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THE COMPASS WEEKLY MARKET REPORT

October 10th, 2008 / Week 41

THE VIEW FROM THE BRIDGE …

The BDI fell another 16% this week while tanker rates declined again (but volume was light). Reports of OPEC production cuts do not help tanker owner confidence much although we are approaching the winter market which traditionally has increased liftings and rates. No large tankers or bulkers were reported sold this week!

Ship valuations are moving to the forefront as the DE-LEVERAGING of the world continues - how much is an asset worth today? Buyers, sellers, banks, insurers, and sale and purchase brokers remain highly uncertain until the goalposts get moved to a quantifiable point. As we said last week, since there are almost no transactions taking place, sentiment has now become a heavier weight than comparable sales. Combine that with current period and spot charter rates and the numbers for bulk carriers are not looking pretty, especially for older tonnage.

This uncertainty forces our commentary to be more on the macro level which takes away from our usual "feel of the pulse" reporting. Two weeks ago our focus was CREDIT RISK, last week we highlighted LIQUIDITY and CONFIDENCE, and this week we are highlighting REDEMPTION (and we are NOT talking about religion!). Hedge funds and stock prices are collapsing due to investors calling in their money and going to cash. Basically this may be the end of hedge funds which would have been an unthinkable possibility just a week or so ago! We try to find the bright side of these movements and we expect the next move will be CONSOLIDATION! As investors move to cash they will be looking to find the right time to re-invest and there should be some great acquisition opportunities for investors (and ship owners) with deep pockets. There are several investment funds waiting for the right opportunity to buy ships (and shipping companies) so the question is who will act first. However, it could be a while before we see shipping M&A transactions because credit is frozen and few cash buyers want to commit capital until the market has bottomed or at least stabilized. Private ship owners are expected to be able to hold on longer than the public companies. Shipping equity prices have declined significantly more than the general market as investors are nervous about the lack of finance for newbuildings, possible loss of dividends as companies hoard cash, and if/when the concept of charterer's default becomes a reality. There are reports that some lenders are using the "market disruption clause" from LIBOR to rates based on lenders actual cost of funds. This increased cost of funding (some say the additional premium could be as much as 2 pct over LIBOR) will be an additional thorn in the side for ship owners and it has been reported that many shipping banks will not have adequate funding to meet demand this year and next.

SALE & PURCHASE ACTIVITY REPORTED THIS WEEK

TANKERS

"SAN NICOLA" 6,506/95 - FUKUOKA - MAN/B&W 3,270 - COATED - COILED - IMO II/III - DH
Sold for $9 mill. to undisclosed buyer.

BULK CARRIERS

NONE

CONTAINERSHIPS

NONE

TWEENDECKERS / MPC / Ro-Ro / MISCELLANEOUS VESSELS

"SARONIC WAVE" 8,043/93 - SHIN KOCHI - MIT 9,600 - 4HH - D 8X5T - 394,150 CBFT
Sold for $17 mill. to undisclosed buyer.

"BALTIC PRINT" 4,600/79 - SWEDEN - WICH 3,000 – 1,040 LM
Sold for $3.5 mill. to undisclosed buyer.

NEW VESSELS FOR SALE

TANKERS

NONE

BULK CARRIERS

NONE

NEWBUILDINGS

NEWBUILDING STATISTICS								
ASSET CLASS	2008	2009	2010	2011	2012	2013	2014	* TOTAL ORDERBOOK
ULCC/VLCC	13	66	67	98	16			260 (-1)
SUEZMAX	12	61	44	59	9			185 (-1)
AFRAMAX	34	99	86	46	1			266 (-5)
PANAMAX	21	50	26	35				132
MR TANKER	68	226	191	92	11			588 (-2)
0-35K DWT	128	223	1638	53	9			576 (-3)
CAPESIZE	15	165	345	216	77	16	4	838 (+3)
80-100K WT	17	90	191	156	37	11	1	503 (+2)
PANAMAX	16	54	80	55	30	5		240 (-2)
SUPRAMAX	73	309	319	216	53	7		977 (-2)
HANDYSIZE	47	278	282	199	73	8		887 (-1)

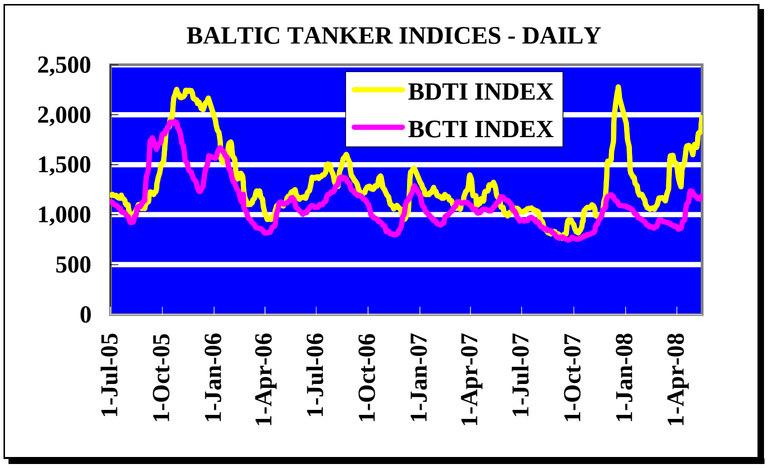
- ***Includes ALL vessels on order.***
- Please note that not all data are current as of the end of this week.

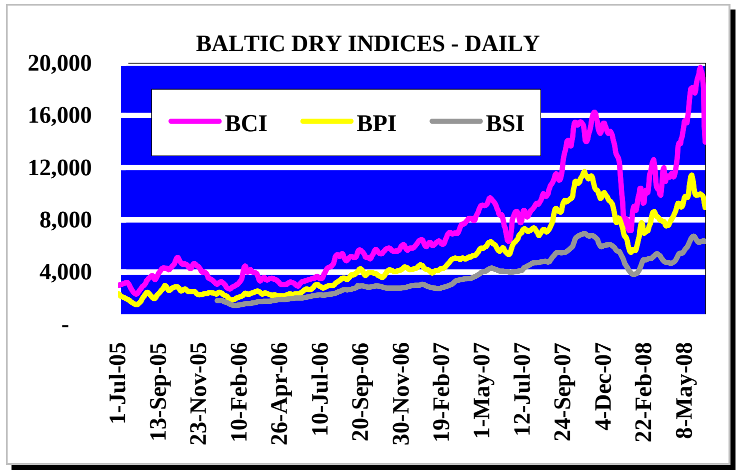
NEWBUILDING ACTIVITY REPORTED THIS WEEK

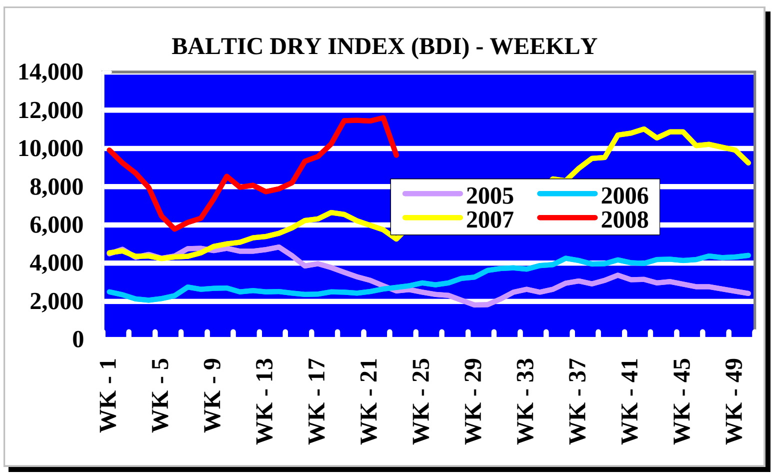
No.	Size	Type	Yard	Delivery	Price (mill)	Owners	Comm.
2x	156,000 dwt	Tank	Jiangsu Rong Sheng	2011		Dr. Peters	
1x	114,000 dwt	Tank	Samsung	2011	$70	Geden Lines	
2x	74,000 dwt	Prod	SPP	2011		Roxana Shipping	
6x	52,000 dwt	Prod	Guangzhou	2012		Tomasos	
2x	51,000 dwt	Prod	STX	2010		Sekwang Shipping	
2x	41,000 dwt	Prod	SPP	2011		Kristen Nav.	
3x	6,400 dwt	Prod	Yangzhou Haichuan	2009/10		P. Barbaro	
2x	335,000 dwt	Bulk	Imabari	2014		Mitsui O.S.K.	
2x	80,000 dwt	Bulk	Hanjin	2011		Irano-Hind	
3x	37,000 dwt	Bulk	Korea	2011		Cosmoship	
1x	22,500 dwt	Bulk	Nha Trang	2009	$32	LS Tourism &Transport	
8x	3,000 dwt	Bulk	SC Western	2010/11	$10	BLRT-UMM Shipping	
2x	7,200 dwt	Mpp	Amada Shipyard	2010	$16.75	Komrowski Befracht	
2x	3,500 dwt	Mpp	Marine Project	2009		Interscan Schiffahrt	

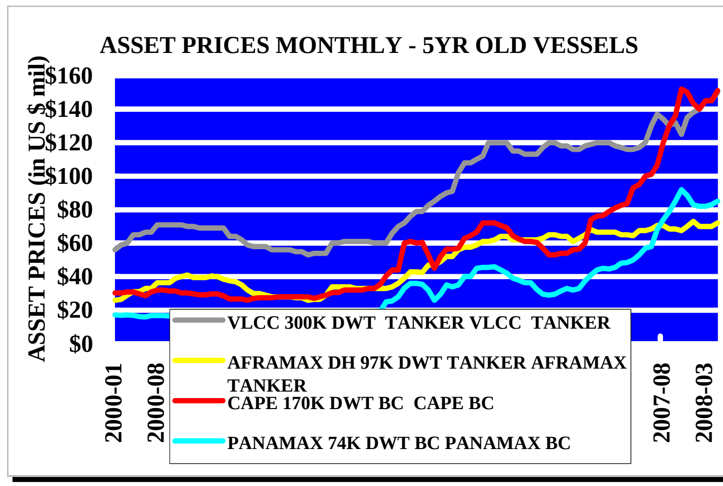
KEY INDICATORS

MARKET SNAPSHOT								
FINANCIAL SUMMARY		**FREIGHT INDICES - BALTIC EXCHANGE INDICES**						
WON / US $	1,223.69		**THIS WEEK**	**LAST WK**	**LAST YR**	**CHANGE w-o-w**	**y-o-y**	**y-o-y (%)**
NOK / US $	6.177	**BDI - DRY**	2,221	3,002	10,695	(781)	(7,693)	-71.93%
US $ / €	1.3609	**BCI - CAPES**	3,087	4,254	15,477	(1,167)	(11,223)	-72.51%
US $ / £	1.7081	**BPI - PANAMAX**	1,805	2,281	10,913	(476)	(8,632)	-79.10%
¥ / US $	99.91	**BSI - SUPRAMAX**	1,641	2,364	6,501	(723)	(4,860)	-74.76%
OIL (WTI) / bbl	$ 86.59	**BHSI - HANDYSIZE**	914	1,169	2,980	(255)	(2,066)	-69.33%
10-YR TREAS	3.836%	**BDTI - DIRTY TANKERS**	1,359	1,464	844	(105)	620	73.46%
LIBOR (3-mos)	4.75%	**BCTI - CLEAN TANKERS**	1,247	1,349	763	(102)	586	76.80%









VESSEL VALUES								FREIGHT
ASSET CLASS		**NB CONTRACT**	**PROMPT**	**5 YR**	**10 YR**	**20 YR (HULL)**		**ONE-YR TC**
TANKERS	**SIZE (DWT)**	*(All Numbers in US $ Millions)*						**US $ (pd)**
VLCC	300,000	$156.0	$185.0	$155.0	$130.0	$35.0	SH	$85,000
SUEZMAX	150,000	$98.0	$116.0	$101.0	$82.0	$28.0	DH	$52,500
AFRAMAX	105,000	$78.0	$86.0	$75.5	$60.0	$18.0	SH	$40,000
PANAMAX	70,000	$65.0	$69.0	$60.0	$47.0	$12.0	SH	$31,000
MR TANKER	47,000	$52.0	$60.0	$51.5	$40.0	$10.0	SH	$24,500
DRY BULK	**SIZE (DWT)**	**NB CONTRACT**	**PROMPT**	**5 YR**	**10 YR**	**20 YR**		
CAPE	170,000	$96.0	$120.0	$110.0	$80.0	$37.0	SH	$52,000
PANAMAX	74,000	$54.0	$80.0	$68.0	$51.0	$27.0	SH	$32,000
SUPRAMAX	52,000	$48.0	$60.0	$50.0	$37.0	$23.0	SH	$30,000

BUNKER PRICES (US$/ton	ROTTERDAM	FUJAIRAH	SINGAPORE	PIRAEUS
380 CST	$412.50	$461.00	$443.00	$455.00
180CST	$457.50	$481.00	$466.00	$483.00
MGO	$752.50	$967.50	$702.50	$469.50

DEMOLITION

DEMOLITION STATISTICS				
ASSET CLASS	*THIS DATE 2008*	*THIS DATE 2007*	*2007 TOTAL*	*2006 TOTAL*
ULCC/VLCC	5	1	1	0
SUEZMAX	4	1	1	0
AFRAMAX	7	8	8	14
PANAMAX TANKER	8	3	4	7
CAPE/COMBO (100K DWT +)	1	0	0	3
PANAMAX BULKER	0	*2 (*1 pmax+1 post pmax)	2	13

ESTIMATED DEMOLITION PRICES (US $ per lt)			
LOCATION	*TANKERS 6-10,000 LT*	*TANKERS 15-20,000 LT*	*BULK CARRIERS*
CHINA	325	340	300
SUB-CONTINENT	480	500	420

RECYCLING ACTIVITY REPORTED THIS WEEK

COMMENTARY:

The prices for demolition tonnage continue to fall on a daily, if not hourly basis. The financial freeze being felt worldwide has resulted in the cash buyers being confronted with difficulties in negotiating their letters of credit from the end users. Although few sales are being reported, the ever weakening dry cargo market has seen a large number of private candidates being mentioned in the market (whether or not Owners are simply "price checking") and the result is that end users have the sense that a large amount of tonnage is in the recycling pipeline and accordingly they are in no rush to buy.

BANGLADESH – CHITTAGONG

M/V **"MSC TRINIDAD"** (cont) 39,341/84 - 13,376 LDT - USD 435.00/LDT

CHINA

NONE

INDIA – ALANG

M/T **"BALTIC ACE"** 39,350/90 (Romania) - 10,580 LDT - USD 500.00/LDT

PAKISTAN – KARACHI

NONE

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COMPASS CONTACTS		
SALE & PURCHASE	**MOBILE PHONE NUMBER**	**AOH**
Terry Chance	**201 - 463-3834**	**908 - 232-5574**
Bart Lawrence	**201 - 463-3835**	**914 - 997-7599**
Tom Linter	**201 - 463-3826**	**973 - 949-4218**
Tom Roberts	**201 - 463-3832**	**914 - 242-5436**
Sophus Schanche	**201 - 463-3831**	**973 - 283-2848**
OFFSHORE	**MOBILE PHONE NUMBER**	**AOH**
Tommy O’Toole	**845 - 597-4150**	**845 - 783-9092**
PROJECTS & FINANCE	**MOBILE PHONE NUMBER**	**AOH**
Basil Karatzas	**201 - 463-3828**	**713 - 545-5990**
IT & MANAGEMENT RESOURCES	**MOBILE PHONE NUMBER**	**AOH**
Joseph Kaufmann	**201 - 463-3833**	**845 - 628-0469**

Very Truly Yours,

COMPASS MARITIME SERVICES, LLC

Compass Maritime Services, LLC is Member of

- ✓ The Association of Ship Brokers & Agents (USA) Inc. (ASBA), and
- ✓ The Baltic Exchange,

and Panel Member of

- ✓ The Baltic Exchange Sale & Purchase Assessment (BSPA Index)
- ✓ The Baltic Exchange Demolition Assessment (BDA Index)