



Imarex BDI Futures are now trading!!! Tell your neighbors, tell your friends...tell everybody!!!

Dry Bulk

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BDI	9646	down 496
BCI	13960	down 1218
BPI	8942	down 383
BSI	6368	down 20
BHI	3082	down 43

The Argentina's farmer strike is still a source of unease in the market – all the while physical rates soften. Spot inquiry is limited, while period demand for Capes has disintegrated. Though we would like to think that a decelerating decline in the indices could be taken as a good sign, veterans of Black Tuesday know, for better or worse, that anything is possible.

FFA volumes are good and prices have pushed up. With the indices down significant amounts, we now get to see if the "futures "are indeed an accurate crystal ball. They have largely moved together the past few months – so this short term divergence is worth watching.

Contract	Last Close	Current	Diff
BDI July	8685	8550	- 135
BDI Q3	8630	8550	- 80
BDI Q4	8480	8200	- 280
CS4TC '09	\$112,500	\$117,000	+ \$4,500
PM4TC Q3	\$65,150	\$66,500	+ \$1,250
SM6TC Q3	\$53,375	\$53,500	+ \$250

Tankers

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VLCC AG/East 192.5 (\$154k). **Suezmax** Wafr/Usac 215 (\$72k).

Today's tanker commentary comes to us from the Pride of the Buckeye State – Mr Kevin Mulholland at Lone Star, who is also a product of the magnate factory otherwise known as Kings Point's Fighting 4th Company:

“KNEE HIGH BY THE FOURTH OF JULY' WAS THE SAYING GROWING UP AS A KID IN OHIO IN REFERENCE TO THE CORN CROPS - WITH REFERENCE TO TODAY'S TANKER MARKETS THE MANTRA COULD TURN TO 'SKY HIGH BY THE FOURTH OF JULY' AS THE MARKETS CONTINUE TO DEFY TYPICAL SEASONAL TRENDS THAT WE'VE COME TO EXPECT. WITH MANY EXPLANATIONS OUT THERE AS POSSIBLE CONTRIBUTORS TO THIS CURRENT STATE, IT WOULD SEEM THAT THE SINGLE BIGGEST IS THE INCREASE IN MIDDLE EAST PRODUCTION OF SOME 6% YTD OVER THE SAME PERIOD LAST YEAR.

AG MARKETS ARE SHOWING SOME SIGN OF FIRING AS NEXT WEEK WE SHOULD TRANSITION FROM THE QUIET ACTIVITY SEEN FOR THE LAST TWO WEEKS TO THE BUSIER E'LY MONTH FIXING CYCLE.

ATLANTIC BASIN REMAINS FIRM ON RATES AS THE SUEZMAX'S LIKELY TAKE A PAUSE AND VLCC'S MOVE TO CENTER STAGE."

Crude tanker FFAs continue to trade up on good volume. TD3: July plus 4 to 174, Aug plus 4 to 155, Q3 plus 4 to 156, Q4 plus 3 to 160, Q1 plus 3 to 110.

The **Atlantic Basin clean** sector continues to push on. We have ws 345 (\$31.5k) confirmed for **Cont/ta** and 350 on subs, with whispers of a few points higher than that on subs. The arb is returning to its favorable ways and activity has been good. Seems this market has come a long way from the days of the "This market is so ugly..." jokes. USG exports remain firm – employing enough tonnage to keep the **Caribs/Usac** route at ws 315 (\$28.5k).

Clean FFA activity has been minimal. **TC2** July trades up one point to 299, while the Q3 and Q4 sit flat at 277 and 270. **TC5** trades down 2 points to 275.

Equities

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Tankers: Though **NAT** tried to pull the wet-sled all on its own, sector gains were mostly limited to this name. **GMR** lost more ground – though George G still has faith in Peter G – and will not unwind his long position. The bigger news, though – is that it appears the company currently and formerly known as **TOPS** is sniffing around the rendering plant once again. Yesterday's disappointing results moved it down 10% to \$6.89. Imarex home gamers using their old score cards will note this equates to \$2.30 in dog dollars. Looks like a tempting buy, but – this has been the case for over a year a now.

Dry Bulk: This market is so ugly, it tried to take a bath and the water jumped out!!! Yes – bad markets get the bad humor they deserve. Anyone trying to catch the falling knife that is **EXM** got shredded again – losing "another" 11% on the day. The sense I pick up from the Street is that there could be more downside ahead – so it doesn't seem that many buyers are rushing in just yet. In fact, I get a sense that people prefer a continued slide in order to get a better entry point (see below from JL).

In ratings news...

-**Natasha Boyden** maintains a BUY on **TOPS** (\$15). She points to an attractive value on NAV basis, though expressed disappointment in yesterday's results.

Dry Equity Commentary from Jeff Landsberg (aka ton mile korea):

During the last four weeks, dry bulk investors have been spooked and equity prices have come down by an average of 37%. Players in the physical market finally seem spooked too - the daily cost of chartering a Capesize vessel has fallen by 26% (\$58,000) in only 3 days.

While dry bulk equity prices do not normally correlate perfectly with daily freight rates, the freight market collapse is likely to push stock prices down even further. Sentiment in the physical and paper markets have taken a sudden and drastic turn for the worse - and falling freight rates are the last thing dry bulk investors want to see. In addition, high oil prices have prompted renewed fears of a global economic slowdown. If investors buy into this and make a connection with shipping, dry bulk equity prices will come under even more pressure.

There is, however, a silver lining for those of us who did not go short on the dry bulk sector. Dry bulk equities will most likely end up oversold and there is a strong chance that freight rates will ultimately rebound. China and India are reporting coal shortages and will need to import more thermal coal. Argentine grain exports, delayed due to an ongoing farmers' strike, will eventually come back to the market. Even more significant - the Chinese steel machine will likely maintain very firm levels of production after the Olympics are concluded. As a result of these factors, analysts expect seaborne cargo demand to peak in the fourth quarter. As long as a massive amount of vessels refrain from being delivered in the second half of the year, the dry bulk market will likely pick up and it will be hard for investors to ignore rebounding freight rates and super low PE's.

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