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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

As iron ore trades slow to a trickle in the Pacific, Cape rates take a nose dive at the end of the week with Tuesday's -2% fall in the BCI leading to Wednesday's -4% and Thursday's earth-shattering -16%, which marks a daily negative record for the index. Traders say the corrections will continue if Chinese iron flows slow as threatened. The BCI falls by nearly a third over the week (27%) to close at US$ 13,960. The balanced standoff has slipped into a downhill slide as overall activity has dried up as negotiations for the late month positions get more tense. Longer period fixtures may take over for the time being; a five-year charter is locked in by Shinwa for the charterer-friendly level US$ 51,000 daily on a newbuild 180,000-tonner. Market reality does seem to have set in with a rude awakening as several days without new cargoes in the Pacific and open tonnage building up in the Atlantic conspire to reset the speculation-fuelled market. Chinese steelmakers have effectively ceased taking on new import orders as the Pacific and front haul routes fall down twice as hard as Atlantic counterparts. Brazil-to-China voyages, lose US$ 9.1 to hit US$ 92.5 and the Pacific round drops by a staggering 33% to US$ 170,599. The Australia/China voyages are rumoured to be in talks for rates of US$ 35/t or even lower. Ironically, the now-corrected Pacific holds better forward prospects than the Atlantic.

Panamaxes sustain rate losses across the board with charterers now decidedly in the power position as the market allows overdue rate adjustments to take their course. On Friday the Atlantic goes into full freefall, although by contrast the Pacific retains some solidity. The week has started with NoPac rounds sliding a bit for Panamaxes. Pac voyages are firm, but trans-Atlantic stays on the down slope with a lack of enquiry and a surplus of vessels coming open for prompt business. Period rates are also stable at last-done with Indian Ocean redel from Lumut trading at US$ 83,000 daily with the 73,593 dwt "Corona". Futures markets mimic the physical flows. Question marks get bigger on the expected grain from USG and South America with SA producers still at a stand-still and charterers digging in for discounts. Trans-Atlantic business for modern units is hovering in the US$90,000s.

Handysizes and Supramaxes appear to be immune to fallout from above, with Friday rates largely firm, if also accounting for recent downgrades, and signs of resurgence in the East where Handies still get over US$ 60,000 for Pac rounds, some US$ 2-3,000 up on a week ago. Tonnage opening in the Atlantic is becoming a problem for area owners as western trips fall close the gap on their Pacific counterparts. While rate slippage may continue indefinitely, period business is still holding firm with short periods fixed at mid-US$ 60,000s daily for modern Tess 52s. Black Sea-Mediterranean scrap redeliveries hold firm and medium period booking shows signs of rising in the South Atlantic, traders inform BMTI. Inter-Continental spot trips are also on the way up, Rotterdam-based brokers report. There is still nothing happening in terms of soya from Argentina, which continues to weigh heavily on South Atlantic sentiment. The Pacific looks more positive with good order volumes coming on, particularly in the North Pacific via Singapore and Japan.

INVESTMENT REVIEW

Futures markets mirror the sentiment correction undergone in the physical market as trading turns to shorter positions. The Cape Q3 contract sheds some US$ 25,000 in recent days as the month and 2009 ratings take similar discounts. Liquidity and activity are down and set to stay down in the near term.

Bulker shares on global stock markets take a general beating over the week, spurred on by falls in Asian markets—Japan's Nikkei index drops 2.1%, while other Pacific exchanges slide by 2-3% in the day, the sharpest single day decline since February. On Wall Street, the spot market dependent firms take the biggest hits with DryShips [DRYS] and TBS International [TBSI] shedding nearly a quarter of their stock prices since Monday (-23.9% and -23.7%). Excel Maritime [EXM] logs perhaps the steepest fall, down by 31% in the week, US$ 49 to US$ 36 now. Immediate earnings, now in question, need to be re-established before these spot market stocks return.

TBS International announced another purchase, that of the 1985-built, 40,902 dwt "Desert Explorer"—to be renamed "Fox Maiden"—for the charter free price of US$ 35.5m. The vessel will be delivered in Q3 and bring TBS's fleet to 45 units.

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