

Imarex Daily Brief

Dry Bulk

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Though some had expected more disappointing results on the indices, the Capes brought a ray of sunshine to the sector. Panamaxs are still moving to the downside, though a drop of 116 is nothing to lose sleep over – especially since the FFAs have turned north once again. If you didn't like volatility, you wouldn't be reading this report – so let's continue to take the good with the bad and play a nimble hand.

BDI	11245	down 24
BCI	17888	up 163
BPI	9906	down 116
BSI	6574	down 98
BHSI	3347	down 29

FFA volumes are good, with rates moving up despite the modest sliding of the physical. Either the crystal ball knows something, or the FFAs had been oversold the past week or so. A quick look at pre-market equities supports the crystal ball here.

Contract	Last Close	Current	Diff
CS4TC '09	\$118,938	\$123,500	+ \$4,500
PM4TC Q3	\$70,050	\$73,500	+ \$3,500
SM6TC Q3	\$57,063	\$59,000	+ \$2,000

Tankers

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VLCC AG/East 190 (\$150). **Suezmax** Wafr/Usac 267.5 (\$99k).

The rate declines we are now seeing are not in themselves concerning – but trend watchers in the studio audience have pointed out that Vs, Suezmaxes and Afras are all slipping to the downside. Though the larger assets have only relinquished a few points, the Med Afra's are bleeding at a much more rapid pace. Rates are still good across the board – so no need turn off the lights and empty the punch bowl just yet. We only recommend you watch the trend, which – for good order, is not always your friend.

After a few days of TD3 selling, we now see an upturn. Volumes are good. **TD3** June trades up 6 points to 158, while July trades up 4 points to 135. **TD5** June trades flat at 205 – but worth noting is that the current spot remains at 279. Hopefully no one in the readership needs to consult *savantcalendarcalculator.com* to notice that June is only days away and that we will need some form of convergence in short order. Also worth noting is that TD5 July sits at 159. backwardation indeed! **TD7** June also trades flat – now at 180. Volume here was quite strong.

Some **cont/ta** fixing activity has lifted rates a few points to the 315 level (\$27.5k). It's all about demand, ne c'est pas? The **Caribs/Usac** route remains at 300 (\$27k) – as US gasoil exports continue to occupy tonnage. The physical bump on cont/ta has forced up **TC2** June by 12 points, now at 305. July follows along, gaining 6 points to 281. The forward curve is also up: Q3 plus 5 to 263 and Q4 plus 4 to 265.

Volumes have been very good. In Asia, **TC5** has seen the lion's share of trading, with June up 8 points to 255 and Q4 up 5 points to 240.

Equities

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Dry Bulk: Mostly a down session on the dry side, though **EXM** turned the corner midday, and rallied to close up 3.5% - the lone tier 1 issue to do finish out of the red. Overall, though, the day got better for most of the issues. Have to believe plenty of head scratching took place as this sector headed further into the abyss early on – but most of the people I spoke to felt that the dry side was oversold.

Tankers: A mixed day on the tanker side, unless your name is George Glass and you thought that shorting **VLCCF** was a good idea. George is at the pub if anyone cares. He isn't muttering into his glass just yet – but with VLCCF trading 4 times normal volume yesterday, he is scrounging for cardboard and a sharpie to make another off-ramp sign (“Why lie, I need day trading funds!”). The **Alpha Male** fought back steadily throughout the day, erasing an early \$3 deficit to finish down only 1.6%.

In ratings news...

-**Urs Dur** lowers EPS estimates on **GNK** due to higher share count, but maintains a BUY (\$95) as dividend and market outlook remain robust.

-**Natasha Boyden** maintains a BUY on **GASS** (\$19), though she cites increased opex and revised guidance for drydocking, leading to lower EPS estimates.

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