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## BMTI INVESTORS' MARKET SPOTLIGHT

FOR BMTI-SUBSCRIBER CAPITAL LINK SHIPPING

*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

It is a story of two hemispheres with the Atlantic red hot and the Pacific being marked down sharply on Tuesday, resulting in an overall discount of the BCI by 90 points. Following reports that BHP Billiton has covered at least three stems on the West Australia to Beilun and Baoshan run at US\$ 30.50, the time charter round voyage is marked down almost US\$ 8,000 daily, though surprisingly the back haul shows a nominal US\$ 41.00 rise while the Richards Bay to Rotterdam trip assessment is marked up by US\$ 0.85 on the back of a BHP Billiton fixture at US\$ 42.75. By midweek, however, boosted by an acute shortage of available tonnage in the Atlantic, Cape markets rebound, the BCI shoots up 6% over the week and the Baltic 4TC average gains nearly US\$ 12,000 from Monday to close at US\$ 178,052 daily. Activity slows into the weekend following Labour Day holidays in the West and upcoming holidays in the East, but sentiment stays strong and brokers expect the coming week to be another boom week for Cape owners.

Panamaxes are presenting more of a mixed front with Atlantic routes generally up and the Pacific generally down. Eastern holidays also take some blame here but there is also room for correction on the spot market, charterers tell BMTI. The Baltic Exchange's Pacific round assessment (P3A) drops by US\$ 2,802 to just above US\$ 60,000. As has been frequently the case, however, short period defies trends in the spot market with levels for 3-5 and 4-6 months unmoved. BBL agrees to a handsome US\$ 85,500 for 5-7 months with the 2002-built, 76,500 dwt "Lady Maria Luisa" starting at La Spezia. There has been talk of splitting Cape stems

but this seems to revolve around stories of a high profile owner operator had reneged on a Brazil-to-China deal. He reportedly left the Chinese charterer scrambling to find cover with only Panamaxes available to meet the laycan and shippers very reluctant to oblige. The market has become eerily quiet in both basins, traders tell BMTI.

Brisk business in the South Atlantic makes news for the Handy sector that three very similar 28,500 dwt modern vessels have secured some spectacular levels. One open Paranagua has been covered for a trip via the Plate to the Western Mediterranean at US\$ 45,500 daily plus a US\$ 850,000 balast bonus, which would have shown a return off the coast of around US\$ 70,000 daily. In the meantime her sister open 10-12 May, a few days later, is already seeing better levels. Finally, the same type of vessel open Algeria gets booked for a Brazil round voyage at US\$ 43,500 daily, very good money if you can get it. On the same theme in the Mediterranean a nice 30,800 dwt unit has been taken by Glencore with delivery South Italy for a trip via the Red Sea on redelivery Port Said at US\$ 51,000 daily.

### INVESTMENT REVIEW

Futures transactions begin the week slowly but do start to pick up steam by Wednesday with lots of activity, in particular for medium term Supramax contracts, even though their ratings stay largely unchanged. Capes see upgrades in Q3 ratings with the contract up US\$ 6k in the week to US\$ 147k while Y-2009 climbs by US\$ 4k to over US\$ 101k. FFA traders do, however, get hesitant on the holiday pause and activity slows into the weekend.

Most bulker stocks jump on Monday before leveling out midway and closing minutely higher over the week. Diversifying out of dry-bulk, DryShips (DRYS) has been pursuing the Norwegian oil rig group Ocean Rig [listed OCRA on the Oslo exchange]. On Tuesday DryShips announced it had

taken a controlling stake of the company (49.9%) of 33.25m shares for 45 crowns each or about US\$ 300m. CEO George Economou says DryShips will bid for the remaining shares. Company shares end up trading level over the week, around US\$ 80 per share after spiking 8% on Tuesday on news of the acquisition.

Paragon Shipping (PRGN) has been singled out by Zacks Investment Research as a high value buy due to it having beaten Wall Street estimates in two consecutive quarters—and that by a considerable 21% on average—and for boasting a P/E ratio of 9.16. Shares rise mildly in the week by about 2% to hit US\$ 17.50 by closing Thursday. The company can be considered a fairly safe investment due to its conservative chartering policy: Paragon has over

90% of its 11 bulkers (706,358 dwt combined) locked into 2008 charters and over 50% for 2009. Its ships are fixed on charters up to three years long.

Reliance Power of India is launching a dry-bulk venture based on a fleet of at least 12 newbuilds and secondhand vessels. ADAG, which owns Reliance Power, will employ the fleet primarily for transporting coal to India from its mines in Indonesia.

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