MARKET OVERVIEW- Aug 23rd

Markets for commodities, whose movement is the lifeblood for bulk shipping, have resumed a sense of "normalcy" after going bonkers over the past few weeks. The consumer economy fuelling containerized shipments, driven by broader economic factors, seems also to have weathered the storm - so far.

In fact, the mood in shipping can almost be described as "perky". Dry bulk denizens were talking about another blockbuster deal, as yet unconfirmed, that would involve significant dry powder ("buying power", through available credit lines or horded cash, in financial jargon) being expended on eight Capesize vessels. The drybulk indices, which faltered in late Spring, are back up to new highs. In the container sector, Hamburg-Sud has announced an acquisition of Costa Containerline- providing a nice linkage. Cruise watchers are now seeing U.S. finance powerhouse Apollo Management invest $ Billion into **NCL**- Apollo's second cruise foray in six months.

Shipping die-hards have lamented the status of many pure play shipping companies, too small to climb out of the "Small cap" or even "Micro cap" segments of the corporate universe. Loosely defined, "Mid Cap", the promised land, begins at $ 5 Billion. Some analysts would put the bar higher, at $10 Billion. Perversely, the past few weeks have been good times to be under the radar screens. Most analysts have now written off Private Equity as a big funding source over the next few months for large deals, until more dust settles. Yet, the analysts have viewed "smaller" deals in the works, such as Apollo/**NCL** and larger "strategic" deals, such as Rio Tinto's $40 Billion splurge on Alcan, as likely to be unconstrained by the credit markets' realignments.

The tanker sector is noticeably missing from the perkiness described above. In a stagnant market that has failed to budge, all eyes are on seasonality, which should kick in, if history is a guide. Though other commodity prices, for example in the metals complex, have regained their lustre, oil and the petroleum complex is still out of kilter. As prices have lurched around violently, and hedge funds (more in the "Unknown Cap" category due to their inate secrecy) have sold their more solid holdings to pay for bets that went bad. Reportedly, the mysterious traders have sold oil on a large scale, causing lower prices relative to the strong demand, and they may have bought natural gas- causing traders to wonder why prices are rising when it's still hot outside.

There is a message for market watchers here, especially on the wet side. Though history repeats, each iteration will be a little different. For planners at oil companies, who are ultimately responsible for programming the movements of crude oil, products and petrochemicals, it must be maddening. Their opposite members on the dry side (at companies like Rio Tinto) are probably also in frenzied states. Commodities, suddenly the soundest bets among all the risky investments out there, are rising and falling in price because of factors well beyond what these planners are normally evaluating.

So, the actions of the Unknown Caps have been, and will continue to bully the Micro and Small Cap shipping world, albeit indirectly. And, if the energy markets were not struggling with enough uncertainties, the large energy marketplace NYMEX has now confirmed that it is in merger talks with some un-named, and probably "Large Cap" entity.