



Monday, 23 June 2008

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

The Capes, having regained some market normality in the last few days, still remain on shaky ground with the time charter average down by US\$ 3,529 to US\$ 161,551 on Friday. A handful of Australian rounds booked into the weekend fail to boost Pacific sentiment and a period charter of 4-6 months makes a token appearance with a 9-year-old ship at the dollar-for-dwt rate of US\$ 168,000 daily, though directional indications are too foggy to make a long guesses. But one thing is certain: more volatility ahead. Renewed booking of Pacific ore voyages at mid-week—now trading in the range of US\$ 32-34/t for Australia/China and swinging wildly within US\$ 82-88/t on the Brazil/China voyages—add a measure of momentum to prospects for owners in the Far East as the Capes make another positive turn on the BCI on Wednesday, up by 2%, and the time charter US\$ 3,555 higher to the level of US\$ 165,154. Trans-Atlantic spot rates are in the low US\$ 180,000s range. Australia/China round voyages have been climbing from the low US\$ 30s/t earlier in the week to reported levels now ranging mid-US\$ 30s/t.

After slipping and sliding for days, the western Panamax finally gain some traction late in the week with the trans-Atlantic route for the first time in a while as the biggest gainer, up US\$ 2,315 to US\$ 67,363. Period chartering along with a moderate resumption in USG delivery warms up the Atlantic with no less than nine short-to-medium duration deals booked in both basins. Further reductions in the trans-Atlantic round are logged on Tuesday, but the slide of the past few days has not been nearly as severe as that of the Capes. The BEX

trans-Atlantic route, P1A, loses US\$ 3,319 to hit US\$ 64,600. Exhibiting the split hemisphere nature of today's Panamaxes, Pacific sentiment is altogether rosier with rounds holding to the mid-US\$ 70,000s.

Volumes of open Handy bulk units keep growing in the Atlantic as order demand fails into the weekend, bringing the days of small but cumulative decline close to two weeks. The Handysize route HS3, tracking the SA-to-UKCont trades, falls US\$ 1,931 to US\$ 47,875, the sharpest drop of all the Supramax and Handy indices. Argentina stays an open question—though something has to give and soon, one prominent broker tells BMTI. US delivery is also looking shaky, though flooding along the Mississippi River has begun to recede and prospects of grain exports improve slightly. Owners' prospects are decidedly better elsewhere in the West with orders rising from West Africa and the metals-minerals shipments via Black Sea—witness the 1986-built 27,000-tonner to the Continent at US\$ 34,000 daily—keeping the UK-Continent markets reasonable balanced. Pacific trading stays generally just strong enough to post positive trends, although area owners note a drop in short period.

INVESTMENT REVIEW

Dry bulk stocks make consecutive falls this week as financial markets become more and more uncertain. Asian stocks experience an unprecedented slide on Thursday. Shanghai, after an uncharacteristically rapid surge of 5.2% on Wednesday, loses 6.5% the following day while other Pacific exchanges see corresponding losses between 1.4% (Sydney) to 2.2% (Japan) and 2.3% (Hong Kong). New York-listed bulker firms make strong rallies late in the week with TBS International [TBSI], DryShips [DRYS] and Genco Shipping & Trading [GNK] all up by 15-20% in the week as the physical market steadies.

A more conservative sort of planning is seen in the field of initial public offerings as well. Shares of

Britannia Bulk Holdings IPO listed on the NYSE under the symbol DWT, two weeks ago estimated to be sold for US\$ 17-19, are now being sold for only US\$ 15, albeit including the option to purchase 1,250,000 shares in addition to the initial US\$ 8.3m from the company. Trading began on Wednesday this week and is expected to be concluded on Monday, 23 June.

The defunct Biffex contract, an early FFA instrument of the Baltic exchange, has been reincarnated into a new offering from IMAREX based on the Baltic Dry Index. The first trade was cleared last Friday, 13 June. The "BDI Index Futures" contract makes the BDI 'tradable' in which equity investors, commodity traders and futures traders can take

advantage of dry market volatility. Speaking at the Dry-Freight Derivatives Forum in Hamburg, IMAREX Managing Director Mikal Boe said the contract was created in part due to high requests from financial institutions. "In conversations with banks this month," he said, "we can talk for an hour and all they want to talk about is trading the BDI."

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