- Doug Mavrinac has released his 2Q10 Dry Bulk Shipping Preview

Tankers
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Crude

VLCC Ag/East	55-57.5	($21k)
SM Wafr/Usac	95	($23k)
AG Aug	24	
Wafr Aug	33m	
Turkish Straits	1/1	
Fujairah bunkers	448	

Physical: The current fixing pace could be considered slow relative to the past few months. More Aug inquiry should hit the wires soon – as the 1st decade stem count is low. August is usually a slow month – though the impressive AG deal count in July could be viewed as a harbinger of better things to come. Rates continue to hover in ws mid/high 50s. Wafr has shown a bit of softening – as the supply/demand balance has shifted slightly back towards Charterers. Vessel supply is said to be just a touch greater than near term demand.

Crude FFAs: Very quiet. **TD3** Aug remains priced at about 68 while Q4 remains priced at 71.

Clean

37kt Cont/ta	197.5	($15.5k)	down 2k from last week
38kt Caribs/up	170	($11k)	down 1k from last week
55kt Ag/East	140	($13.5k)	**up 3k from last week**

Physical: Atlantic basin clean has lost ground over the past days. Both arbs are closed and overall activity has diminished. Wafr demand has been fair, while distillate inquiry USG/Americas has slowed considerably. Eastern routes are firm on most all trade lanes.

Clean FFAs: Very quiet East and West. **TC2** remains priced at 189, though the current wide bid/ask suggests lower prices ahead. **TC4** and **TC5** Aug remain priced at 155 and 153 – both above spot.

Dry Bulk
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Baltic Indices
BDI 1841 up 15
BCI 1698 down 10
BPI 2403 up 41
BSI 1761 up 16
BHSI 989 up 11

Doug Mavrinac: Seaborne Iron Ore Demand Likely To Be Sluggish In The Near-Term Due To Slowing Chinese Steel Demand And Resulting High Iron Ore Inventories In Chinese Ports; Recovery In Seaborne Demand Expected During 4Q10 - Seaborne iron ore activity into China hit a lull beginning in May as Chinese steel prices began to soften which resulted in decreased Chinese steel production as producer margins were squeezed. In fact, hot rolled steel prices in China declined from 4,698 yuan/ton in mid-April to 4,138 yuan/ton in late July representing a decline of 11.9%. Correspondingly, steel production in China declined from 55.4 million tons in April to 53.8 million tons in June representing a decline of 2.9%. Not only has the slowdown resulted in decreased seaborne iron ore demand, but iron ore inventories at Chinese ports have increased to 75.6 million tons which represents the highest level since September 2009 and more than a 10% increase since April. Consequently, we believe the build-up in Chinese iron ore inventories could suppress the seaborne iron ore trade in the coming weeks…

Dry FFAs - negligible volume

	Spot	Q4 FFA
Cape:	12643 down 112	26250 down 500
PM:	19324 up 327	23750 up 500
SM:	18409 up 159	21500 down 250

Equities
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- George Pickral maintains OW on Horizon Lines ($12).

Greg Lewis Containership Sector Review: Demand has been strong – but volumes may have been pushed forward ahead of the peak season**.** Last week the top 10 Chinese container ports reported June monthly traffic which in terms of throughput was their second highest traffic month ever. The potential negative with the data was that throughput traffic was down ~2% M-M. Looking across the Pacific to the US, import volumes for June were up roughly 30% Y-Y and up ~6% M-M (based on ~60% of US port capacity). This is the highest import traffic at these reporting ports since October 2008. Turning to exports these same ports reported volumes up 2% Y-Y, but down 8% M-M.

Weekly Commentary
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Pareto Securities: Increasing steel prices and reports of Chinese steel mills being more active in the spot iron ore market has lifted iron ore prices and sentiment this week. Iron ore spot prices may have bottomed for now after reaching an YTD low last week of USD 117.6/ton. 62% FE content CIF China as quoted by the Steel Index (TSI) was set yesterday to USD 124.8/ton. Prices have found support on the back of increasing steel spot and future prices and reports of Chinese mills increasing their presence in the spot iron ore market. If we are seeing the first signs of Chinese mills restocking that would naturally be very positive for cape freight rates going forward however, latest figures from Chinese iron ore inventories at ports show another build to 75.6m tons, up from 74.8m tons the week before. These are close to all time high levels. Unfortunately there are little data available of iron ore inventories at steel mills.

Scott Burk: Drybulk Deliveries Still Tracking ~60**%.** According to Clarksons, roughly 60% of scheduled deliveries in 1H10 entered the fleet, based on expected deliveries at year-end 2009. Our delivery schedule projections include an average of 2.6M/month of expected DWT, which takes into account listed newbuilds in 2010 without specified delivery months. If we were to only include listings with delivery dates specifically in 1H10, 77% of scheduled newbuilds entered the fleet during the quarter. Capesize vessel deliveries have continued to accelerate as shipyards increase output to fulfill scheduled deliveries. 104 new capesize vessels have entered the fleet through mid-July, compared to a total of 112 in 2009. We still expect 42% of the newbuildings for 2010 will be delayed/cancelled According to Clarksons, the addition of 218 Capesize newbuilds are expected for the remainder of 2010 with an additional 117 expected in 2011.

Urs Dur: Bulk freight rates are ticking up off of the bottom; Cape rates may start to improve next week. Dry bulk freight rates have been weak for over a month but have been improving of late. While Cape rates continue to fall, Panamax and Supramax rates have been improving for a week, slowly pushing the BDI back up. A Supramax today earns $18,500/day, while a Capesize, three times the capacity of a Supramax, earns $12,500. As well, the forward paper market and the long-term time charter market is offering Capesize rates at $26,500/day. Contango in freight rates is generally a positive indicator for near-term rates to rise from lows. As Chinese iron ore inventories start to tick down, and with global dry bulk demand firm, we may see slow upward pressure on Capesizes start next week. To rank our dry bulk names for next week: NM, BALT, GNK, DSX, NMM, EGLE, and DRYS.

Doug Mavrinac: Last week, dry bulk shipping spot charter rates increased for the first time since May 26 breaking a 7-week losing streak as Capesize spot charter rates increased more than 10% and Panamax spot charter rates increased nearly 10% during the week. While we believe dry bulk shipping spot charter rates could remain volatile in the near-term given the seasonal nature of dry bulk shipping as well as the significant quantities of iron ore inventories in Chinese ports, we believe dry bulk shipping spot charter rates are likely to improve during 4Q10 as seasonal factors begin to positively impact dry bulk shipping demand and Chinese steel producers likely take advantage of more favorable quarterly iron ore price contracts.

Commodore Research: China produced 101.55 million tons of iron ore in June, an increase of 10.5mt (12%) from 91.05mt produced in May. The 101.55mt production marks the second straight month where Chinese ore production has set a new record. In the first six months of 2010, China has produced an average of 80.79mt of ore per month, an increase of 8.72mt (12%) from an average of 72.07mt produced each month in 2009. Iron ore imports have continued to decrease as domestic iron ore production has increased. China imported 47.2mt of ore in June, a decline of 4.7mt (-9%) from 51.9mt imported in May. With high quality foreign spot iron ore now priced at about $110/ton FOB, $20 (-15%) less than prices at the start of July, imported iron ore is slowly becoming more attractive again. Domestic ore in China is of varying quality and price depending on region - but many analysts believe that $90/ton is the absolute lowest price that spot iron ore can fall to before domestic mines would have great trouble competing. We are not stating that $90 is the bottom, however, only urging that by that point, ore imports would likely begin to increase as long as steel demand remains firm. Spot ore prices could definitely rebound sooner, however, as the pace of decline has recently slowed.