

## Dry Bulk

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The Panamax sector in the Atlantic remains slow, though the Pacific basin seems to be narrowing the gap with the Atlantic, with a one-year t/c reported at about \$80k. With Korea off today and China off on Monday, quiet times are not unexpected. The indices are down, though not dramatically. Since they can't climb forever, the below declines on the larger ships are hardly concernable - for now. Let's see what next week brings on Tuesday - when 1.3 billion of our favorite consumers return from holiday.

BDI	11612	down 77
BCI	19451	down 236
BPI	9950	down 36
BSI	6340	up 33
BHSI	3204	down 21

Volumes are good, though rates are down. With the physical market quiet, my Oslo desk reminds me that "no news is bad news" - especially when rates and prices are this lofty.

Contract	Last Close	Current	Diff
CS4TC '09	\$126,719	\$123,500	- \$3,250
PM4TC Q3	\$75,875	\$72,500	- \$3,500
SM6TC Q3	\$57,031	\$56,500	- \$500

## Tankers

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VLCC AG/East: ws 172.5 (\$136k)      Suezmax Wafr/Usac: ws 200 (\$69k)

As fixing for June dates winds down - the soft undertone takes hold. We expect increased July stems to hit the market early next week - and then we'll know exactly what the God of Supply and Demand has in store for us. Of course the God of Market Psychology is not to be ignored - and will force his domineering presence onto the market - for better or worse. Firming is of course expected - as demand inevitably picks up. With that said - stay tuned. If by chance rates come off further, then the recent Owner-favorable trend will have been reversed.

Paper is slow. TD3 June trades down 3 points to 170. Dirty curves are still backwardated until Q4. TD7 June trades down 5 points to 170 as I hit the send button.

## Clean - from Trygve at Southport:

It has been a rather active week for the clean boys and girls in the Atlantic basin I would venture to say and the freight rates are quite strong across the board. For Cont and med to States fixtures the going rate is WS 325, but on the other hand, the high bunker prices puts a bit of a damper on the party mood of course. The Caribbean market is firm/steady at WS 310 or so for the regular 38,000 MT cargoes Caribs/Up, but the driver on this side continues to be Caribs and US Gulf export cargoes; rates for these moves are now at WS 190 level for

38,000 MT cargo stems. We have seen very little, if anything at all moving down to Chile from this area, albeit we have seen a few sub-fixtures off the USWC going south.

Market Assessments / Time Charter Equivalent US\$/Day - IFO \$590/MT:

- UKC/TA - TC2: WS 325 \$29,125
- Caribs/Up - TC3 WS 310 \$28,400
- USG/Europe WS 190
- USG/Chile LS \$1.85m

Clean Paper has been quiet in the Atlantic basin. TC2 still sits backwardated. Spot is 325 while June sits at about 303. Convergence will start soon. The Asian paper markets have, once again seen good activity. TC4 June rises to 260, while TC5 June increases to 203.

### Equities

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Tankers: The tanker names were mostly quiet during Posidonia. FRO shed the expected \$2.75 ex-divy, and has since traded flat.

Dry Bulk: Today's Dry bulk thoughts from Henrik at DNB:

- \* shares of dry bulk stocks are falling hard today
- \* although there is a marginal correction in FFAs and a more quite spot market, it seems as if today's sell-off comes as a result of a broker driven bear case on rates due to the bad weather conditions in Australia!
- \* gale force winds and high seas have since June 4 halted shipping activities at Newcastle (Australia), but there are now signs that coal exports could again resume
- \* bad weather has a tendency of limiting spot demand for ships as commodity exports suffer. Despite such effects normally being very temporary, shipping rates could see a small correction
- \* that said, port congestion is likely to remain high during such situations and hence tie up ships that otherwise would have been open in the spot market (this should thus counter some of the effect of lower volumes)
- \* in addition, such weather related issues could catalyze demand for US coal (with exports rising from this region in recent weeks) which should have a positive ton-mile impact. If iron ore exports also start to suffer, the strain on Brazil to elevate supplies will be even higher than it is currently
- \* one should moreover not forget that Panamax are still being fixed at \$90-100,000/day!!!!
- \* earnings for companies such as Golden Ocean are in any case supported by contract coverage (70% for 2008/2009), which makes them less exposed to spot market fluctuations

Conclusion: although we acknowledge that stock brokers need to support their own commissions when share trading is relatively muted, we believe that the price movements on this news are highly exaggerated. Despite the risk of spot rates coming down somewhat in the very near term, we think that one should utilize situations like this to build positions in dry bulk stocks such as Golden Ocean.