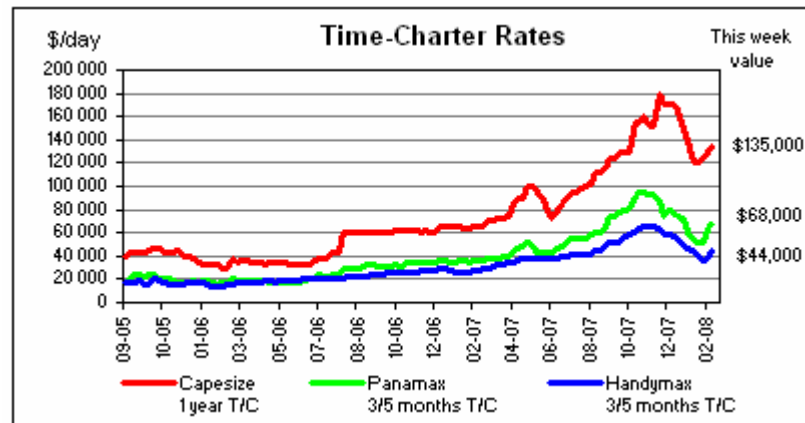
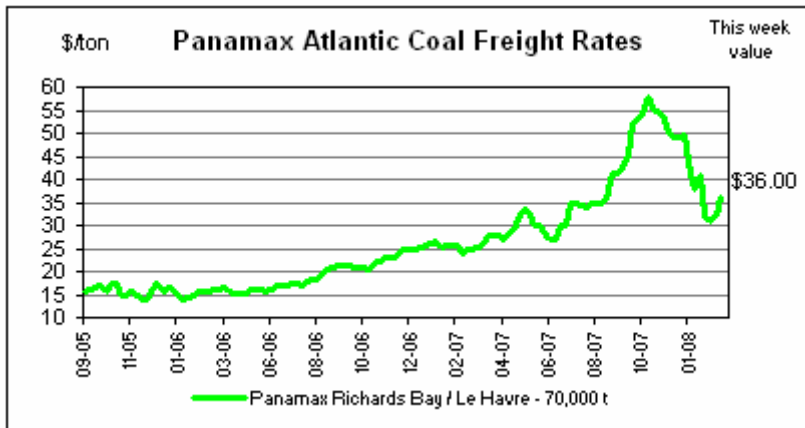
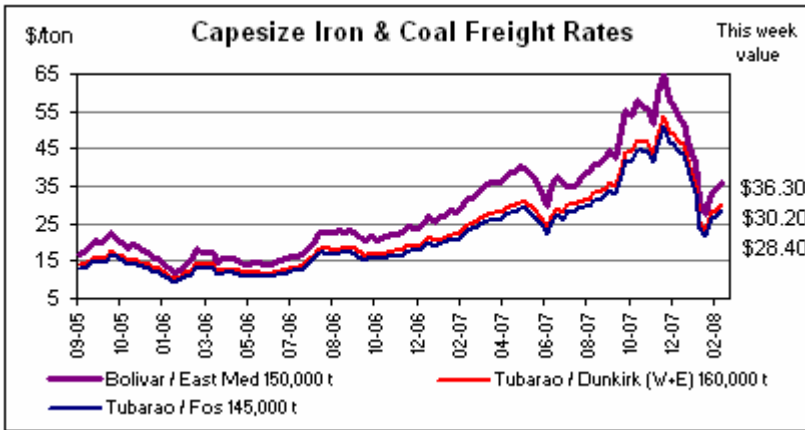




DRYBULK NEWSLETTER

BRS Dry Bulk Newsletter is a summary for BRS clients of current market trends and developments.

N° 573 – February 18th, 2008



Trends

- Capesize Atlantic →
- Capesize Pacific →
- Panamax Atlantic →
- Panamax Pacific →
- HandyMax Pacific →
- HandyMax Atlantic →

[Capesize FFA Market Assessment](#)

	Bid	Offer
(as of February 15th, 2008)		
C4 ~ Richards Bay / Rotterdam		
Feb 08	31,50	33,00
Mar 08	35,00	35,25
Apr 08	35,50	36,00
July 08	33,50	34,50
Oct 08	32,50	33,00
Cal08	33,50	35,00
Cal 09	28,00	29,00
Cal 10	21,50	22,00
Cal 11	20,00	20,50
C7 ~ Puerto Bolivar / Rotterdam		
Feb 08	31,50	32,00
Mar 08	35,00	36,00
Apr 08	35,50	36,50
July 08	34,25	35,25
Oct 08	33,75	34,50
Cal08	34,00	35,00
Cal 09	28,00	30,00
Cal 10	22,50	23,00
Cal 11	19,25	20,00
Average 4 Timecharter routes		
Feb	112 000	114 000
Mar	125 000	126 000
Q2 08	126 500	127 000
Q3 08	122 000	123 000
Q4 08	119 500	121 500
Cal 08	123 000	124 500
Cal 09	87 000	88 000
Cal 10	62 000	64 000
Cal 11	47 000	48 000

Source: BRS Futures Limited
(44) 20 7602 5670



At a Glance ... DRY BULK Market ... At a Glance ...

Trends ... DRY BULK Market ... Trends

The Baltic Dry Index jumped 1,000 points last week as confidence returned to the dry bulk market and expectations grew for more iron ore cargos. Freight rates have now returned to mid-January levels. Optimists were quickly rewarded with the signing of the first major iron ore contract. Asia's three largest steelmakers, Posco, JFE and Wuhan, announced they will pay Brazil's Vale a 65% price increase for ore in 2008. JFE also confirmed it will pay a 71% increase for Vale's higher grade ore. This has fuelled speculation that Australia's mines will seek a similar amount based on the quality of their product. It is the sixth year in a row that iron ore producers have won record price increases. More good news out of Brazil, meanwhile, after Vale confirmed it would re-open its Itaguai ore terminal on February 19. The closure of the terminal, which handles 68,000 tonnes of ore per day, was regarded as a major factor in January's rate correction. Meanwhile, the Panamax market recorded the biggest improvement last week – an increase of over 20% - as disruption continued in the coal markets. Rio Tinto became the fifth Australian coal miner to declare force majeure due to weather-related problems. Market confidence has already spread to the futures market and forward rates for the remainder of 2008 were well above spot levels in all sizes last week.

The **Capesize** market recorded substantial gains last week, with the Baltic Capesize index rising nearly 950 points between Monday and Friday. The four time charter routes gained more than \$10,000 in the

same period, after a flurry of fixing out of Australia. The Pacific trailed off towards the end of the week however and rates had dropped back somewhat by the start of the new week. Period business remained robust however. Several one-year period deals were inked at between \$130,000/day to \$135,000/day depending on specs, while there were also reports of a \$145,000 deal for 9-10 months trading.

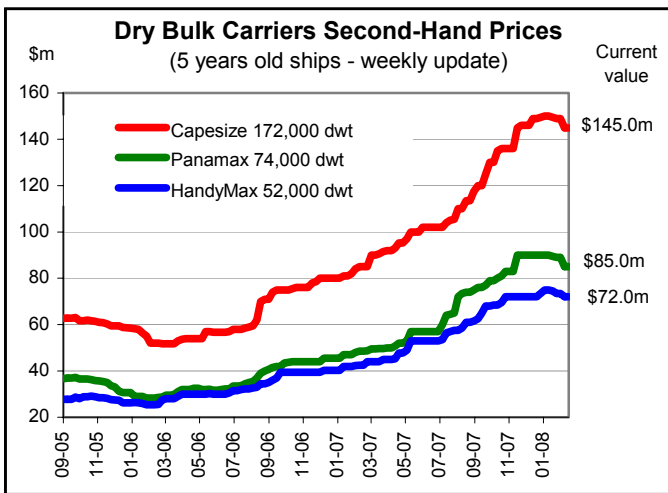
The **Panamax** market rose sharply in the early/middle part of last week specially in the Pacific as the Far East and in particular the Chinese returned from holiday. Sentiment picked up, prompting both the physical and FFA market to gain value. This was reflected in the Baltic Panamax Index and the average of the four time charters, where it gained 1,409 points and US\$11,437 respectively. The market did, however, show some signs of weakness again at close on Friday but mainly due to the paper market coming off and owners starting to chase the charterers for short periods. Sentiment was still positive in the East with round voyages fixed at the end of the week in the mid-US\$50,000s for the larger type vessels, though there remained a large spread between spot and short period rates.

After a strong correction during the previous weeks, the **Supramax** spot market was firm last week, with time charter average rates gaining US\$6,500 to end the week at US\$48,000/day. Ships open in the US Gulf were rated in the low US\$70,000s for trips to the Med/Cont, up US\$4,570/day from a week earlier. Out of the Continent and Black

Sea, tonnage was traded at decent levels: a 45,000 dwt went for two laden legs in the mid US\$40,000s. The Pacific rates firmed in a sharper manner, to end at US\$43,500/day up US\$11,027 from the beginning of the week. Supramaxes open North China are asking high US\$40,000s. On the period side, ships were fixed at US\$58,000/day for one year. In the same vein, the Handysize average time charter rates gained US\$3,300 to finish the week at US\$37,300/day. It appears that the strong period market has driven last week's spot market rate increase.

S&P market:

All markets picked up this week, with the BPI recording an increase of about 25% and the BDI around 15%. Meanwhile our Chinese friends are back in the office and Sale & Purchase activity has picked up. Prices for older tonnage still remain under relative pressure but it may not be too long before these vintage units again command high prices. For younger tonnage we expect price levels to be higher than "last done". Almost all the reported sales this week involved handysize and handymax tonnage. The 'Victory' and the 'Valiant' (34,000 dwt, built 2002 in China) were sold to German buyers for a price in the region of US\$40m including the balance of a very low (US\$16,000/day) time charter for 1 year. Koreans are reportedly the buyers of the 'Milena Star' (22,000 dwt, built 1995 in Japan) which was sold for US\$35.5m. Meanwhile the 'Alam Selaras' (39,000 dwt, built 1992 in Japan) obtained US\$44m from European buyers, and the 'Athinoula' was committed to undisclosed buyers for about US\$30m.



Dry Bulk Carriers Orderbook

Dry Bulk Carriers Orderbook
18/02/2008

	2008 (deliv.)	2008*	2009	2010	2011	2012	2013+	Total on order
VLOC		12	13	21	34	20	2	102
Capesize	(2)	42	126	235	90	12	4	509
Small Cape		18	48	99	81	14		260
Panamax	(6)	92	96	148	81	18	2	437
Supramax	(9)	182	259	283	160	38	2	924
Handysize	(5)	132	201	177	110	28		648
Total	(22)	(478)	(743)	(963)	(556)	(130)	(10)	2880

* Includes delayed 2007 vessels

VLOC: >220k dwt

Cape: 120k-219k dwt

Small Cape: 83k-120 dwt or >32,3 beam

Panamax: 60-80k dwt & <=32,3 beam

Supramax: 40-60k dwt

Handysize: 24-40k dwt



XSTRATA REJECTS \$76 BLN BID APPROACH FROM VALE

Miner Xstrata has rejected a cash-and-shares takeover approach from Brazil's Vale pitched at just under 40 pounds a share, or 39 billion pounds (\$76 billion), the Financial Times said. The newspaper quoted people close to the matter as saying London-listed Xstrata and its 35-percent shareholder, Swiss commodities trader Glencore, were holding out for a price equivalent to about 45 pounds a share. "The two sides are nowhere near to an agreement," it quoted a person close to Vale as saying, who added that the Brazilian group was "close to walking away from the whole thing."

Reuters-12/2/2008

AUSTRALIA REMAINS CHINA'S LARGEST IRON ORE SUPPLIER IN 2007

According to statistics recently released by the General Administration of Customs that China's iron ore imports from Australia increased by 14.81% YoY to 145.61 million tonnes in 2007, accounting for 38.01% of the country's total iron ore imports over the year, and allowing Australia to maintain its lead as the largest single iron ore exporter to China. The runners up included Brazil, India and South Africa, who exported 97.63 million tonnes, 79.37 million tonnes and 12.23 million tonnes respectively, to China in 2007. *SteelGuru.com-12/2/2008*

SOLID GOLDEN YEAR

John Fredriksen-led bulker owner Golden Ocean Group recorded a massive upsurge in revenues and profit last year as freight rates remained high and it benefited from disposals. Net income for the 12 months to the end of December hit \$200.97m as against \$35.65m a year ago. Time charter and voyage revenues were at \$704m as compared with \$267.1m with

other income of \$4.04m. There was also a huge net gain from the sale of vessels, \$74.64m as against \$4.11m the year previous. It was a busy year of asset play for the Norwegian with some sales cash due to be booked in the 2008 financial year.

Trade Winds-12/2/2008

RIO TINTO PROFIT PUTS PRESSURE ON BHP

Rio Tinto Ltd has delivered record underlying earnings for the full year, putting pressure on larger suitor BHP Billiton Ltd to increase its \$US147 billion (\$A162.99 billion) takeover offer. The world's third largest miner reported underlying profit of \$US7.443 billion (\$A8.25 billion), up 1.4 per cent on the 2006 year that was underpinned by higher production and commodity prices. The result was above analysts' forecasts for an underlying profit between \$US6.9 billion (\$A7.65 billion) to \$US7.1 billion (\$A7.87 billion) for the year to December 31.

The Age-13/2/2008

ARCELORMITTAL PROFIT RISES 2.7% AS SHIPMENTS INCREASE

ArcelorMittal, the world's largest steelmaker, said fourth-quarter profit rose 2.7 percent on higher prices and expanded Latin American production. Net income climbed to \$2.44 billion, or \$1.71 a share, from \$2.37 billion, or \$1.71, a year earlier, Luxembourg-based ArcelorMittal said today in a statement. That beat the \$2.39 billion median estimate of seven analysts surveyed by Bloomberg News. First-quarter profit before interest, taxes, depreciation and amortization will be \$4.7 billion to \$5 billion, up from \$4.3 billion a year earlier, ArcelorMittal said.

Bloomberg-14/2/2008

OCEANAUT AND RESTIS SCRAP \$700M BULKER DEAL

Oceanaut Inc, the blank-cheque acquisition vehicle sponsored by Excel Maritime, is expected to confirm today that its crucial \$700m deal to acquire nine bulk carriers from the Restis Group has collapsed. A public statement will emphasise that the agreement has been dropped by mutual consent and Lloyd's List understands that the pact, unveiled last October, has fallen victim to the double whammy of banking and stock market turbulence. Wilder speculation blaming dry bulk gloom or even Excel's recent merger agreement with Quintana Maritime is wide of the mark, insiders said on Friday.

Lloyd's List-18/2/2008

BIGGER FLEET AND CHARTER RATES BOOST DIANA'S PROFIT

An expanded fleet amid stronger freight rates boosted fourth quarter profit at dry bulk operator Diana Shipping. The Greek company's net income for the three months to December 31 jumped nearly 88% to \$36.4m. That compared with \$19.4m posted for the same period in 2006. Revenue rose 67% to \$58.9m from \$35.2m "due to an increase in prevailing time charter rates and an increase in the number of vessels in the company's fleet", Diana said.

Lloyd's List-18/2/2008

DRYSHIPS BUCKS STORMY WEATHER WITH HUGE PROFITS

Dryships boss George Economou has given a bullish prognosis for the dry bulk company's prospects this year as it unveiled enormous profits for the last quarter and full-year 2007. Last year's fourth quarter was the best for the company so far, with net income more than quintupling to \$195.2m compared with the same quarter in 2006. Meanwhile, full year net profit

soared by eight times, to a record \$475.4m. The results included capital gains from vessel sales of \$31.5m in the last quarter and a total \$135m in gains from the sale of 11 vessels for the whole year. Overall, though, the result also reflected fleet growth and higher freight income.

Lloyd's List-18/2/2008

RIO TINTO IN FORCE MAJEURE

Rio Tinto became the fifth Australian coal miner to declare force majeure last week, after it announced that its 4.5m tonnes per year Hail Creek coking coal mine in Australia's northern Queensland state was closed due to heavy rains, Reuters reports. "Hail Creek is the only Rio Tinto mine where we have had to declare force majeure because of the recent extreme rain in the Mackay region," said Rio Tinto. Xstrata also declared force majeure at the end of last week, as did BHP Billiton and two other smaller coal miners.

Lloyd's List-18/2/2008

JFE, POSCO AGREE TO 65% INCREASE IN PRICE OF IRON ORE

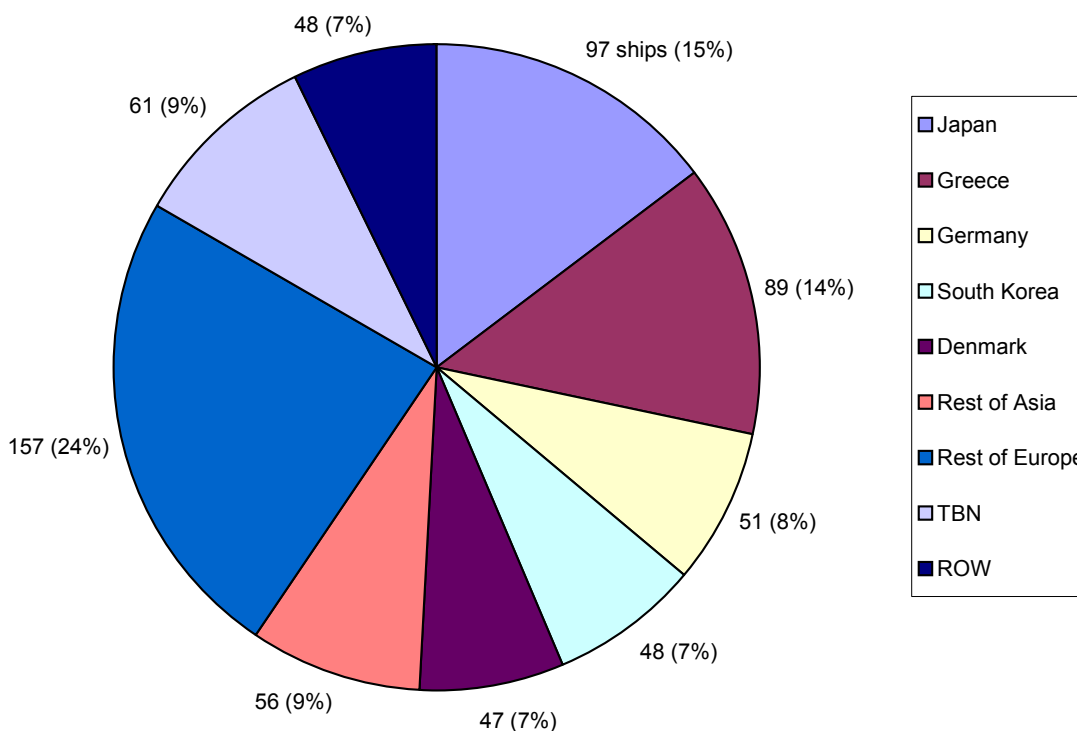
Asia's three largest steelmakers agreed to pay Cia. Vale do Rio Doce 65 percent more for iron ore, setting a global benchmark for the raw material that's less than some analysts estimated. The advance in annual contract prices will apply for the 12 months from April 1, Tokyo-based JFE Holdings Inc. said today in a faxed statement. "Some had anticipated the price for iron ore would double," said Mitsushige Akino, who oversees about \$560 million in assets as chief investment officer at Ichiyoshi Investment Management Co. "Demand in emerging markets will likely help steelmakers increase sales and fend off the cost increase."

Bloomberg-18/2/2008



Analysis ... DRY BULK Market ... Analysis

Handysize Orderbook by Country of Owner



The relatively small investment required to buy a Handysize bulker makes it an accessible purchase for many shipowners.

As a result, ownership of this type of vessel is fairly widely spread. Nearly 20 countries currently have more than 10 Handysize bulkers on order, including many European owners not otherwise known as major shipowners. This includes Poland, Switzerland, and Belgium, to name just a few.

The orderbook is, as usual, dominated by the shipowning giants, Japan and Greece, but thereafter it is Germany, South Korea and Denmark that follow.

Indeed comparison with the existing Handysize fleet shows some marked changes are on the way: China, although the second largest owner of Handysizes at present, is only the 8th most active contractor of Handysize tonnage.

Singapore and South Korea, too, are also losing ground when it comes to new orders, although this may partly be explained by the 61 Handysize orders that remain 'unaccounted for'.

Like the other bulk sizes, the Handysize orderbook is growing rapidly. A total of 676 Handysize ships are currently under contract, equal to 21.8 million deadweight. This represents more than 35% of the existing fleet.

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