



DRYBULK NEWSLETTER

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

N° 576 – March 10th, 2008

Trends

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

Capesize FFA Market Assessment

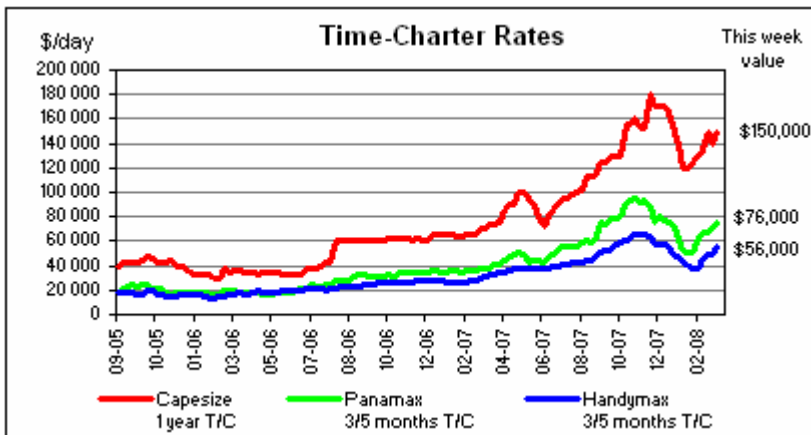
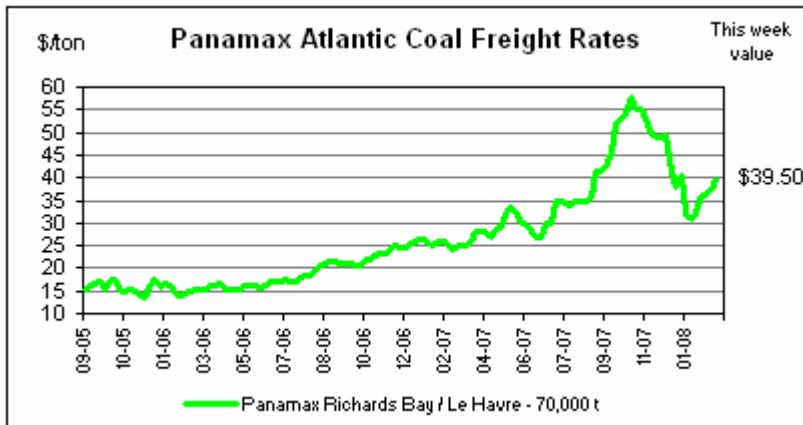
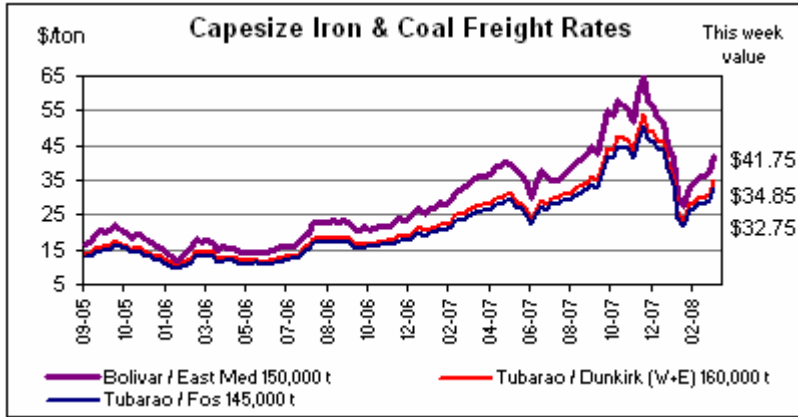
Bid Offer
(as of March 7th, 2008)

C4 ~ Richards Bay / Rotterdam		
Mar 08	37,75	38,25
Apr 08	39,75	40,25
May 08	39,25	39,75
June 08	38,50	39,50
July 08	38,25	38,75
Aug 08	38,00	38,25
Sep 08	37,00	37,50
Oct 08	37,00	38,25
Nov 08	35,50	35,75
Dec 08	34,25	34,50
Cal 09	30,25	31,25
Cal 10	23,00	24,00
Cal 11	19,75	20,75

C7 ~ Puerto Bolivar / Rotterdam		
Mar 08	37,00	37,25
Apr 08	40,00	40,50
May 08	39,50	40,50
June 08	39,25	39,75
July 08	37,75	39,25
Aug 08	37,75	38,75
Sep 08	37,50	38,00
Oct 08	36,50	37,00
Nov 08	34,50	34,75
Dec 08	33,25	34,25
Cal 09	30,50	31,00
Cal 10	23,00	23,50
Cal 11	20,25	20,50

Average 4 Timecharter routes		
Mar	142 000	143 000
Apr	149 000	150 000
Q2 08	149 500	150 000
Q3 08	140 000	141 000
Q4 08	137 500	138 500
Q1 09	119 000	120 000
Cal 09	96 500	97 500
Cal 10	65 250	66 000
Cal 11	48 000	48 500

Source: BRS Futures Limited
(44) 20 7602 5670



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



Trends ... DRY BULK Market ... Trends

Sentiment turned again last week in the dry bulk market and substantial gains were logged across the board. In particular the Capesize and Panamax indices recorded increases of close to 15%. There was no clear reason for the turnaround, although stems from Brazil have started to pick up again and the outlook looks good for April. Meanwhile in the commodity markets, several trends are emerging which may also give shipowners renewed confidence. Flood damage in Australia's Queensland area is now estimated to have taken around 15 million tonnes of coking coal out of the market, prompting one analyst to speak of a "supply apocalypse". Meanwhile Australia issued another set of strong figures indicating it remains bullish for 2008. The Bureau of Agricultural and Resource Economics predicted the country's commodity sales would rise 30% in the year ending June 2009 - the largest gain in thirty years.

Rates soared again in the **Capesize** market last week as confidence returned to the market. The Baltic Index rose 14%, while the four timecharter average jumped \$20,000. Significant gains were recorded in both the Atlantic and Pacific, and rates continued to move upward at the start of the new week. Several strong period deals were again registered. A 169,000 dwt vessel in ballast ex-China since 24 February was booked for three-to-five months at US\$140,000/day, while one-year rates are now approaching the US\$150,000 level. Meanwhile there were reports of a 170,000 dwt newbuilding ex-

Sungdong yard fixed for ten years at a firm US\$40,000/day net basis fourth-quarter 2009 delivery date.

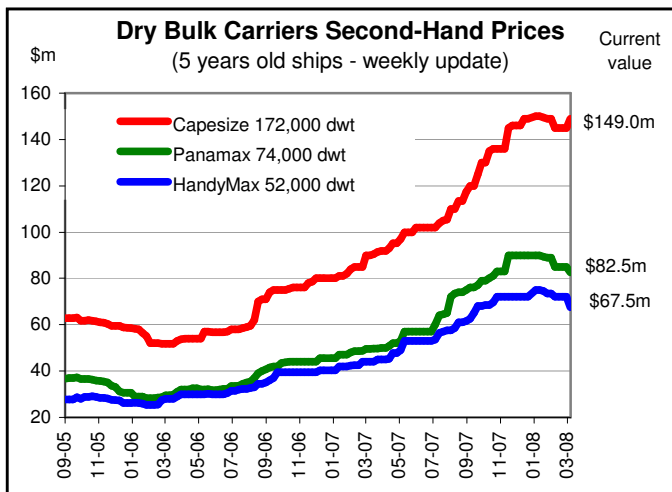
The Baltic **Panamax** Index saw a period of sustained increases last week, adding a total of 954 points over the week to close on Friday at 8,567. The four timecharter average rose a hefty US\$7,836, largely influenced by increases in the Pacific round voyage (up some US\$11,440 over the week). Confidence from short period takers was unabated (also reflected in the Panamax FFA market, most noticeably for q2 levels), and short period in the Atlantic was being traded on a modern type in the low \$80,000s, while one-year contracts were being signed in the mid US\$70,000s in the Pacific for March delivery, which still represents a big spread against the spot market. In the Atlantic, anticipation of the coming grain season added to the bullish sentiment and rates rose a total of US\$4,770/day over the week. There is no shortage of prompt tonnage in the Atlantic and one wonders if the continued pace of short period fixing can continue at such a premium over the spot market.

Last week proved to be a repeat of the previous week. Besides a firming in the market, interest in short period also built up and we are back to a scenario similar to last year whereby one cargo is often covered with a vessel fixed for short to medium period. As a consequence, **Handymaxes** are now being fixed at around US\$56,000 for 3/5 months while **Supramaxes** are trading closer to mid-US\$60,000 for the same period. This

obviously puts additional pressure on tonnage whereby prompt cargoes compete with one another and with period requirements. Some charterers are rushing to cover April requirements while other owners are willing to bide their time.

S&P market:

With the continuing firming in the dry bulk freight markets, buyers are becoming more confident and we see an increasing number of interested parties inspecting vessels. As such we expect sales to rise over the coming weeks and prices to firm. That said, there were few sales to report this week, and all involved modern tonnage. The week was marked by the sale of the Cape 'Arethusa' (172,000 dwt, built 1991 in Korea) to Rizhao steel for about US\$133m with delivery in October 2008. In the Panamax sector we note the sale of the 'Nord Luna' (73,000 dwt, built 2000 in Japan) which obtained a price of US\$73m from undisclosed buyers. Meanwhile the Handymax 'Snow Falcon' (50,000 dwt, built 2003 in Japan) was committed for a price in the region of US\$65-66m, with some market sources reporting a level closer to US\$68m. Finally a competition between some 12 prospective buyers saw the handysize 'Ansac Orient' (28,000dwt, built 1995 in Japan) sold to Korean buyers for a price in the region of US\$39m.



Dry Bulk Carriers Orderbook

Dry Bulk Carriers Orderbook
10/03/2008 (Source: BRS)

	2008 (deliv.)	2008*	2009	2010	2011	2012	2013+	Total on order
VLOC		12	13	21	34	21	2	103
Capesize	(4)	40	126	239	94	12	5	516
Small Cape	(1)	17	48	99	83	19		266
Panamax	(9)	89	96	149	81	18	2	435
Supramax	(16)	177	262	286	168	40	2	935
Handysize	(8)	129	208	185	116	29		667
Total	(38)	(464)	(753)	(979)	(576)	(139)	(11)	2922

* 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



AUSTRALIA FORECASTS RECORD COMMODITY SALES ON CHINA

Australia, the world's largest shipper of coal, iron ore and wool, forecast the biggest gain in commodity exports in 29 years, driven by demand in China. Sales may rise 30 percent to a fifth straight record of A\$189.1 billion (\$178 billion) in the year ending June 30, 2009, the Canberra-based Australian Bureau of Agricultural and Resource Economics said today. That compares with a revised A\$145.6 billion this fiscal year and is the biggest gain since 1979-1980. Prices for the nation's top five commodity exports, iron ore, coking and thermal coals, gold and crude oil have risen to records this year, stoking earnings at producers including BHP Billiton Ltd.

Bloomberg-4/3/2008

XSTRATA CONFIRMS VALE DO RIO DOCE TALKS

Mining company Xstrata PLC confirmed that it is in talks to be taken over by Brazil's Vale do Rio Doce SA as it announced a 13.5 per cent rise in full-year net profit. The Anglo-Swiss company said the talks "with Vale are ongoing and may or may not lead to an offer for Xstrata." Brazilian media have reported that Vale could pay as much as \$US90 billion (\$A96.67 billion) in cash and stock for Xstrata, though neither side has so far given any concrete figures. Any deal would require approval from Glencore International AG, which owns over 34 per cent of Xstrata's shares.

The Age-4/3/2008

D Y N A C O M DIVERSIFICATION TO DRY BULK 'IN FULL SWING'

Dynacom Tankers boss George Prokopiou has confirmed there are now 17 bulk carriers on order for his group at yards in Japan and China. The tally is higher than previously thought, although the ink on the contracts apparently dried some while ago. "I would not say the programme has grown," Mr Prokopiou told Lloyd's List, saying the projects were now

"in full swing". The fleet will be managed by Sea Traders, Mr Prokopiou's original shipping company which was established in 1974 and for years was co-owned with brother Dimitis Prokopiou, who later founded Centrofin Management.

Lloyd's List-5/3/2008

CHINA MINMETALS INVESTS IN INDIAN JV

State-owned metals trader China Minmetals Corp yesterday said it has set up an iron and steel joint venture in India, the first major Chinese investment in the country's steel industry. The facility, built by China Minmetals with Xinxing Pipes Group and three Indian companies, will have an annual production capacity of 2.5 million tons of steel and 6 million tons of iron ore pellets, a company statement said. Industry analysts said China Minmetals wants to cash in on rising demand for steel products in India, one of the fastest growing markets in the world.

China Daily-5/3/2008

IRON ORE EXPORT TO BE DISCOURAGED

Mr Ram Vilas Paswan union minister of steel said that India must discourage iron ore export if it is to develop its steel industry. Mr Paswan, while addressing at a conference organized by Indian Chamber of Commerce, said that "Steel producers and not iron ore exporters should be given priority in allocation of mining leases." He said that steel consumption in India is growing at the rate of 12% a year and the demand trend showed that this figure will rise to 13% in 2008 even as production was still increasing at only 5.5%. He added that "The government should take long term view on iron ore requirement of the steel industry and only excess production, if any at all, should be allowed for export."

SteelGuru.com-6/3/2008

OFFICIAL: GROWTH OF CHINA'S STEEL OUTPUT TO SLOW IN 2008

Growth in China's steel output will slow sharply in 2008, despite the country remaining a top producer and net seller of the strategic products, China Iron and Steel Association (CISA) officials said here on Wednesday. Output of crude steel was expected to grow between 6.3 and 10.4 percent year on year, while rolled steel output was forecast to increase by 7 to 12.3 percent, said Qi Xiangdong, CISA director, at a steel products export forum. By comparison, the outputs of crude and rolled steel increased by 15.66 percent and 22.69 percent, respectively, in 2007, according to CISA figures. Qi attributed the main reason for the slowdown to the rising price of iron ore in the global and domestic markets.

Xinhua-6/3/2008

NIPPON STEEL LOWERS EARNINGS ESTIMATES ON RISING MATERIALS COSTS

Nippon Steel Corp., the nation's largest steelmaker, said Thursday it expects to see its first drop in profit in five years because of sharply rising prices for raw materials. Executive Vice President Kiichiro Masuda said that although demand for steel is expected to remain healthy for the time being, it is likely the unprecedented prices for the materials needed to make it will continue to hurt steelmakers. For business 2007 ending March 31, Nippon Steel is now projecting a consolidated net profit of ¥347 billion, down 1.2 percent from the year before, and a consolidated operating profit of ¥545 billion, down 6.0 percent. "Our costs have increased much more than we anticipated," Nippon Steel said in a statement, blaming surging prices for fuel and raw materials, especially scrap steel. Spot prices for coking coal after January's torrential rain in Australia were also a factor.

The Japan Times-7/3/2008

AUSTRALIAN IRON ORE EXPORT REACHES RECORD 27.8 MILLION TONNES

It is reported that Australia has exported a record 27.8 million tonnes of iron ore on basis wet in January 2008.

16.1 million tonne was shipped to China, 7.4 million tonne for Japan, and a combined 3.5 million tonne to South Korea and Taiwan. With so much attention focused on recent temporary infrastructure constraints in Brazil, the data serves as a reminder of the new iron ore export capacity beginning operation in Australia.

SteelGuru.com-7/3/2008

HORIZON IN DEAD ORDER AT DAESUN

Horizon Shipping of Istanbul has confirmed the cancellation of its \$222m order for up to eight bulkers at Daesun Shipbuilding&Engineering in South Korea. A shipbuilding source in Asia also names Horizon as the company that failed to make its first payment on the order at Daesun and says Horizon may have hit the credit-crunch rocks. Boxhip and chemical-tanker specialist Daesun was forced to cancel what would have been its first-ever bulker contract, according to a stock-exchange notice issued by the yard late last week.

Trade Winds-7/3/2008

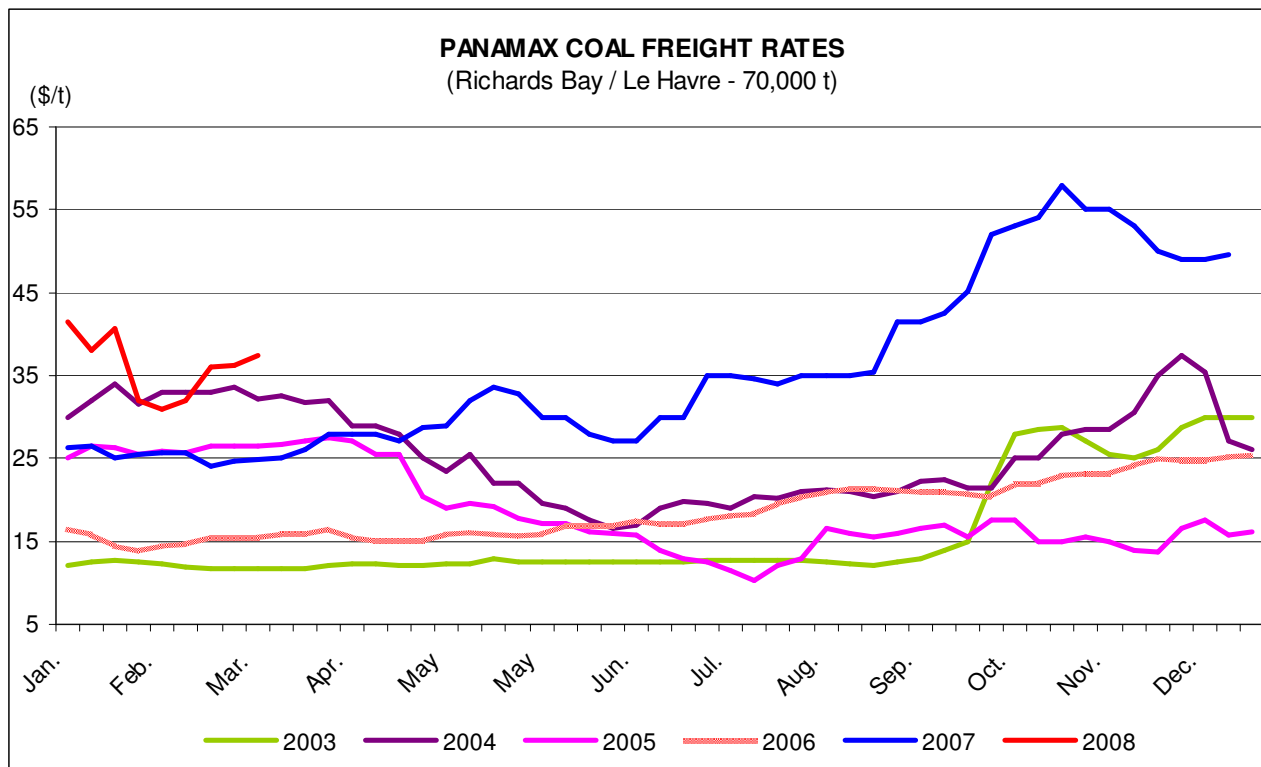
CHINESE COAL EXPORTS IN FEBRUARY 2008 DOWN BY 45% YOY

Xinhua reported that Chinese ports shipped 45.5 million tonnes of commodity coal in February 2008 up by 32%YoY, which included 43.55 million tonnes for domestic market up by 40.4% and 1.95 million tonnes for overseas market down by 45%. According to analysts, more coal was shipped to southern China, which suffered heavy snowfalls earlier this year. So far, major power plants of snow hit areas have stored coal enough for 14 day consumption.

SteelGuru.com-7/3/2008



Analysis ... DRY BULK Market ... Analysis



Year	2002	2003	2004	2005	2006	2007	2008 (2 mths)
Deliveries (m.dwt)	4.11	1.58	5.68	6.47	7.20	4,97	0,70
Deletions (m.dwt)	1.86	0.61	0.06	0.19	0.84	0.0	0.0
IFO 380 cst Rott. (US\$/t)	132.4	150.9	156.5	239.6	292.6	347,3	443,5

Panamax coal rates may have experienced a sharp correction in recent weeks but even a quick glance at our graph shows levels remain well above historical averages.

Indeed, apart from the last quarter of 2007 and a brief period in 2004, Panamax rates have never been higher than they are now.

The phenomenon seen in the last eighteen months is all the more notable given the huge influx of Panamax tonnage.

More than 7 million deadweight tons was delivered into the Panamax fleet in 2006, and yet rates have stayed above \$35 per tonne for most of the last eight months,

peaking at an all-time high of \$58 per tonne in October 2007.

This suggests demand-led factors have been a heavy influence on Panamax rates.

Meanwhile a lower amount of tonnage - less than 5 million deadweight - was handed over in 2007, which has also helped prop the market up.

Indeed, rates have been so firm there has not been a single Panamax demolition since August 2006.

There are several reasons why the Panamax market is doing so well: firstly, the sector has shared in the spoils of the

iron ore market, picking up business from new export markets.

More importantly, the market is also benefiting from the turmoil in the coal trade. First power cuts in South Africa and snow storms in China first put a squeeze on cargo flow, then more seriously, output at Australia's Bowen Bay, the largest supplier of coking coal in the world, was curbed by floods.

Analysts this week predicted coal prices could top \$300 per tonne due to the supply shortage. One might note that it was these kind of "supply-side shocks" that sent prices spiralling in the Capesize market last year.

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