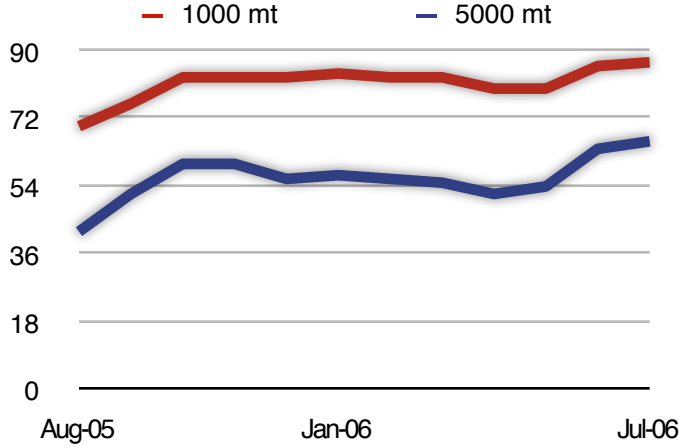
It will be interesting to see whether the fixing activity we saw in July for August cargoes will continue into August for September cargoes. This market is still relatively firm even with all the additional tonnage on berth and the regular service Owners keeping to their budgeted sailing. We only saw discounted freight rates offered by the outsiders when they were looking to secure the initial base cargoes.

US Gulf - South America

In the month of July we witnessed a more normal market. The Ethanol frenzy did cool down and it looks like August will stay more or less the same. The main reason for the huge Ethanol export activity we saw in June was due to the switch from MTBE to Ethanol which triggered record high prices for Ethanol, as high as USD 3.59 per gallon over New York Harbor Spot Reformulated Blendstock for Oxygenate blending and USD 3.81 per gallon over NY 87 Conventional Unleaded Gasoline. There were still a few

cargoes of 6-8,000 tons being quoted from Brazil to USAC by Vitol and Noble. Herning ballasted their

Figure 7 - S. America - USG Easy Chemical Spot Freight Rate (\$/mt)



“Eships Nahyan” (8124 dwt) from Caribs to Santos to load full cargo Ethanol (about 7200 tons) for discharge ARA reportedly around USD 70s pmt, loading second half August. Copesul was in the market for up to 16,500 tons BTX, Rio Grande/Caribs and/or USG for end August loading. Jo Tankers fixed 11,000 tons on the “Jo Spruce” (36,782 dwt), Rio Grande/USG, for end July loading but the vessel got delayed and was forced to relet the cargo to Fairfield. The cargo was reportedly fixed originally in the high USD 50s/low USD 60s pmt. Another Jo Tanker vessel experienced delays in Brazil, the “Jo Cedar” (36,733 dwt), which had to make repairs in Rio de Janeiro and consequently arrived outside laycan for some cargoes fixed. Braskem’s EDC tender of 12-13,000 tons ex

Figure 9 - Hou - Pto Cabello Easy Chemical Spot Freight Rate (\$/mt)

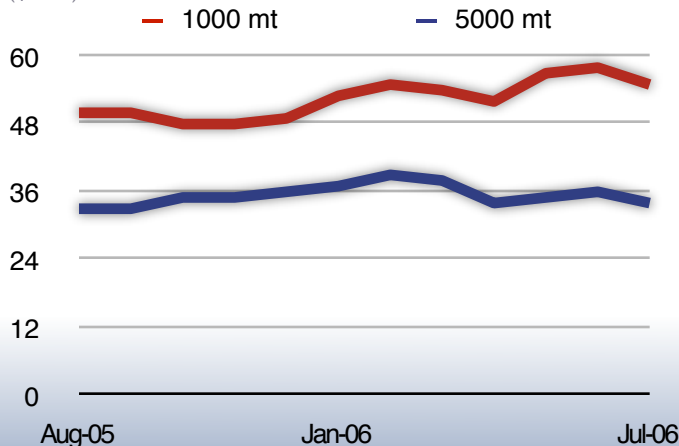
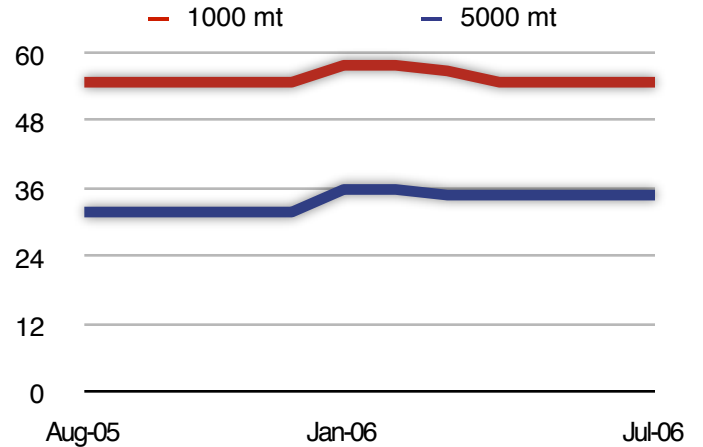


Figure 8 - USG - S. America Easy Chemical Spot Freight Rate (\$/mt)



Maccio, September 1/10, was awarded to Sojertz. They subsequently fixed Stolt on the “Stolt Osprey” (37,205 dwt) for Asia destinations.

We believe the rate was in the mid USD 80s pmt basis main port Asia.

The south bound market seems to be fairly stable with relatively little space for August. MTMM put the “Chembulk Kobe” (19,500 dwt) on berth against a base cargo of 10,000 tons PX from USG to Santos reportedly fixed in the mid/high USD 30 pmt. They also fixed Rhodia for 3000 tons Cumene, USG to Santos, in the mid USD 50s pmt. Videolar fixed 18,000 tons Styrene Monomer from USG to Manaus in August under their Laurin contract.

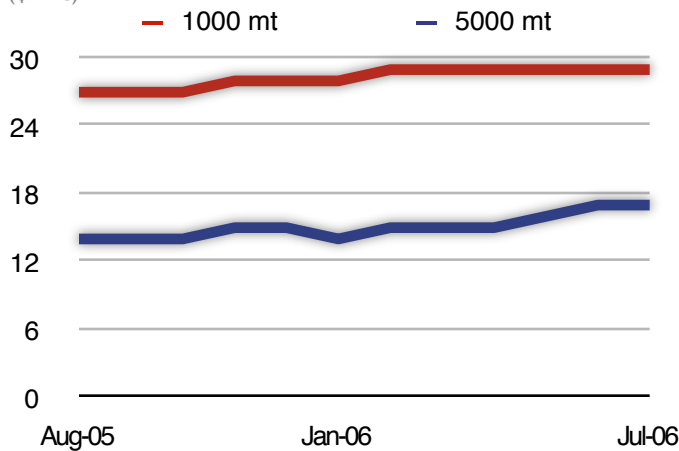
US Gulf - Caribbean & Mexico

The Caribbean market maintained much of the same action of last month. Contract nominations were firm and vessel space was tight while rates remained solid throughout the month. Spot space to the west coast South America was almost non-existent. Vessel tank space dwindled for Colombia and Venezuela for spot cargoes as well. For August, Jo Tankers has the “Jo Ebony” (12,152 dwt) and “Jo Hegg” (7,918 dwt) early in the month with space available to Venezuela and Colombia. MAPA sailed the “Tradewind Moon” (8,518 dwt) to the west coast of South America with Lube Oils. Much of the same activity is expected for the month of August, although with tropical storm

“Chris”, the first severe storm of the season affecting the East Caribs, traders kept close attention remembering the affects of the two major hurricanes on the USG last year.

Once again, the market was reasonably quiet from the USG to Mexico. Demand for Xylenes increased slightly towards end July while Vegoil and Tallow traders were active for parcels from 5000 tons up to 12,000 tons to Vera Cruz. Even with the increase in some spot market activity, MAPA did not send any

Figure 10 - Hou - Altamira Easy Chemical Spot Freight Rate (\$/mt)



vessels on this route at all in the month of July. With the absence of their vessels, rates remained fairly firm. However, MAPA will send at least one, but likely two vessels in August as the Mexican receivers have increased their demand for Xylenes.

Tid Bits

▶ Saudi Aramco has selected Dow Chemical as its partner to engage in exclusive negotiations for a previously announced Naphtha and Ethane based petrochemical and plastics complex planned at Aramco’s Ras Tanura refinery. The venture with Dow is the latest step taken by government-owned Aramco to expand beyond production and refining, and incorporating petrochemicals at its existing refining complexes. The target completion for the Ras Tanura petrochemical complex is 2010-2011. The project would include a petchem complex that would produce 3.5 million tons/year of Light Olefins and Aromatics.

▶ The Stolt-Nielsen group appears to have scored a stunning, if perhaps temporary, win in its battle against U.S. prosecutors as Justice John Paul Stevens has referred its petition for a stay of prosecution to the full U.S. Supreme Court. Stolt turned to Stevens in its bid to avoid indictment in an anti-trust case after being rejected by Justice David Souter.

▶ Shell Eastern Petroleum has confirmed it will build a 750,000 tons/year MEG plant on Singapore’s Jurong Island. The majority of the product will be sold in Asian domestic markets where Shell is expecting considerable growth in demand.

▶ Reliance Industries announced it is permanently shutting down its 35,000 tons/ year IPA plant in Mumbai due to poor economics.

▶ Stolt-Nielsen and Oil Tanking have announced a joint venture agreement whereby Stolthaven Terminals BV will acquire a 50% stake in Oil Tanking Antwerp for USD 66 million in cash and debt. Oil Tanking has a current capacity of 500,000 cubic meters of tank storage, with plans to build an additional 21 tanks for chemicals adding 50,000 cubic meters of storage.

▶ SABIC reported 2006 first half profits of USD 2.35 billion.

▶ Hong Kong based Noble Chemicals concluded a stock purchase agreement with the Netherlands’ Petroplus International BV for acquisition of its subsidiary Oxylde Chemicals BV for approximately USD14.01 million.

▶ Clean Market Rates
August 8, 2006

Volume	Route	Rate	Market
38,000	CBS / USAC	W275	Date Dependent
37,000	CONT / TA	W317.5	Less Active
LR2 (75)	AG / JPN	W217.5	Steady
LR1 (55)	AG / JPN	W265	Stronger
30,000	SG / JPN	W320	Steady

Looking Ahead

The boisterous Ethanol market has been keeping the Chemical tanker market alive. This is troubling given the fact that Ethanol volumes have proven to be volatile as they are not only dependant on Gasoline markets, but also on the Sugar markets and on harvests. Recent speculation has been that the surge of Ethanol cargoes has been the result of a price spike caused by the initial switch from MTBE to Ethanol blending in Gasoline and prices should return to normal as the massive amounts of new Ethanol production begin to hit the market and logistical infrastructure for moving the material is secured. If this holds true, the Chemical tanker freight market could be poised for a tumultuous fall. Still we feel that Owners have enough resolve to weather a slow market through the US Labor day holiday, and the true test of the market will come by mid September.

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