

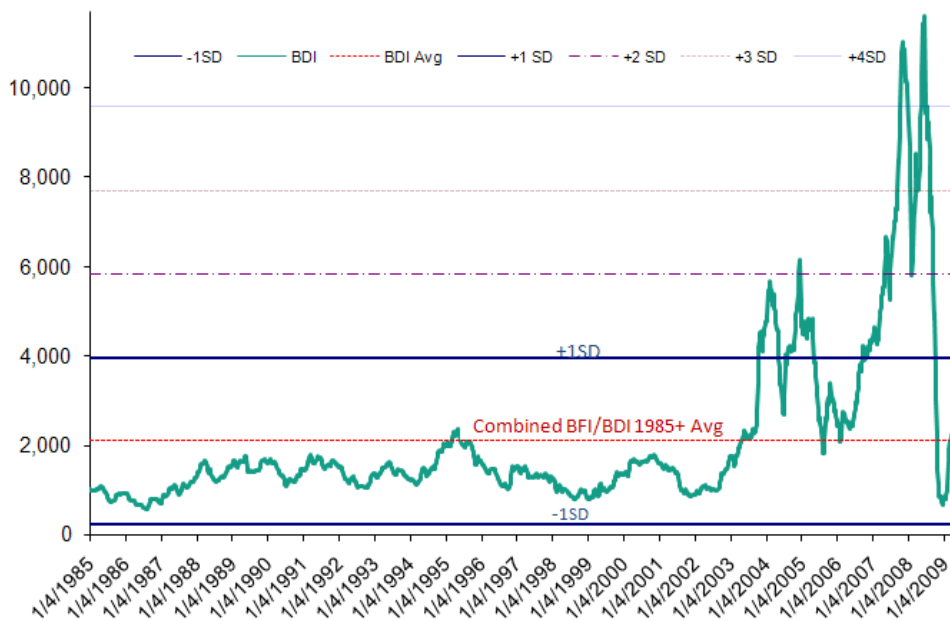


Bailing Out of Bulk at 4000 Level

8 June 2009

- The following is brief recap of a client note
- **BDI – dollar trades:** We’ve long advocated looking at dollar/anti-dollar commodity trades, with the BDI making up part of the sub-set of anti-dollar trades. China inbound volumes are a key determinant of demand volumes which drive the anti-dollar trade...
- **BDI speculation is enough for us now...taking gains:** We mentioned a few times as this year progressed we favored a China inbound story as better for bulk to the China Outbound story for container shipping, from a demand driver perspective. **We are exiting this view at BDI 4000 level in favor of liking neither side of the risk-rewards at the moment.** Container demand remains below par even if it hit bottom 1Q09... a bottom far lower than expected. China bulk on the other hand has rebounded handsomely on the back of inventory builds, and is well documented
- **Look at Supply:** In 2H09 and into 2010 vessel supply, regardless of delays and cancelation discussion/debates, should bring back concerns of too many bulk ships. We are not against looking at certain long-term contracts backed by cargo. But from this point on in current cycle, we are against blind speculation on BDI moving above the 4000 level

BDI Long Term to 5 June 2009 with Standard Deviation Bands based on ranges from 1985



Sources: Clarksons; Baltic Exchange, Transport Trackers

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