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BMTI INVESTORS' MARKET SPOTLIGHT

FOR BMTI-SUBSCRIBER CAPITAL LINK SHIPPING

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DRY BULK MARKET HIGHLIGHTS

Gearing up from a calm start, the week closes on an exciting note in the Cape markets with the BCI shooting up by 639 points to 10,743 and the t/c average up by US\$ 7,420 to US\$ 122,876 daily (+%6). The rise is evident in both hemispheres, but especially in the Pacific where sparks are really flying—the Pacific round in the previous session cover at US\$ 117,500 daily and the voyage at US\$ 27.00 while Friday a big 176,000 dwt unit is done at US\$ 125,000 daily before eventually news emerges of the 1996-built, 171,000 dwt "Cape Stork" believed to be booked ex-Shanghai for a round at US\$ 135,000 daily—a fairly spectacular jump over a period of 24 hours. There is talk that a back haul is covered in the high US\$ 70,000s based on the first 55 days and an Atlantic round value for the balance to cover a Gladstone to Fos stem. Early positions are vulnerable, which see the Pac round shaved by just over US\$ 2,000 Wednesday but back up by US\$ 1,115 on Thursday while on back haul are rumours that Gladstone/Rotterdam gets covered on a restricted stem at around US\$ 50.00.

As for Panamaxs, the Far East is like the Capers—where the action is at its most furious. Nonetheless, the Pacific has nearly as many questions as answers as the report of the 2005-built, 77,000 dwt "Double Happiness" reveals with the vessel taken from North Japan early March for the trip via NoPac to the Far East with Dreyfus at US\$ 51,000 daily, a level some US\$ 10,000 daily under what a Supramax vessel would expect to get. Back in the Atlantic there seems to be plenty of volume and rates are steady although it is thought that a lot of fixing is getting suppressed to support what is ultimately a

strong market. Period interest helps underpin the sentiment with word of a ship achieving the rate of US\$ 75,000 daily for 3-5 months of trading.

Handymaxes are looking very strong in the Indian Ocean and the deal on the 2006-built, 52,300 dwt "Nord Discovery" booked with delivery Haldia mid-March for a trip to China at US\$ 73,500 daily looks very fruity. The Handymaxes are also level pegging with the Panamaxs on NoPac rounds and one 45,000 dwt vessel getting a good US\$ 50,000 daily, not much less than her bigger Panamax cousin. Supramax quarterly FFAs stay mostly level although the month market jumps with the February 5TC contracts for FIS up by US\$ 1,500 to US\$ 48,000. As for the Handysizes, all indicators are up slightly at the end of the week with gains most pronounced on trans-Atlantic business and continued strength in period business with three-year benchmarks threatening to surpass the US\$ 40,000 line for the modern 52,000-tonners. US Gulf markets start the week wobbly but largely unchanged, but the fixture of the 2004-built, 48,821 dwt "Hyundai Treasure" taken from Houston for a trip to the Far East looks particularly weak compared to an earlier fixture of the 2001-built, 50,209 dwt "Jin Zhou" taken with delivery Bejaia for a trip via the US Gulf to the Far East at US\$ 59,000 daily.

INVESTMENT REVIEW

Futures markets have been interesting and complex in recent days as controlled volatility grips the day-to-day physical market. The week started with quite a bit of interest in Panamax contracts long and short as the futures ratings themselves have oscillated through the plusses and minuses of the variable spot market. All three Panamax levels, in fact, close out the week just where they started it with Y-2009 just short of US\$ 48,000. Apart from momentary bumps in activity, "trading has been drifting since Monday along with the physical market on very little news to push the market in either direction.

On Thursday, however, we have pushed on due to increased sentiment for Far East physicals," FIS strategic director Michael Gaylard tells BMTI on Thursday. Indeed on that day the long term Cape contract positively leaps, with Q1-2008 up by US\$ 7,500 in the day to US\$ 137,000 daily. Mr. Gaylard indicated to the Financial Times earlier last week that the FFA market grew 150% in the past year thanks in large part to new liquidity from hedge funds and other financial institutions like banks. According to FIS numbers, the global FFA market is now valued at about US\$ 125 billion, compared to US\$ 50 billion at this time last year.

Wall Street bulker stocks mostly fell in the week apart from the notable exception of Eagle Bulk Shipping Inc. (EGLE), which was up 5% by Wednesday to over US\$ 27.00 per share—although it too was receding by Thursday. After a short-lived spike early last Monday, most shares softened a bit in the week due to a lack of direction in the physical market. The spot-exposed stocks like DryShips Inc. (DRYS) and TBS International (TBSI) underwent moderate declines at 7-9% down over the week, but, analysts remind, these firms also face the best upside if and when the spot market rebounds.

The newest listed Nasdaq dry-bulk company, Star Bulk Carriers, listed in December under SBLK, announced a net income of US\$ 1.6m in Q4-2007 compared to US\$ 0.62m in the same quarter of 2006. CEO Akis Tsirigakis says his company had adjusted the minimum dividend for the first quarter of fiscal 2008 upward to US\$ 0.35 from US\$ 0.325 previously. Star Bulk's stock price has been holding steady at around US\$ 12.00 for the month so far. The company will have its fleet expanded to nine bulker carriers in March with 100% of its vessel operating days fixed on time charters.

Jinhui Shipping of Hong Kong, listed on the Oslo stock exchange, announced its first dividend since 2005, rewarding a net profit gain by almost three quarters in 2007 to US\$ 85.6m. Pending approval by shareholders, Jinhui says it will pay a dividend of US\$ 0.16. The company operates a combined fleet of eight Panamaxs and 20 Supra/Handymaxes.

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