BMTI REPORT No IR125
Brokers Market & Trend Information
Since 1983

Monday, 09 August 2010

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

Consolidating their recent gains, Cape freights see a cumulative rise in the West, but concerns surround the longevity of the revival given the total amount of tonnage on (and off) the market. After a slow start rate momentum starts to build with tighter tonnage avails in the Atlantic leading to day-on-day improvements in spot rates on Thursday and Friday, contributing to Friday's 8% leap on the BCI to help take the Cape index overall 14% higher in the week, well over the 2,000 line. General sentiment is mildly positive but tonnage still seems to be in adequate supply in the Pacific to satisfy current demand levels, unlike the more positive Atlantic scene. Vale are said to have booked 160,000mt of iron ore Tubarao/Qingdao at US$ 18.90/mt. Iron ore prices are rising again, now at over US$ 138/mt CFR Qingdao, even though this continues to be more of a supply side issue than any step up in demand. Rates for Tubarao/Qingdao appear to now concluding circa US$ 20/mt for prompt shipments and in the East the rate looks to be circa US$ 7/mt for WC Oz/Qingdao off prompt dates.

Freight rates are more or less stuck in limbo for the Panamaxes with a day of gains giving way to another day of losses as uncertainty and waxing/waning availabilities keep markets mostly on the flat line. But there has been a notable increase in Pacific-based activity and on some eastern basin rates in recent days with grain trading rising on the sudden departure of Russian wheat from the world trade equation as the country banned all wheat exports last week due to its drought-stricken harvest. The Pacific is seeing good fixing volume and rates are holding more or less steady. The "Hong Fu" (76,000 dwt, 2009) fixes delivery North China via Newcastle redel Huangpu at US$ 17,500 daily, arguably improving her position. There is torrential rainfall in Indonesia, which is creating congestion at the load ports and so taking tonnage out of the market (Panamaxes and Supramaxes). Due to the uncertain duration of trips via this area owners are seeking premiums. In the Atlantic inquiry remains relatively low for trans-Atlantic rounds and with grain enquiry largely being swept up by tonnage in the Indian Ocean and Far East, rates remain under pressure. However positional strength remains from the North Continent and ships willing and able to trade Gulf of Aden can obtain decent numbers—the "Hang Fa" (74,682 dwt, 1998) fixes delivery Immingham 23/25 August via St. Lawrence and Sudan redelivery Cape Passero at US$ 26,000 daily.

Handy bulk is seeking a catalyst with mostly flat-to-downward rate movements seen in recent days, though the Atlantic is looking decidedly perkier than the Pacific as the US Gulf steadies the course. The USG sees a 2009-built, 56,000 dwt fix to W.Africa at US$ 28,000 daily and a 1996-built, 47,000 dwt into the Med at US$ 24,000 daily. The ECSA remains active with Handies achieving close to US$ 20/low US$ 20s range depending on specifications with owners rating the sugar voyages from South Brazil/Black Sea circa low/mid US$ 40s basis 3,000/8,000 shinc bends. A 50,000 dwt unit is rumoured on subs for delivery West Africa via ECSA redel North Continent at a reasonable US$ 20,000 daily. The Med-Black Sea is still overburdened by tonnage and rates are under pressure. An increase in wheat exports from US and Australia may be the consequence of the drought conditions in Russia and other parts of Europe. In the East the prompt Handysizes are under pressure as enquiry levels remain low. Rates are also slipping on the larger sizes with a 2009-built, 57,000 dwt spot North China fixing a trip via Indonesia redel India at US$ 14,200. The Indian Ocean sees a 57,000 dwt fixing from EC to China at a steady US$ 20,000 daily. India remains a difficult market for Handy tonnage, particularly from the WC India where a 2010-built, 32,500 dwt could only get a rate of US$ 9,500 daily to China.

INVESTMENT REVIEW

It's been a fairly active week for FFAs with the early week especially enthusiastic on longer positions as the physical market turnaround looked to be gaining traction—indeed September Cape FFA contracts were trading near US$ 21,000 on Tuesday before building up steam on consequent days to close out the week near US$ 26,500. Panamax FFA trading was lively all the week, but the mid-week slide on the BPI brings levels to about where they started the week—September now about US$ 24,000 and Q4 only moderately downgraded at US$ 24,625 daily.

It has been mildly bullish for bulk carrier stocks with DryShips [DRYS] again appearing as the most volatile in the market, rising 9% in the week to US$ 4.85 while the rest of the bulker shares rose in a calmer band of -2% to +4%. The highest valued bulker shares on Wall Street are Genco Shipping & Trading Ltd. [GNK] with US$ 17.5, Diana Shipping [DSX] with US$ 13.13 and, somewhat surprising for a relative newcomer (which first listed in March) is Baltic Trading Ltd. [BALT] landing in third place among bulker shares with US$ 11.35/share. Baltic Trading announced this week it has taken delivery of a 2009-built Handysize "Baltic Wind", which brings the company's fleet to six bulk carriers—it expects to have a fleet of nine bulkers by the end of the year once the Metrostar handover is complete.

The past month period has been one of recovery for bulker shares in New York with companies such as Eagle Bulk [EGLE] and Navios Maritime Holdings [NM] returning to the levels of early June before the BDI's fateful slump. Year-to-date (YTD), though, has been negative-to-neutral as listed bulker shares have done +1% YTD at best and -25% YTD at worst.

Excel Maritime Carriers Ltd. [EXM] reports having a net income of US$ 78.9m in Q2, up from US$ 78m registered in Q2-2009. Deutsche Bank maintains its "hold" rating on EXM with a price target of US$ 7.

Diana Shipping Inc. [DSX] said its Q2 profits rose by 11% to US$ 33.9m or US$ 0.42/share, just beating average analyst expectations for US$ 0.41/share.

Hong Kong's largest bulk carrier operator, Pacific Basin Shipping Ltd., [2343.HK]—with its massive fleet of 171 vessels, including 125 bulkers—reports underlying profit 16% higher in the second quarter at US$ 65.6m year-on-year from rising freight rates, though it had a 31% net income loss to US$ 51.9m in Q2 due to losses from hedging with derivatives. Shares slipped on Wednesday following the news, but then recovered, to close at HK$ 5.75 (US$ 0.74).

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