Dry Bulk
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|---|---|---|
| BDI | 8904 | down 57 |
| BCI | 13449 | up 45 |
| BPI | 8461 | down 201 |
| BSI | 5318 | down 35 |
| BHI | 2635 | down 1 |

Ore stats from our roving correspondent Edward R Landsberg:

*** Please note: received iron ore figures - as of July 18, stockpiles are at 73.17mt. HOWEVER, this data is based on the 23 major ports I have been reporting to you on PLUS some additional unnamed ports. Based on the data set / ports I normally report to you on, stockpiles are 65.92mt (up from 65.11mt last week). Hope this makes sense.

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As of July 18, iron ore stockpiles at China's major ports are 73.17mt. Some analysts have been expecting the stockpiles to fall - but so far China's iron ore stockpiles have been pretty resilient. If they were going to fall, now is the time.

Steel mills affected by the Olympics have finally begun suspending production to ensure clean air in Beijing. Domestic Chinese steel consumption, although very strong, is also expected to come down a bit due to a normal summer lull in consumption. In addition, production costs (iron ore, coking coal, credit issues) and coke shortages are making it harder for small steel mills to keep up production.

So with iron ore stockpiles so high, freight costs super expensive, and the potential for near-term steel production to come down - it seems likely China will begin importing less iron ore and deplete some of their stockpiles.

But like the skies in Beijing, the iron ore issue is a bit more gray than we'd like it to be. China's rail infrastructure is currently being monopolized by thermal coal (the government has prioritized coal transportation due to current power shortages and the coming need to increase electricity production in Beijing for the Olympics). This will make it harder for iron ore stockpiled at China's ports to actually get to the steel mills - but iron ore imports as a whole should start to come down. Already we have seen imports come down 8% in May and 12% in June compared with April's record setting 42.85mt. It will be interesting to see how the numbers add up in July and August.

Coal info from the same fountain of erudition:

As of July 21, thermal coal inventories at power plants supplying electricity to China's State Grid have fallen to 31.83 million tons, a decrease of 2.81mt (-8%) from 34.64mt two weeks ago. China's power shortage has reached 14,000 megawatts and may hit or exceed 18,000 megawatts due to peak summer demand and an expected strain on power supplies caused by the Beijing Olympics.

To ensure enough electricity will be available for the Olympics, the Chinese government has ordered July thermal coal deliveries to the Beijing-Tianjin-Tangshan region to triple to 2.12mt (compared with June's 706,000 tons). Other provinces will be receiving less thermal coal due to the shortages AND efforts to reduce pollution. Shanxi province (relatively close to Beijing) has issued a "red alert" and is limiting coal shipments to polluting factories. Henan province (a bit father from Beijing) has restricted electricity use in several cities due to coal shortages at its power plants.

FFAs

| Contract | Close | Current | Diff |
|---|---|---|---|
| BDI July | 9025 | 9000 | - 25 |
| BDI Q3 | 9300 | 9250 | - 50 |
| BDI Q4 | 9500 | 9525 | + 25 |
| CS4 Q3 | $159,922 | $162,000 | + $2,078 |
| CS4 Cal 09 | $130,500 | $131,500 | + $1,000 |
| PM4 Q3 | $72,925 | $72,750 | - $175 |
| PM4 Cal 09 | $64,056 | $64,000 | flat |
| SM6 Q3 | $57,375 | $57,500 | + $125 |

Volumes have been fair. Capes have gained a touch – conceivably on optimism for more Richards Bay coal exports.

Tankers
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VLCC AG/East 240 ($192k). Suezmax Wafr/Usac 290 ($101k).

Plus ça change, plus c'est la même chose. Yes – more of the same, for the most part – though we are not suggesting that is a bad thing. High rates, as far as Owners are concerned, are better than low rates. But with levels maintaining themselves in the stratosphere – let's stand back from the tree and view the $190k/day forest. Bulls currently argue that we haven't yet seen the majority of August cargos – and when they do hit the wire, rates will rise. Bears argue that the position list should provide enough tonnage to limit a further rate rise – and, that if rates haven't taken off by this point – we may be topped. The Atlantic basin has been pulling the sled further in the right direction. A replacement fixture for a Wafr/Usg Suezmax was reported at 300 – courtesy of the Alpha Male's chartering staff. In the Med, meantime, 390 has been reported. Stay tuned!!!

Crude FFA prices have crept up, though still remain downward sloping until Nov. TD3 Aug trades up 5 points to 212 while Sep adds 2 points to 185. TD5 Aug trades up 10 points to 252. TD7 Aug trades up 2 points to 217 while Q4 trades up 5 points to 205. Volumes have been good.

This market is so ugly; the tide wouldn't take it out!  Cont/ta continues its slide, with a sub fixture reported at 260 ($16k) – though some are calling the market lower than this.  Caribs/Usac has held up okay the past few days – and remains at about 300 ($24k).  USG exports continue to lend support.  Asian clean remains firm/steady – as LR1s for Ag/East push up to the 310 level ($37k), with help from the strong LR2 mkt.

TC2 paper has been quiet.  Aug trades down 1 point to 249.  Asian volumes have been fair, as TC5 Aug trades down 3 points to 303.

Equities
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The Alpha Male Network:  The Alpha Male did not like losing spotlight time to OSG and RAMS – and pulled its own sled an impressive 5%.  Volume was on the low side – but clearly there were plenty who felt this name deserved some love.  A mixed day otherwise.  The charitable trust lost another penny per share as RAMS still can't stand up.

Dry Bulk:  EXM and NM behaved as expected – both gaining about 3% each.  Volume was quite low though, so we would prefer to see more trading activity in order to confirm these names are moving north for real.  Volatility remains quite low in this sector.

Asia:  The volatility is back - more like it never really leaves.  After finishing yesterday in the lack, all of the major Asian dry bulk equities - except Jinhui (+2.1%) - traded down on Tuesday.  The biggest losers were Hong Kong-listed shares of China Shipping (-3.5%) and Cosco (-3.1%).

In ratings news…

- Kevin Sterling at Stephens weighs in positively on the dry bulk sector, citing "compelling demand trends" - among other things.  He has OVERWEIGHT ratings on DSX ($45), PRGN ($25) and SBLK ($19).
- Natasha Boyden at Cantor issued a Q2 Earnings Preview for Dry Bulk and Tankers.  Among the highlights were above consensus Q2 EPS estimates for GMR ($0.68 versus consensus $.054) and NAT ($1.45 versus consensus $1.27, and dividend of $1.69).  On the dry bulk side, she has above consensus Q2 EPS estimates on GNK ($1.82 versus consensus $1.76) and PRGN ($0.48 versus consensus $0.45).

END