- ***Trimester Market Overview***

General Shipping News

Lack of significant developments and stabilization of the market in near low levels are the current sentiment for bulks. The only important news come from China and the decision of the local regulatory authorities to apply stricter banking rules. We expect the new set of rules to significantly reduce the new building capability of China slowing down the financing by local banks. We expect the market to continue the "buyer" status it has enter the last year. The two main factors that determine the status are the oversupply of tonnage and the very weak – even questionable – recovery in the Europe and US. First quarter results for the listed companies were poor and the shipping indices continued to underperform in comparison to the rest of the market.

A RECORD 20m dwt of dry bulk tonnage are expected to be sold for demolition this year as oversupply keeps charter rates low and gives incentive for owners to sell off elderly uneconomical tonnage..

Ship-owners suffering from fleet oversupply contracted just 227 ships to be built at shipyards during the first three months of the year, the lowest volume since the third quarter of 2009.

According to China Iron and Steel Association China's total steel output growth is set to fall in the coming months amid a worsening power shortage, in turn causing the country's coking coal demand to ease. With their average profit margin hovering at just 2.9% in 2010, CISA said Chinese steel makers were facing growing uncertainties and their output would be especially vulnerable to any increase in raw material costs as well as any further credit tightening by Beijing. The power shortages have started earlier than normal this year and energy intensive and high polluting industries, such as steel mills, are always one of the first sectors to be slapped with power rationing. China's total steel consumption annual growth would moderate to between 2.6% to 4.6% over 2011-2015, based on an economic growth of around 7%. That compares with the stellar annual growth of around 12% recorded over the past five years.

China's banking regulator announced stricter regulation rules for commercial banks to help improve capabilities of the country's banking and financial institutions in combating risks. The China Banking Regulatory Commission (CBRC) said it would set the minimum capital adequacy ratio for banks of systematic significance at 11.5 percent, while that for banks with non-systematic significance at 10.5 percent. The banks will have to meet the new standards by the end of 2013 and the end of 2016, respectively. The criterion of a bank's significance will be determined within this year, CBRC said on its website. Banks will be restricted in engaging in structurally complicated and highly-leveraged transactions to prevent excessive risk taking. The systematically important banks are also being told to reduce their share of loans to a single debtor or group customer among their total capital assets. The new regulation standards will be implemented starting Jan. 1, 2012.

China has raised the reserve requirement ratios (RRR) for banks for the fifth time this year to restrain price rises. The move, which came on Thursday evening, underscores the risk that tightening measures will cause a slowdown in the world's second-biggest economy. Reserve ratios will increase by 0.5 percentage point from May 18, the People's Bank of China, the central bank, said on its website. That will boost RRR levels for the nation's biggest lenders to a record 21 percent. The central bank moved after reports on Wednesday showed inflation and lending exceeded economists' estimates in April, with consumer prices rising more than 5 percent for a second month. Premier Wen Jiabao aims to tame inflation while sustaining growth amid signs the economy is cooling after an expansion that peaked at 11.9 percent last year.

Large bulkers have seen the largest fall in secondhand values over the past year. Prices for a five-year-old capesize have fallen 27% in the past twelve months to $44.6m, according to the latest Baltic Sale & Purchase Assessment. However, values have done a lot better than rates. A year ago capesizes were earning around $48,800 per day. On Monday, it was about $5,800. Secondhand prices for similar aged panamax bulkers have done little better and are down almost 19% year-on-year to $31.7m, the Baltic says. Five-year-old supramaxes have seen the smallest decline in values over the past year, down about 10% to $27.7m. In the tanker space values are also down, but not to such a degree, with VLCC values down only 5.8% to 82.2m, according to the Baltic. A