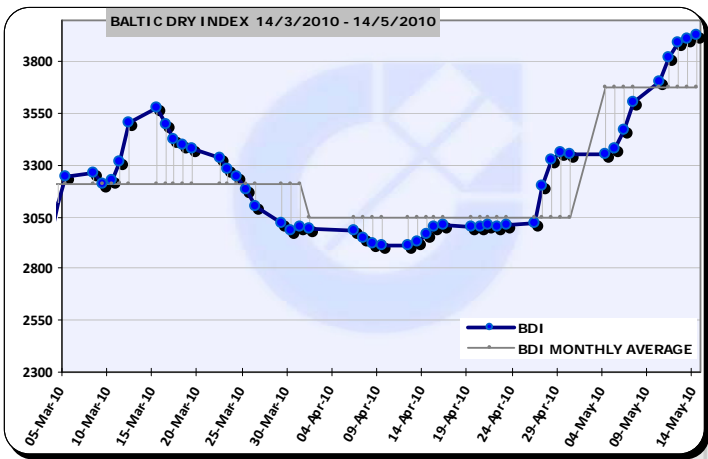


19th Week - Dry Cargo Market "Highlights" – 10/5/2010 until 14/5/2010



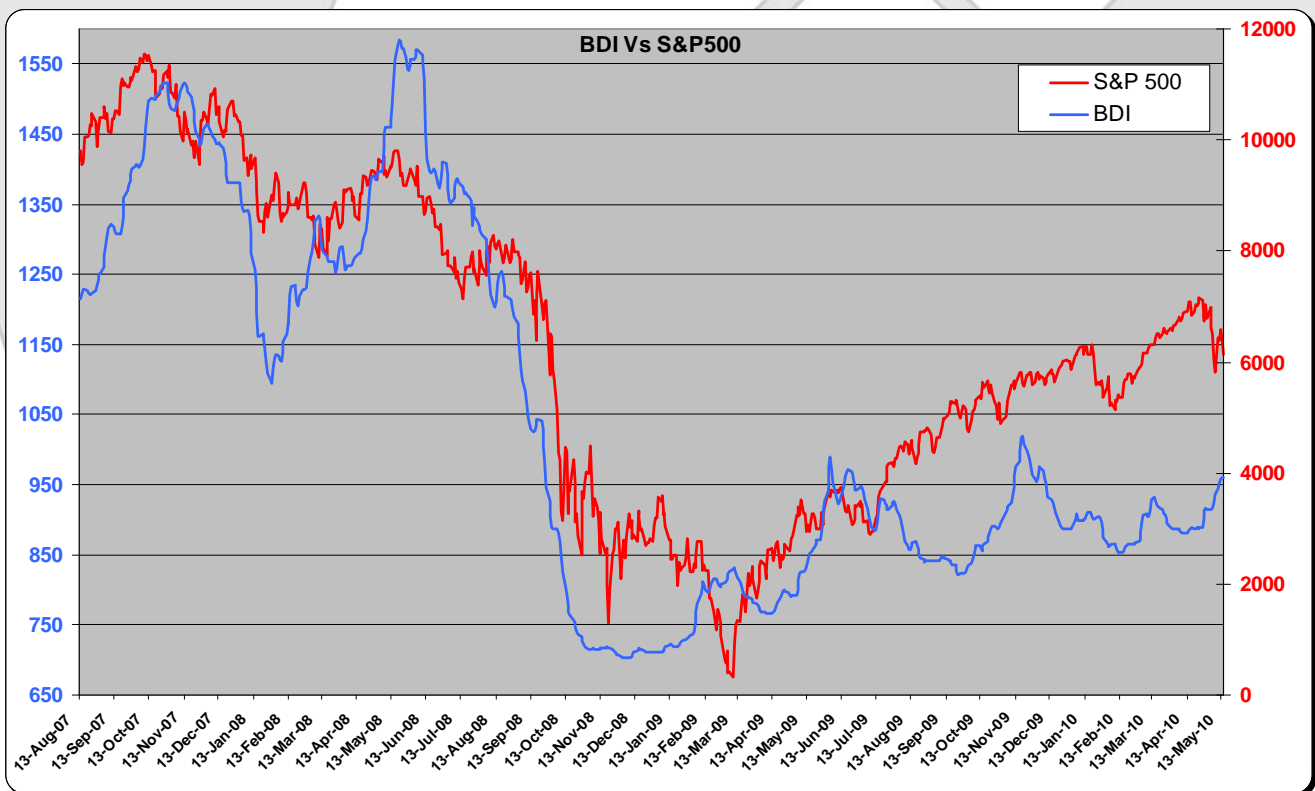
The *Baltic Dry Index* is on a steady climb. It closed on Friday the 14th of May 2010 positively at **3929** points with a weekly gain of **8.90%** or **321** points. (Last Friday's the 7th of May 2010 closing value was **3608** points).

The Index started the week on Monday with a good increase, which continued for the next 4 working days of the week which were all positive. It is notable though that the rate of increase fell as the week-end neared, mainly due to the fall in the Cape index which affects severely the BDI. For Statistics purposes the closing of Friday the 14th of May, at 3929 points is the BDI's highest point for 2010.

We have mentioned extensively on the relationship of the Baltic Dry Index and the stock markets and/or in general with

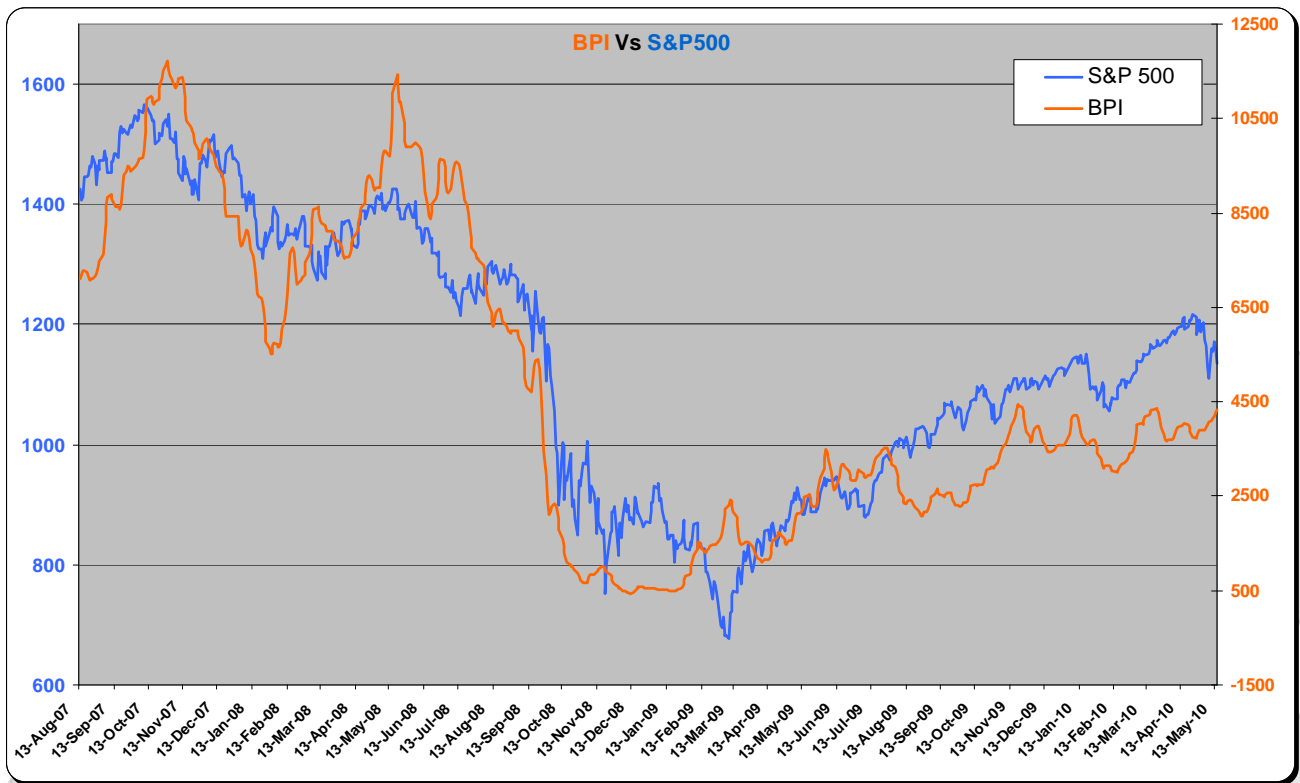
the world economic conditions. Many simplistically say that the Baltic Dry Index can be seen as a leading indicator for the stock market, as the BDI tracks international trade and that tracks economic activity which eventually is translated into profits and eventually changes in stock prices.

In the following chart comparing the relationship between the Baltic Dry Index and the S&P 500 we see a clear strong correlation, but things are turning loose after March-April 2009. The S&P500 since then has clearly gained a reasonable amount (55% increase), and the BDI has shown excessive volatility and fluctuations. To the contrary the S&P500 index has been on a steady rise with an overall upward rising trend. So could it well be that the BDI having so much of influence from the Cape index is not really a consumer commodity, end product indicator of what finished goods are actually in demand and what moves via seaborne trade. Yes it shows in general the trends and conditions of sea trade, but fails to show any clear consumer trends in our radar screen.

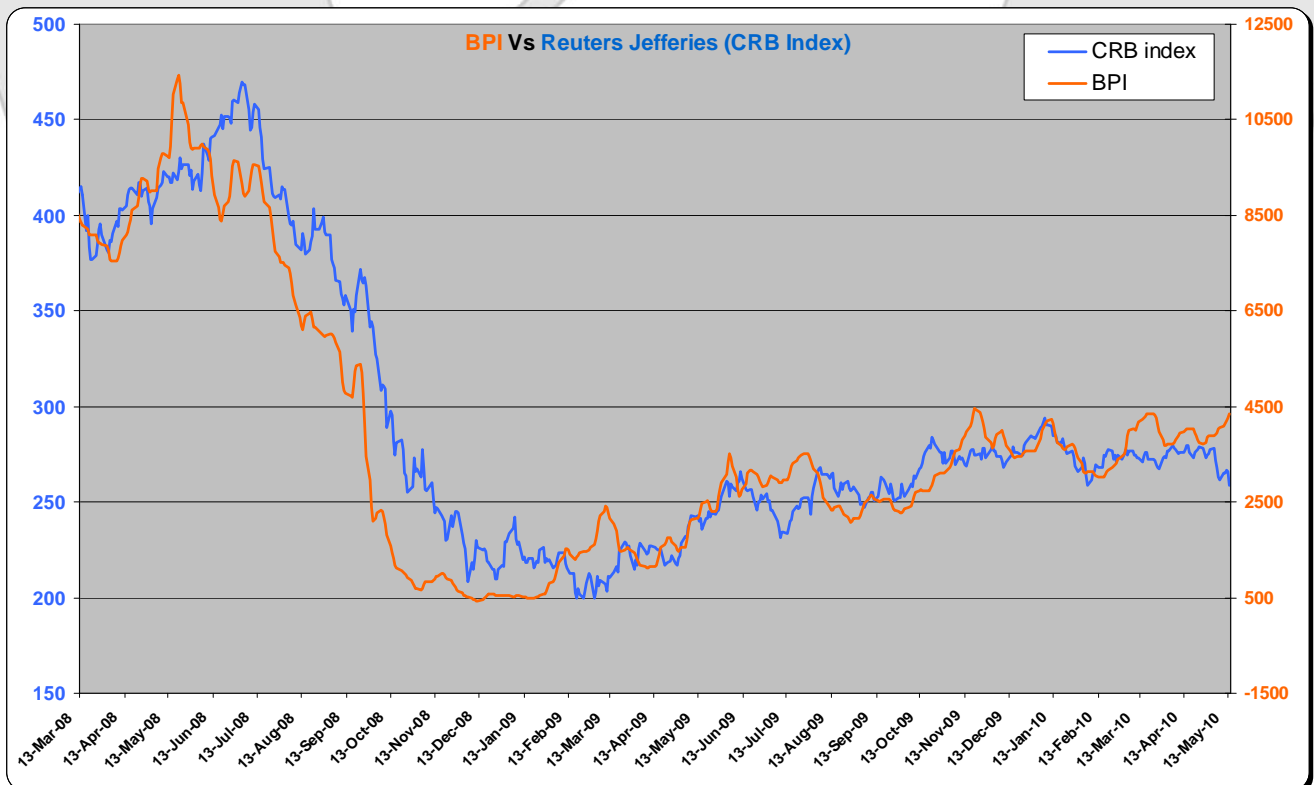


We studied the plotting of the Baltic Cape index with the S&P500 index and results looked really ugly, with the two indicators showing in both practical and theoretical terms no relation, and no correlation.

So we thought of moving into the next smaller sector of ship size the Panamax, that carries a better mixture of raw materials, end-products and finished goods. In theory it should match closer the real economy figures of the Standard and Poor's top500 pick. Results are interesting so, lets look a the following chart that plots the S&P500 with the Baltic Panamax Index. Here the correlation is really fascinating. The ups and downs are generally matched, but what shows near perfect correlation is the trend and overall slopes in the two charts.



So Commodities and related markets fall first and then we see the reflection in the Shipping markets? Commodities seem to be falling as the Chinese re-stocking cycle has ended (and with that shipping rates which rose during the re-stocking have eased again). If it is indeed due to less demand amid an ending of re-stocking (or due to increased supply) as opposed to lower end demand amid weak growth, then lower commodity prices as well as the drop in the CRB index are a positive for equities (as they increase the purchasing power of households and reduce costs for corporates in net-commodity consuming economies) while they are also rather positive for government bonds amid lower inflation pressures. In turn, the drop in the Shipping Dry Index would also explain the diverging performance of bond yields/commodities on the one side and equities on the other and does not necessarily need to be associated with lower equity prices. Therefore, we can not yet tell whether indeed the significant drop in the Baltic Dry Index is a warning signal that stocks are about to fall or whether this is yet another positive (amid lower costs for shipping and for commodities) for the economy and therefore stock markets. (D Pfaendler)

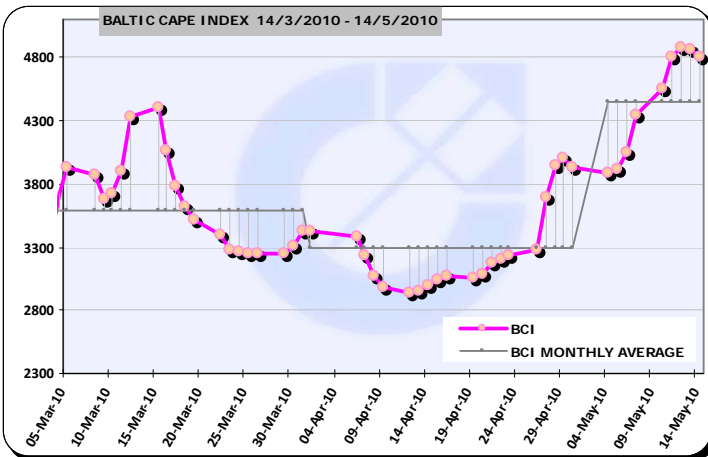


It is interesting to see that the Thomson Reuters/Jefferies CRB Index matches perfectly the Baltic Panamax Index. The match with the BDI is good too, but two spikes initiated by the cape index and reflected in the BDI offshoot the correlation below 0.88% that our econometric model gives us. We are talking about a 90% correlation and this can be used as a useful radar.

In summary form: (week 18) BDI, **gain, 8.90%**, BCI, **gain, 10.49%**, BPI, **gain, 6.84%**, BSI, **gain, 6.51%**, BHI, **gain, 4.89%**

CAPE SIZE MARKET

The **Baltic Cape Index (BCI)** closed on Friday the 14th of May 2010 just below the 4.5k mark, at **4804** points posing for another week a strong w2w **gain of 10.49%** or **456** points over previous week's closing on Friday the 7th May which was **4348** points. It is the fifth consecutive week of gains for the BCI, which could have reached a peak. We have some reasons to believe that the Cape market may have reached a 2-3 week spike and we are for a downward correction.

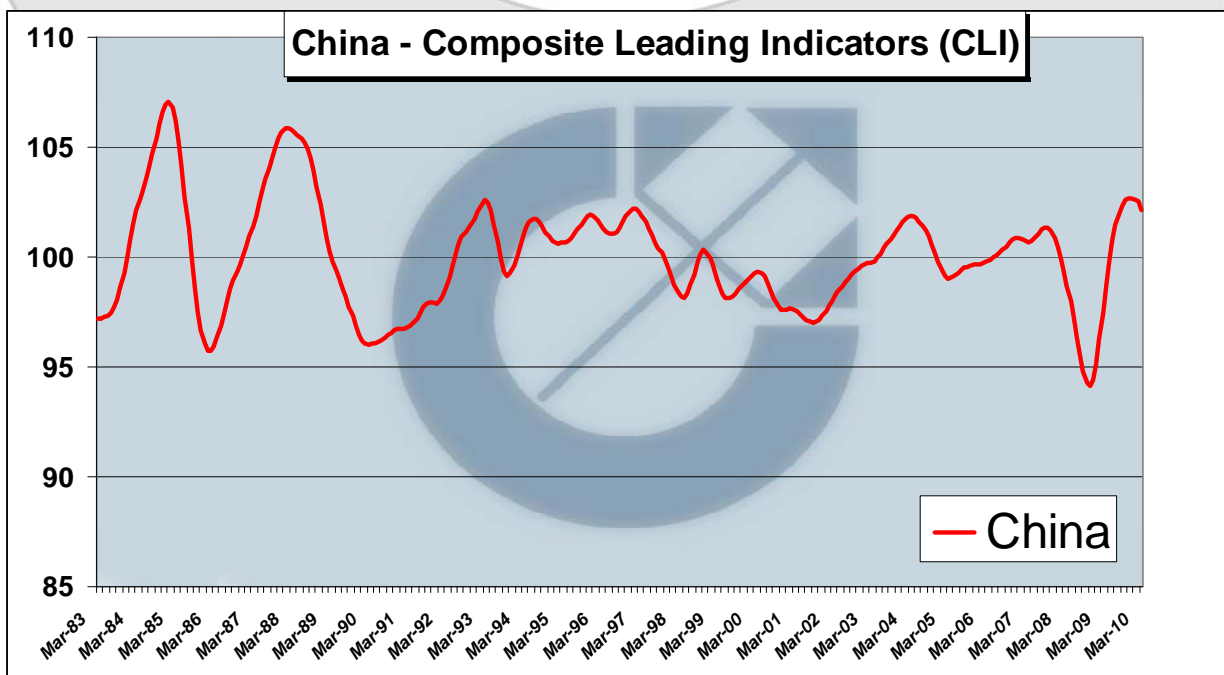


Why? For 2-3 simple reasons. Although we were positive enough 1- ½ months ago that the Cape market would rise, and it did as the fundamentals proved us correct in believing that China's iron ore trade and intake would have a heavy appetite. However Reuters mentioned on Friday that the Chinese Iron/Ore Stockpiles are large, and can last for at least 1 month. Chinese can produce enough Steel, using the stockpiles and this leads to the expectation that

imports will subdue at least for the next 2 weeks max. Adding to this the reduction in steel prices in China as a result of the falling demand for same which results from the growth slowdown which was necessary in order to reduce the inflationary pressures on the economy, give us a clear indication that Capes will go down in the next short period. Chinese Steel millers find it cheaper to purchase iron/ore from the local domestic market rather than importing it.

We had mentioned last week about the other reason we feel that China has its own enormous property boom. The fortunes of provincial governments are tied to land sales. So real estate has become a real rice winner in terms of government revenues. It seems like if China's demand for raw materials is driven by a strong level of fixed asset investment, and China could well be on a "treadmill to hell" with 60% of GDP derived from construction spending, That is a real worry if Chinese government does not find a deflationary solution for the ever rising property values.

The third point of Worry again is China (where else!) and this time it comes from the just reported and published by the OECD, the CLI index. What is the CLI index? It is a leading indicator that shows the early signs of changes in business cycles and alterations in the economic activity of a country and/or region in terms of its medium to short term economic possibilities and capabilities. The results that the CLI measures are not quantitative but qualitative and concentrate in the immediate economic activity of a near time horizon giving us a clear indicator of the productivity by taking into account both the GDP and the Indices of Industrial Production. All this data is fed into the system after having been processed with seasonal adjustment, trend removal, smoothing and normalization. In the chart below we see that after Dec 2009, the industrial production and growth of China is on a slowdown, clearly pointing that we may be optimistic about China keeping the same pace of growth forever. The CLOI published data show that USA, India, Japan, Canada, France, Germany, Russia and UK and the Eurozone in general show positive CLI's while China and Brazil are on a slowdown.



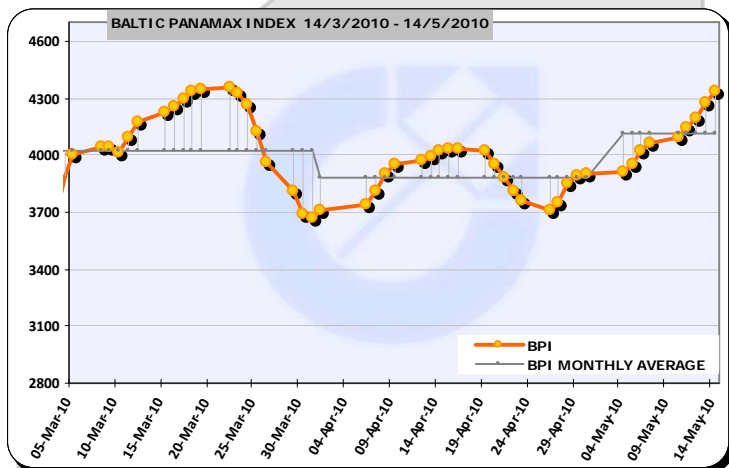
The Capesize T/C average rate calculated every week by N. Cotzias Shipping Consultants from this week T/C fixtures once more followed the rise of the index & went **up** this week by a solid **17.69%**, marginally passing the 40k mark at **\$42,017**.

Previous week's T/C figure was **\$35,700**. Period demand this week was lower, and we had an adequate number of reported cape fixtures of **fourteen (14)** units that were fixed on T/C this week.

The daily min/max rate differential as seen in our separate weekly fixtures report for was **improved** over last week from **\$37,000** (M/V "**Magnolia**", 179643 dwt, built 2009, dely China 20/25 May, redely worldwide, \$37000, Grand China Shipping, for a 11/13 months trading and the M/V "**Brazil**", 152000 dwt, built 1995, dely retro China 20 Apr, redely redel PMO, \$37000, IVS, for a trip via Brazil & PG) up to **\$77,000** (M/V "**Alameda**", 170726 dwt, built 2001, dely Ijmuiden 20/24 May, redely redel China, \$77000, Minmetals, for a trip via Nouadhibou option Tubarao).

PANAMAX MARKET

■ The **Baltic Panamax Index (BPI)** closed on Friday the 14th of May 2010 just above the 4,000 point mark at **4340** which represents an average **gain** of **6.84%** or **278** points compared to **4062** points which was last Friday the 7th May 2010 closing.



The Yearly average of the BPI currently stands slightly down at **3770** points. The Panamax T/C average rate as calculated by N. Cotzias Shipping Consultants, went **up** by **2.64%** to **\$33,248** from **\$32,394** which was last week's Panamax T/C av.

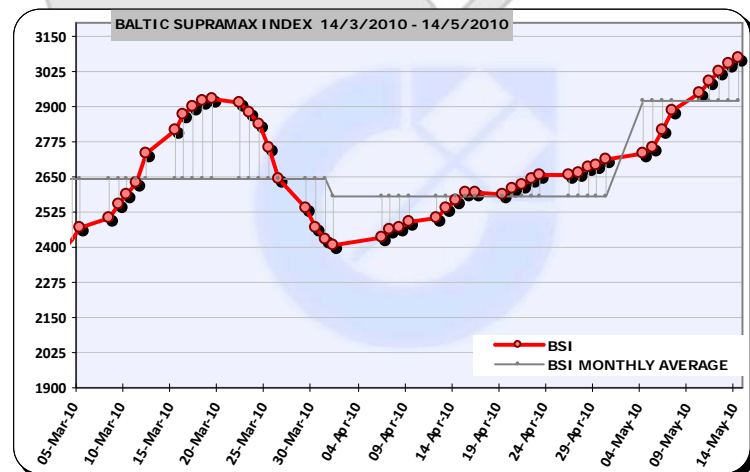
A good number of **sixtyone (61)** Panamax vessels, better than last week, were being chartered this week on Period and T/C's and this shows the steady rising momentum and demand by Charterers.

Panamaxes this week, with **improved** levels compared to last week ranged from **\$15,500** (M/V "**Yong Ping**", 77673 dwt, built 1981, dely Tsaan 14/19 May, redely China, \$15500, Transglobe Shipping, for a 2 laden legs via Xingang & India with metcoke) up to **\$49,000** for the (M/V "**Great Jade**", 73192 dwt, built 1997, dely Auginish 21/25 May, redely India int fert, \$49000, Oldendorff, for a trip via Baltic)

The daily rates as seen in our separate fixtures report for Panamaxes this week, with **improved** levels compared to last week ranged from **\$15,500** (M/V "**Yong Ping**", 77673 dwt, built 1981, dely Tsaan 14/19 May, redely China, \$15500, Transglobe Shipping, for a 2 laden legs via Xingang & India with metcoke) up to **\$49,000** for the (M/V "**Great Jade**", 73192 dwt, built 1997, dely Auginish 21/25 May, redely India int fert, \$49000, Oldendorff, for a trip via Baltic)

SUPRAMAX MARKET

■ The **Baltic Supramax Index (BSI)**, closed on Friday the 14th of May 2010, at **3076** points a **gain** of a good **6.51%** or **188** points based on the previous **2888** points we had last Friday the 7th May 2010 closing. This week we saw the 6th consecutive week of "a rising BSI" which is very positive



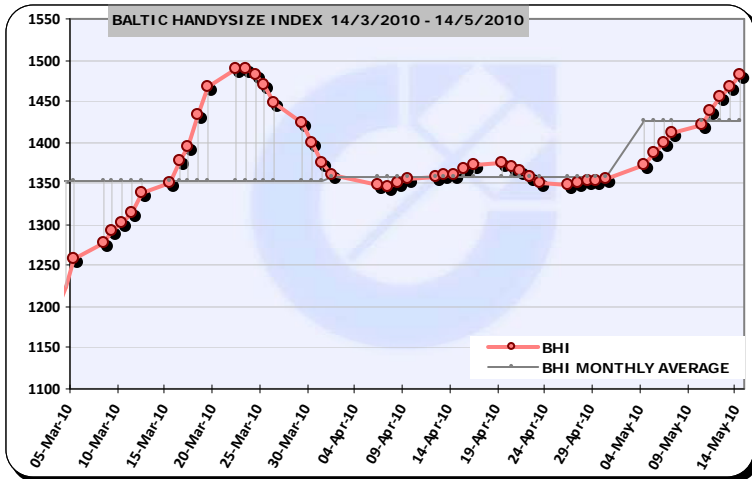
The yearly average for the BSI currently stands slightly up at **2498** points. For this week the Supramax Time Charter average rate calculated by NCSC is **down** at **\$33,018** or **-1.73%** based on **\$33,598** which was last week's Supramax average.

Demand for Supra's is remaining good, and despite the 4 day working week activity was still strong with **nineteen (19)** Supramaxes that were on T/C this week.

The daily rates (differential of Highest – Lowest weekly T/C figure) in the fixtures reported this week, for Supramaxes were **reduced** over last week and ranged from **\$19,250** (M/V "**Sanko Titan**", 52514 dwt, built 2006, dely Liverpool 23/25 May, redely USGulf, \$19250, Clipper, for a trip) up to **\$56,000** (M/V "**Lietta**", 57000 dwt, built 2009, dely wwr Mississippi River end May, redely Singapore-Japan rge, \$56000, British Marine, Asia, for a trip and the M/V "**Kang Yu**", 52988 dwt, built 2004, dely aps USGulf 28/30 May, redely Singapore-Japan rge, \$56000, Chart Not Rep, for a trip).

HANDYSIZE MARKET

■ The **Baltic Handysize index (BHI)** closed on Friday the 14th of May 2010 showing a 3rd consecutive week rise! This week it closed at **1481** points and this represents a good percentage **gain** of **4.89%** or a gain of **69** points over last weeks closing of Friday the 7th May 2010 of 1412 points.



The BHI seems to have taken-off from the 1350 level that it was "locked for nearly 4 weeks.

In the Handies charter market and more specifically in the Handymax vessels we saw a rise in the charter activity. The yearly average for the BHI currently stands at **1267** points. As we mentioned last week we expected the smaller Handies and Handymax vessels to pick up momentum, and this happened.

However despite the rise in the index this week's Handysize Time Charter that is calculated by NCSC went

down by a good **-9.97%** this week to **\$28,000** from **\$31,100** which was last week's average. The Handies are now earning a good return and their time charter daily equivalent can be seen as a very respectful one with small minor divergence from the larger Supras.

A rather low number of only **three (3)** only Handymax vessel were reported on T/C this week with their weekly T/C daily rates for Handy sized vessels ranging on **reduced** levels than last week from **\$17,000** (M/V "**Nirmal Priti**", 43590 dwt, built 1985, dely Xingang prompt, redely Far East, \$17000, Pacific Refulgence, for a 4/6 months trading) up to **\$27,000** (M/V "**Amorita**", 46600 dwt, built 1998, dely Douala 15/20 May, redely Continent, \$27000, Chart Not Rep, for a trip via EC South America).

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