

Dry Bulk

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BDI 11105 down 304

BCI 18033 down 847

BPI 9673 down 157

BSI 6385 up 8

BHSI 3154 down 27

Uh oh, indeed!!! The Capes have gone from concernable decline into projectile regurgitation. A loss of 847 points is noteworthy even in this often-too-volatile sector. Limited inquiry has clearly taken the mojo away from this largest of the asset classes. The Panamaxs are in no position to lend support – as these ships are being released into the market despite the supposed conclusion of the Argentina farmer's strike. The lack of certainty concerning this strike is causing problems. We need the "Hand of God".

Asian Swami Jeff Landsberg provides following macro commentary:

"There's a bit more buzz floating around in Asia these days. No, I'm not talking about the anti-US beef rallies in Seoul - thanks, by the way, to all of South Korea for keeping me up last night. What I am talking about is iron ore, and more specifically, the ongoing contract negotiations between Australian miners and Chinese steel mills.

Rumors are circulating that Rio Tinto has secured a 95% price increase with small Chinese mills (Rio denies this). On the other end of the spectrum, Chinese authorities are suggesting Australian miners are poised to give up their quest for a freight premium. Ha! The Chinese as coy as ever.

The truth, as they say, most likely lies somewhere in the middle. One interesting thing to point out: the freight gap between Brazil-China and Australia-China has decreased considerably. Four weeks ago, the Tubarao-Beilun/Baoshan route was \$106.96/ton while the West Australia-Beilun/Baoshan route was \$42.59/ton - a difference of \$64.37/ton. Today, that gap has fallen to \$55.42/ton. If China did intend to push down the freight gap, congratulations. I just can't imagine, however, that they are happy with how much they are paying for any of their ships."

FFAs

Volumes are decent and the slackening physical market is taking a toll. Though the numbers below do not signify a landslide collapse, they do reinforce how fragile things can get at 30,000 feet. What's the difference between a 1% decline everyday for 5 days and a 5% decline all on the last day?

Mathematically, not much. Psychologically – yes – there is a difference in the short run, but there are numerous ways to have your cat skinned.

Contract	Last Close	Current	Diff
CS4TC '09	\$123,344	\$121,000	- \$2,344
PM4TC Q3	\$72,850	\$70,250	- \$2,600
SM6TC Q3	\$57,188	\$56,250	- \$1,000

Tankers

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VLCC AG/East 185 (\$147k). Suezmax Wafr/Usac 160 plus (\$47k).

While we have all been on the edge of our seats awaiting July requirements to storm the market, June continues its rascality – and has now delivered a 190 fixture for AG/East. Hip Hip for June!!! Even if you don't want to call the current market 190, you still need to recognize that the launch pad for July has been

jacked up a few pegs. With Friday the 13th only two days away – we can only surmise that Jason Voorhees is alive and well, and has again carnated his perpetual self in today's tanker market. Are you in the house alone?

The paper market has taken note – and trades up on decent volumes. **TD3** June and July trade up 3-5 points each to 188 and 155. **TD5** July trades up 4 points to 180. **TD7** June sees an impressive 11 point bounce to 200. **TD9** has even developed some bull moxie – as Q3 trades up 25 points to 227.

Atlantic basin clean remains active. **Cont/ta** still sits at the 330 level (\$29k) – with Owners possessing some bulled up rate ideas. The Med/Black Sea region is lending a not-so-invisible hand to this sector, where 30 x 370 has been reported. On this side of the pond, USG exports are playing a similar supporting role in occupying ships, allowing the **Caribs/Usac** rate to sit a decent 310 (\$28k) despite limited fixing.

TC2 FFAs have seen modest trading – with July and August up 1 point each to 292 and 258. Further down the curve, the Q3 has seen very good activity – and trades up 2 points to 268. In Asia, **TC4** July is the flavor du jour, though it trades down 6 points to 273.

Equities

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Tankers: Even with the share buyback and dividend increase, **OSG** lost ground on the day. All the varsity names got whacked, most notably **FRO**, everyone's favorite Alpha Male. Though it is still up since last Friday's impressive run, it essentially gave back all of yesterdays gains. **GMR** seems to have lost its way the past few days – and now sits \$3 below its recent \$30 tryst. If you believe in Peter G at \$30, then we think you have to like him even more at \$27.

Dry Bulk: Riot mode works both ways!!! All the names, major and minor, took another punch below the belt. The **EGLE** crash landed 10% down – which emphasizes the indiscriminate nature of this market. An issue with such a high level of contract coverage should either have never been up this extra 10% - or should not give that much back in one day. That said – we are all big boys – and we can't say that the past 7 months haven't adequately prepared us for an occasional stay in Poseidon's Charnel. The key is to ensure that your stay is indeed "occasional". Also in the market-fodder category was **EXM**, which dumped 10% on double volume. George Glass, still mad about OSG, bought himself a few seats on the Stamatis Express – though he isn't quite sure which direction this juiced-up iron-horse is headed. Buckle up George!

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