

Dry Bulk

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The physical market is showing signs of wear. Limited activity has turned bull sentiment into uncertainty. When rates reach current stratospheric level – this is to be expected. Analyst Jeff Landsberg (Mr Ton Mile Korea) weighs in as follows:

“Although the Chinese steel market is still incredibly strong, there are a few troubling issues that must be monitored closely. Domestic demand for rebar (a steel bar used in construction) is weakening. While prices are currently stable, they are expected to fall in the coming weeks as traders are reporting liquidity problems and cost pressures in the Shanghai housing market. Some construction projects have been delayed and rebar traders are now keeping smaller inventories. Shanghai's rebar inventory is currently 300,000-400,000 tons, much lower than normal.

In addition, Chinese iron ore traders are showing reluctance for high priced Indian ore. Indian exporters have hiked up their prices to \$187/ton cfr due to the looming 15% ore export tax increase - but China has been turning down offers. Chinese ore traders already have high stockpiles and iron ore imports may finally be set to fall. Combined with weakening demand for rebar, this could put downward pressure on freight rates.”

BDI	11409	down 125
BCI	18880	down 373
BPI	9830	down 61
BSI	6377	up 27
BHSI	3181	down 9

Early volumes were healthy, though activity has since moderated. Prices show a downward bias – though nothing concernable – yet.

Contract	Last Close	Current	Diff
CS4TC '09	\$122,811	\$122,750	flat
PM4TC Q3	\$73,200	\$72,000	- \$1,250
SM6TC Q3	\$57,281	\$57,250	flat

Tankers

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VLCC AG/East 175 (\$135). **Suezmax** Wafr/Usac 150 (\$41k).

We are still waiting for July requirements to hit the market with some intensity. The longer we have to wait, the more intensity we can expect – though positions continue to build in the meantime. Quite a conundrum, wouldn't you say? If I knew for sure the net effect of this supply/demand riddle – I would be charging a subscription fee for this report. But, my thoughts as follows: experience suggests that rates should rise once July demand hits the wires. If this doesn't happen – then something is different this time around – and the trading of this market, physical and/or FFA, should follow accordingly...

..on that same note – the crude tanker FFA market does not expect a rate increase until, well...a very long time. The forward curve drops to 138 in August, before rebounding up to 148 or so for Q4. So even with the potential for a rush of July cgos to underpin demand – those with crystal balls aren't convinced. Thus – an inflection point is likely at hand.

Crude tanker paper has been slow. **TD3** June trades down 6 points to 178, while Q3 trades down 3 points to 140. **TD7** June trades flat at 188 while July trades up 8 points to 180 – though volume is minor.

Atlantic basin clean: **Cont/ta** activity has picked up – with the market at about the 330 level (\$29k). **Caribs/Usac** sits at about the 310 mark (\$28.5). Clean paper has been slow, though **TC2** June trades up 9 points to 325 in order to converge with the rising spot. Small volume. Asia again shows decent trading volumes – with TC5 losing 7 points to 270.

Equities

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Dry Bulk: Another day of sliding prices – as sentiment is fragile. Though the overall mkt turned north, the dry names couldn't rally. When asked about the **Dry Fox** on CNBC, everyone's favorite Money Mouth had this to say, "I wouldn't buy this dry-bulk shipper right here, but I certainly wouldn't sell it, either. I'm waiting for a comeback." The Imarex Editorial Board doesn't tape these shows, but – we are willing to bet a few ducats that Mr Booyah himself has excoriated call-in investors in the past for taking a similar approach. The second rule of investing, after "buy low, sell high", is "If you wouldn't want to buy this stock today, you shouldn't own it." Jesse Livermore call your office.



Tankers: Don't mess with the **Alpha Male!!!** Up another 5%, on very good volume - though this time the lead sled puller managed to bring some other Tier 1 names up with him. Home gamers should note that CNBC's Homer Simpson maintains his bullish stance on FRO. In other news we have **OSG**, which announced an increased dividend and a share buyback plan. George Glass called me when he saw this. I was expecting his call. "Let me get this straight," said George from his cell phone on the I-45 off ramp, cars whizzing by, "they didn't want to buy back their shares at \$70, \$65, \$60, \$55.07, but they want to buy them back now that they are at \$80. Good grief!"

In ratings news...

-**Natasha Boyden** maintains a BUY on **OSG** (\$102).