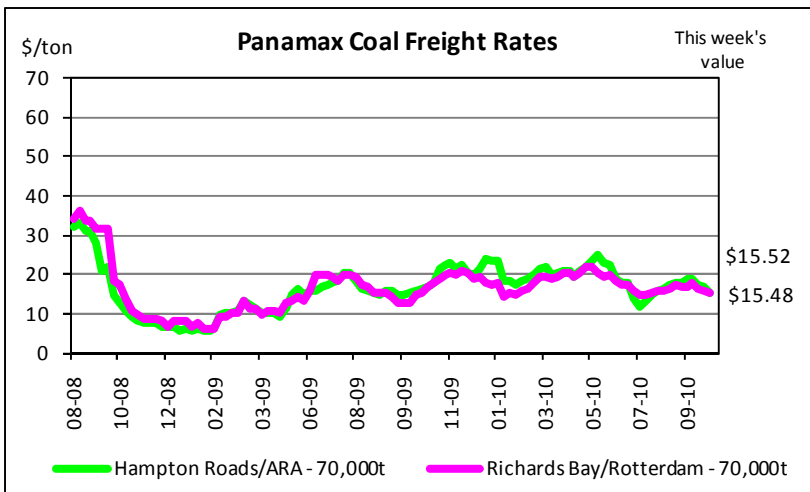
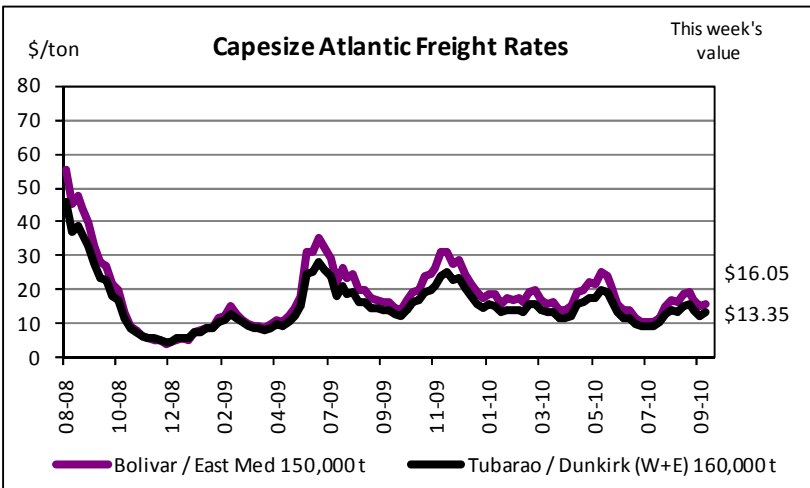
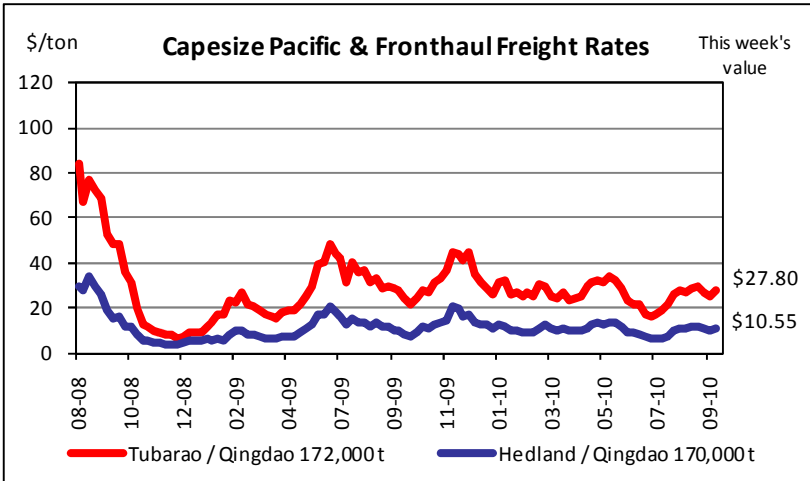




DRYBULK NEWSLETTER

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

N° 704 – October 4th, 2010

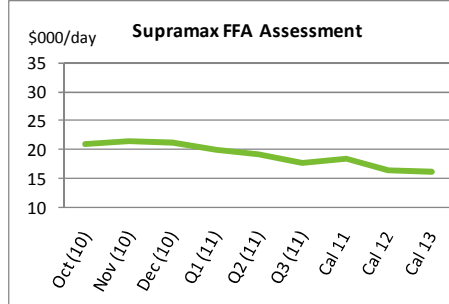
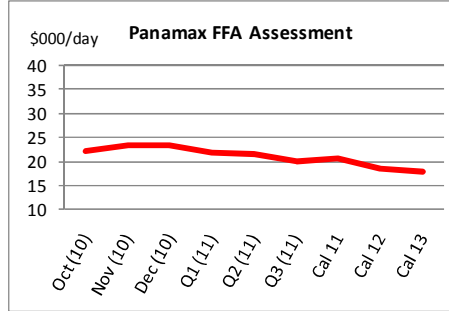
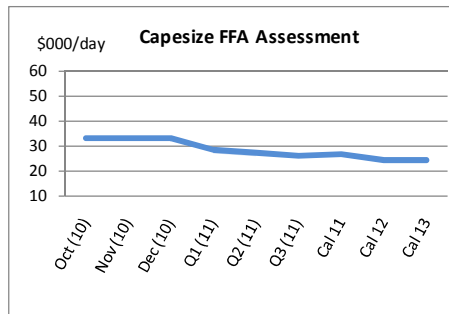


Trends

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

Dry Bulk FFA Market Assessment

(as of October 1st 2010)



Source: **BRS Futures Limited**
(44) 207 283 0786

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



Trends ... DRY BULK Market ... Trends

Asian markets were still on holiday this week but there was some action early on in the Capesize market, with rates rising nearly 10% due to a tight Atlantic market and activity by BHP and Rio in the Pacific. Panamaxes fared less well with the BPI losing some 11%, while the smaller sizes lost around 2%.

In the iron ore market, the Chinese Iron & Steel Association confirmed there would be no increase in ore imports this year, saying the country would meet more of its steel needs from domestic ore production and recycled scrap steel. It also suggested that new quarterly iron ore prices should be linked to steel prices indices. CISA claimed the current system was not representative as prices were based on the average spot CIF price while spot imports accounted for just 20% of China's total.

Capesize

A strong start to the week with rates rising in both the Atlantic and Pacific. Activity slowed in the latter part of the week as China went off on holiday, but there were substantial gains by close, in particular on the Brazil-China route when rates rose 12% in total. Friday-to-Friday the BCI increased 9% and the 4TC reached US\$32,600. The positive sentiment continued into the new week, with further increases on Monday despite the hiatus in China.

Panamax

The Panamax 4TC drifted down by about US\$2,500 Friday to Friday, closing the week at US\$19,400 per day. Many had expected to see last Monday a regain of activity in the Far East with the Chinese back from holidays but no major activity was reported and only the usual coal players out of Indo and Aussie plus a bit of Nopac grain were there to fix... The Nopac route lost around US\$2,000, driving a good numbers of ships to begin to ballast into the USG area, hoping to find a better situation over there... However in the Atlantic, the grain stems are slow to come and the basin was very quiet all week, increasing vessel availability especially in the Cont/East Med area. ECSA has been quiet too. The Indian market was hit by rain and activity was slow on the trade. The period market was very sluggish and only a very few fixtures were reported at around US\$24,000 per day for short period.

Supramax/Handy

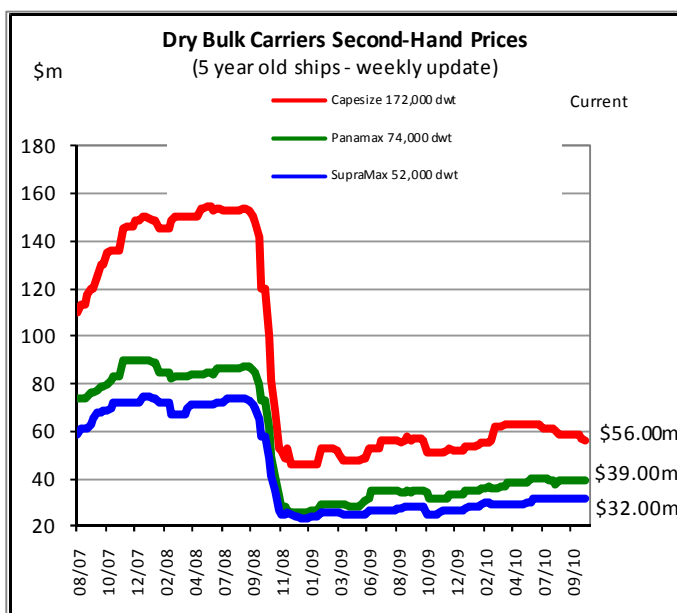
In line with last week, the market was very quiet for Supras and Handies throughout the week. This was the case for most routes and sizes with the exception of business out of the USG to Continent and to the Far East which stayed firm, and Pacific round voyages which seemed to pick up slightly towards the end of the week, probably pulled up by some short

period fixing on larger units in Far East. A few sugar Handymax parcels appeared on the market from ECSA but in general, there were very few cargoes available in the Atlantic for the larger sizes. Supramax units open South Africa were being fixed in the low US\$20,000s dop for trips via ECSA to the East and Supras from WC Africa via ECSA to Continent were seen fixed in the mid/high teens. From the USG to Continent, larger units were getting close to US\$30,000 per day and trip to the East paid closer to US\$40,000. The Transatlantic round voyages showed levels close to US\$20,000 for Supras. On the Continent, Handymaxes/Supras were getting fixed in the low/mid US\$20,000s for trips to the east Med.

Looking at the Pacific market now, there are very few iron ore stems still as the ban on export from Karnataka is still in place. However India was paying Supras in the US\$17/18,000 range for ore to China. Indo to India paid in the low/mid US\$20,000s for Supramaxes open in SE Asia and the Pacific round came out at the US\$16,000 level. On the period front, it is still difficult to see any longer term fixtures as the market lacks clear direction but Supras in the east were getting in the low to very low US\$20,000s for short period.

Trends ... Sale & Purchase ... Trends

The list of sales this week reads as follows: the very mature Turkish owned Cape 'Ata' (194,000 dwt, built 1985 in Japan) was sold for about US\$12.2m to Chinese buyers with her SS+DD due December 2010. Panamaxes sold this week included the 'Konmax' (72,000 dwt, built 2000 in Japan) to unknown buyers at a reported US\$31.5m. Meanwhile older (in some cases, very old) Handymaxes sold this week included the Primal/Greece controlled 'Assimina' (41,000 dwt, built 1984 in Japan) for about US\$9.2m to Indonesian buyers. The South Korean owned 'Glorious Morning' (42,000 dwt, built 1983 in Japan, 'V'-type MAN m/eng) was committed for about US\$6.7-.8m to unknown buyers who obviously are not afraid of this type of engine. The Handy list included the Japanese owned 'Seven Seas' (24,000 dwt, built 1996 in Japan) for about US\$14.5m whereas the German owned 'William' (24,000 dwt, built 1995 in Japan) obtained a price in the region of US\$14.1m from Middle Eastern buyers. Lastly, unknown but arguably very brave buyers have purchased the Greek owned 'Albatros' (41,000 dwt, built 1981 in Japan) for US\$5.25m while the 'Timberland' (32,000 dwt, built 1981 in Japan) was sold to Greeks for a very firm US\$5.5m basis SS+DD due April 2011.



News Update ... DRY BULK Market ... News Update

STEEL DEMAND GROWTH TO SLOW ON CHINA'S PROPERTY CURBS

Global steel demand growth will decelerate next year as China's real estate market weakens and consumption in Japan falls, the World Steel Association said. Consumption growth will slow to 5.3 percent in 2011, from a forecast 13.1 percent gain this year, the association said today in a statement released in Tokyo. China and Japan are the world's biggest and second-largest steel producing nations. *Bloomberg-4/10/2010*

CSDC ADDS 12 MORE

China Shipping Development Co (CSDC) has continued its newbuilding spree with a deal for 12 bulkers at domestic yards. The Hong Kong-listed company, controlled by China Shipping Group (CSG), will spend \$383m on the 48,000-dwt vessels at CSG shipyards China Shipping Industrial and China Shipping Industrial (Jiangsu). Delivery dates were not given. *Trade Winds-29/9/2010*

BHP, RIO MULL REVISIONS, DELAY IN IRON-ORE VENTURE

BHP Billiton and Rio Tinto executives are evaluating revisions to or a postponement of their proposed \$116 billion iron-ore venture in Australia in the face of stiff regulatory hurdles, according to people familiar with the matter. Postponing the joint venture, which the two companies had hoped to be approved by the end of 2010, would allow time for the Australian government to set terms of an expected minerals tax. Analysts are skeptical the joint venture agreement could close by year-end. Spokesmen for BHP and Rio said the deal still had merit but declined to comment on current negotiations or potential revisions. *Wall Street Journal-30/9/2010*

CHINA IRON ORE IMPORTS IN FIRST FALL FOR OVER 10 YEARS

Chinese iron ore imports are set to fall for the first time in more than a decade, according to Australia's government research bureau, which revised downwards its forecast in the latest September outlook for the

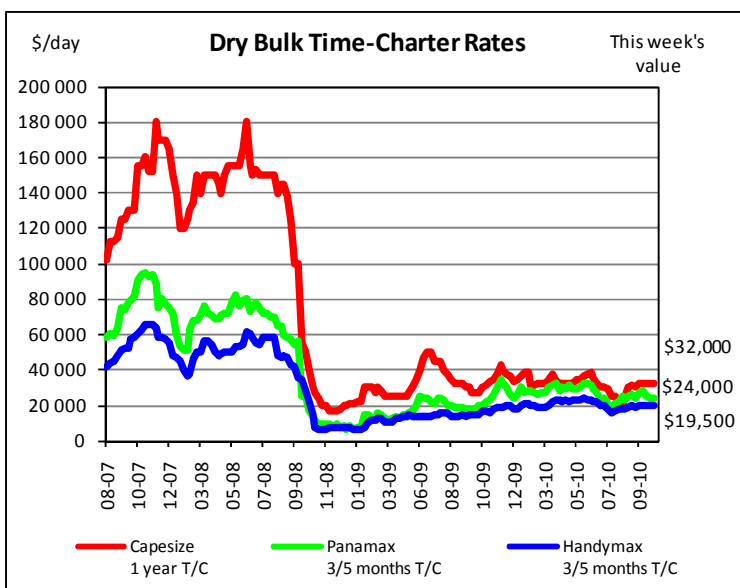
global commodities sector. Exports to China will fall 2% in 2010, from 628m tonnes in 2009 to 617m tonnes — reflecting not only greater use of domestic ore but also the country's moderating economy in the second half of 2010. The previous quarterly report from Abare-BRS had forecast Chinese ore imports at 637m tonnes in 2010 and 692m tonnes in 2011. New 2011 forecasts are also slightly lower, at 677m tonnes. *Lloyd's List-28/9/2010*

BROKERS QUESTION WHETHER KAMSARMAX VESSELS CAN COMPETE WITH PANAMAXES

Some shipbrokers have expressed doubts about the competitiveness of the vessels, typically ordered to ship agribulk and minerals cargoes on longhaul journeys from the Atlantic trading region to Asia. At around 82,000 dwt, kamsarmaxes are slightly larger in deadweight than panamax bulk carriers, but still have dimensions to travel through the existing Panama Canal. With grain cargo sizes typically at 60,000 tonnes, there are concerns that kamsarmaxes will be restricted to ores and minerals. "Even if they cross through the canal they would be competing with the panamaxes and for a charterer these [ships] will consume more fuel than a panamax," one broker told *Lloyd's List-1/10/2010*

THYSSENKRUPP UPBEAT ON STEEL OUTLOOK

Global demand for all grades of steel is at record levels and will continue to hold up well into next year, said the head of ThyssenKrupp. Ekkehard Schulz, chief executive of ThyssenKrupp, which makes high-quality steel, said production was running at full capacity and industry's hunger for steel would exceed current output volumes at Germany's largest steelmaker. His words were backed by projections from Meps, a UK steel consultancy, which predicts that world output will be 1.39bn tonnes this year, above 2008's record of 1.33bn tonnes and well above what most observers expected at the end of 2009. *Reuters-30/9/2010*



Dry Bulk Fleet Breakdown 04-10-2010 (source BRS) **number of ships**

	< 5 yrs	5-9 yrs	10-14 yrs	15-19 yrs	20-24 yrs	> 25 yrs	Total	On order (% of fleet)
VLOC	37	4	5	36	25	1	108	95%
Capesize	389	158	148	137	102	60	994	45%
Small Cape	136	31	19	25	22	14	247	117%
Panamax	385	343	282	176	130	271	1587	43%
Supramax	741	414	322	184	151	270	2082	37%
Handysize	467	224	242	100	174	807	2014	31%
Total	2155	1174	1018	658	604	1423	7032	42%

Dry Bulk Orderbook 04-10-2010 (source BRS) **number of ships**

	2010	2010	2011	2012	2013	2014	2015+	Total on order
VLOC	14	10	42	39	11	1	0	103
Capesize	137	70	239	97	33	3	1	443
Small Cape	62	36	177	63	13	0	0	289
Panamax	73	82	258	266	74	9	0	689
Supramax	226	171	355	210	43	1	0	780
Handysize	168	131	308	148	30	6	0	623
Total	680	500	1379	823	204	20	1	2927

Delivered

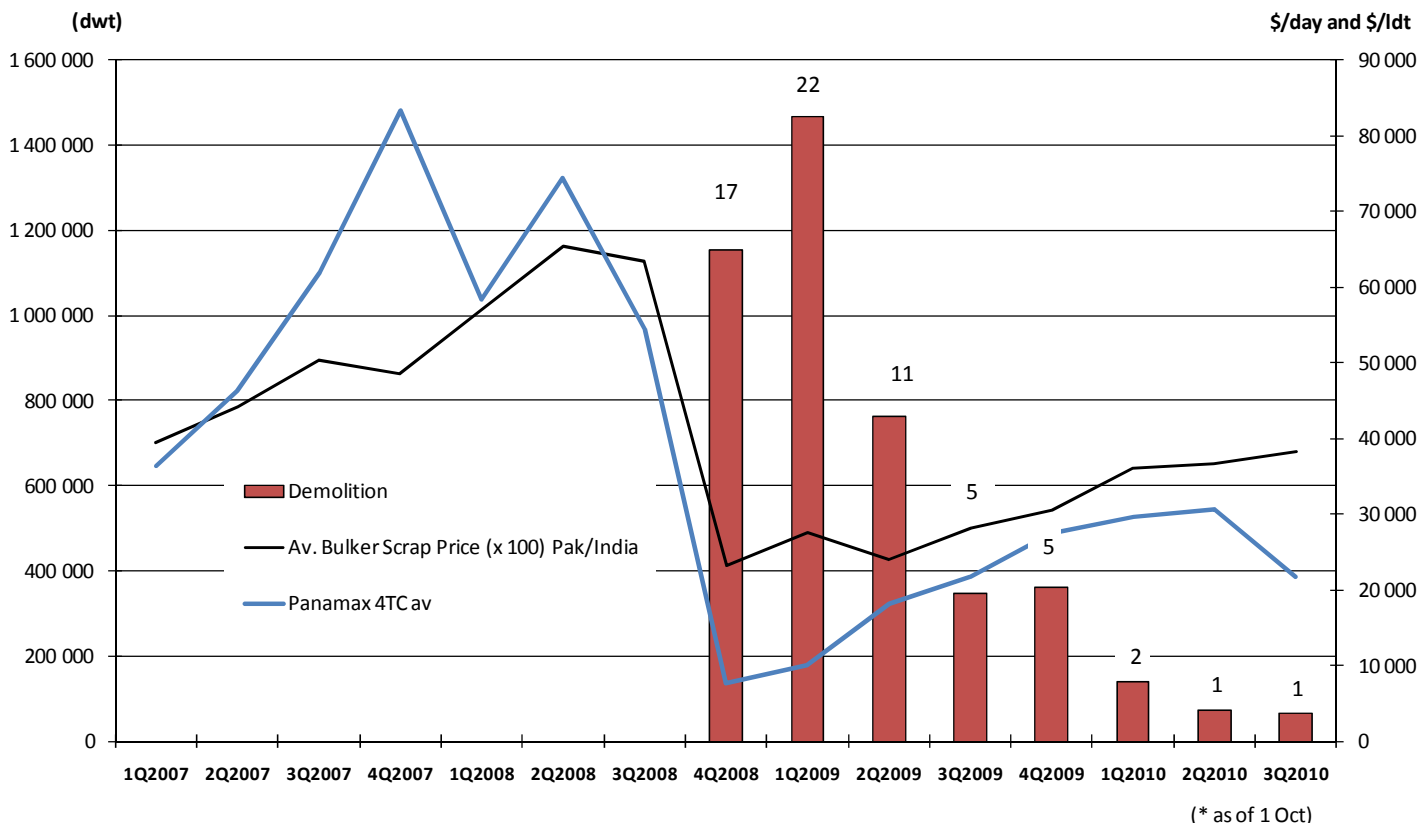
VLOC: >220k dwt
Cape: >120-219k dwt
Small Cape: >83-120k dwt

Panamax: >60-83k dwt<=32,3 bm
Supramax: >40-60k dwt
Small Cape: >24-40k dwt



Analysis ... DRY BULK Market ... Analysis

Panamax Scrapping vs Demolition prices vs Freight Rates



With the Panamax 4TC back below US\$20,000 per day it will be interesting to see if owners are finally tempted back to the yards in the fourth quarter. So far, neither high scrap prices (Pakistan and India are currently offering the highest per ldt price in eight quarters), nor softer rates have resulted in higher demolition volumes. Instead 2010 has seen just four confirmed scrappings, taking less than 300,000 deadweight out of the market. If

one assumes several weeks' lead time between deciding to scrap and demolition taking place, we can say that the conditions are ripe for an increase. The last time scrapping volumes rose, in fourth quarter 2009, it followed a previous quarter of rates at nearly exactly the level they are today. One reason for the delay in taking ships to the beach may be continued confidence in the market for the

remainder of the year. Prices in the FFA market suggest rates could still move up to US\$23,000 in the final two months of 2010, which may convince owners to hold onto tonnage. However, once we move into 2011, rates are predicted to slide again, with paper prices suggesting a market of US\$21,800 per day in first quarter 2010 and below US\$21,000 for next year as a whole.

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