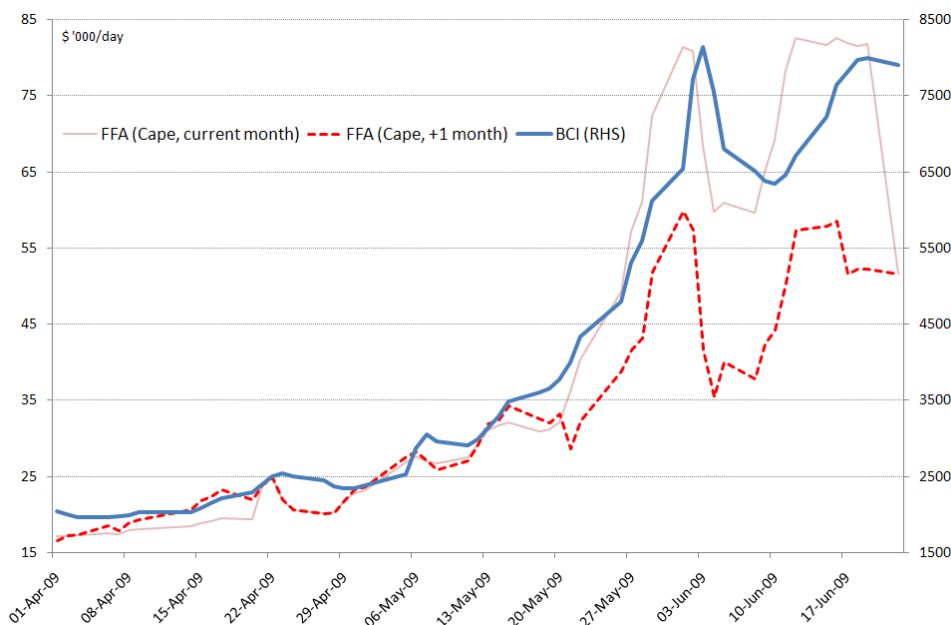


Bailing Out of Bulk at 4000 Follow Up

23 June 2009

- **A quick follow up** on our 8 June public note sees at least short-term confirmation of downdraft on BDI. The FFA turn up late May and turn down in recent days appears more linked to commodities trading. Shorter term moves could continue in this vein, down and up, and down and...(But later in year, when supply is greater, BDI down move regardless of commodities moves makes more sense)
- **BDI – commodity trades:** Despite all the talk, the dollar moves in aggregate (DXY Index) have done little during the recent volatile swings in BDI and commodities. The dollar only dipped below its 79-80 trend briefly on 2 June, when it went to 78 level. But a look at the base metals index shows a good +15% from late-May to 11 June peak before coming back now to the late May levels. The big FFA upward spike began in late-May and the downward adjustments in FFAs began a few days ago... though there is no guarantee they may not reverse up on some surprise QE (quantitative easing) counter-consensus move later this week (market wisdom is Fed will not push another round of QE for fear of higher interest rates with dollar decline, but watch the QE space...)
- **BDI speculation:** We exited the BDI rebound above 4000 in early June, and all we have seen in recent weeks are speculative and volatile commodities' moves. In other words...froth. And this even though there were too many Capes sucked into China congestion (ie, the ramp up in China congestion in recent months). We continue to think select cargo cover charters can offer opportunities, while chasing BDI above 4000 makes no sense

Cape FFAs to BCI (Cape Index) 1 Apr '09 – 22 Jun '09



Sources: Bloomberg; Imarex; Baltic Exchange, Transport Trackers