

FALLING MARKETS or FAILING MARKETS or BOTH?

During the last few weeks, we have seen all Baltic Dry Indices slumping rapidly losing their glory and having gone down to approx. 1/3 of their value of mid June 2008. What are the main causes of this continual slump? What are the causes of the rapid fall and off course is it here to stay can it be reversed or we still have not seen the worse yet?

We will try to see as briefly as possible what has hit us!!!

Freight rates outlook

In the next weeks, freight rates are very likely to continue to fall as China has already gone into its Golden Week holiday. During the festive period, all business volumes will continue to be on the slow side and maybe well be significantly reduced as industrial production in China will be going on very slow pace. Freight demand will be minimal, and this will affect greatly more, the charter rates which have already shown a huge reduction over the previous low weeks. To add to this slow down we must also include the psychology factor of the tumbling World Financial markets, and all the uncertainty that this has brought into the minds of all investors in Shipping. Both physical and paper investors are less likely to actively engage in uncertain market conditions until things stabilize or show signs that this has hit a rock bottom...!!!!

Again the question is what is considered and when do we consider to have hit the "bottom"??? This is something that really no one can foretell, but there will be clear marks of improved market psychology and other significant economic signs mainly coming from China again, that will get the ball moving within the next 2-3 months.

What is causing mainly the slowdown?

The developed economies are clearly in trouble, as the past 2 weeks we have seen leading banks and financial institutions in a state of panic. But what about the economies of countries that have so far been the main engines driving all this shipping boom? Dry bulk and all the promising freight rates, were mainly results of increased raw material demand from China, India, Brazil and Russia. If China slows down, dry bulk rates will definitely suffer. This is a very simple and understandable correlation. There are two scenarios, either China will continue to power its growth by producing more for domestic consumption and domestic build of their needed infrastructure or choose to produce and export more? The slowdown of the development of BRIC group countries have an immediate negative effect in shipping freight markets as these slower rates of development are not sufficient and able enough to hedge effectively the current credit market crisis and the immediate effects of this crisis in the future development of the Western countries.

According to trader's estimations the Chinese stored iron-ore quantities exceed 70 million tonnes. This is a very large amount of steel and for this to be consumed we need some adequate time in order to get the demand for new intake back to normal levels again.

The post-Olympic Games expected boom

Olympic Games ended with a great success for the hosting nation. It was a finely organised athletics megashow that had taken into account all possible exogenous factors that could have either a major or a minor impact for these games. One of these important factors was the pollution factor mainly attributed to the industries which were put to a complete stop for the duration of the games. The games you might rightly say are over for more than a month now, why aren't the industries back in action? We should note however that Paralympic games held also in Beijing, only ended on the 20th of September 2008 and as such with the festive Golden Week period that started on the 28th of September 2008 it was possibly thought that there was no point re-opening them just to shut them down a week later...

So it is wise if we will sit back and wait to see the re-opening of all their heavy industries that will regenerate the demand for raw materials and will get some momentum back to the standstill shipping ball. Chinese industries have also stopped the purchase and shipments of iron-ore from Brazilian Vale, the world's largest iron ore producer, reacting on the unfair increase of the contracted terms and values, so we should expect some decision to be taken on this issue, already some fixtures have been noted as there seems to be a standoff. However these noted fixtures were at rates lower than 2006...

Are the good times over?

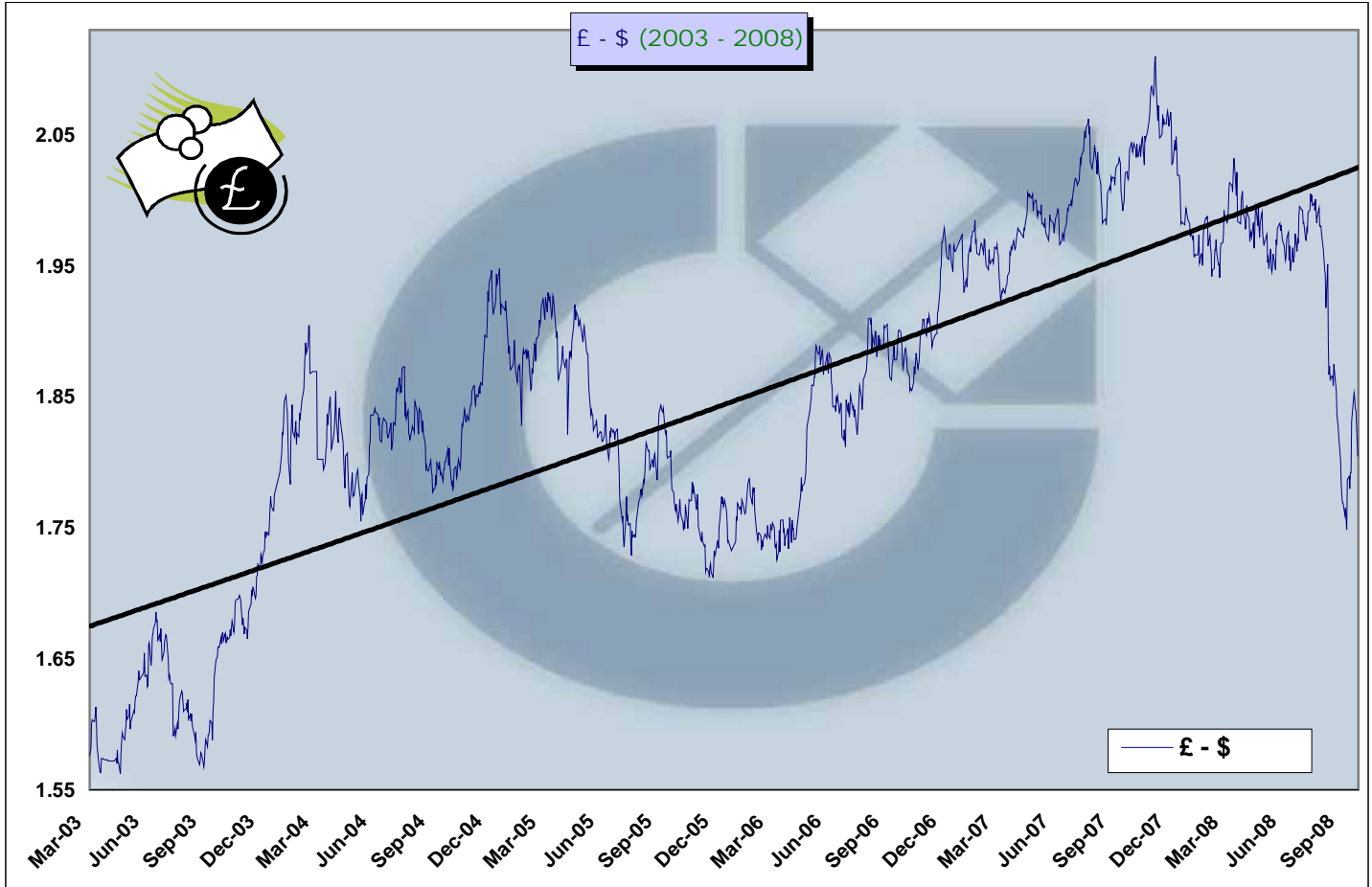
This is a tricky question? It very well might be but we will never be brave enough to stick our heads out and claim so. We had seen super freight rates well reaching 234,000 USD/day for capes and today these are on the 50K level. Will we go back to their prior levels of 17,000 a day that people were contempt with at the time? What will happen to the newbuilding deliveries when these high contracted priced/heavy leveraged Capesize vessels for example, "hit" the market when just their daily financial running costs are well in excess of 26,000 usd/day not taking into account their daily operational costs (OPEX). Who can assure of a breakeven charter rate for capes exceeding 35,000 usd/day and around 27,000 usd/day for a panamax newbuilding?

On the other hand it is not only the newbuildings that cause a major concern, in overinflated hull prices, but also 5year old ships delivered at old low prices prior 2003, that have changed hands at exorbitant high prices during the recent boom. For example someone purchased a cape built 2003, for 150mil usd, and has very roughly to face financial daily costs purely for the loan replenishment well exceeding 38,000 usd/day (we assume 10 year loan)!!!! Let aside the daily OPEX... which have also rapidly increased over the boom years, who can guarantee to the banks that this owner will receive more than 45,000 usd/day JUST to breakeven????

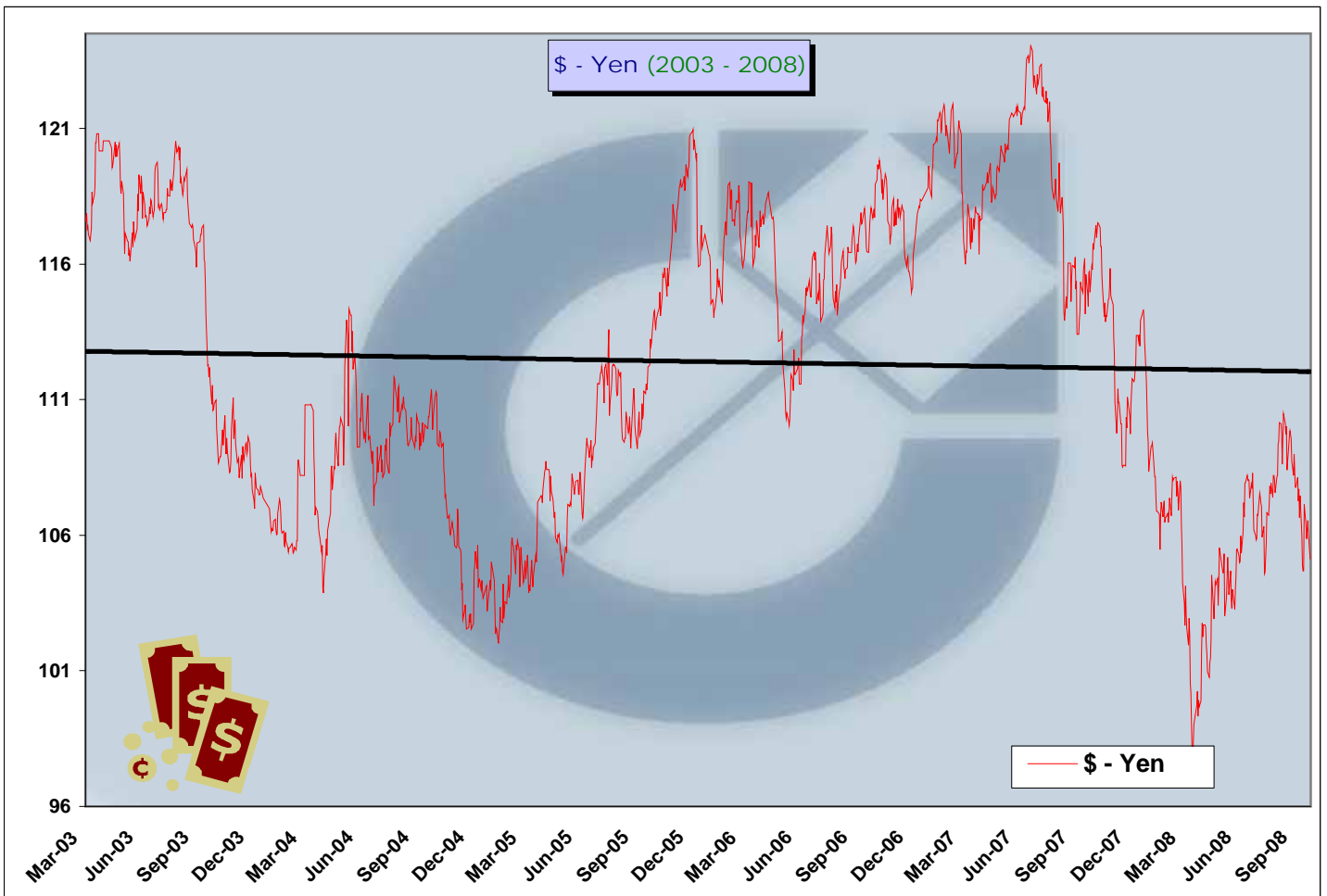
These are our main concerns that will be the main headaches for every shipowner during the next forthcoming weeks and months? Some shipowner friend of ours once asked: "**Can ships really go UP-HILL**" in the sea?? Off course they can...!!!



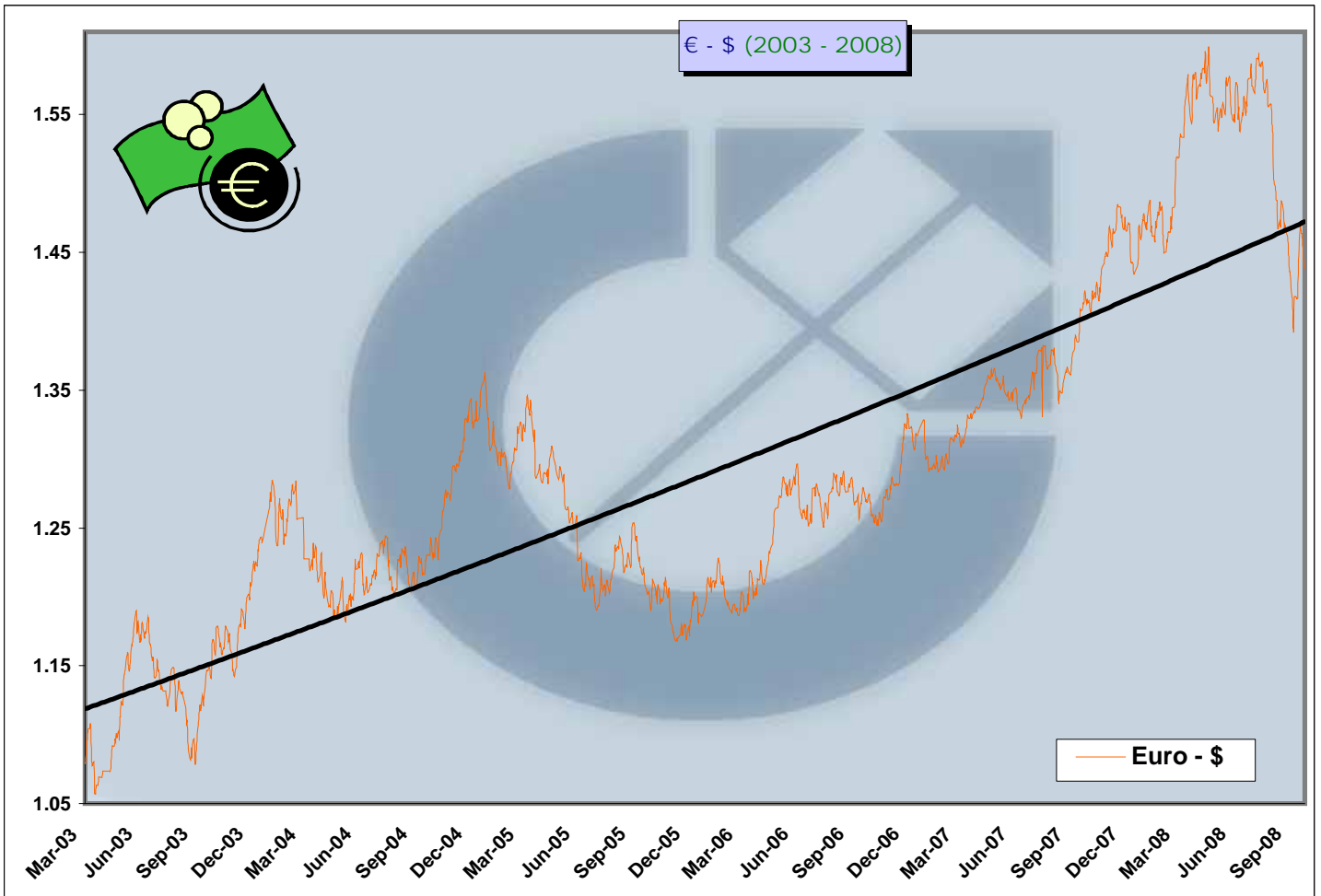
MARITIME ECONOMETRICS



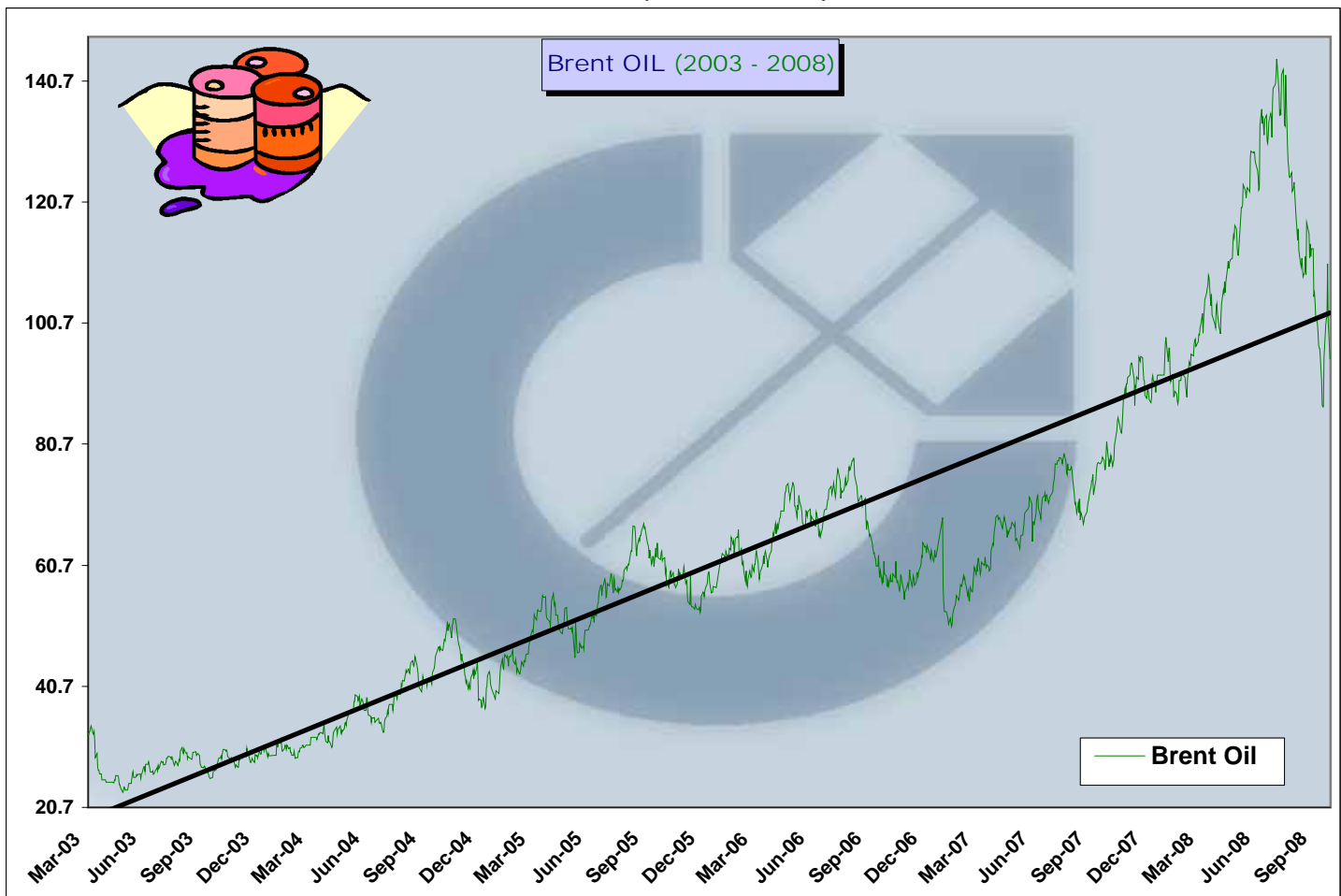
£ - \$ (2003 - 2008)



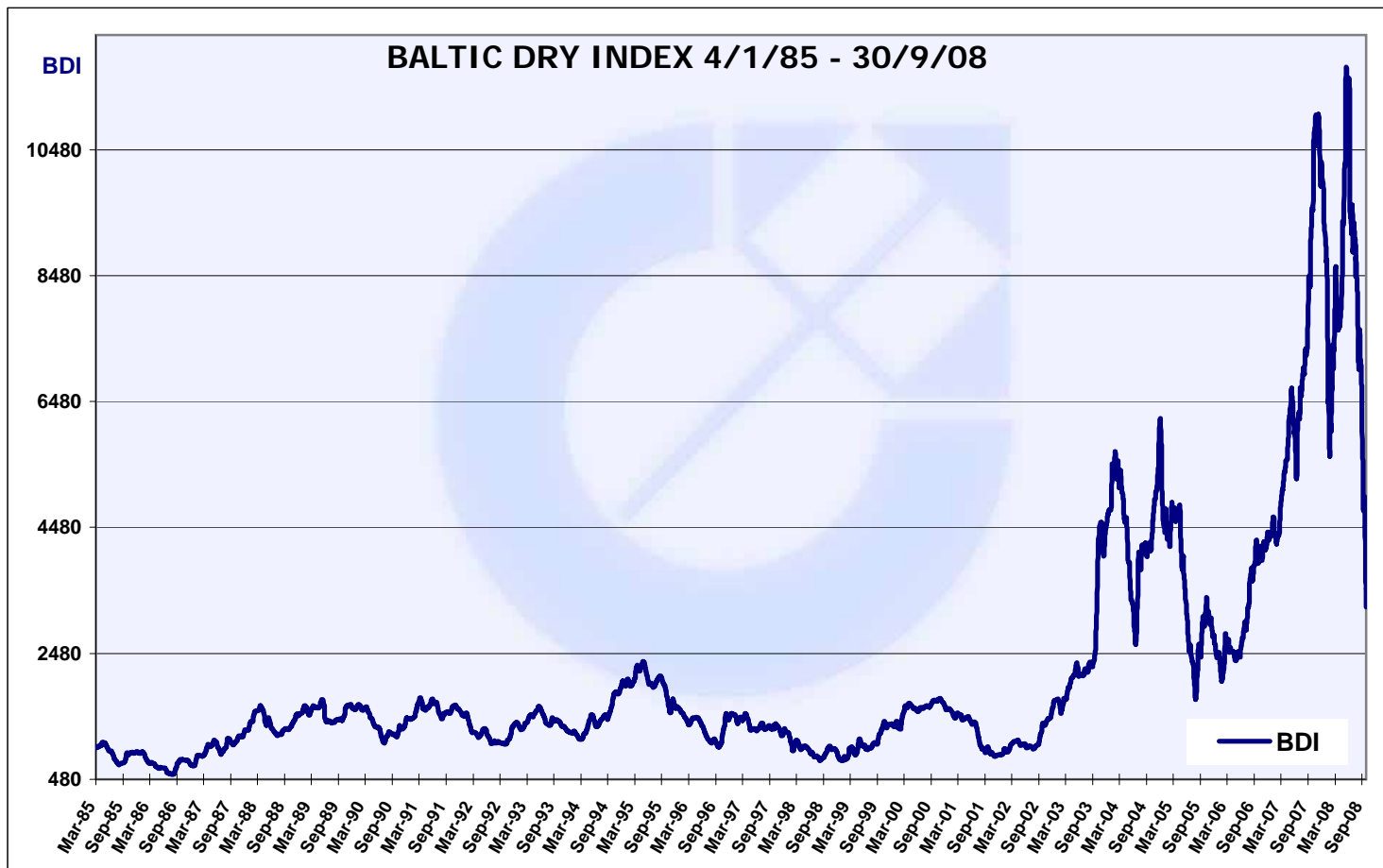
\$ - Yen (2003 - 2008)



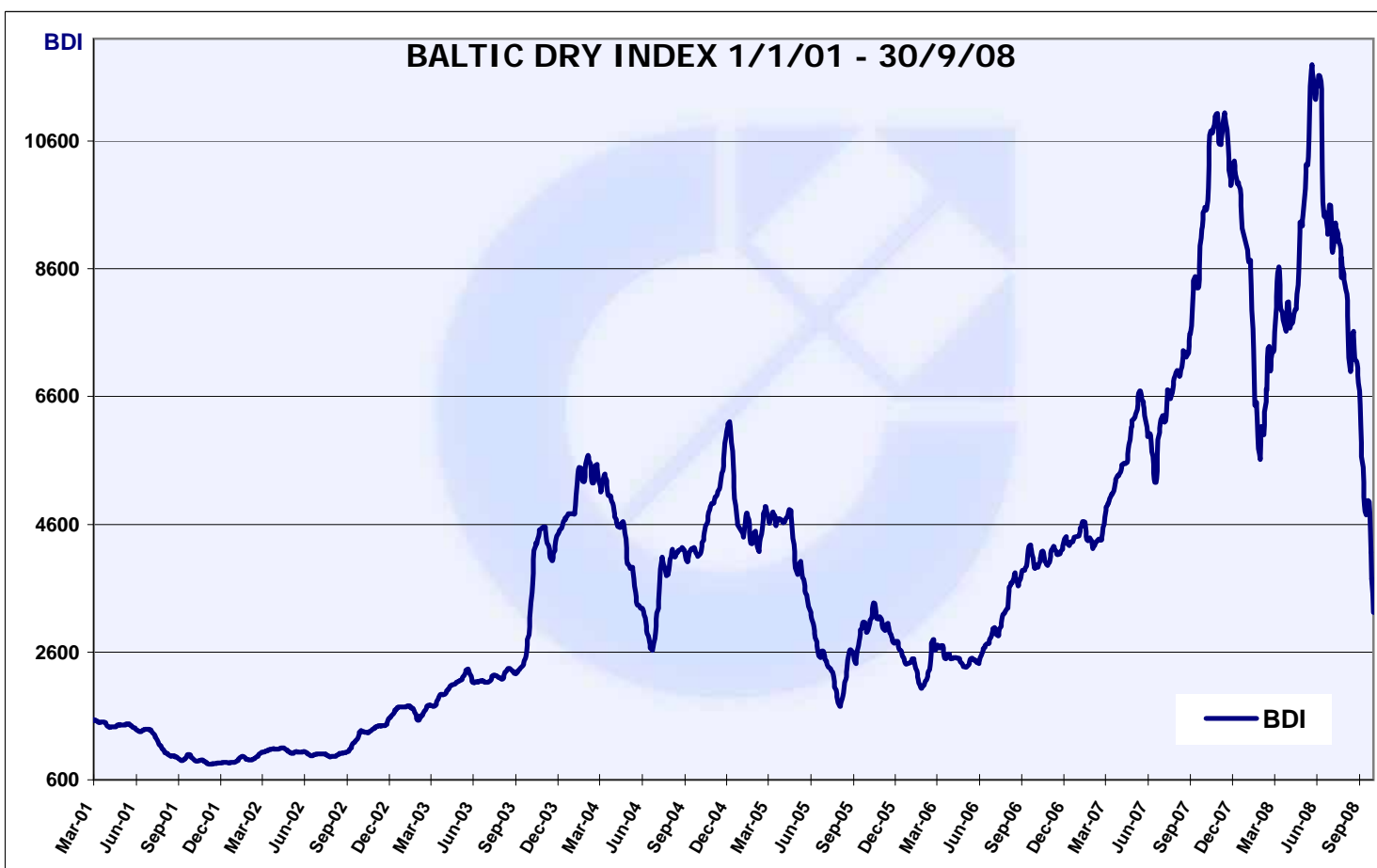
Euro - \$ (2003 - 2008)



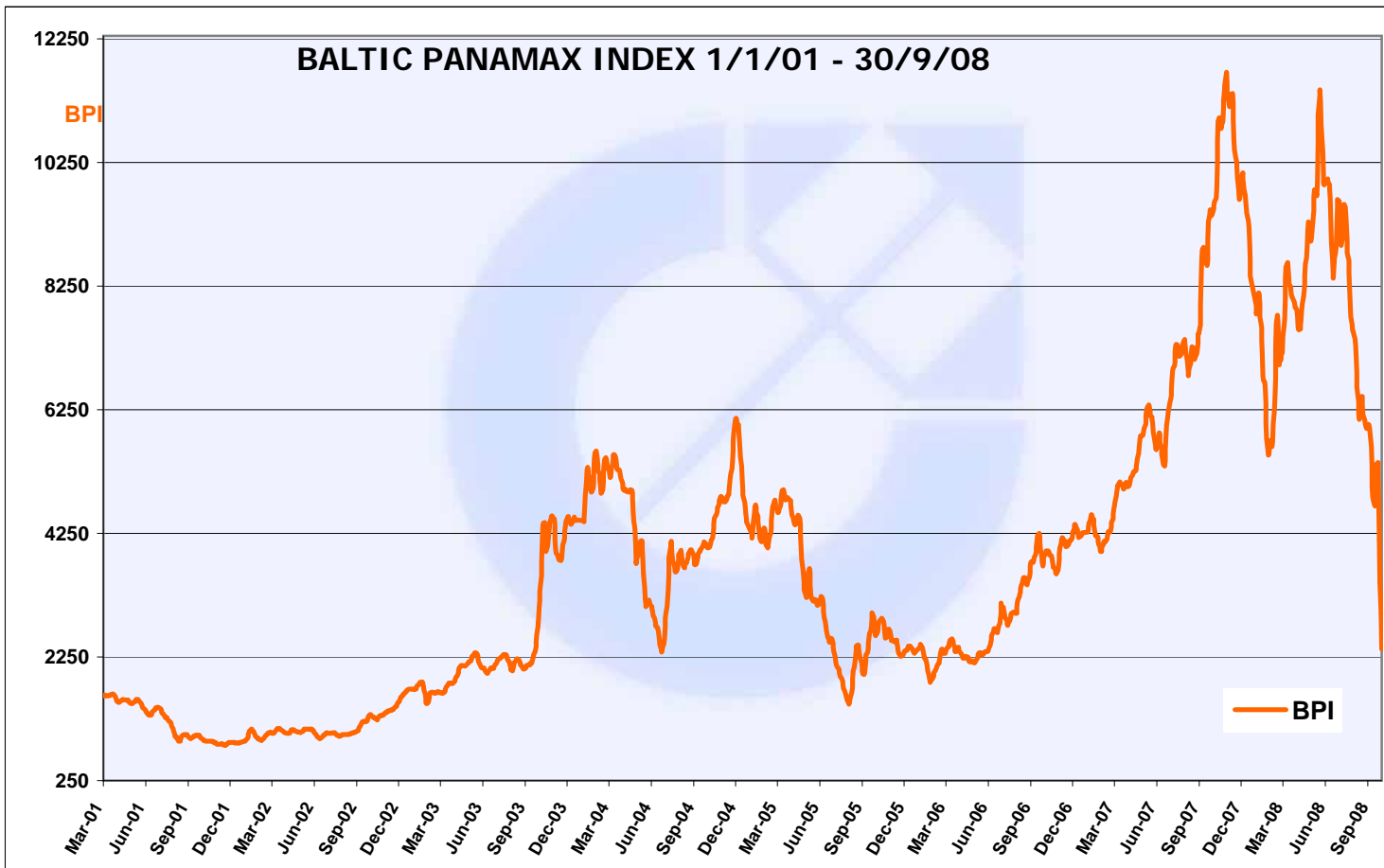
Brent OIL (2003 - 2008)



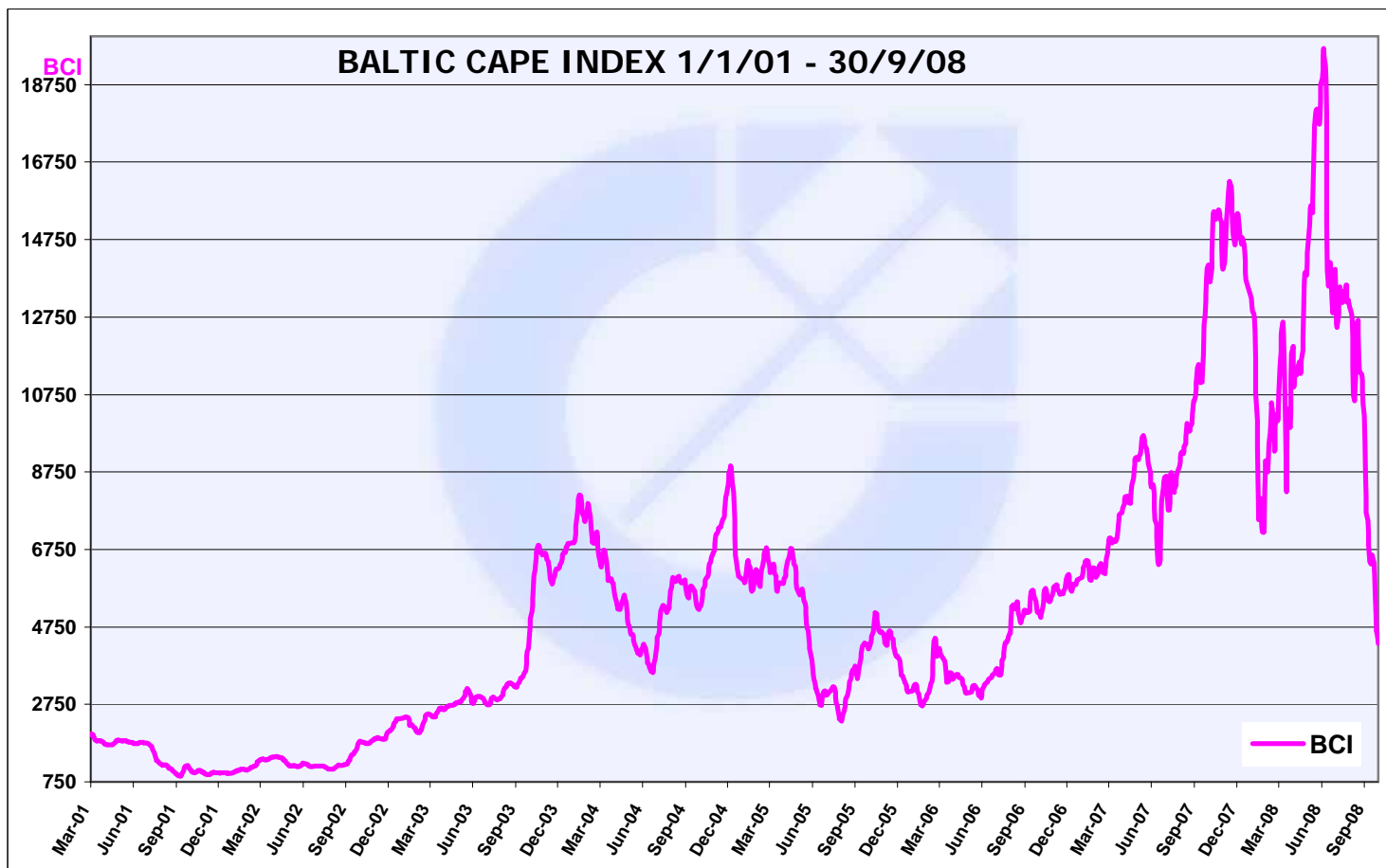
BALTIC DRY INDEX 4/1/85 - 30/9/2008 (23 YEARS)



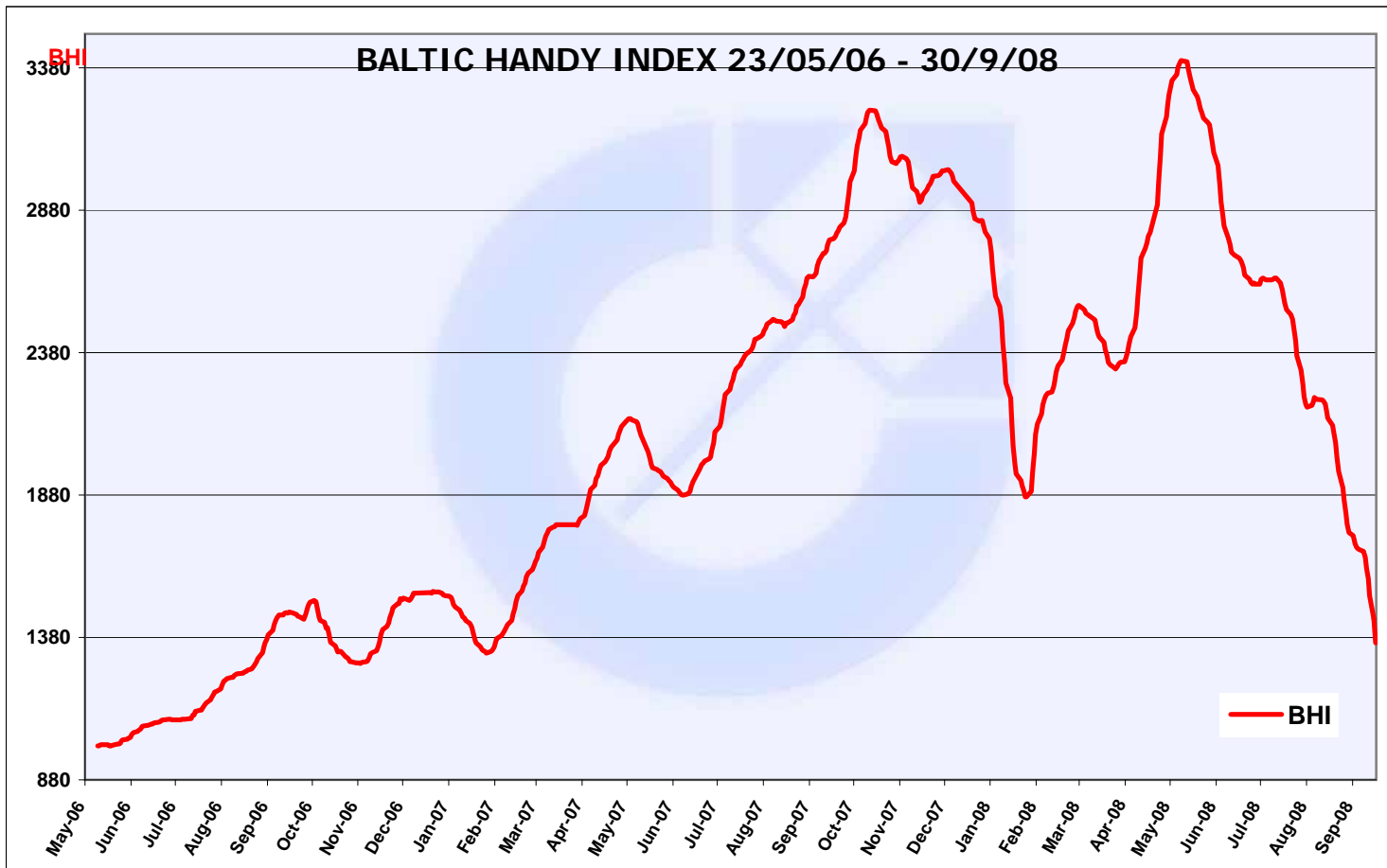
BALTIC DRY INDEX 4/1/99 - 30/9/2008 (9 YEARS)



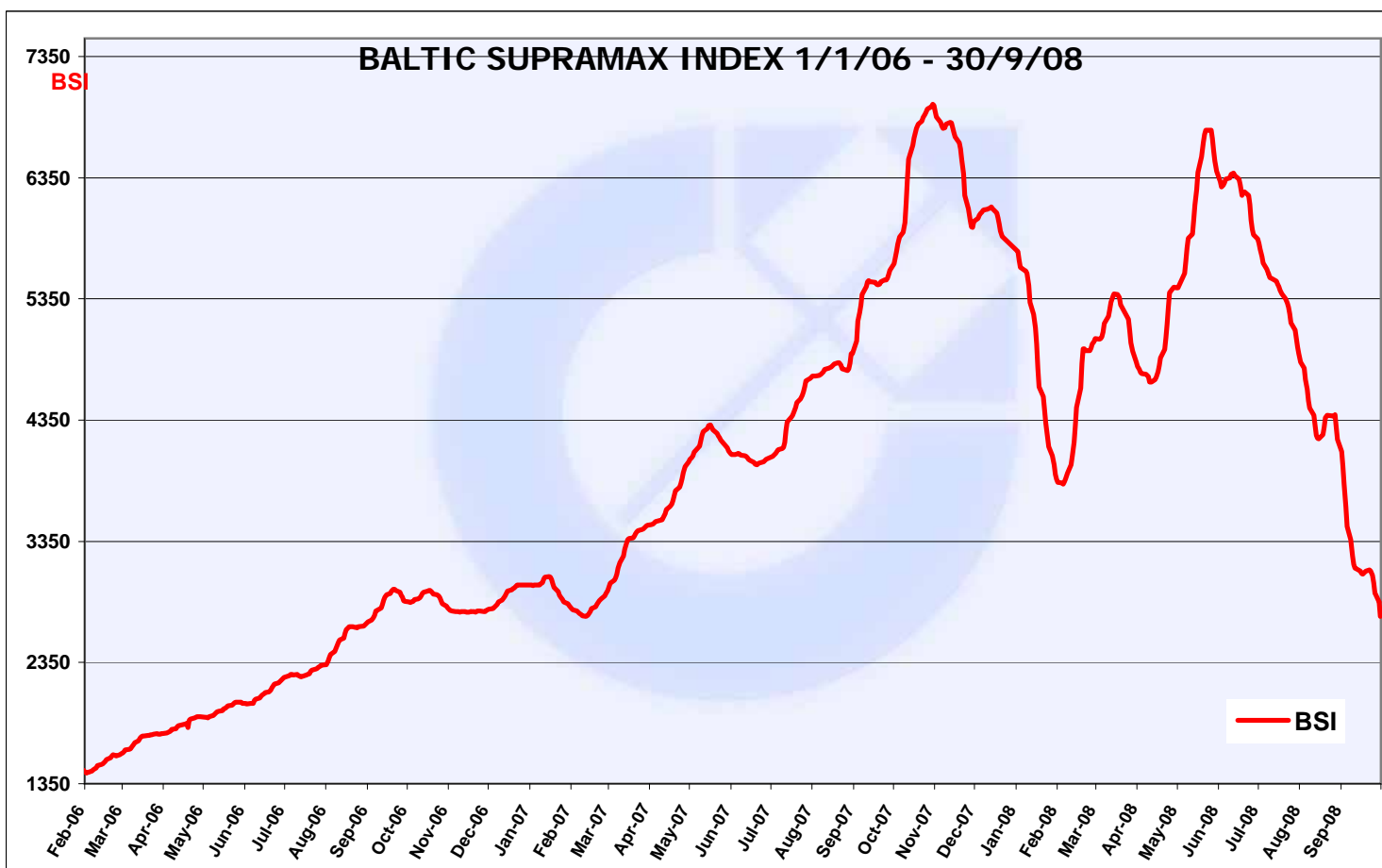
BALTIC PANAMAX INDEX 4/3/98 - 30/9/2008 (10 YEARS)



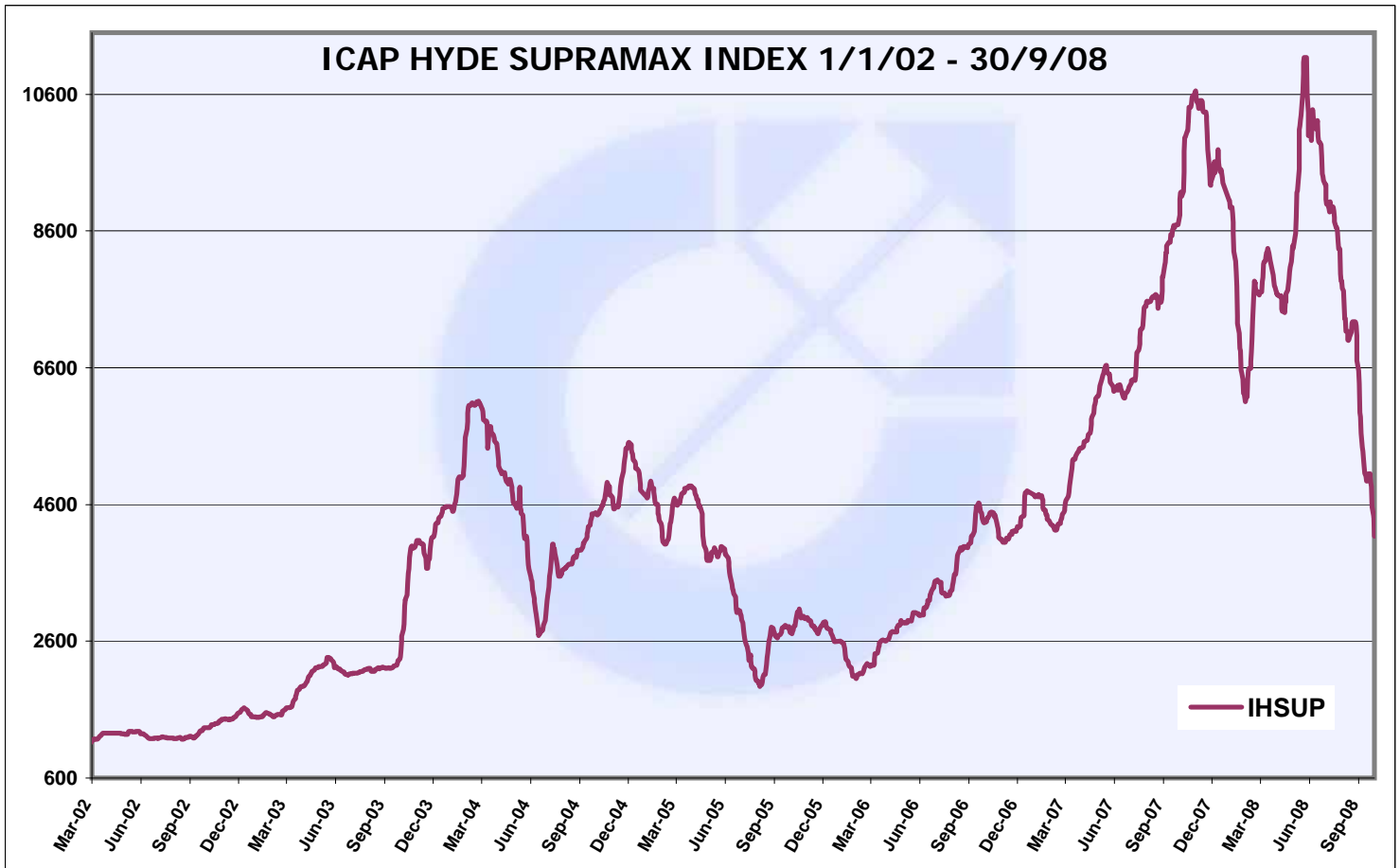
BALTIC CAPE INDEX 5/3/99 - 30/9/2008 (9 YEARS)



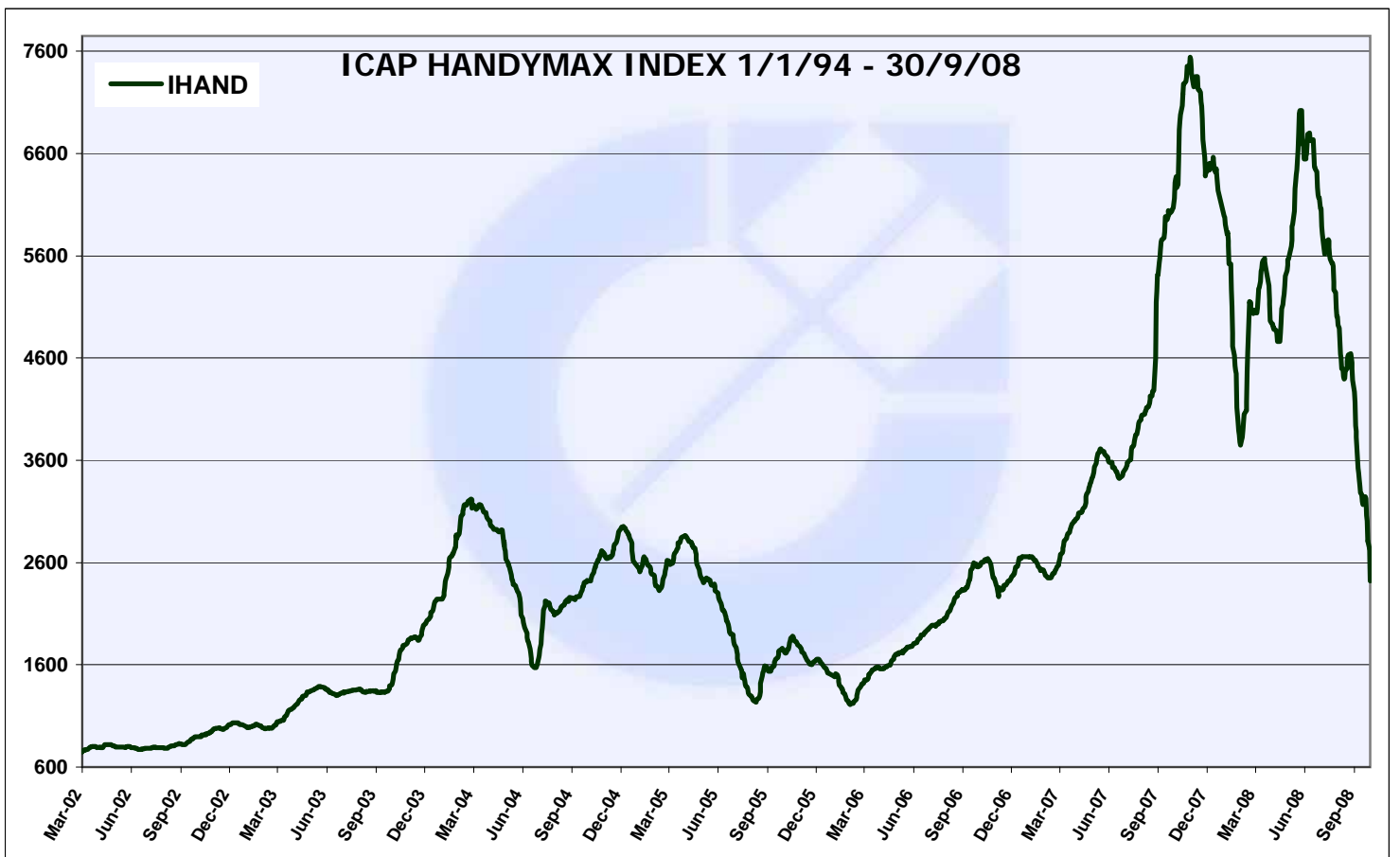
BALTIC HANDY INDEX 23/05/06 - 30/9/2008 (2 YEARS)



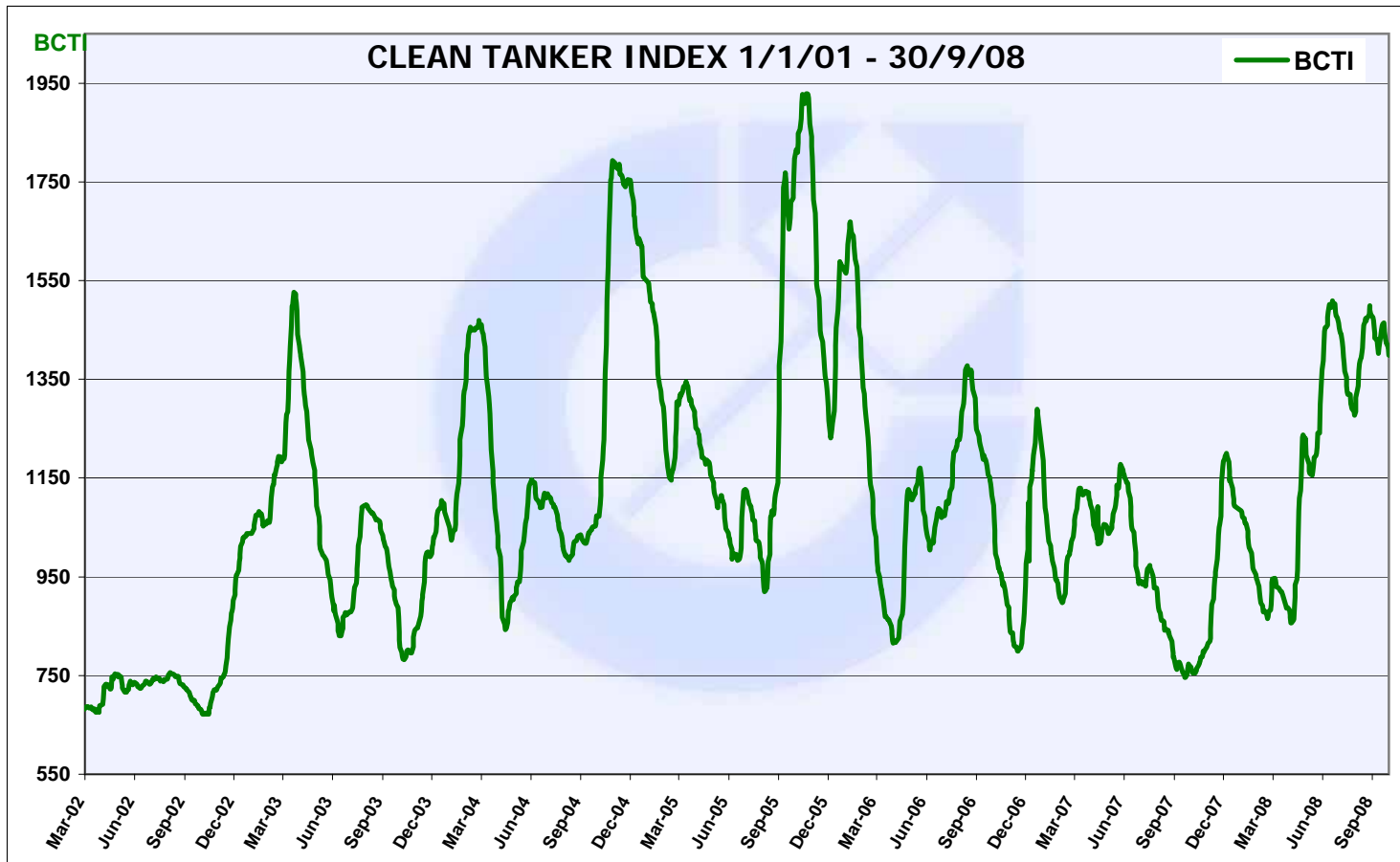
BALTIC SUPRAMAX INDEX 1/1/06 - 30/9/2008 (2 YEARS)



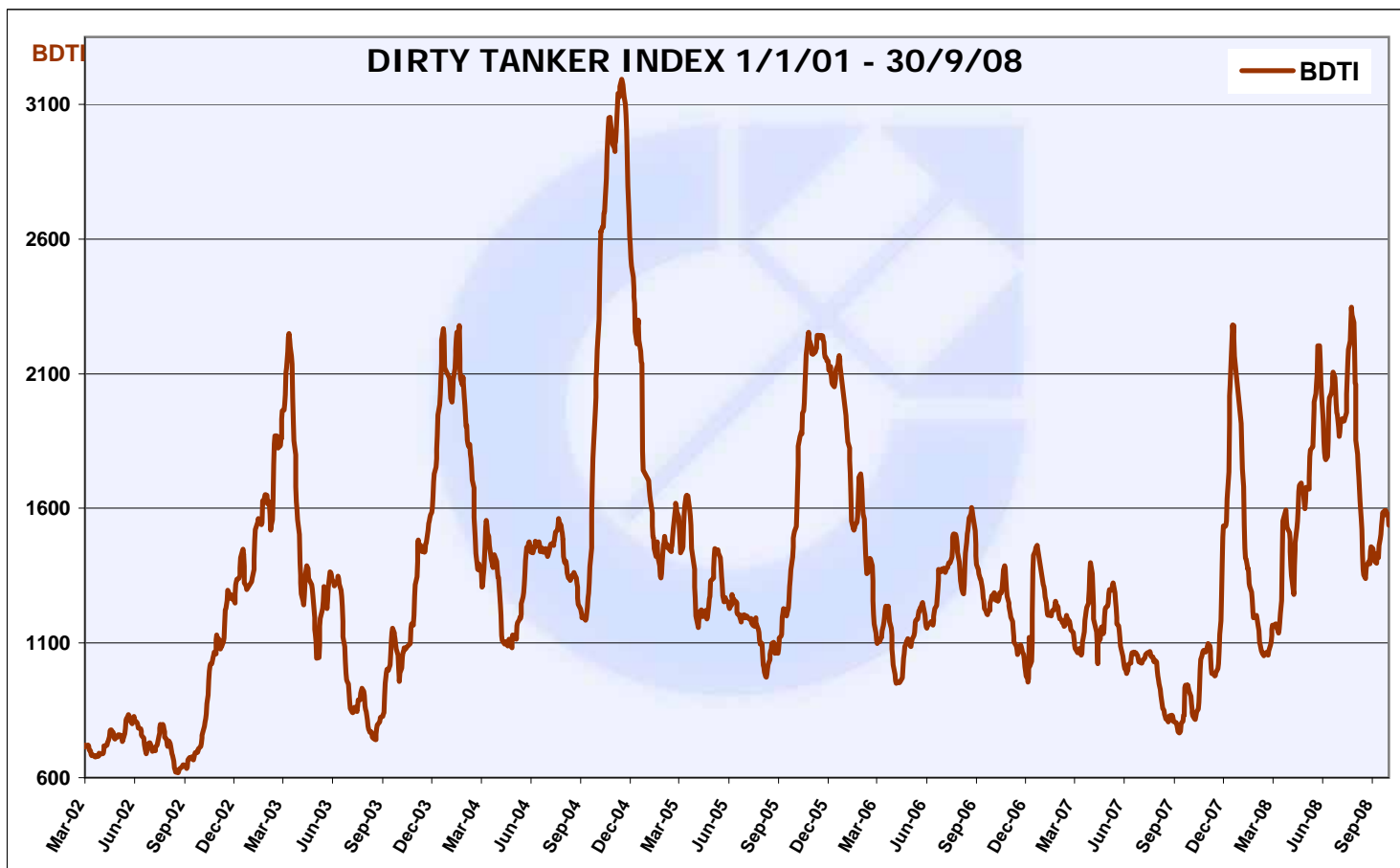
ICAP HYDE SUPRAMAX INDEX 1/1/02 - 30/9/2008 (6 YEARS)



ICAP HANDYMAX INDEX 22/11/93 - 30/9/2008 (15 YEARS)

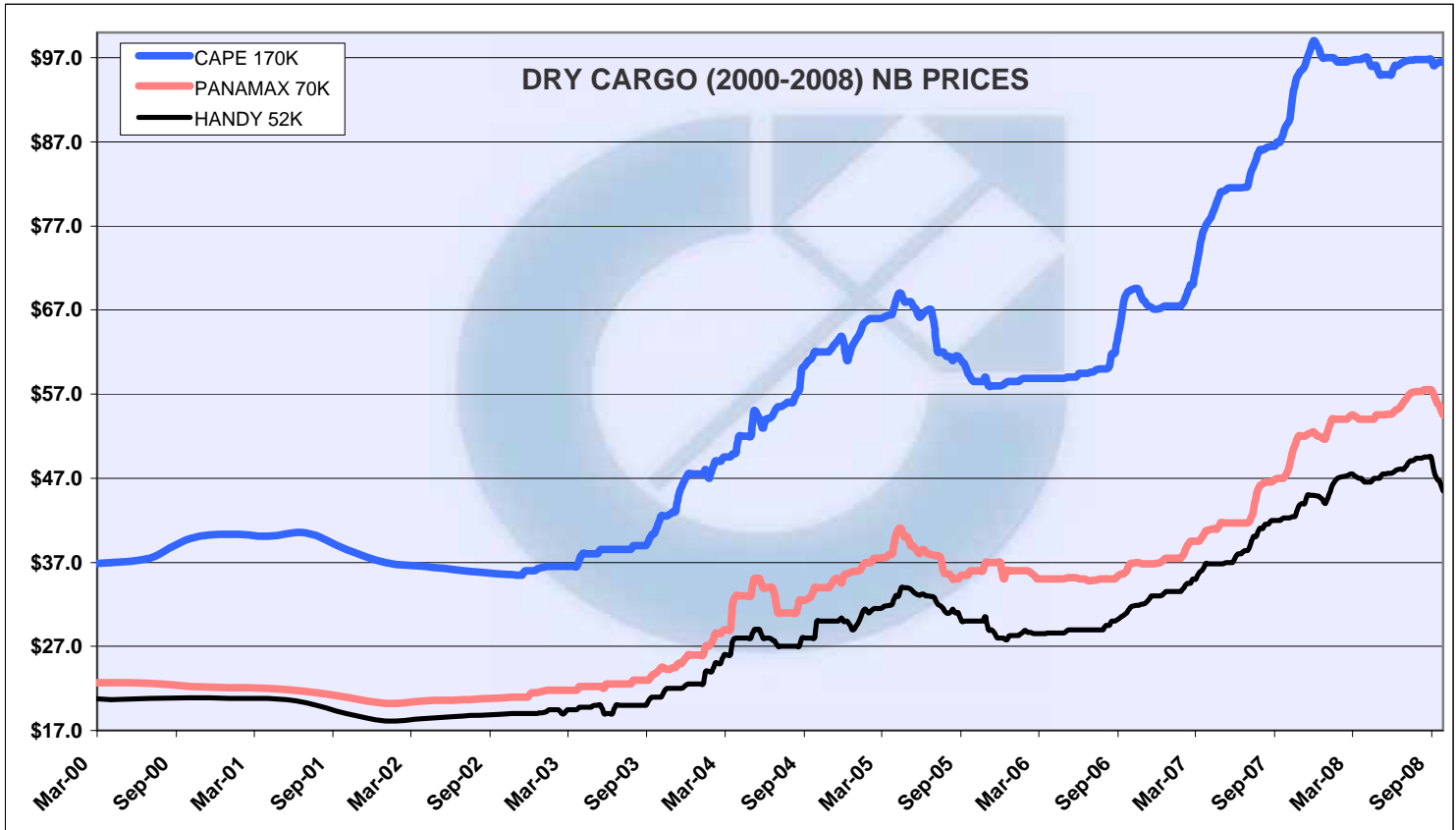


CLEAN TANKER INDEX 3/8/98 - 30/9/2008 (10 YEARS)

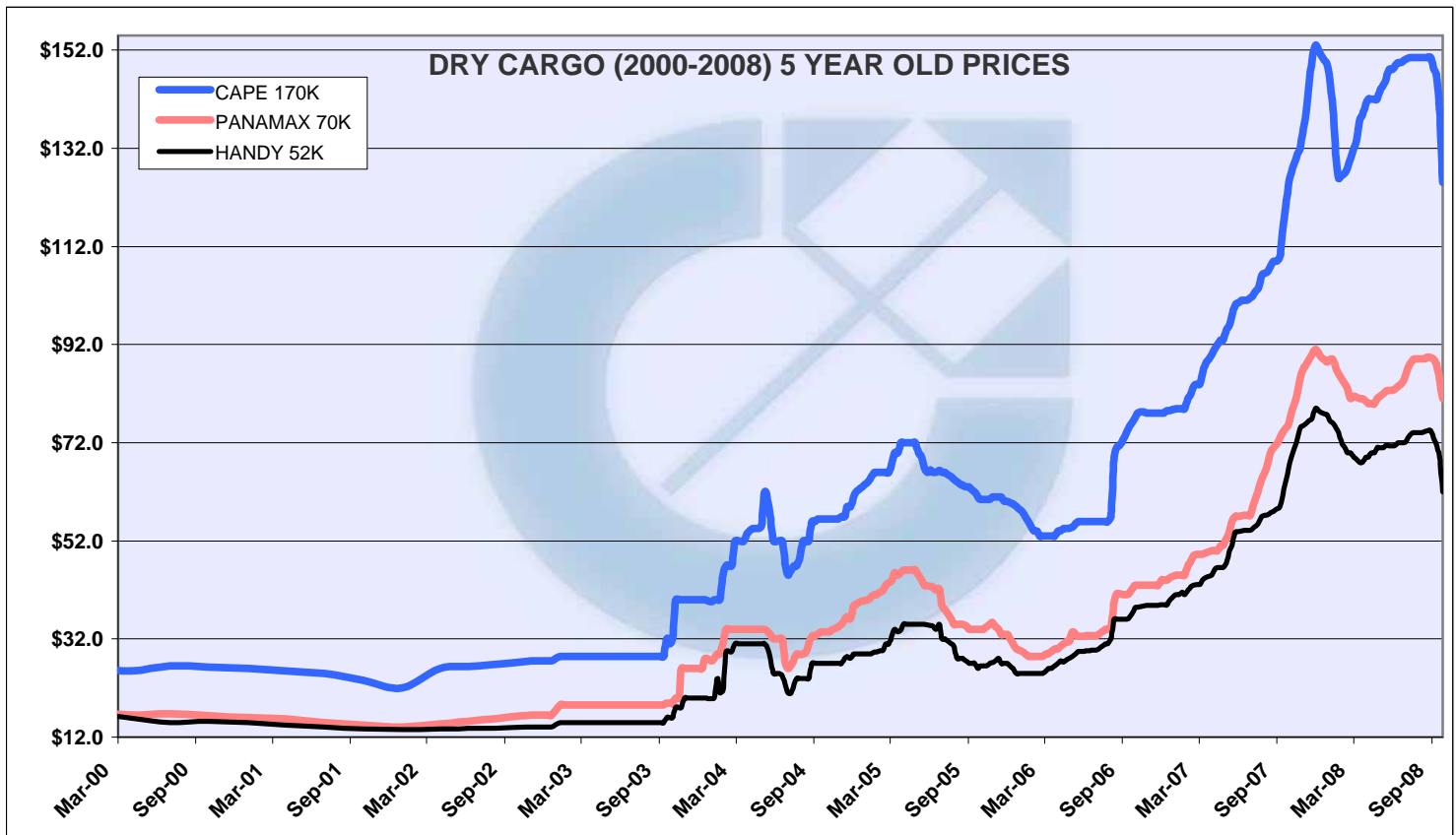


DIRTY TANKER INDEX 3/8/98 - 30/9/2008 (10 YEARS)

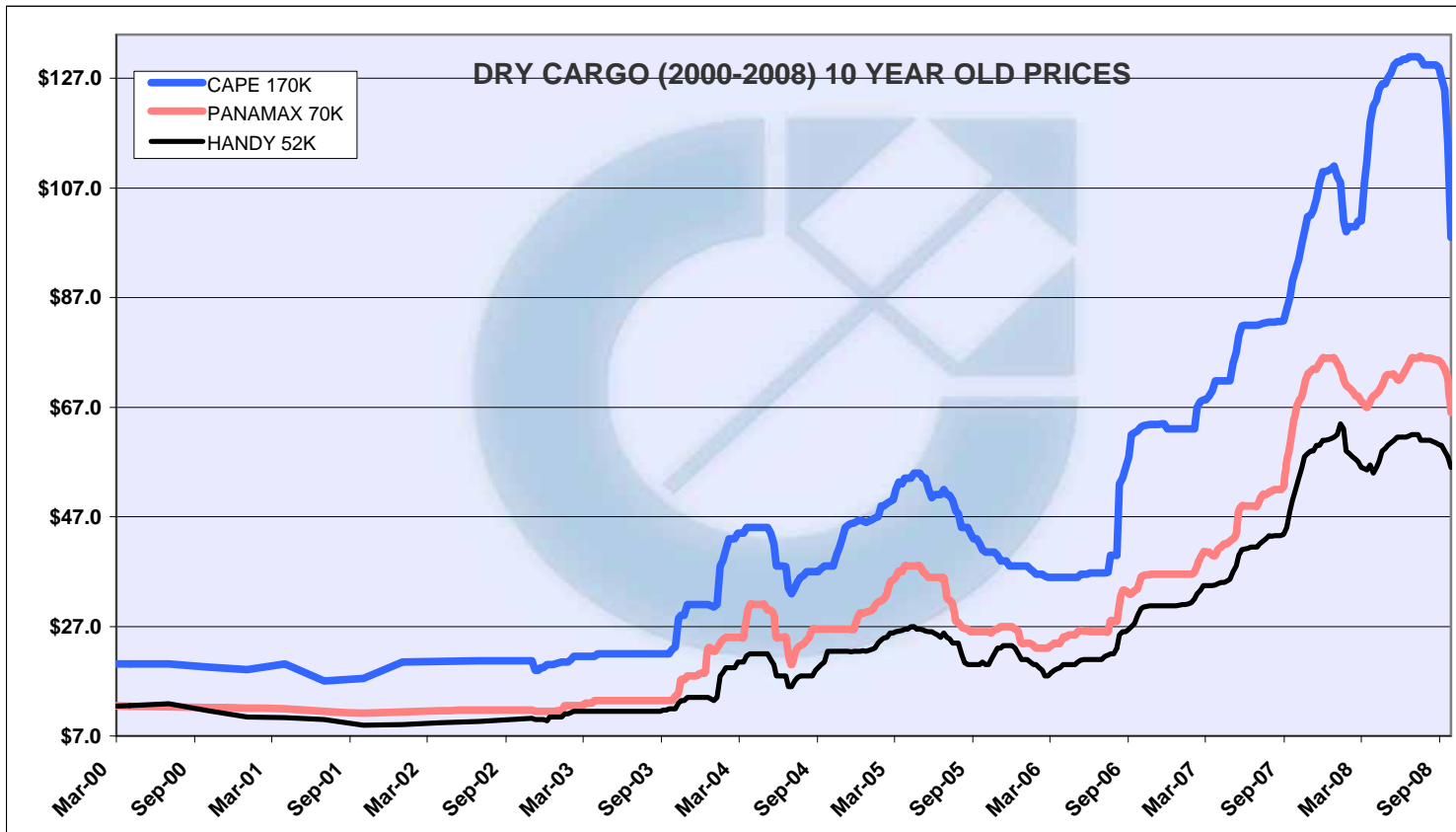
DRY CARGO SHIP VALUES



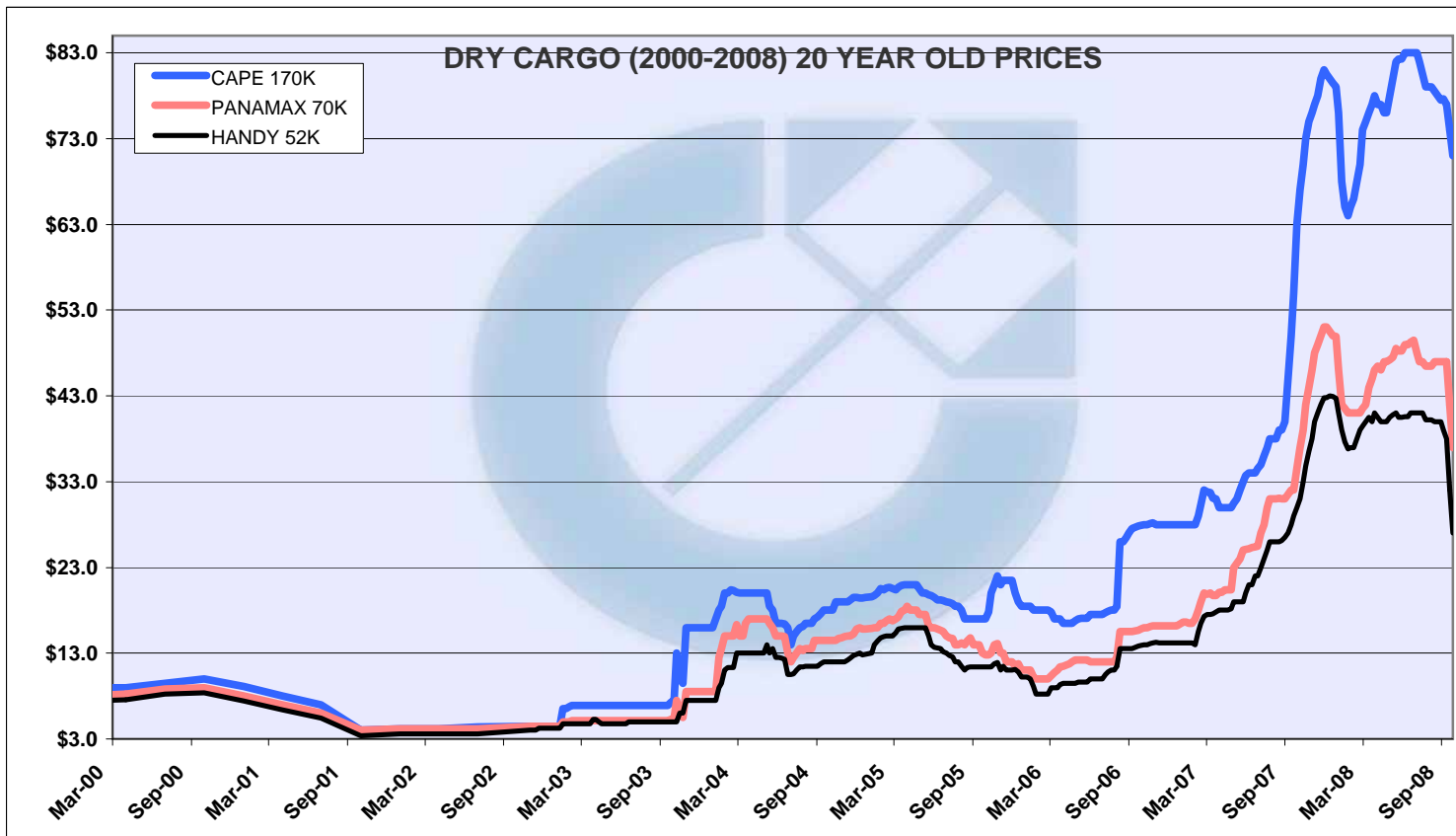
DRY CARGO (1993-2008) NB PRICES



DRY CARGO (1993-2008) 5 YEAR OLD PRICES

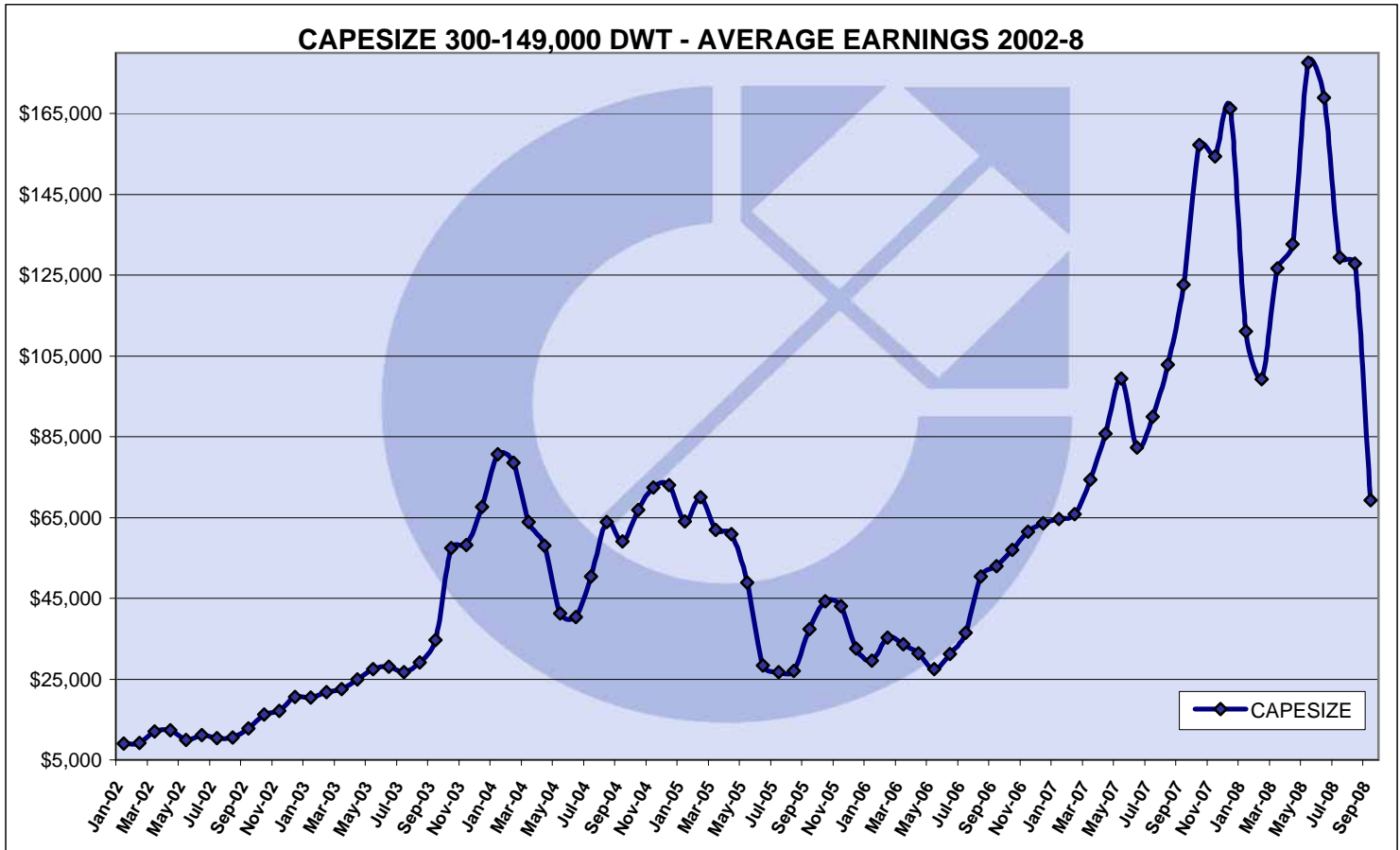


DRY CARGO (1993-2008) 10 YEAR OLD PRICES

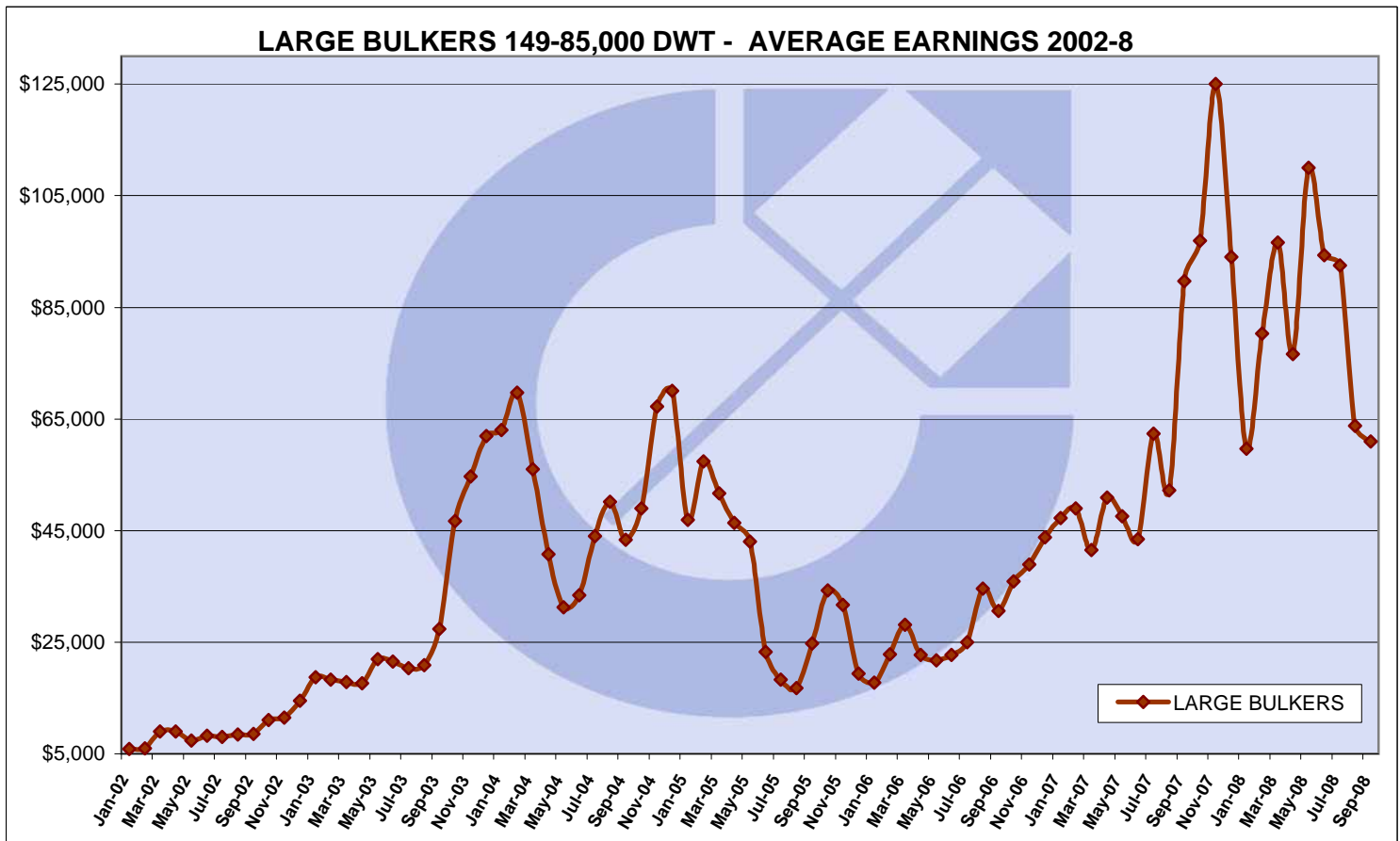


DRY CARGO (1993-2008) 20 YEAR OLD PRICES

DRY CARGO SHIP AVERAGE EARNINGS



CAPESIZE BULKERS 300-149,000 DWT - AVERAGE EARNINGS 2002-8



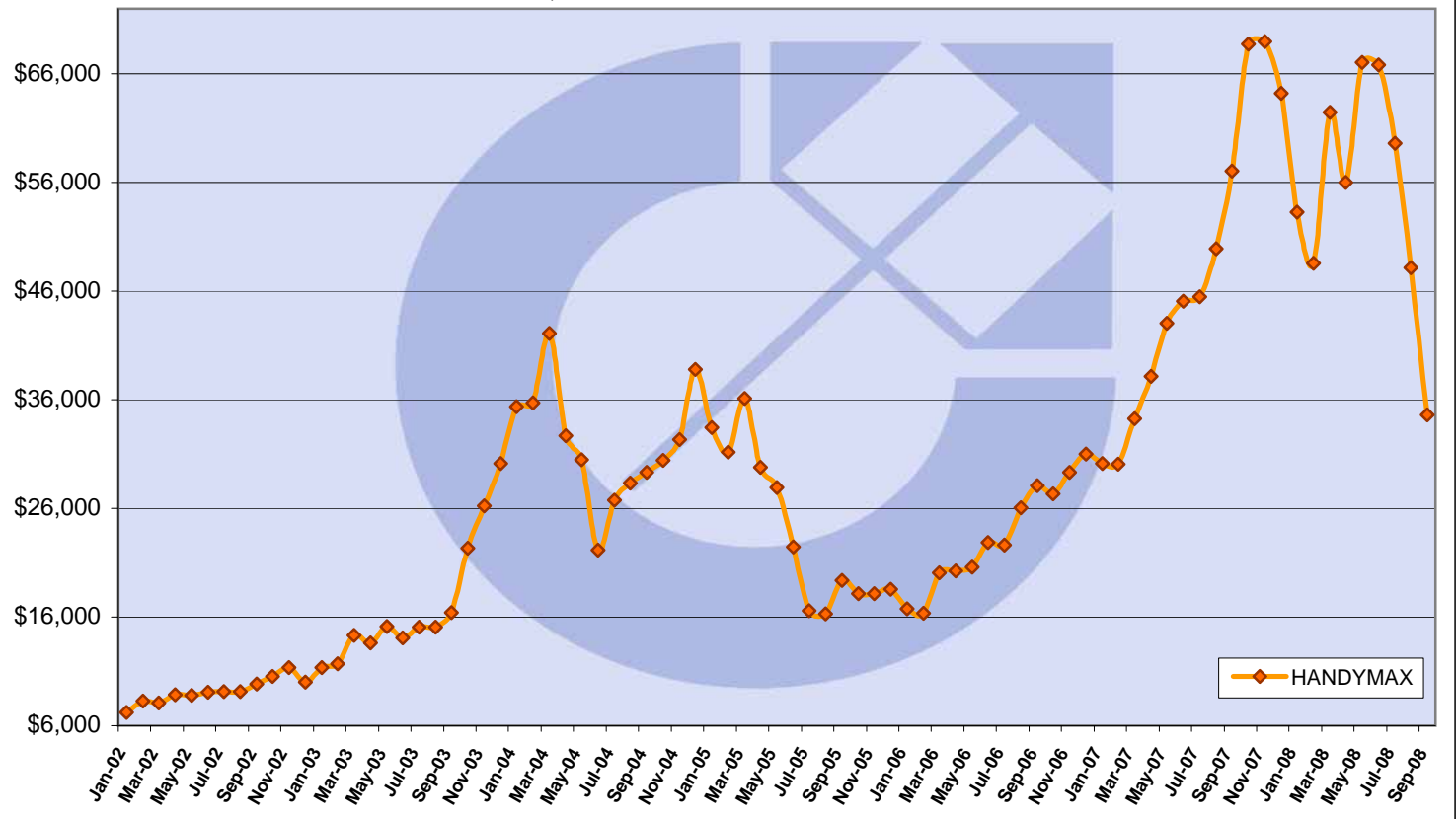
LARGE BULKERS 149-85,000 DWT - AVERAGE EARNINGS 2002-8

PANAMAX 85-59,000 DWT - AVERAGE EARNINGS 2002-8



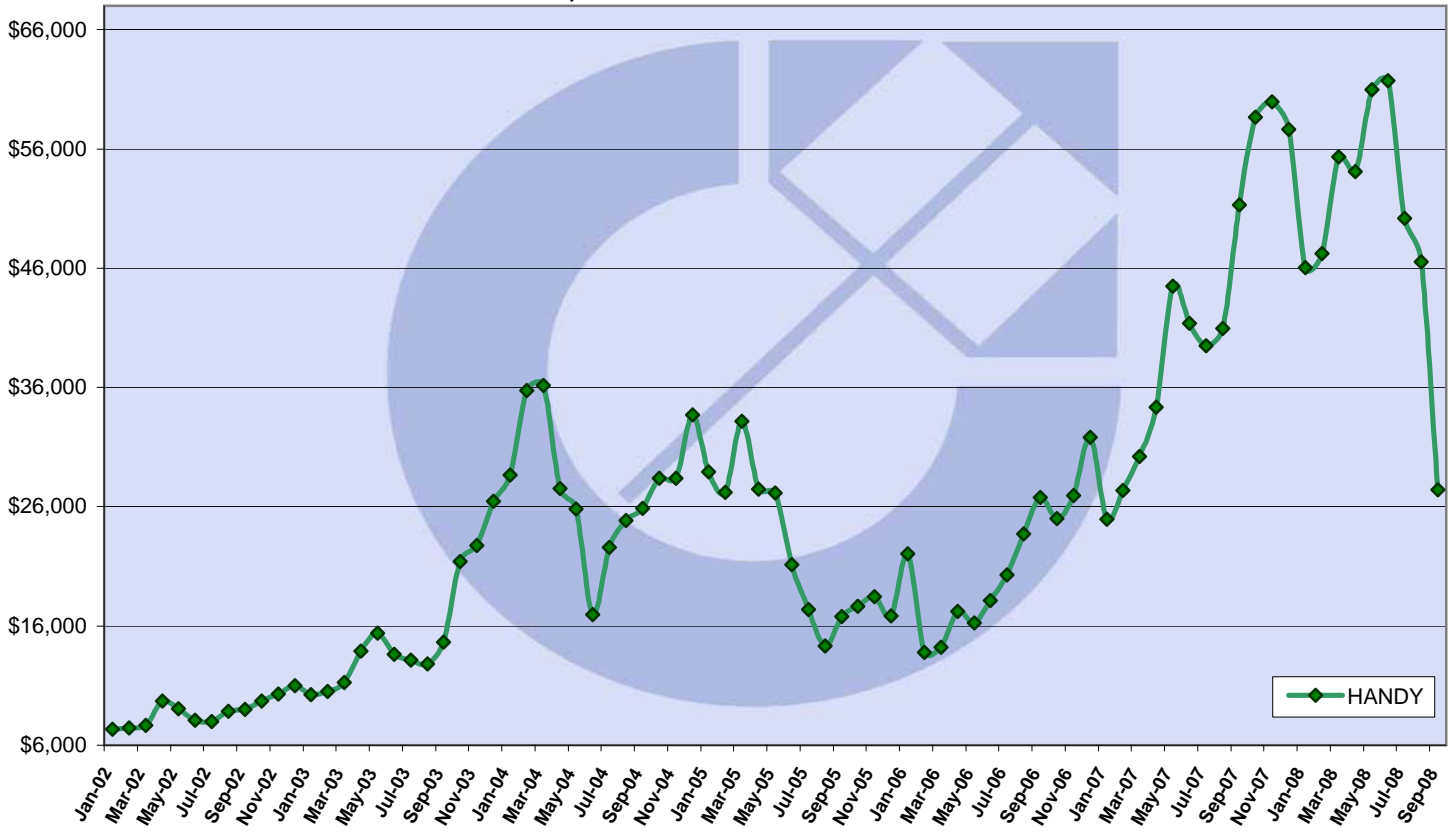
PANAMAX 85-59,000 DWT - AVERAGE EARNINGS 2002-8

HANDYMAX 59-48,000 DWT - AVERAGE EARNINGS 2002-2008



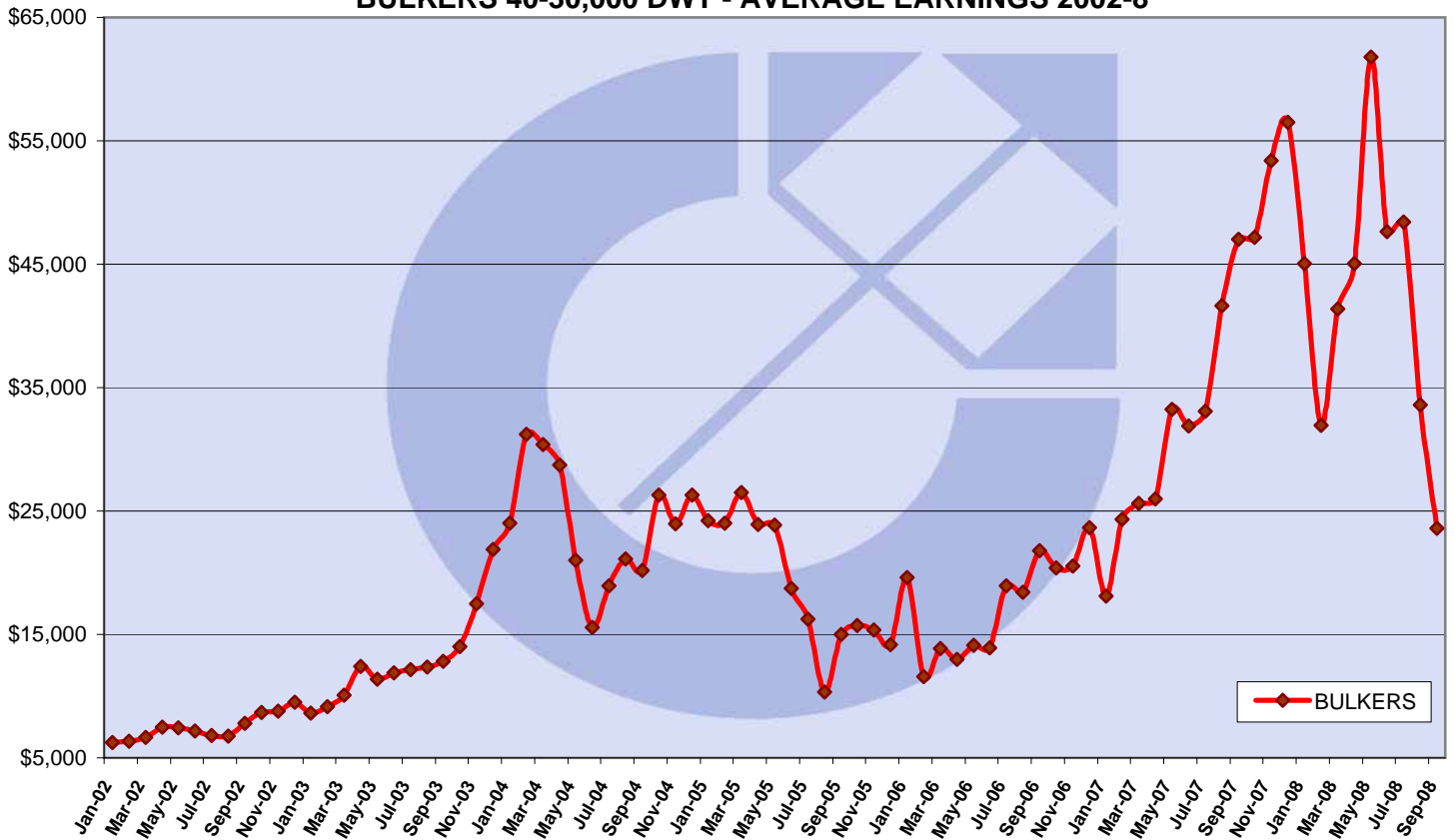
HANDYMAX 59-48,000 DWT - AVERAGE EARNINGS 2002-2008

HANDY 48-40,000 DWT - AVERAGE EARNINGS 2002-8

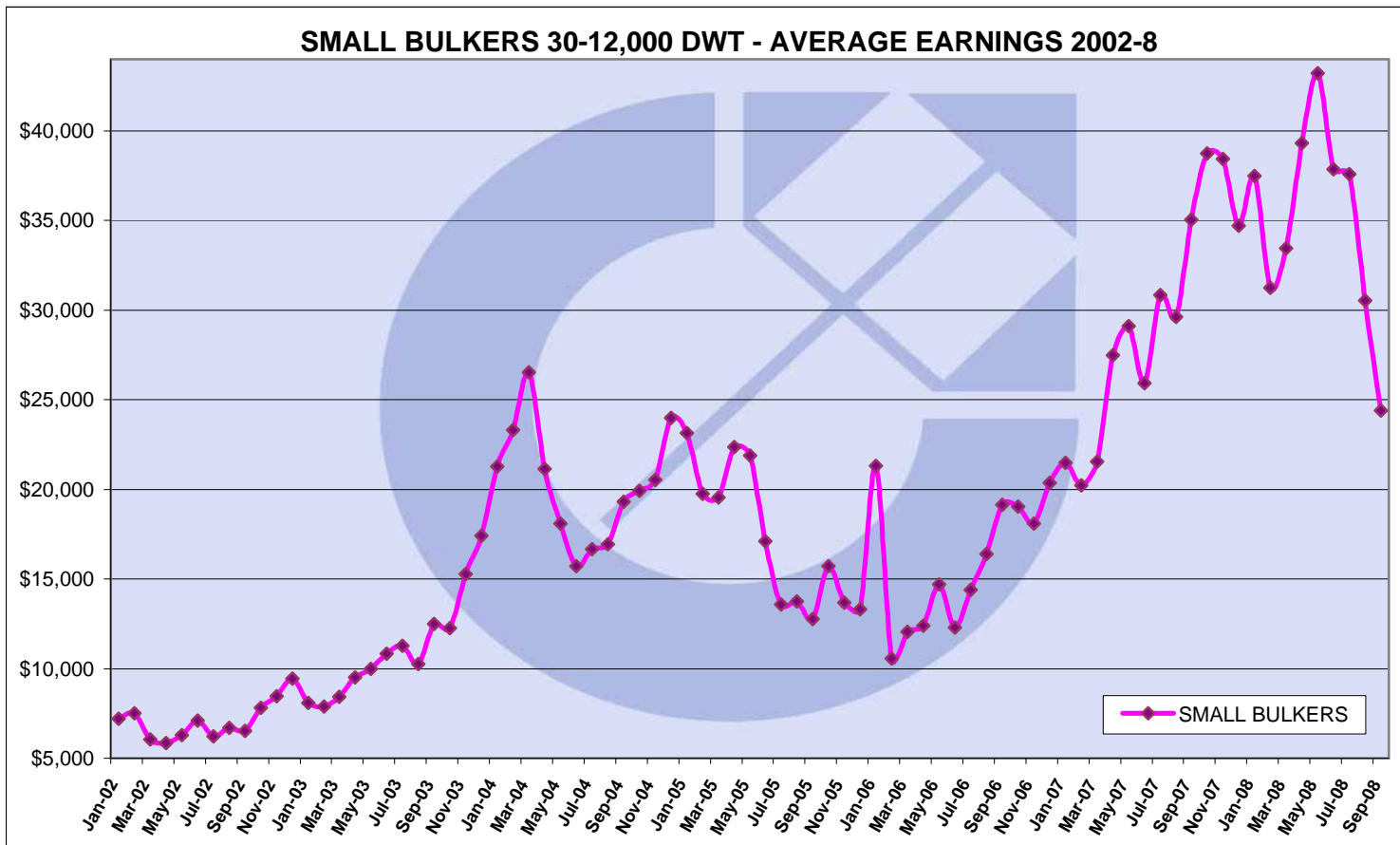


HANDY 48-40,000 DWT - AVERAGE EARNINGS 2002-8

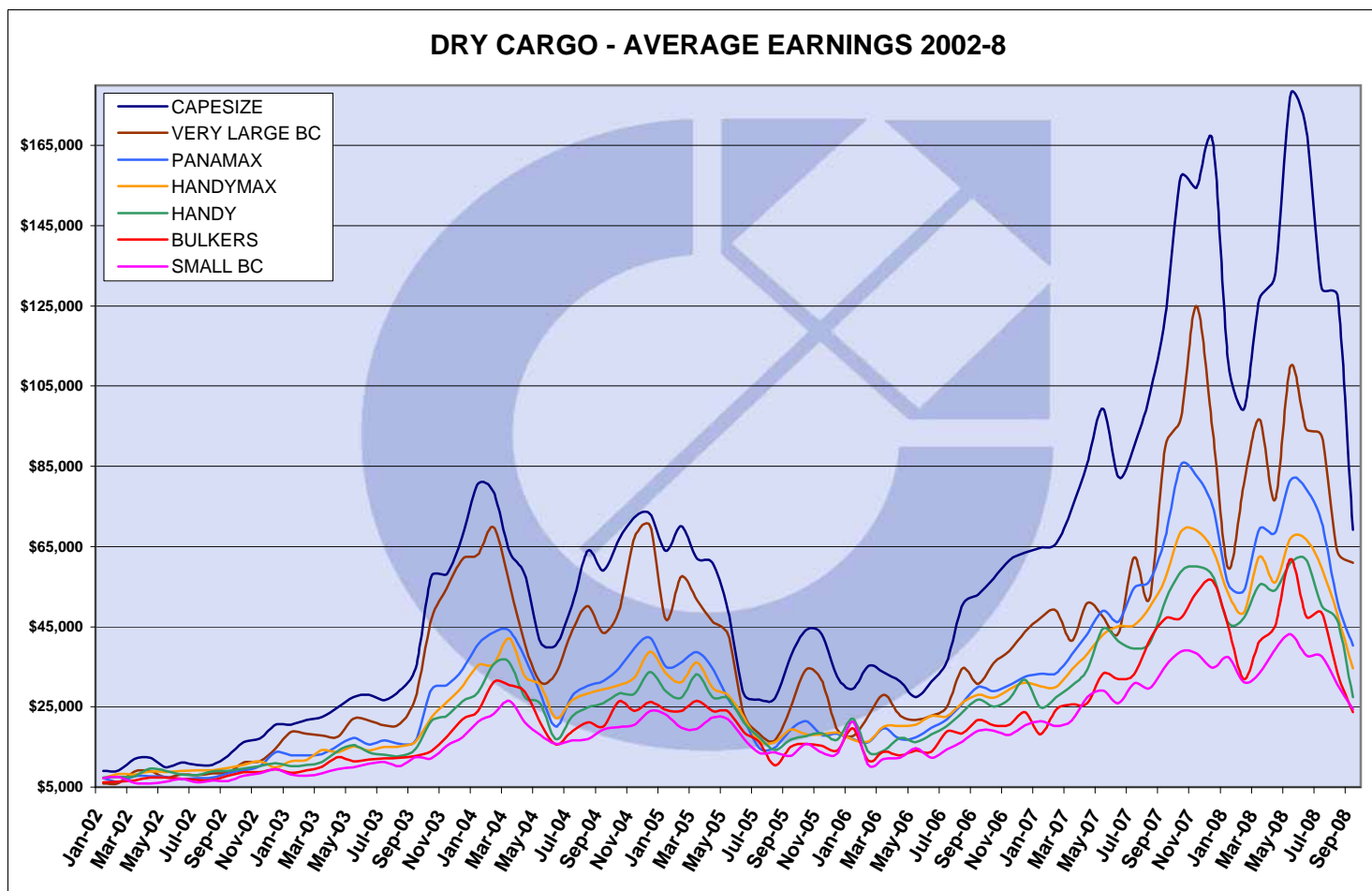
BULKERS 40-30,000 DWT - AVERAGE EARNINGS 2002-8



BULKERS 40-30,000 DWT - AVERAGE EARNINGS 2002-8



SMALL BULKERS 30-12,000 DWT - AVERAGE EARNINGS 2002-8



DRY CARGO - AVERAGE EARNINGS 2002-8 (ALL VSL TYPES)

2008

2008	UNITS SOLD			CAPITAL OUTLAY			DWT SOLD		
MONTH	DRY	WET	TOTAL	DRY	WET	TOTAL	DRY	WET	TOTAL
JANUARY	85	41	126	\$2,442.74m	\$1,491.40m	\$3,934.14m	2,481,624	3,238,949	5,720,573
FEBRUARY	82	51	133	\$1,456.20m	\$1,570.70m	\$3,026.90m	2,133,295	4,143,051	6,276,346
MARCH	86	52	138	\$3,044.29m	\$1,721.80m	\$4,766.09m	3,785,414	4,005,487	7,790,901
APRIL	98	49	147	\$4,088.28m	\$1,707.30m	\$5,795.58m	3,647,604	3,048,669	6,696,273
MAY	115	43	158	\$3,781.82m	\$1,434.95m	\$5,216.77m	4,250,753	2,920,540	7,171,293
JUNE	97	46	143	\$2,667.55m	\$1,715.15m	\$4,382.70m	3,382,536	3,103,587	6,486,123
JULY	77	43	120	\$2,374.28m	\$1,870.70m	\$4,244.98m	2,907,490	4,247,283	7,154,773
AUGUST	55	37	92	\$1,568.48m	\$1,029.59m	\$2,598.07m	2,109,473	2,431,539	4,541,012
SEPTEMBER	73	23	96	\$1,644.95m	\$547.05m	\$2,192.00m	2,593,119	811,596	3,404,715
OCTOBER	0	0	0	\$0.00m	\$0.00m	\$0.00m	0	0	0
NOVEMBER	0	0	0	\$0.00m	\$0.00m	\$0.00m	0	0	0
DECEMBER	0	0	0	\$0.00m	\$0.00m	\$0.00m	0	0	0
TOTAL 2008	768	385	1153	\$23,068.60m	\$13,088.64m	\$36,157.23m	27,291,308	27,950,701	55,242,009

2007

2007	UNITS SOLD			CAPITAL OUTLAY			DWT SOLD		
MONTH	DRY	WET	TOTAL	DRY	WET	TOTAL	DRY	WET	TOTAL
JANUARY	107	56	163	\$1,918.17m	\$947.30m	\$2,865.47m	4,339,475	2,525,167	6,864,642
FEBRUARY	82	50	132	\$2,415.84m	\$1,048.25m	\$3,464.09m	4,321,835	2,891,251	7,213,086
MARCH	108	31	139	\$2,330.15m	\$789.55m	\$3,119.70m	4,558,081	2,165,966	6,724,047
APRIL	122	50	172	\$3,709.65m	\$1,478.00m	\$5,187.65m	7,205,104	3,221,021	10,426,125
MAY	137	61	198	\$3,051.04m	\$2,133.75m	\$5,184.79m	4,894,983	4,757,574	9,652,557
JUNE	108	70	178	\$2,030.60m	\$2,338.37m	\$4,368.97m	3,369,782	5,165,416	8,535,198
JULY	163	34	197	\$5,790.40m	\$1,430.55m	\$7,220.95m	8,463,283	2,520,864	10,984,147
AUGUST	84	36	120	\$2,823.13m	\$1,021.75m	\$3,844.88m	3,755,816	2,668,848	6,424,664
SEPTEMBER	77	46	123	\$2,051.65m	\$1,386.85m	\$3,438.50m	3,172,253	2,991,438	6,163,691
OCTOBER	141	67	208	\$4,315.81m	\$1,837.00m	\$6,152.81m	5,319,934	4,198,224	9,518,158
NOVEMBER	145	40	185	\$4,509.41m	\$1,214.55m	\$5,723.96m	6,035,362	2,614,259	8,649,621
DECEMBER	66	56	122	\$1,529.43m	\$2,828.80m	\$4,358.23m	1,889,853	7,295,600	9,185,453
TOTAL 2007	1340	597	1937	\$36,475.28m	\$18,454.72m	\$54,930.00m	57,325,761	43,015,628	100,341,389

2006

2006	UNITS SOLD			CAPITAL OUTLAY			DWT SOLD		
MONTH	DRY	WET	TOTAL	DRY	WET	TOTAL	DRY	WET	TOTAL
JANUARY	67	46	113	\$915.92m	\$1,752.35m	\$2,668.27m	2,157,524	4,867,107	7,024,631
FEBRUARY	68	48	116	\$1,886.55m	\$1,689.43m	\$3,575.98m	3,715,192	3,580,338	7,295,530
MARCH	75	69	144	\$1,190.65m	\$2,516.33m	\$3,706.98m	3,587,131	5,346,521	8,933,652
APRIL	57	31	88	\$685.40m	\$915.20m	\$1,600.60m	2,040,481	1,662,012	3,702,493
MAY	110	58	168	\$2,789.55m	\$922.10m	\$3,711.65m	5,720,170	2,034,387	7,754,557
JUNE	115	35	150	\$1,889.17m	\$854.55m	\$2,743.72m	4,166,463	1,206,691	5,373,154
JULY	80	26	106	\$1,246.48m	\$615.30m	\$1,861.78m	3,272,657	1,440,814	4,713,471
AUGUST	112	44	156	\$2,163.89m	\$1,926.60m	\$4,090.49m	4,743,047	3,550,390	8,293,437
SEPTEMBER	80	47	127	\$1,747.32m	\$1,607.05m	\$3,354.37m	3,876,045	3,171,331	7,047,376
OCTOBER	88	37	125	\$1,743.89m	\$1,168.45m	\$2,912.34m	3,696,441	3,653,844	7,350,285
NOVEMBER	104	26	130	\$1,965.75m	\$680.55m	\$2,646.30m	3,224,100	1,267,516	4,491,616
DECEMBER	104	43	147	\$2,068.77m	\$1,020.25m	\$3,089.02m	4,745,371	3,316,483	8,061,854
TOTAL 2006	1060	510	1570	\$20,293.34m	\$15,668.16m	\$35,961.50m	44,944,622	35,097,434	80,042,056

2005

2005	UNITS SOLD			CAPITAL OUTLAY			DWT SOLD		
MONTH	DRY	WET	TOTAL	DRY	WET	TOTAL	DRY	WET	TOTAL
JANUARY	73	44	117	\$1,314.89m	\$1,609.90m	\$2,924.79m	3,069,052	4,534,640	7,603,692
FEBRUARY	107	38	145	\$2,193.49m	\$877.80m	\$3,071.29m	5,232,787	2,284,438	7,517,225
MARCH	112	67	179	\$2,550.43m	\$3,016.10m	\$5,566.53m	4,900,346	6,385,327	11,285,673
APRIL	88	60	148	\$1,648.45m	\$1,358.35m	\$3,006.80m	4,037,692	3,544,149	7,581,841
MAY	75	42	117	\$806.98m	\$896.90m	\$1,703.88m	1,762,023	2,065,302	3,827,325
JUNE	42	50	92	\$515.30m	\$1,292.60m	\$1,807.90m	1,003,905	2,979,077	3,982,982
JULY	49	30	79	\$652.05m	\$629.28m	\$1,281.33m	890,425	1,223,007	2,113,432
AUGUST	52	35	87	\$784.85m	\$722.80m	\$1,507.65m	2,231,040	1,997,151	4,228,191
SEPTEMBER	79	50	129	\$1,985.55m	\$1,892.80m	\$3,878.35m	3,650,377	4,004,091	7,654,468
OCTOBER	59	59	118	\$1,357.96m	\$1,775.20m	\$3,133.16m	3,047,547	4,804,991	7,852,538
NOVEMBER	55	36	91	\$682.28m	\$668.93m	\$1,351.21m	1,593,491	2,033,730	3,627,221
DECEMBER	56	38	94	\$894.40m	\$1,538.25m	\$2,432.65m	1,746,694	3,629,408	5,376,102
TOTAL 2005	847	549	1396	\$15,386.63m	\$16,278.91m	\$31,665.54m	33,165,379	39,485,311	72,650,690