

Gold For Hulls III (Back to Some Cash and USD)

28 October 2009

Our 8 October 2009 public comment in Gold for Hulls II view is reversed in favor of locking in gains.

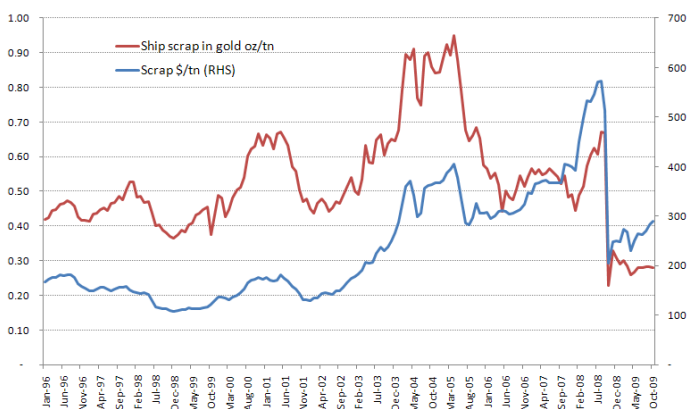
We have taken profits on buying into bulk following the Australia rate hike and the ensuing commodities rallies after 6-7 October. This comment is a follow up on recent client notes for record. In bulk we always remain opportunistic and ready to make a trade (though less using BDI correlations now than in previous years). The rally spark is what we saw on 6-8 October, and what we have reversed gradually in recent weeks.

We remain very concerned on a med-term basis on bulk due to more over-capacity expected relative to “hooray most of the fleet on order is canceled or delayed” arguments, and thus have locked in our profits on bulk plays. But we remain open for long-term opportunities for well-managed companies should they become available, always from a conservative perspective, because we still also look to China’s increased demand long term for certain commodities as offering opportunities from time to time, preferably on at least a partially “covered” basis.

We list below comparisons of a Panamax 5-yr old as well as vessel scrap prices, while taking the Panamax series back to the mid-70s, where we can see the correction in shipping in the early 80s was more pronounced in gold terms (larger % correction and higher vol in most periods in gold terms) than in dollar terms in the 1976 – 1983 Panamax vessel price correction. Volatility in gold terms is greater than in dollar terms...

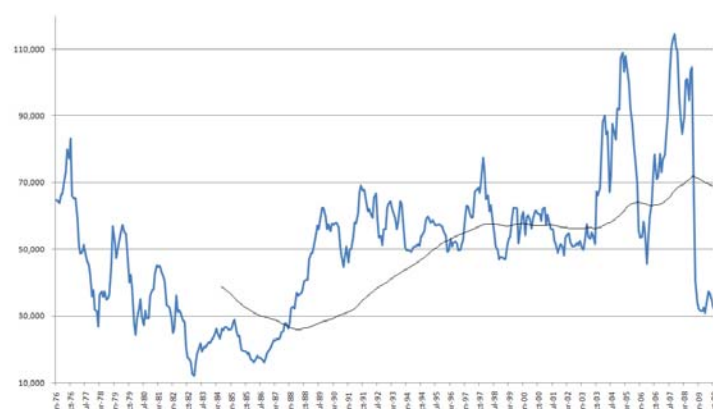
In recent weeks we have also reduced our non-dollar positions, although we always recommend diversification.

Ship Scrap Prices in Gold & USD Terms, 1996 – 2009YTD



Source: Transport Trackers; Clarksons, Bloomberg, Datastream

Panamax in Gold Ounce Terms, 1996 – 2009YTD



Source: Transport Trackers, Clarksons, Bloomberg, Datastream

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