

# Capesize market hogs the limelight

ALL EYES remain on the Capesize market, where the slippage over the past month has reminded analysts that the laws of gravity still apply. Fundamental forces such as weather play an important role in bulk commodity markets.

Australia's Hunter Valley region, the hinterland for export coal from the Newcastle terminus, has sustained severe storm damage, with more expected. More storms could delay returning Australian rail deliveries to normal.

The volume of Capesize fixings, along with hire levels, particularly in the Pacific, continued

to fall. The four-timecharter composite of Baltic Capesize routes fell an astounding \$18,000 a day, to just under \$76,000/day. Despite the spot freefall, the all-important FFA rates on the same composite were rising, albeit to levels still below spot in the inverted forward curve.

In the Pacific, the nearby surplus of vessels over cargo was most dramatic. BHP Billiton paid \$61,500 a day for the 2004-built *Jin Tai* (174,000dwt) for an Australia round (delivery and redelivery in China). Contrast that with Atlantic fixtures, where Bocimar paid \$77,000 a day on the

Japanese-owned *Bulk India* (177,000dwt, built 2004) for a trans-Atlantic round, delivery Gijon via Brazil, redelivery Sines. K-Line paid \$88,000 a day on a similar trans-Atlantic trip, via Tubarao, on the 2004-built *Olympus* (171,000dwt).

In a coal fixture, NYK chartered *Castillo De Valverde*, built 2005 and 174,000dwt, with delivery in Ireland, trip via Colombia with redelivery Continent, for \$80,000 a day. Even before storms flooded rail lines, activity in the Cape sector had already begun softening, not a surprising consequence of six-digit (greater than \$100,000 a day) hire rates on spot time-charter trips.

An important perspective on the sudden cessation in the game of musical chairs comes from the blogosphere, where RJH Adams writes *Capital Chronicle*. Adams, a French investor, comments: "It is ironic that shipping, about as economically liberalised an industry as exists, is entirely at the mercy and influence of a centrally planned economy." He adds: "China's expansion

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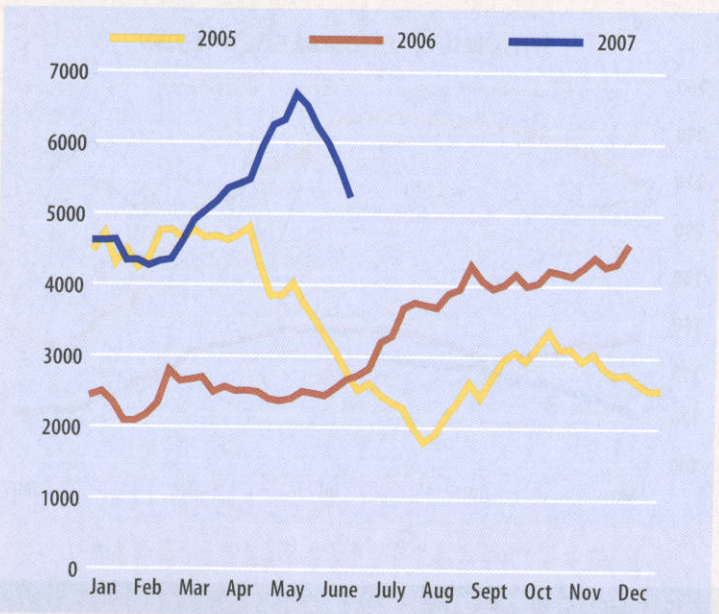
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## Baltic Dry Index

The BDI has continued in its downward path influenced overwhelmingly by the Capesize sector, which fell more than one thousand points in a week. But Capesize and Panamax rates remain firm. Panamaxes lost less than 500 points while Supramaxes and Handymaxes lost little ground.



## Baltic Supramax Index

The amount of enquiry was of a lesser volume than of late. This led to a slight fall in the Supramax Index, but down by less than fifty points on the week. The basket of timecharter routes left the average rate lower by about \$500 daily.

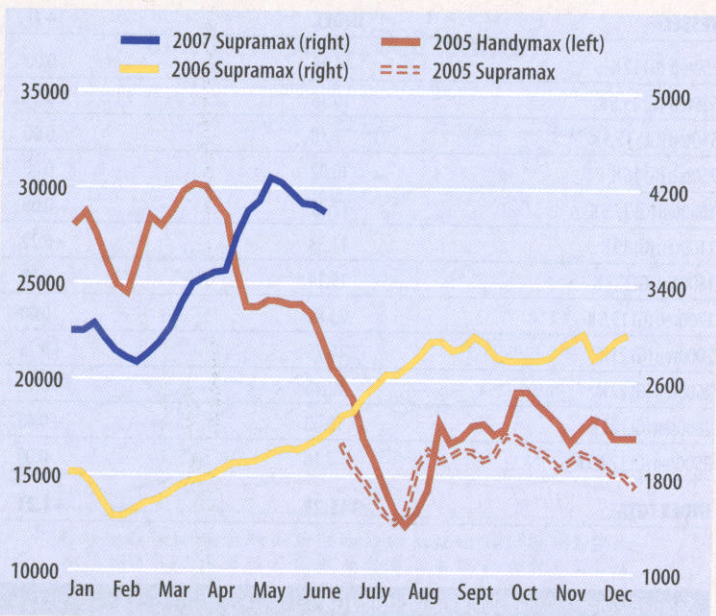




Photo: Southern Cross Maritime

**Even by removing ships in this drastic fashion, the Panamax market is still dry and high**

of its shipbuilding capacity is the obvious wing-clipper for a soaring Baltic Dry Index. The BDI is a composite of underlying indices, including the freefalling Capesize index.

Also consider the concerns of economists who fear that tighter monetary policy in China might stop the merry-go-round as capital spending slows. Beijing intends to "consolidate" the steel industry and reduce outdated capacity.

Panamax fixtures continued to be numerous, although volumes of period business flagged significantly from only several weeks ago.

Norden took the 2004-built *YM Rightness*, giving delivery in Japan, for 4-6 months at \$44,000/day. Industrial Carriers reportedly paid \$47,500 a day for the 1995-built *Apostolos*, 70,000dwt, for 4-6 months with delivery in the eastern Med.

In the weaker Pacific, Golden Ocean took *Surywati*, a 69,000-tonner built 1996 – with delivery Hong Kong, 2-3 laden legs and redelivery Singapore/Japan range – at a softer \$40,000/day. Eastern Europe's coal specialist Britannia Bulk was linked with the \$45,000/day timecharter in the Baltic on the 1994-built *Rubin Rosebay*

at \$45,000/day. Spot business was done at comparable levels, with grain shippers continuing to be active in both the Atlantic and Pacific basins. Bunge booked the 2001-built *Dimitrios L*, 73,000dwt, with delivery in Brazil, redelivery Skaw/Passero, for \$45,000/day.

In Pacific trades, Dreyfus took the 76,000dwt *Arethusa* with Japan delivery for a NoPac round, with redelivery Taiwan, for \$43,500/day. ADM paid \$39,000 a day on *Clipper Monarch*, 74,000dwt and built 2000, on a NoPac round.

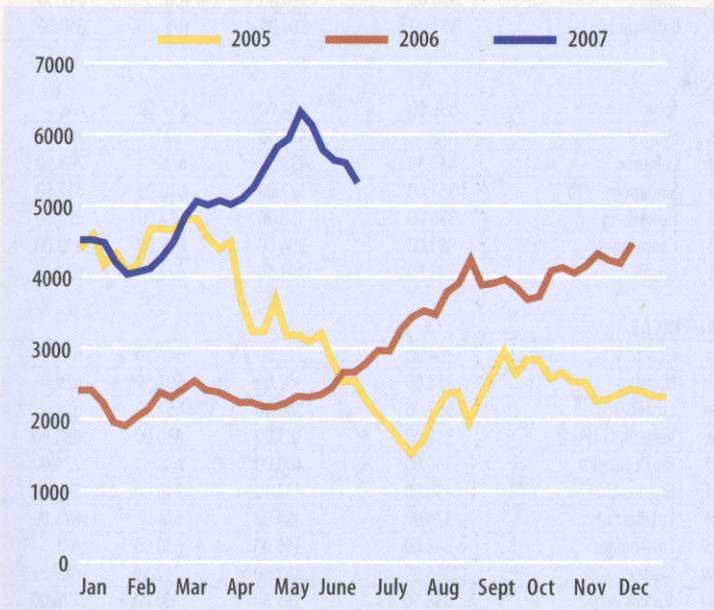
Handymaxes and Supramaxes also saw period activity. South Korean charterer HMM booked *Genco Success*, 47,000dwt, giving delivery in China, for 7-9 months at \$37,000/day. The ship had been chartered for \$24,000/day on period by Korea Line, showing how the sector's rise in the past six months enables a profitable relet.

UK owner and international flag operator Oceanbulk took the 44,000dwt *Yong An 2* in the Gulf of Mexico for \$44,000/day for 70-120 days. In a marquee fixture for Supramaxes, Cargill took Norden's *Nord Harmony* (built 2007, 56,000dwt), spot in Tampa to India for about \$63,000/day.

The recent trend in the larger sizes could be a temporary blip or part of a longer-term pull-back. In terms of commodity charts, any pull-back in the BCI will be tested at what had been the previous highs, about 6,000 points in 4Q06 and 1Q07 before February's upside break-out.

### Baltic Panamax Index

Although there were fewer orders quoted, there was still a positive sentiment abroad, which is possibly why the market only lost half the amount compared with the Capesize sector. The basket of timecharter routes fell by slightly more than \$3,000 per day.



### Baltic Capesize Index

The basket of timecharter rates stared down the barrel of the \$70,000 per day level. In the voyage charter market, routes lost between three and five dollars per tonne, depending on the voyage length. The Atlantic appears to be perking up while the Pacific is shrouded in mist.

