Dry Bulk
=======

BDI	**9139**	**down 72**
BCI	12860	down 252
BPI	8904	up 108
BSI	6128	down 75
BHI	2759	down 24

The bleeding in the Cape sector has slowed, all the while the Panamax sector continues to bring the ratio back towards the norm. Period demand on Panamaxes, combined with more cautious optimism regarding the Argie farmer's strike, has led to improved expectations for this asset class. For further commentary on the dry sector, we again turn to Jeff Landsberg, Asian Editor of tonmiletrader.com:

"It's official. Baosteel and Rio Tinto have agreed to an average 85% price increase for 2008-09 iron ore contract sales. Baosteel will now pay $201.69 (+96.5%) for high quality Pilbara blend lump and $144.66 (+79.9%) for lower quality fines. Earlier this year, Brazilian miner Vale settled on a 65-71% increase with Baosteel. Rio Tinto's 85% price increase includes a freight premium that reflects the relative proximity of Australian iron ore versus Brazilian ore.

Analysts are mixed over how this development will affect freight rates in the short-term. On one hand, ton mile demand will likely come down as Chinese steel mills had been taking more Brazilian ore during the negotiations... Chinese steel production, however, is still as strong as ever and just set a new monthly record of 46 million tons in May. Clearly, there's a huge demand for iron ore - just look at the damn 85% year-on-year price increase!... But with Chinese iron ore stockpiles so high, is there really going to be a sudden deluge of Australian iron ore heading to China?... Then again, if spot prices also go up - wouldn't ore traders just want to hold on to their stockpiles and sell them only after spot prices increase?... And then there's the question of the Beijing Olympics - what's going to happen to short-term steel production if real efforts are taken to ensure clean air?…

With all of these issues running through our heads, I probably should have titled this post "Oh, The Joys of Being a Dry Bulk Analyst".

In thermal coal news, tight supply and strong demand continue to push most regional coal prices higher. In addition, summer shortages are still likely in China and India. 20% of Colombian exports might also be restricted due to truck drivers striking over rising fuel costs.

CIF ARA	$185.77/ton	+3.4% w-o-w
CIF Japan	$205.01/ton	-0.4% w-o-w
FOB Newcastle	$161.00/ton	+0.6% w-o-w
FOB Richards Bay	$147.52/ton	+8.6% w-o-w

FFAs

Contract	Last Close	Current	Diff
BDI July	8525	8775	+ 250
BDI Q3	8475	8650	+ 175
BDI Q4	8350	8675	+ 325
CS4TC '09	$120,672	$125,500	+ $5,000
PM4TC Q3	$71,400	$74,500	+ $3,000
SM6TC Q3	$57,686	$58,500	+ $1,000

FFA activity has been modest, though sentiment has been positive. While many expect a near term slowing in the dry sector, those with crystal balls either disagree, or have already priced this into their trading. The Rio Tinto / Baosteel agreement has both bulls and bears claiming victory – so a blatant market move on that information has not created a groundswell of sentiment, good or bad.

Tankers
=======
VLCC AG/East 225 ($190k). **Suezmax** Wafr/Usac 195-200 ($62k).

The V market has reached the deuce-and-a-quarter level, though July steam is halfway done. We know that anything, really, is possible – but if inquiry begins to slow, then rates might indeed plateau for the time being (hat tip to Cal Maritime's finest). Worth repeating is that anything is possible – as Owners continue to control the psychological high ground within this thing of ours. Our Spore office expects further firming. They have been right much more often than not. Who's better than Fredrik?

Crude tanker FFAs have been slow, though as expected – forward prices have risen in sympathy with the physical. **TD3** August trades up 10 points to 170 while Q3 and Q4 trade up a few points each to 172 and 170. This is a positive development for Owners. A big move for August combined with a few points towards the end of the year implies a continuation of firming sentiment. Would like to see more volume, of course, be these price moves have meaning.

Just when I give the **Atlantic basin clean mkt** credit for showing some belly-fire, it decides to turn south a few points. The joke book remains safely locked in my briefcase, but it appears that yesterday's **Cont/ta** optimism has become today's reported sub fixture at ws 380 ($36.3k). A quiet start to the week has brought some more positions to the surface – leading to a reversal of sentiment. The **Caribs/Usac** route is quiet as well, though we leave that number unchanged at 315 ($28k).

Clean paper is dormant on this side – with **TC2** July priced at 317, well below the spot. The Wonder Twins again bring solid activity to the Far East routes, with **TC4** Q3 trading up an impressive 14 points to 291. **TC5** trades up as well for July, Sep and August – bringing the Q3 price up 9 points to 245.

Equities
=======
Tankers: I would imagine most are tired of hearing only about the **Alpha Male** in this segment of the daily report. FRO breaks milestones and short bank accounts so often that this unprecedented upward surge has become one big "Dog bites man" story. Indeed!!! But JF (not the other JF) is the man and the whole world knows it – so the Imarex Editorial Board will continue to feed the masses bread, circuses and Frontline news. In the tier-two department, the company currently and formerly known as TOPS fought back yesterday – punching through the $7 barrier on good volume. Home gamers are quick to point that this is only $2.33 is puppy bucks.

Dry Bulk: There didn't appear to be much rhyme or reason for the dry bulk sell-off yesterday. Though the **G-Team** showed signs of life throughout the day, the others names got roughed up a bit. **EXM** got the worst of the drubbing, losing 7% or so, while **Turner Broadcasting** lost about 5% of their ratings. Everybody doesn't love Raymond it seems. Good news for those who enjoy such things, is that the **Dry Fox** only lost about 2%. As this name leads the pack, a 2% drop is hardly newsworthy. The ton mile effect of the Rio Tinto/Baosteel agreement has both bulls and bears making their case.

END