

Dry Bulk

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BDI	10142	down 963
BCI	15178	down 2855
BPI	9325	down 348
BSI	6388	up 3
BHSI	3125	down 29

Houston, we have a problem! I had now way of knowing that yesterday's phrase "projectile regurgitation" would turn out to be an understatement. We prefer not to print "R" rated material, so we will let you attach your own phraseology to today's Cape index. It ain't good. Though it seems the consensus for the balance of 2008 is firm - or better, veterans of October's Black Tuesday and the more recent January Debacle recall how much short term pain this market can inflict on the masses. Seems that uncertainty regarding the Argentina farmer's strike is weighing very heavily on the Panamax sector. This in turn is wreaking havoc on Cape sentiment, which we all recall, continued its stratospheric ascent well after the Panamaxes had been reigned in two-three weeks ago. Those who recall the days of the "slinky-dog" know that the head can only move so far from the tail before the two must re-couple in some form or another (hat tip: Tim the Libertarian).

FFAs

Volumes are good and prices continue their descent. Sentiment has gone from fragile to quite nervous – as we have all seen this movie at least once before in the past 8 months. We are going to need help from the physical market to turn this around.

Contract	Last Close	Current	Diff
CS4TC '09	\$118,625	\$111,000	- \$7,625
PM4TC Q3	\$69,139	\$65,000	- \$4,139
SM6TC Q3	\$56,391	\$53,000	- \$3,391

Tankers

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VLCC AG/East 190 (\$153k). **Suezmax** Wafr/Usac 200 (\$66k).

Those looking for a rate surge related to July fixing activity have found it. Though the AG creeps up only a touch, Jason Voorhees made his presence known in the Atlantic Basin, where the Suezmaxes made a major move –gaining about 40 ws points within the day. Well done indeed.

Crude FFAs have been active. **TD3** increased down the curve, with Q3 and Q4 trading up 3-5 points each, and both now sit at 155. **TD5** June and July gain about 6 points each to 205 and 195. **TD7** June continues its run, gaining 7 points to 210. Even little known **TD8** (80k mt fuel oil Kuwait/Spore) was active, with the Q3 gaining 7 points to 192.

Since **Southport's Bald Viking** says it better than I do: "The activity on the Continent is continuing and we are seeing higher rates being fixed. The highest number we have seen reported so far is WS 350, but we are calling the market about WS 335-340 level for now. ExxonMobil has been reported to have fixed a smaller stem, 33,000 MT, at WS 370 which is equivalent to 37 KMT x WS 330. The arb still seems to be holding and we should expect good activity level at least for the foreseeable future. The Caribbean market is relatively subdued, but rates are being pushed higher as a consequence of the Continent demand for ships. We heard yesterday, unconfirmed so far, that WS 320 had been done for a regular Caribs/Up run, which is not surprising considering the circumstances. USG to Europe export cargoes are fetching in excess of WS 200 for 38,000 MT stems."

Market Assessments / Time Charter Equivalent US\$/Day IFO \$610/MT:

-UKC/TA - TC2: WS 335 \$30,250
-Caribs/Up - TC3 WS 315 \$28,625
-USG/Europe WS 205
-USG/Chile LS \$1.95m

Thank you Trygve!

TC2 August and July trade up a few points each to 300 and 268, implying improved market expectations. In Asia, **TC5** continues to be active – with July trading up 7 points to 279.

Equities

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Tankers: Anyone know what's wrong with **GMR**? Looks like someone is selling – or apparently many are selling. This name briefly hit the \$31 level three weeks ago – and has since suffered more than just one open can of whoopass. Today's article in the Financial Times (link below) regarding triple-threat Peter G should provide confidence that the G-Man has shareholder interest in mind, "We're there to make money for our shareholders." Let's not forget the \$15/share special divy. In other magnate news – we see that Ms Lois Zabrocky was promoted to Senior VP at **OSG**. For those not in the know, Lois is a product of Kings Point's notorious Fighting 4th Company – a veritable success factory that also produced Afra legend John Fitzgerald (the other JF), vetting guru Todd Barr, dry bulk savant Jeff Qualman and of course, Daytrader of the Year George Glass.

<http://www.ft.com/cms/s/0/4c9924f4-3817-11dd-aabb-0000779fd2ac.html>

Dry Bulk: Look out below! Though medium-term prospects don't look too bad – the spectre of Black Tuesday looms large. "Keep your head on a swivel and avoid pile-ups," said Ted Hendricks, legendary Oakland Raider bad-boy, when asked how to survive in the NFL.

From Justin Yagerman at Wachovia:

- **Dry Bulk Day Rates May Continue To Face Pressure Through The Summer.** Just as upside movement in day rates had been pronounced due to regionally specific supply dislocation and the confluence of geopolitical and economic events, recent weakness has been just as sharp as many of those incremental catalyst are waning. Prolonged iron ore negotiations, elevated iron ore inventory, Chinese steel price caps, and seasonally lower cargo and contract volumes should create downward pressure on rates. We view a continued correction as likely, and favor stocks with revenue coverage such as Outperform rated EGLE and DSX, as their cash flow streams and earnings will likely be insulated from any near-term volatility in the rate environment. We note, however, that while fundamentals certainly support differentiation within the dry bulk sector, the stocks have traded as a group for the majority of their public history, with companies long on coverage trading on spot rate movements despite little correlation to support such moves.

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