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BMTI INVESTORS' MARKET SPOTLIGHT

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BMTI provides a daily report of broker views, market news and trend analyses on all sectors of the international dry bulk shipping market. Our reports are drawn from a global network of independent correspondents, agencies and BMTI subscribers themselves.

DRY BULK MARKET HIGHLIGHTS

After a rather slow week the Capesizes were gaining strength on Friday with 273 points added to the BCI and the t/c average up by US\$ 3,466 to US\$ 135,080 on Friday although the market remains relatively quiet. Tonnage in the Atlantic is tight and owners expect that rates will rise again in the next few days. The Pacific shows some significant improvement with the news of the "China Peace" (175,000 dwt, 2005-built) going on a West Australian round at US\$ 142,000; the vessel is a Cosco relet to Rio Tinto.

The Panamax markets are gaining momentum with the BPI rising another 2% on Friday to 8,601 points and the t/c average going up by US\$ 1,495 to US\$ 69,236. Activity and rate levels are both increasing as the Atlantic is still taking profit from tight tonnage availability due to the backlog caused by the recent Argentinean strikes. Meanwhile, the Pacific is picking up with round voyage rates creeping up to low/mid US\$ 60,000s while short period deals are closed in the rgn US\$ 72-74,000.

The Supramaxes are continuing their upward movement with 69 points added to Friday's BSI while the Handysize deliver a 27-point plus on the BHSI which ends the week at 2,436. Like with the larger ladies, the Atlantic is still the place to be as tonnage is tight—especially in the US Gulf—and rates are accordingly strong. Brokers tell BMTI of a steady stream of scrap cargoes out of the Continent commanding rates in the mid-US\$40,000s daily.

INVESTMENT REVIEW

The futures market hardly moved last week and seems to be waiting to see in what direction the physical market will go. April contracts for Capes and Supramaxes have slowly declined over the week but are still exceeding current t/c average rates, albeit just by a few hundred dollars. The Panamax contract, however, seems to be a little undervalued with US\$ 65,000 for April and US\$ 67,000 for Q1 contracts while the physical market has already lifted the t/c average rate up to US\$ 67,741 and the trend is going further upward.

Since Friday, Quintana Maritime will be part of Excel Maritime Carriers. After eight months of negotiating, Excel and Quintana finally closed the merger deal last week creating one of the largest full service dry bulk shipping companies in the world. Quintana's shareholders will receive US\$ 13.00 in cash and 0.3979 Excel Class A common shares for one share of Quintana stock. This is one of the first mergers in the shipping industry to use shares to pay out shareholders. Excel chairman Villy Panayotides says his company is likely to use this practice again for possible mergers in the future which—according to his statement—are likely to follow.

After the merger, Quintana will function as a subsidiary of Excel under the name Bird Acquisition Corp. while Stamatis Molaris, CEO of Quintana, will become chief executive of Excel Maritime. The combined fleet of the company will consist of 55 bulkers (29 Quintana; 18 Excel; 8 ships on order); however, some of the older Excel vessels will be phased out in the mid-term.

Excel Maritime's shares rose 17% on the NYSE on Wednesday to US\$ 34.75 at end of trading following Tuesday's announcement that the merger deal had been concluded. At this writing, Excel shares are at US\$ 35.25. However, one major NY-based pundit, which has attached a "buy" rating to the Excel stock for weeks, now reduces its target

price from US\$ 59 to US\$ 43 because most Quintana vessels are under long-term contracts at rates well below current market rates.

The deal will cost Excel Maritime about US\$ 2.5 billion of which US\$ 1.45 billion will be paid in cash (the rest in shares). The company has secured a US\$ 1.4 billion credit facility from several banks including DVB, Deutsche Bank, Nordea, GE Capital and HSH Nordbank. Analysts say the loan is a positive sign for shipping credit as the agreed interest rate is well below that of other credits granted in today's awkward financial environment. This opinion is underpinned by last week's

upgrading of the expected availability of shipping loans for 2008 by one of the involved banks, HSH Nordbank. The bank expects that its volume of new credits may be between US\$ 15.8-18.9 billion this year. The eventual amount will depend on the further development of the financial markets.

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