



BDI... Time To Let It Go

25 Aug 2009

- **Losing its religion:** For how many years have we come in first thing in the morning and checked the BDI before gulping down our coffee. Although I care more about container volumes, between 2002 and 2007 I pretty much checked the BDI, the BCI, etc religiously. I always remembered it was a crutch, but I did the comparative analysis because it often worked and 'cause everyone expected me to... But we can now leave the BDI behind a little...**One less bottle of snake oil**
- **No more BDI:** I only check the BDI a couple of times a week now. And even then, I continue to ask people to stop treating it as they have. ... CNBC was talking a lot about it last week...that it was falling off again. True, it fell as other commodities rose...Our point has been **because of supply, the way the BDI worked under tight supply-demand will change now**
- **Other problems:** We had a few comments come in on <http://www.hardassetsinvestor.com/features-and-interviews/1/1724-rethinking-the-baltic-dry.html>. There are some good points from the author, judging from some past notes. It's time to give it a rest on this one.... Let's go a little further and remind readers the BDI analysis game was just a heuristic device among many others...and now it's time to let it go.... Let's forget about DXY vs CRB, vs DXY, vs whatever for awhile. And let's for sure not compare it against other series/prices like SEA. SEA is an ETF made up of related and only partly related stocks. ...The conclusion of the piece we agree with in broad terms: The BDI is flawed as to how we often use it... Leave the BDI alone... **And technical analysts and CNBC pundits same goes for you....**
- **Trading updates:** We stated a few times at BDI 4000 +/- (Jun 09...) that this was a key top. We never know where it is going med-term and even short-term – although we could, in past, make a call whether we agreed with a short-term trend by buying or selling dry bulk shares... We always get asked: “But can't we just buy and sell based on BDI direction...?” yes, this has been our view for many years, often with 0.9+ correlations (who needed the analyst?). But this may not work as well anymore. We think investors will face more and more loss-making trades if they try to extrapolate commodity into BDI moves and even BDI into share investing, or try to bet on a big rebound trade for longer than very brief knee-jerk trades – better to focus on more traditional metrics from now on (BDI for rear-view mirror only)!