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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

A barn burner of a week takes place in dry freight markets, breaking records and emulating that classic economic phenomenon known as the speculutive bubble—almost. The BDI rises by 12%, boosted by a 14% climb of the BCI and 13% by the BPI with the Supramaxes and Handysizes running up behind with 9% and 4%, respectively. The on-again, off-again strike in Argentina and a continuing rush to stockpile iron ore by the Chinese mills had tonne-miles extending nearly overnight and avails dropping to zero as ships began ballasting to Brazil en masse looking to load grain or iron ore and bringing queing Capes to over 60 strong at Brazilian terminals. The the Atlantic began the front end of the drive in the previous week, the once-struggling eastern basin has firmed up accordingly. Pacific spot orders, particularly ore voyages, have been flooding the market in recent days, not to mention BHP's midweek run on the market. Pacific rounds are rumoured close to US$ 200,000 daily. Transfield's US$ 250,000 daily on the 2004-built, 170,000 dwt "Nightflight" from Gijon via Brazil and back marks just the latest in the unwavering upward trend observed since the start of May with US$ 280,000 daily fixed on trans-Atlantic just two days later and rumours of US$ 300,000 daily from seemingly every other broker BMTI speaks with. Atlantic coal flows are also on the uphill climb with spot freight on modern tonnage at US$ 47-48/t, coming within a hair of the record US$ 50/t seen six months ago.

Panamaxes rage forward with few traders willing to guess where the rally will end. A combination of bullish forces—both basins firming, longer tonne-miles and slimming avails—are driving the classic "charterer rush" to fix tonnage at optimal prices. Short period via the Atlantic (4-6 months) is trading right at US$ 80,000 daily for modern tonnage and expected to rise into the next few days. With the whole market in flux, the Atlantic hosts the big rises in spot rates with western origin benchmark rates up twice as high as their eastern counterparts.

Handy and Supramax vessels benefit from trickle-down affects and their own advantageous positions, though above-board business is proving harder to see. Nonetheless, grains via SA, scrap via Black Sea and minerals via the Pacific are all in demand and taking up all sorts of prompt vessels. Traders tell BMTI on Friday that the US Gulf will be under very high-pressure this week. Front haul from ECSA on modern Tess 52s is rumoured into the high-US$ 60,000s daily. The week for Handy bulk owners had started with a-friendly market in both hemispheres. There are several rumours in trader circles of modern 52,000 dwt units seeing over US$ 59,000 daily for medium periods of 9-10 months and longer year periods, like that on the 43,222 dwt "Crystal Seas", getting booked on three-year contracts at mid-US$ 30,000s daily or higher. Supramaxes and Handysizes both defy the Panamax slump on Tuesday as their respective indices rise by 2% and 1% amid lots of period fixing. Modern Tess 52s are going for short period charters of up to US$ 80,000 daily while the smaller sized 28-32,000 dwt Handysizes can easily achieve a 4-6 month period at well over US$ 40,000 daily. Handy bulk owners have little to complain about with talk of UKC dely on 48,000 dwt modern vessels now achieving double dollar-per-dwt rates.

INVESTMENT REVIEW

Futures markets go into hyperdrive last week with contracts, long and short, bounding across the board with Capes roughly seeing US$ 20,000 increases on May, Q3 and 2009 contracts from Monday, Panamaxes getting upwards of US$ 10,000 plus and the

Supramaxes up by as much as US$ 5,000. It's gang-busters for FFA traders last week with brokers scrambling to conclude their business.

Stock markets hosted an upward rally of their own with the spot champions DryShips [DRYS], Genco [GNK] and TBS International [TBSI] posting weekly improvements of 20%, 15% and 10% respectively to US$ 105.23, US$ 82.55 and US$ 55.70.

Bulker companies went through another round of gloating about their quarterly profits: Paragon Shipping [PRGN] announced profit gains of 171% in Q1 with net income in the quarter at US$ 15.8m, compared to that of US$ 5.8m in the same quarter last year. The firm has 11 bulk carriers now, up from six vessels one year ago. Paragon still makes for a fairly conservative investment with nearly all of its ships locked into long term period charters: 100% of operating days for 2009 and 84% for 2010, the company says. Diana Shipping [DSX] also had a bullish quarter with net income up to US$ 53.2m, more than double that of US$ 21.4 previously. Finally, London-listed Globus Maritime, with its fleet of six Handymaxes and two Panamaxes, saw income rise exponentially: US$ 11.6m, up from US$ 1.5m.

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