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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

Capes survive last week's momentary lapse of stability—exaggerated by Monday holidays in the UK and US—to mount another late-week climb, albeit relaxed, back into record territory with a rating of US\$ 222,757 daily on the time charter average and a BCI of 18,749—1% up on the day before. The Atlantic is still a question mark with business subdued and charterers still locking horns with owners. Meanwhile, the routes on mid-Atlantic delivery make respectable gains with Tubarao/Rotterdam up by US\$ 0.9 to US\$ 57.1 and the trans-Atlantic up US\$ 3,455 to US\$ 228,182 on Friday. Modern Capes from Brazil to China are doing well with prevailing rates back in the US\$ 270,000s. BMTI is informed of sustained high activity in the Pacific. Ore continues to be imported into China despite government admonitions to curb the shipments. As long as orders keep coming in and avails remains clipped, there is plenty of reason to expect June to be a very bullish month. Then again, if Chinese mills do suddenly stop ordering, traders could expect a solid but neutral market this month. Brokers wait on the outcome, believed to happen this week, of the China-Oz price talks and their influence on the market.

Panamaxes are still stuck in limbo as the Argentine soya strike inspires uncertainty in the Atlantic and owners are reluctant to fix down with the grain coming on from the US and coal from Brazil set to boost western markets again. For the time being, however, vessels from the US Gulf are doing decent business with the US\$ 85,000 daily fixed on the "Ocean Crystal" USG/Med with a ballast bonus of US\$ 1.5m. Ships from the Pacific, pursuing the

US\$ 30,000 plus premium in the Atlantic, continue to ballast in, widening avails and adding to a bearish tone. Pacific units, on the other hand, are decidedly more solid as the Pacific round rises by US\$ 1,430 to US\$ 54,118. Fixing and failing is prevalent. On Tuesday Panamaxes entered full-on correction mode with another 4% slide logged on the BPI and the final actuality of rate reductions seen on last done with the inter-Pacific trips now below US\$ 70,000. Stand-offs have also begun. On the other hand, futures markets are vigorously positive with the physical lagging behind in terms of sentiment and traders are not unanimous that Pacific ballasters will fundamentally change the game with grain orders coming on full blast as the US harvest begins.

The Handies are still set in a mild but undeniable slump, partly in response to overheated Atlantic rates of mid-May. Nonetheless, it is important to note that prevailing rates are anything if not strong, especially in historical context. The US Gulf is quieter but rate-wise robust with rumours of fronthaul rates in discussion at well over US\$ 100,000 daily. Scrap is still hot on redelivery to the Black Sea with several Atlantic-origin 40,000s dwt vessels logging rates far over US\$ 80,000 daily. Otherwise, Atlantic rates are headed into correction as both indices, BSI and BHSI, fall 1% and the USG/UKC route (S4B) falls by a heavy US\$ 7,825 to US\$ 117,500 on Friday. Period enquiry is prominent and short period rates on modern Tess 52s can still get US\$ 60-70,000s daily in both basins without much trouble.

INVESTMENT REVIEW

Paper hits an upramp at the middle of last week with the Q3 Capesize level rising 20k in the week to US\$ 173,500. Volatility stays high-pitched. Daily swings still impress even seasoned traders.

Share performance has been flighty and volatile in terms of development, prices saw some uplift on Wednesday as the Capes rebounded, though with

little support from below correcting on Thursday with DryShips [DRYS] up 13% in the week early but falling to 4% at close around US\$ 91. DryShips hit a year-to-date high on 16 May at US\$ 110.74. (Shares peaked last October at US\$ 130.97.)

Bulker and box owner Euroseas [ESEA] has registered a 60% increase in Q1 profits year-on-year at US\$ 15.2. The company credits TCE improvement and its expanded fleet. Shares, now hovering around

US\$ 16 on the NASDAQ, began the year around US\$ 12; they peaked at US\$ 20.79 last October.

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