



# DRYBULK NEWSLETTER

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

N° 566 – December 17th, 2007

## Trends

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

### Capesize FFA Market Assessment

	Bid	Offer
(as of December 17th, 2007)		

#### C4 ~ Richards Bay / Rotterdam

Dec	45,50	46,00
Jan 08	43,00	44,00
Feb 08	41,50	42,50
Mar 08	39,00	41,00
Apr 08	38,50	39,50
July 08	33,00	34,00
Oct 08	30,50	31,50
Cal 08	36,00	37,00
Cal 09	26,75	27,00
Cal 10	19,50	20,00
Cal 11	17,00	18,00

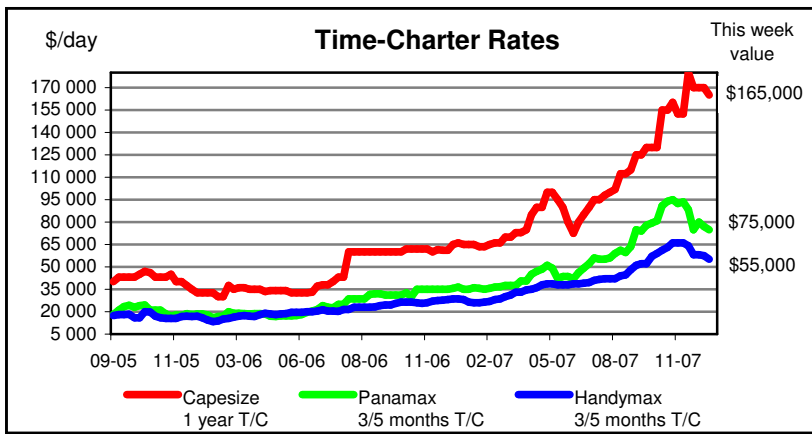
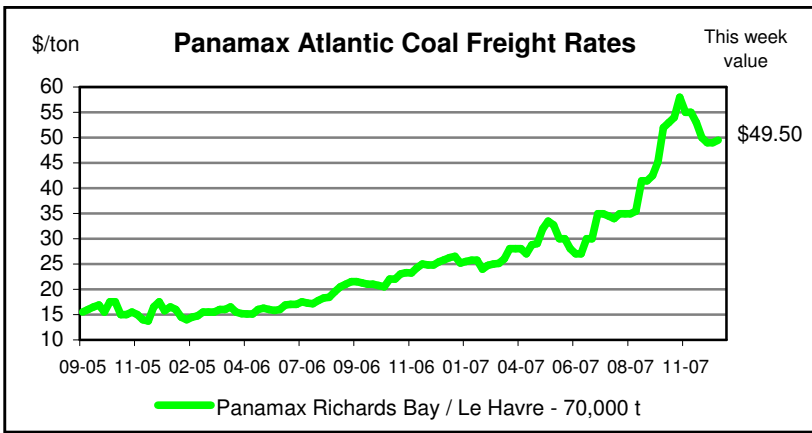
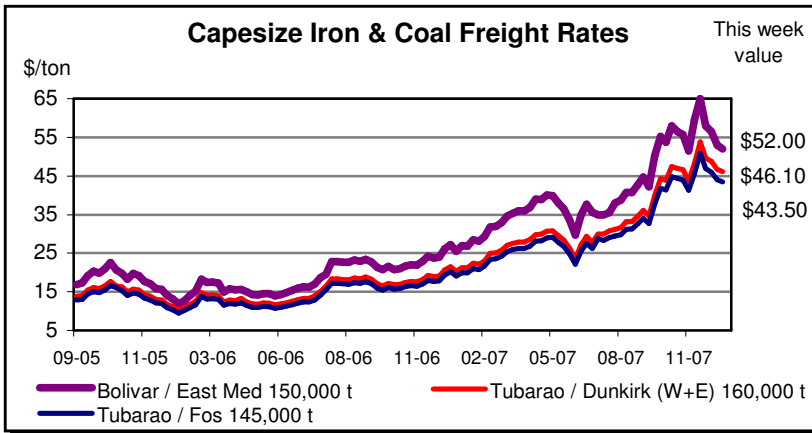
#### C7 ~ Puerto Bolivar / Rotterdam

Dec	46,50	47,50
Jan 08	43,00	44,00
Feb 08	41,50	42,00
Mar 08	40,00	41,00
Apr 08	39,00	39,50
July 08	34,50	35,00
Oct 08	32,00	32,50
Cal 08	36,50	37,50
Cal 09	28,00	28,50
Cal 10	20,00	20,50

#### Average 4 Timecharter routes

Dec	171 000	175 000
Q1 08	155 000	158 000
Q2 08	135 000	139 000
Q3 08	115 000	117 000
Q4 08	103 000	106 000
Cal 08	127 000	130 000
Cal 09	81 000	84 000
Cal 10	56 000	60 000
Cal 11	47 000	52 000

Source: BRS Futures Limited  
(44) 20 7602 5670



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



Trends ... **DRY BULK Market** ... Trends

Many headlines have been devoted to the conversion of VLCC tonnage to VLOCs, but so far little attention has been paid to the technical implications. This week for the first time there was debate about the structural suitability of tankers to carry iron ore cargoes. While classification societies were quick to stress full testing would be carried out, in line with those required for newbuildings, at least one major shipowner said he believed there were still issues. There are several other uncertainties surrounding the conversions. For the market 'bulls' who believe the impact of conversions will not be slight, there are still questionmarks over yard availability. And this week a new theory was aired: that some of the conversions would be used for iron ore storage in China, rather than on the key Brazil-Far East trade. But there seems no denying at least a good portion of the conversions will go ahead and join the traditional ore trades, inevitable impacting rates. Perhaps with the incredible spike seen in VLCC rates this month, we should hope some owners opt to keep their vessels trading wet. Meanwhile the industry continues to wait for news on BHP's mooted bid for Rio Tinto. A definitive offer from BHP has been sought by Rio through the UK Stock Exchange's 'put up or shut up' rules. It is expected BHP will be given 6-8 weeks to come up with a formal offer. However BHP acknowledged this week that a successful takeover would still require the support of Rio's as-yet unimpressed board.

After several days of decline, **Capesize** rates saw some improvement last week. But the joy was short-lived, as the rise appeared mainly related to several

cancelled contracts in Brazil requiring prompt replacements. Instead the trend was generally flat-to-negative, though conditions were tighter in the Pacific than the Atlantic. Overall the four timecharter average lost \$2,093 on Friday and Monday. In the period market, there were also signs of a possible levelling in the market. A 180,000 dwt newbuilding for delivery November 2009 was taken at \$51,700 per day for seven years. Meanwhile a 177,000 dwt vessel, also for delivery second-half 2009, secured \$42,000 per day for ten years. While both are historically strong deals, the rates are largely in line with fixtures concluded earlier this month.

The Baltic **Panamax** Index went down by 412 points last week, finishing at 9394. The 4 TC's average lost US\$3,400, falling from US\$79,100 per day to US\$75,700. Last week's drop in the Panamax market was mainly driven by an oversupply of tonnage in the Pacific, with rates falling by US\$5,000. The Atlantic stayed pretty steady but sentiment was bearish. The market has been sustained by a few fresh Panamax requirements. Interest for period was limited to short durations, and rates for 3/5 months LME delivery Far East were trading in the mid US\$70,000s. Futures showed high volatility last week and the FFA's upward trend sustained the physical market.

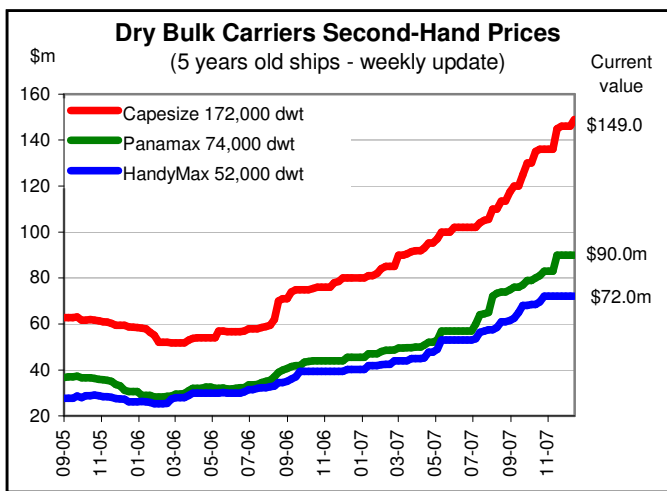
For **Supramaxes**, the situation remains bleak in the Far East: there is hardly any new business around and available tonnage outnumbers cargoes. Indonesian or Australian round-voyages dropped from high-US\$50,000s at the beginning of the week to low-US\$50,000s at the end basis north

China/Japan delivery. The India iron ore trade is still strong, though rates eased a bit at the end of the week. Owners still expect to fetch the high US\$70,000's for trips East Coast India to China. By comparison, the Atlantic seems to be the owners' Eldorado. Supras easily achieve US\$70,000 there, helped by the strong rates in the US Gulf where the US\$100,000 mark was widely broken. Tonnage available for December cancellations is scarce. Handies are still in good demand worldwide, averaging mid US\$40,000.

**S&P market:**

At the end of yet another extraordinary year for the bulk carrier market, prices are again at an all-time high in all sizes and age segments. On the other hand, we note some deals cancelled due to buyers' non-performance. Is this linked to the "subprime" crisis/lending "crunch"? Or is it due to buyers/sellers "bod subjects" or simply due to non-professional/2nd class buyers? We hope it is the latter, although fear it may be the former. On the Panamax front we note the sale of the 'Orchid Star' (74,000 dwt, built 1997 in Japan) for about US\$71-72m, whereas the slightly older 'Anangel Enosis' (74,000 dwt, built in 1995) got US\$75m from Korean buyers. However two recent Handy sales have failed, namely that of the 'Gold Carrier' (27,000 dwt, built 1985 in Japan) which had been committed to Greek buyers (for US\$24m) who did not put up the deposit, and the sale of the 'Dorothea' (22,000 dwt, built 1984 in Japan) at US\$17.5m including the balance of her timecharter until end-2008 at US\$19,000/day. Both ships are back on the market for sale.

**Dry Bulk Carriers Orderbook**



Dry Bulk Carriers Orderbook  
17/12/2007

	2007 (deliv.)	2007	2008	2009	2010	2011	2012	Total on order
VLOC	(4)		12	15	20	34	13	94
Capesize	(47)	6	42	120	211	80	7	466
Small Cape	(21)	2	15	46	102	91	12	268
Panamax	(57)	22	78	94	132	68	10	404
Supramax	(90)	43	153	252	261	105	23	837
Handysize	(45)	23	114	192	165	66	20	580
<b>Total</b>	<b>(264)</b>	<b>(96)</b>	<b>(414)</b>	<b>(719)</b>	<b>(891)</b>	<b>(444)</b>	<b>(85)</b>	<b>2649</b>

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

