

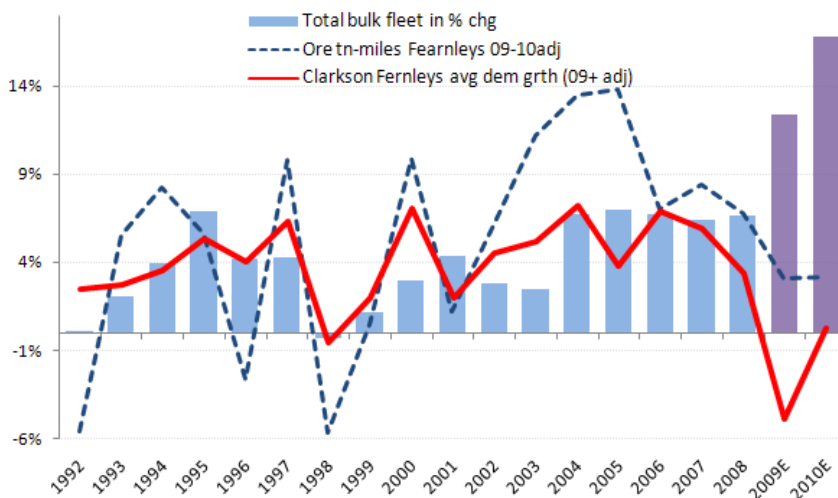


Quantifying Bulk Orders...Disaster Zone Anyway One Looks

10 July 2009

- Wishful thinking:** We've seen estimates from 15 – 50% for {cancelations-slippage-delays} of the bulk orderbook. The high end figures are wishful thinking in terms of market impact. We side with a 15% range figure, yet agree many vessels are/have been delayed. To note, when thinking of 40-50% cancelations-slippage is that also many rightly pointed out the real orderbook was perhaps 20% bigger at peak than that officially recorded back in mid-08. So, taking 40% off of the larger estimate would generate -28%, for arguments' sake. Another trick we found was to annualize cancelation-delays based on 1Q09 world meltdown data
- Who will roll up their sleeves:** 2009-10 deliveries are by and large going to see most ships enter the workforce one way or another. And now we even have examples of converted orders from container to Capesize (Hanjin Heavy this week)... and more! Until a proper triage of China med-size yards is done, a proper tally of slippage and cancelations will elude us (most contracts don't just cancel into thin air, even if some orders fail for various reasons). We can only approximate. We have not seen detailed work done on China orders. But we have randomly tested a few Clarkson numbers and sought feedback from shipbrokers and shipowners as well
- 2009-10 is the first hump:** Before any owner can enjoy the fruits of significant delivery delays and sustained global rebound we should hold on to a view of BDI cooling from 4000 BDI levels flagged several times recently. Away from short-term speculation, cooling to what level is a more difficult question med-term. Stabilizing/rebounding now from 3000 level would probably still be bad news for "cancelation revisionists"

Demand Versus Supply ... The end-09 and 2010 problem is still there



Sources: Clarksons; Fearnleys; Transport Trackers

NOTE: First supply problem is end-09 into 2010...The Clarkson '10 data (June) have some 22% of fleet delivering...we've interpolated data down about one-quarter to get to about 17%... but this is rough ... more scrapping will help reduce net growth, but we need big jump still

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