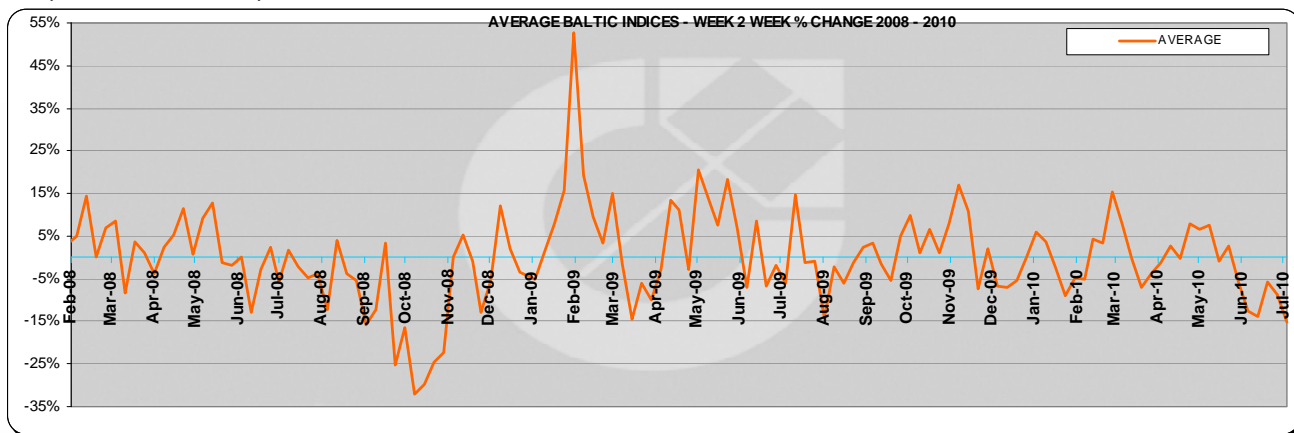


WEEK27 - Dry Cargo Market "Highlights" – 02-July-2010 until 09-July-2010



The Dry market is facing the 7th consecutive week of serious daily downfalls. This week can be seen as the worst week on week percentage drop that we have monitored since the dramatic collapse of the markets following the Oct 2008 crash. The percentage drop of week 27, recorded a massive combined cumulative -76.33% weekly fall or a combined average -15% w2w drop. The chart below shows the levels of weekly volatilities measured in average combined weekly volatilities, from 2008 until today for all the Baltic Dry indices.



The seriously declining shipping markets for all the Baltic Dry indices that are plunging deeply in the red are still seriously down with w2w percentage losses of -20% for the Capes and -21% for the Panamaxes!

Previous consecutive declines of the Baltic Dry index recorded show:

25 Aug 1995 index 2122 dropped for **48** daily sessions and at 2 Nov 1995 stopped falling at 1538 points (index decline = -27.5%)
26 Jun 2001 index 1394 dropped for **36** daily sessions and at 15 Aug 2001 stopped falling at 963 points (index decline = -30.9%)
10 May 2005 index 4024 dropped for **29** daily sessions and at 21 Jun 2005 stopped falling at 2510 points (index decline = -37.6%)
and then 4 days later another declining wave struck with 27 Jun 2005 index 2621 dropped for **27** daily sessions and at 3 Aug 2005 stopped falling at 1747 points (index decline = -23.5%)
26 May 2010 index 4209 dropping for **31** daily sessions and at 9 Jul 2010 is recorded at 1902 points (index decline = -54.8%!!!!)

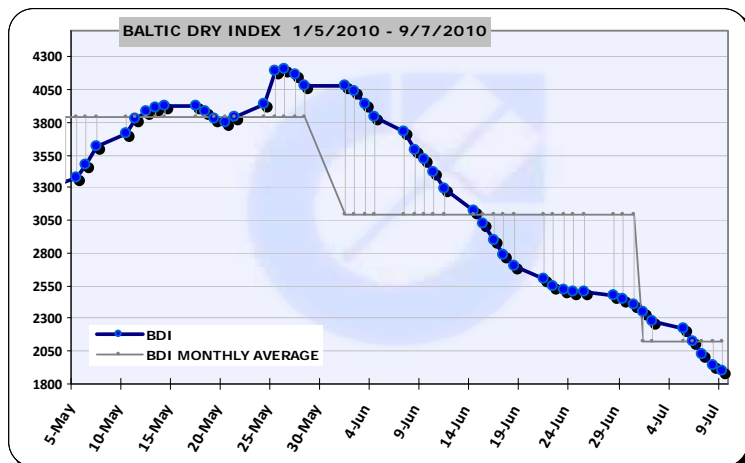
This proves our point that the Baltic Indices behave in a much more "financial market" manner posing more volatility and definitely shorter periodicity of peaks and troughs. Presently all the Dry Bulk markets are definitely facing a 14 month low, and the generic Baltic Dry index during this 14 month period, had previously never fallen below the 2,000 point mark. It was only on May the 5th of 2009 that we had recorded the BDI at 1897 points and then the index moved really fast by doubling its value in less than a month. What has happened today though and we are facing such a serious collapse? When we record cape daily earnings to have lost -20% in just a couple of days, then yes we talk of a collapsed market!

We are all looking into China nervously, as it is the main driver for demand driven growth for many industrial commodities. As Beijing attempt to moderate the country's growth, imports of raw materials such as oil and copper have slowed. Manufacturing data suggest that Chinese factory output is decelerating while sales of new cars are cooling. Chinese steel production has been slowing too and this has led to falling iron ore prices and freight rates. Is it geopolitical games and/or geo-economical games, or just large traders that dominate the market that have engaged in "games" trying to not only reduce their commodity purchasing costs, but eventually reduce their transportations costs? We believe that we are facing a "chicken-egg" situation, where falling commodity prices are primarily responsible for the collapse of the shipping markets and falling shipping markets are responsible for falling commodity prices. But that can be seen as an opportunistic situation for Iron/Ore traders who know that China will buy "X" quantities during the next 2-3 months. Iron/ore prices are declining. Just for comparison levels, they have dropped by -30% since April 2010 prices and as we see every week a softening of the commodity price per ton, the traders will not buy today as they know that tomorrow the same parcel will cost less. When we talk of millions of tones being imported and shipped we talk about millions of USD at stake! An artificial scarcity has been imposed in the market, with traders not trading and charterers not fixing, so the owners are left there standing with idle ships waiting for orders, and every day counts... against the vessels opex, so when a cargo is out in the market, there will be no last done... but let's do it.. and beggars as you all know can't be choosers... so any cargo at any rate will be better than none... and that is the cause of the domino that has given us a collapsed freight market.

China has switched to consume domestic produced iron/ore rather than imported and also start chewing off their stockpiles (that's why they are there any way!), Chinese exports towards developed countries and economies that are still somewhere in between recovery or recession have seriously slowed down, India is not giving the shipping world the cargoes that we had hoped for, and in general the world does not give us any clear signs that the fall in the shipping markets will terminate now.

Talking about the oversupply of vessels that we all fear, although the order book was reduced since Oct 2008, it seems that the overexcitement that lead owners to order more dry cargo new buildings will only put more pressure on a market that had

previously been alive but with what proved to be “mechanical and medical support”!!! The freight levels that were in excess of 30k per day, made everyone think that the NB price for a Kamsarmax is value for money, and yes it could well be... but what will happen if the current dropping freight market continues at this pace for another 2 months? And 2 months with the excess volatility of the current markets seems like a long time, in which time, will the dry market face freight levels that will be adequate to cover the break-even daily operating expenses including basic loan repayments? And what can be easily said to be the breakeven levels of these days, especially for ships that were acquired during 2008 and 2007? We are cautious to the extent that the headache of NB orders has been cured by a regular daily feed of strong pain killers... One “blessing” was we believe the lesson we have all learnt from the container market that recently only started to push away from the “bottom” and the fact that over the past 1.5 years it has taught us that pricing at marginal cost is unsustainable, as vessels start getting laid up before long.



We had recorded the highest mark for the **Baltic Dry Index** on the 26th May 2010, when it hit 4209 points. Since then and until today we are counting 31 daily successive Baltic sessions that have been all negative. The overall losses since 26/5 amount to -55%. The BDI closed on Friday the 9th of July 2010 well below even the new psychological 2k point mark level at **1902** points suffering another very heavy weekly loss of **-16.58%** or **-378** points. (Last Friday's 2nd of July 2010 closing value was **2280** points). As we mentioned already, from the peak of May 26th we have seen a loss of nearly -55% that is represented by ~ -2300 points. This heavy percentage and point fall shows that there is quite a strong volatility in the freight market clearly shown by the BDI as well as by

all of the other indices that were all were negative this week, and it was for once more the Panamax index this week that was the one with the heaviest weekly drop.

In summary form: (week 20) **BDI, loss, -16.58%, BCI, loss, -19.98%, BPI, loss, -20.56%, BSI, loss, -8.92%, BHI, loss, -10.29%**

Interesting enough to see in the table below the Indices changes from year start, 1/1/2010 (Jan 2010):

INDEX	09-July-2010	01-January-2010	% CHANGE	POINT DIFF	TREND	L/G
BDI	1902	3005	-36.71%	-1103	▼	loss
BCI	2102	3887	-45.92%	-1785	▼	loss
BPI	1944	3567	-45.50%	-1623	▼	loss
BSI	1817	2224	-18.30%	-407	▼	loss
BHI	1003	1159	-13.46%	-156	▼	loss

It is interesting to note the highs and lows of 2010 for all indices:

BDI high 4209 on 26 May 2010, low 1902 on 9 Jul 2010,

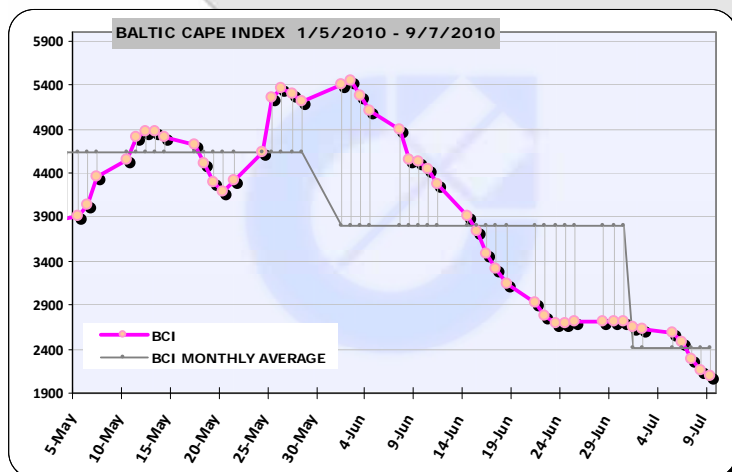
BCI high 5455 on 2 Jun 2010, low 2102 on 9 Jul 2010,

BPI high 4622 on 20 May 2010, low 1944 on 9 Jul 2010,

BSI high 3111 on 19 May 2010, low 1817 on 10 Jul 2009,

BHI high 1520 on 24 May 2010, low 1003 on 9 Jul 2010.

CAPE SIZE MARKET



■ The **Baltic Cape Index (BCI)** closed on Friday the 9th of July 2010 just below the 3k mark, at **2102** points posing another strong w2w **loss** of **-19.98%** or **-525** points over previous week's closing on Friday the 2th July which was **2627** points. It is interesting to note that 2 weeks ago we were surprised that the BCI was just above the 4k mark, and last week only 5 days ago we were discussing that it was approaching the 3k level mark and now we are steadily approaching the 2k level. We had seen the highest peak for 2010 on June the 2nd when we had experienced 5455 points. From then on we have lost -62% and -3350 points. The monthly average stands significantly lower than that of May 2010 and is at 2400 points. Freight levels for capes are below \$28,000-25,000 per day. Closing of

the 9th of July 2010 at 2102 points was the lowest for 2010.

The Capesize T/C average rate calculated every week by N. Cotzias Shipping Consultants from this week T/C fixtures once more followed the ongoing fall of the index & went **down** this week by a notable **-34.84%**, well below the 40k mark at **\$20,200**. Previous week's T/C figure was **\$31,000**. Period demand this week was subdued and we report still a low number of cape fixtures of just **seven (7)** units that were fixed on T/C this week compared to 7 we had observed last week.

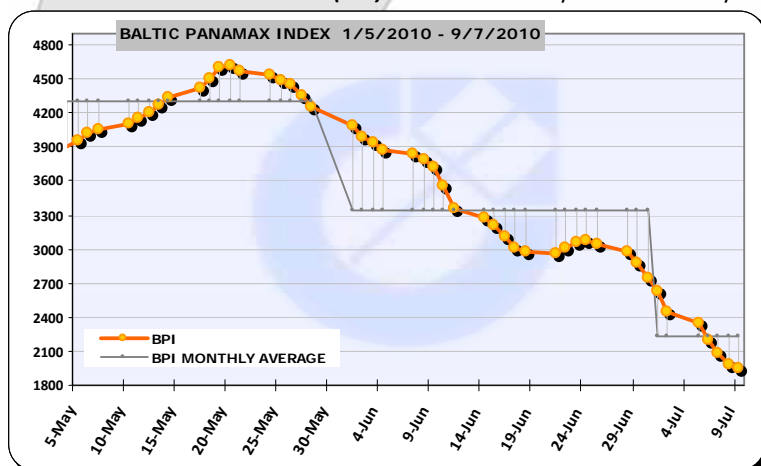
Unfortunately the Capes had a low week with daily earning around \$22,000 – \$25,000 per day, with the fixtures of M/V **"Xinsheng Hai"**, 182008 dwt, built 1989, dely retro Pohang 16 June, redely China, \$23500, Oldendorff, for a trip via Brazil, the fixture of M/V **"C.Queen"**, 151330 dwt, built 1994, dely Pohang 13/15 July, redely worldwide, \$25000, Chart Not Rep, for a 4/6 months trading, the M/V **"Golden Future"**, 176000 dwt, built 2010, dely Lianyungang 14/17 July, redely Japan, \$17000, NSS, for a trip via West Australia, the M/V **"Marvellous"**, 169226 dwt, built 2000, dely retro Shekou 17 June, redely PMO, \$23000, Oldendorff, for a trip via Itaqui & PG, the M/V **"Alpha Cosmos"**, 170434 dwt, built 2001, dely Kwangyang 18/22 July, redely Taiwan, \$17000, SK Shipping, for a trip via Newcastle.

The daily min/max rate differential as seen in our separate weekly fixtures report for was **improved** over last week from **\$12,500** (M/V "Kassos **Warrior**", 194744 dwt, built 1986, dely Qingdao 12/20 Aug, redely Far East, \$12500, Richstone, for a trip via Black Sea -10500\$ reduced from last week) up to **\$32,750** (M/V "Vogerrunner", 176838 dwt, built 2008, dely Cape Passero 15/20 July, redely worldwide, \$32750, CTC, for a balance of period 5 Dec/5 Feb 2011 - Cobelfret relet 7750\$ improved from last week).



PANAMAX MARKET

— The **Baltic Panamax Index (BPI)** closed on Friday the 9th of July 2010 just below the 2,000 point mark at **1944** which



represents a huge weekly **loss** of **-20.56%** or **-503** points compared to **2447** points which was last Friday the 2th July 2010 closing. In a period of 7 weeks the BPI has lost -60% of its power! This is a total market crash, and it is interesting to note that there might be some light in the tunnel for a stop in the downfall.

This week we have observed 8 charters at long periods, i.e. 23-25 months, and this can be seen as a clear sign that charterers expect that these rates that they feel comfortable to lock themselves for 2 years minimum are close to the lowest they could expect to get... so there is a sign, or a feeling that we could be touching the bottom...

The most important fixtures on longer periods this week were the: M/V **"Iris II"**, 75845 dwt, built 2004, dely Port Kelang, redely Singapore-Japan range, \$21500, Chart Not Rep, for a 17/20 July trip via EC South America, the M/V **"Dione"**, 75172 dwt, built 2001, dely Worldwide in d/c dely Sept, redely worldwide, \$20500, Louis Dreyfus, for 22/26 months trading, the M/V **"Oceanis"**, 75211 dwt, built 2001, dely Far East early Sept, redely worldwide, \$19750, Sinochart, for 23/25 months trading, the M/V **"Naias"**, 73664 dwt, built 2006, dely Far East in d/c 24/30 Sept, redely worldwide, \$19750, J.Aron, for 23/25 months trading, the M/V **"Ocean Lily"**, 76585 dwt, built 2006, dely Tianjin 10/20 July, redely worldwide, \$19600, GMI, for 3/5 months trading, the M/V **"Medi Kobe"**, 75924 dwt, built 2001, dely Ningbo 11/13 July, redely worldwide, \$19250, Norden, for 3/5 months trading, the M/V **"Go Public"**, 71761 dwt, built 1993, dely Hong Kong ppt, redely worldwide, \$19000, Swiss Marine, for 3/5 months 1st leg Indonesia/Skaw-Cape Passero and the M/V **"North Princess"**, 71290 dwt, built 1996, dely Worldwide Oct/Dec 2010, redely worldwide, \$20000, Eitzen, for 14/16 months trading.

The Baltic Panamax index (BPI) monthly average currently stands greatly reduced at 3401 points, while the Yearly average of the BPI currently stands slightly down at **3670** points. The Panamax T/C average rate as calculated by N. Cotzias Shipping Consultants went **down** by **-21.26%** to **\$20,000** from **\$25,400** which was last week's Panamax T/C av.

We had some mediocre period term charters this week with only few worth noting. Out of these we pick as indicative of the present market, the fixture of the M/V **"Eternal Salute"**, 87114 dwt, built 2006, dely Dunkirk 8/12 July, redely UKC, \$26000, Armada, for a trip via Baltic, the M/V **"Endless"**, 73427 dwt, built 1999, dely psg Cape Town 8/10 July, redely China, \$25000, Louis Dreyfus, for a 575000 bb - trip via EC South America, the M/V **"Golden Ice"**, 75500 dwt, built 2008, dely Nordenham 19/22 July, redely Japan, \$24000, Oldendorff, for a trip via Ventspils, the M/V **"Km Mt.Jade"**, 81200 dwt, built 2008, dely UKC

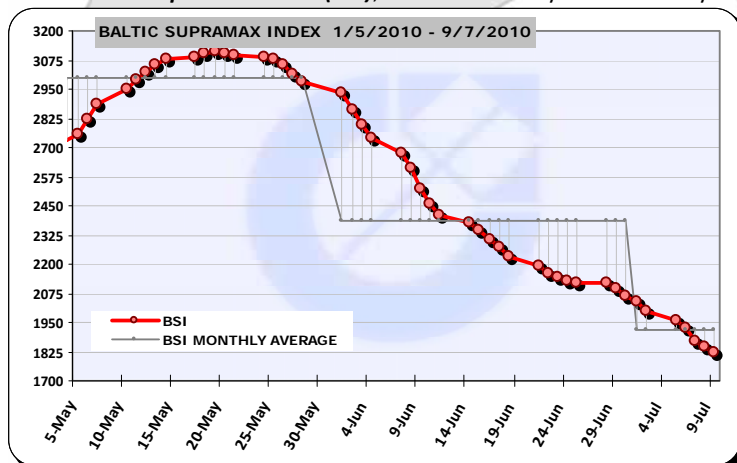
14/16 July , redely S.Korea, \$23500, Hanjin, for a trip via Hampton Roads, the M/V **"Lake Dahlia"**, 78000 dwt, built 2009, dely Gangavaram 15/20 July , redely Singapore-Japan rge, \$21000, Cargill, for a trip via EC South America, the M/V **"Thetis"**, 73670 dwt, built 1993, dely Surabaya ppt , redely China, \$21000, Cosco Qingdao, for a trip via West Australia - Bunge relet, the M/V **"Grand Sky"**, 75752 dwt, built 1998, dely Goa 15/18 July , redely China, \$20500, North China Shipping, for a trip via EC South America, and the M/V **"Vathy"**, 81051 dwt, built 2010, dely Mizushima 8/10 July , redely India, \$19000, Cargill, for a trip EC Australia. There are no cargoes, and until the US Grain season and the corn exports that will give us some of the expected juice are here, we will be relying on the coal that seems to be the only commodity that can deliver some fresh parcels in the market.

A better than average number of **fiftynine (59)** Panamax vessels compared to 56 fixtures last week, were being chartered this week on Period and T/C's. The daily rates as seen in our separate fixtures report for Panamaxes this week, with **reduced** levels and differential from low to high, compared to last week ranged from **\$9,500** (M/V "Coronado", 75706 dwt, built 2000, dely Tilbury 8/10 July , redely UKC, \$9500, Swiss Marine, for a trip via Baltic - Oldendorff relet - 3500\$ reduced from last week) up to **\$26,000** for the (M/V "Navios **Magellan"**, 74333 dwt, built 2000, dely Jorf Lasfar 15/17 July , redely Singapore-Japan rge, \$26000, British Marine, for a trip via EC South America -16000\$ reduced from last week)



SUPRAMAX MARKET

The **Baltic Supramax Index (BSI)**, closed on Friday the 9st of July 2010, at **1817** points with a **loss** of **-8.92%** or **-178** points based on the previous **1995** points we had last Friday the 2th July 2010 closing. The BSI sees the seventh consecutive weekly drop that has brought the index to the lowest levels of 2010. For this week the BSI was once more declining on every working day of the week.



Since the peak of the index for 2010 which occurred on 19th May 2010 (3111 points) we have registered 36 consecutive daily Baltic sessions that have been negative. The yearly average for the BSI currently stands slightly down at **2493** points while the monthly average is 1825 points. For this week the Supramax Time Charter average rate calculated by NCSC is **down** at **\$21,000** or by **-10.64%** based on **\$23,500** which was

last week's Supramax average.

In the Supramax markets, the US Gulf area, is slightly down from last week, for once again it poses an anomaly as the Supramax market currently stands slightly better than the Panamax vessels and ranges around \$25,000 per day. From the US Gulf we have still very few new cargoes and again it is many ships chasing too few cargoes.

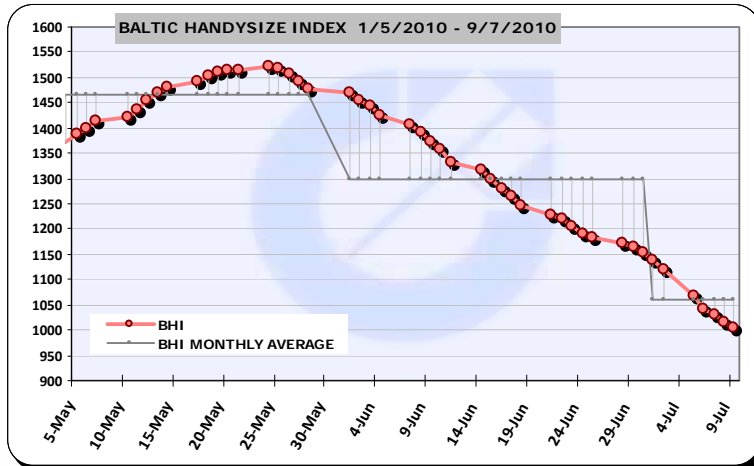
The Supramaxes had some decent period fixtures at reduced rates this week with most prominent those of the M/V **"Port Menier"**, 53808 dwt, built 2007, dely aps US Gulf mid-July, redely central Med, \$30000, STX Pan Ocean USA, for a trip, the M/V **"Spot"**, 53100 dwt, built 2008, dely Canakkale spot , redely Singapore-Japan, \$27000, Phaeton, for a trip via Black Sea, the M/V **"Delphi Ranger"**, 53800 dwt, built 2009, dely aps Santos mid-July , redely Algeria intention Sugar, \$26500, Vitol, for a trip, and the M/V **"Nord Tradition"**, 55457 dwt, built 2009, dely aps US Gulf mid-July , redely Brazil, \$25500, Cargill, for a trip. There were no fixtures recorded this week for any period except T/C trips, and that clearly shows that there is further room for Supra freights to fall further. Charterers just don't see any reason to lock at any periods at today's rates.

Demand for Supra's is softening, with **twentyfive (25)** Supramaxes that were on T/C this week as opposed to 28 last week and 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 **\$13,000** (M/V "Chang **Hang Bohai"**, 57300 dwt, built 2010, dely Black Sea spot , redely Continent, \$13000, Aquavita, for a trip -5000\$ reduced from last week) up to **\$34,000** (M/V "Giovanni **Topic"**, 52154 dwt, built 2002, dely aps Mississippi River 9 July , redely West Med intention Pet Coke, \$34000, ED&F Man Shipping, for a trip -7000\$ reduced from last week).



HANDYSIZE MARKET

➤ The **Baltic Handysize index (BHI)** closed on Friday the 9th of July 2010 showing a 5th consecutive weekly drop! This week it closed at **1003** points and this represents a percentage **loss** of **-10.29%** or a loss of **-115** points over last week's closing of Friday the 2nd July 2010 which stood at **1118** points.



Just after the 24th May 2010, the BHI had overcome the 1500 point mark (1520 points) for seven weeks now it has performed a major downward correction, and the slope of the downward fall does not indicate any slack as it has been steadily declining for 33 consecutive Baltic exchange session days. The yearly average for the BHI currently stands at **1279** points with the monthly average to be at 1067 points.

The Handymax freight market was quite drastically down too, and rates are around \$23,000 per day with very few interesting period charters this week. We had the M/V "**Yue Hai**", 45569 dwt, built 1996, dely US Gulf 10/15 July, redely Med-Black Sea approx., \$25000, Energy, for a trip, the M/V "**Star Sea Cosmos**", 48983 dwt, built 2000, dely dop Port Kelang 9/11 July, redely India, \$23000, Chart Not Rep, for a trip via Indonesia, the M/V "**Ljubljana**", 42717 dwt, built 1997, dely Durban early July, redely Singapore-Japan approx., \$21000, SW Shipping, for a trip via East coast south America, the M/V "**Sanko Royal**", 42529 dwt, built 1995, dely Onsan 10/12 June, redely UK Cont intention Steel & Generals, \$13200, STX Pan Ocean, for a trip via Cape of Good Hope.

However more than just following the drop in the index this week's Handysize Time Charter that is calculated by NCSC went dramatically **down** by a very hefty **-19.19%** this week to **\$16,000** from **\$19,800** which was last week's average. The Handies sector had a low number of only **six (6)** only Handymax vessel were reported on T/C this week (compared with 8 of last week) with their weekly T/C daily rates for Handy sized vessels ranging on **reduced** differential levels of high-low rates, compared to last week's from **\$13,200** (M/V "**Sanko Royal**", 42529 dwt, built 1995, dely Onsan 10/12 June, redely UKCont intention Steel & Generals, \$13200, STX Pan Ocean, for a trip via Cape of Good Hope -5550\$ reduced from last week) up to **\$27,500** (M/V "**Ocean Sunrise**", 48203 dwt, built 1999, dely USGulf mid July, redely Central Med approx, \$27500, Oldendorff, for a trip 4000\$ improved from last week).



Many owners prefer to short haul with Pacific Return Voyages, as these at least generate some freight income, and this solution is better than waiting for orders... that has an opportunity and yet actual daily operating cost...

SALE and PURCHASE

Looking at the figures of the first half of 2010 we see some basic statistics comparing it with 2009.

	SHIP SALES JAN-JUN 2010	SHIP SALES JAN-JUN 2009	CAPITAL SPENT JAN-JUN 2010	CAPITAL SPENT JAN-JUN 2009	TOTAL DWT JAN-JUN 2010	TOTAL DWT JAN-JUN 2009
DRY CARGO	553	508	\$10,469,150,000	\$6,308,620,000	25,852,706	23,062,942
TANKERS	227	150	\$5,788,840,000	\$3,398,650,000	18,267,179	9,104,468
NEUBUILDINGS	523	281	\$26,467,360,000	\$12,262,400,000	47,614,861	14,353,747

	UNITS JAN-JUN 2010	UNITS JAN-JUN 2009	LDT JAN-JUN 2010	LDT JAN-JUN 2009	DWT JAN-JUN 2010	DWT JAN-JUN 2009
SCRAPPED	671	647	4,091,206	5,408,388	17,522,442	18,273,255



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