

Supras sparkle in lacklustre dry sector

Little sign of Atlantic recovery but mid-size bulkers are more positive

In the present environment, the dry market action has centred on smaller ships. Supramaxes generated positive cash flows, in contrast with the breakeven-to-marginally-positive situation in the Panamax trades and the dismal Capesize market, where most employment covers operating expenses and little contribution to capital costs. In early April, the major indicators have been moving downward.

In the past month, dry bulk owners have made deals with beleaguered Korea Lines that would keep timechartered vessels working. Supramax specialist Eagle Bulk was able to negotiate profit share deals on 10 vessels, with a fixed floor (\$17,000/day), a full share of profits between \$17,000 and \$21,000/day, and a 50/50 split on levels above that \$21,000/day ceiling over a lengthy four-year time horizon. Dryships apparently struck a similar, albeit more opaque, deal on three ships, while Navios Maritime agreed to temporarily charter three Capesizes and two Handymax vessels to others and then revisit its charters with Korea Lines.

Guesswork required

Eagle's deals show the wisdom of integrating a freight-trading capability deeply into the chartering function. The \$17,000/day floor rate, offering comfort to lenders whose big concern is steady minimum cash flows, is above what could be obtained in the physical market.

With a paucity of term-chartering activity, much guesswork is required in assessing the

Eagle Bulk profit share deals for Supramax vessels

\$17,000/day:	fixed minimum level
\$17,000-21,000/day:	full share of profits
More than \$21,000/day:	50/50 split of profits



Panamax Ocean Lord fixed for trans-Atlantic trip with coal at \$14.25/tonne

[Photo: Dietmar Hasenpusch]

correct rate on a four-year deal. Recently reported period deals include MUR's fixture of the 2011-built 53,500 tonner *Nikos N* for 3-5 months at \$16,400/day (the most recent of a bevy of transactions at similar levels, mainly between \$16,000 and \$16,250/day).

\$16,400

daily rate over 3-5 months for newbuilding Supramax

Other recent barometer deals include Sinotrans' one-year booking of *Mandarin Sky* (56,930dwt, built 2009) at \$15,250/day (reported in early April). Sinotrans instantly relet the vessel to Oldendorff on a Pacific round trip at \$14,300/day.

FFA curves have been discounted to physical forward curves but give a rough indicator of where the physical markets

should be. In late March, when the Supramax specialist announced its 10-ship solution, the FFA forward curve was trending downward from \$13,500/day (for the second half of 2011) to \$13,000/day in various Baltic Exchange assessments out as far as 2016.

In the Supramax markets, the lengthiest period deals over the past few weeks, with deliveries in Asia, saw tenors out to one year at rates between \$15,550 and \$16,500/day, putting Eagle's deals even further "into the money" as the forward curves have slipped. If a burst of optimism returns to the dry bulk markets, the whole forward curve could slide upward. It is unknown whether Eagle is trading the forward curve against its \$17,000/day inflows.

Capesizes are suffering from the double whammy of reduced tonnages in Australia and Brazil, with the four-route timecharter trip composite now below \$8,000/day, threatening to challenge February's near-term lows of about

\$5,000/day. In its weekly report, Braemar Seascopes, referred to "an obvious North/South divide", with congestion in the face of heavy rainfall in Brazil – hence reduced cargo throughputs – and a build-up of tonnage in Colombia to load "non-existent cargoes" to Europe.

Oldendorff reportedly took *Orsola Bottiglieri*, a newly-built 178,000 tonner, for 5-7 months with the first 30 days indexed to the four-route timecharter composite, with the balance at \$15,000/day. The fixture includes an optional 5-7 months at \$18,000/day, reflecting an expected premium over the calendar 2012 FFA assessment of about \$16,000/day. Two 5-7 month deals for modern Capes have been done between \$13,700 and \$16,000/day, reflecting varied premiums to the relevant FFA pricing. Similarly, the Panamax trades had little to offer, with Braemar Seascopes commenting: "Most owners looking for fronthaul will be working on the basis that they will ballast when they are redelivered and then try to pick up an east coast South America heavy grain stem on passing Singapore."

Summing up a market where trans-Atlantic Panamaxes were worth about \$13,000/day and trips out worth \$24,000/day, balanced by \$5,000/day to come back, the broker said: "Our outlook for next week is again bleak. We can't see any signs of a recovery in the Atlantic for the short term."

The recent marker fixture in the period segment is a Korean charterer's fixture of *Diana Shipping's Danae* for two years at a relatively healthy \$15,600/day, showing a \$1,000/day premium to the FFA curve at the time of the fixture. ■