

LE RENDEZ-VOUS DE L'ASSURANCE TRANSPORTS

Cannes
4th and 5th May 2010



LE
RENDEZ-VOUS
DE CANNES



Louis Dreyfus Armateurs



BULK FREIGHT RATES IN CYCLICAL MARKETS



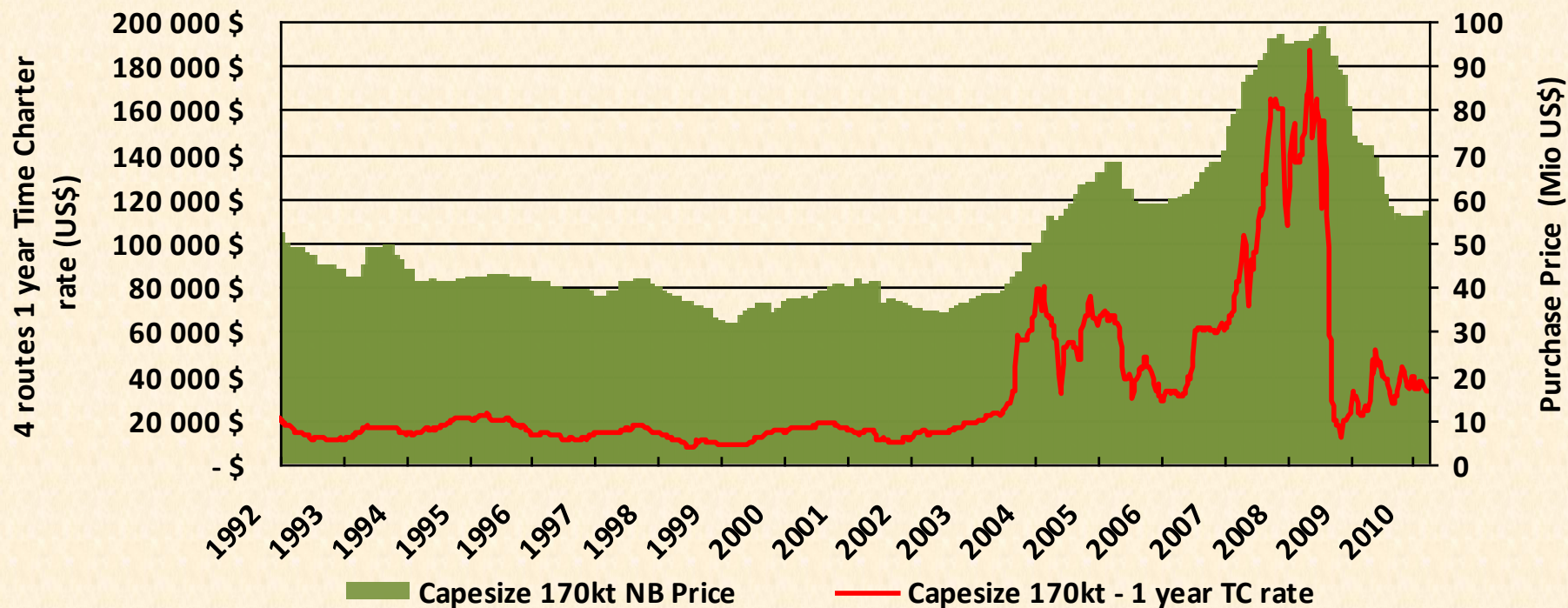
BULK FREIGHT RATES IN CYCLICAL MARKETS

1. Dry bulk : a specific market.

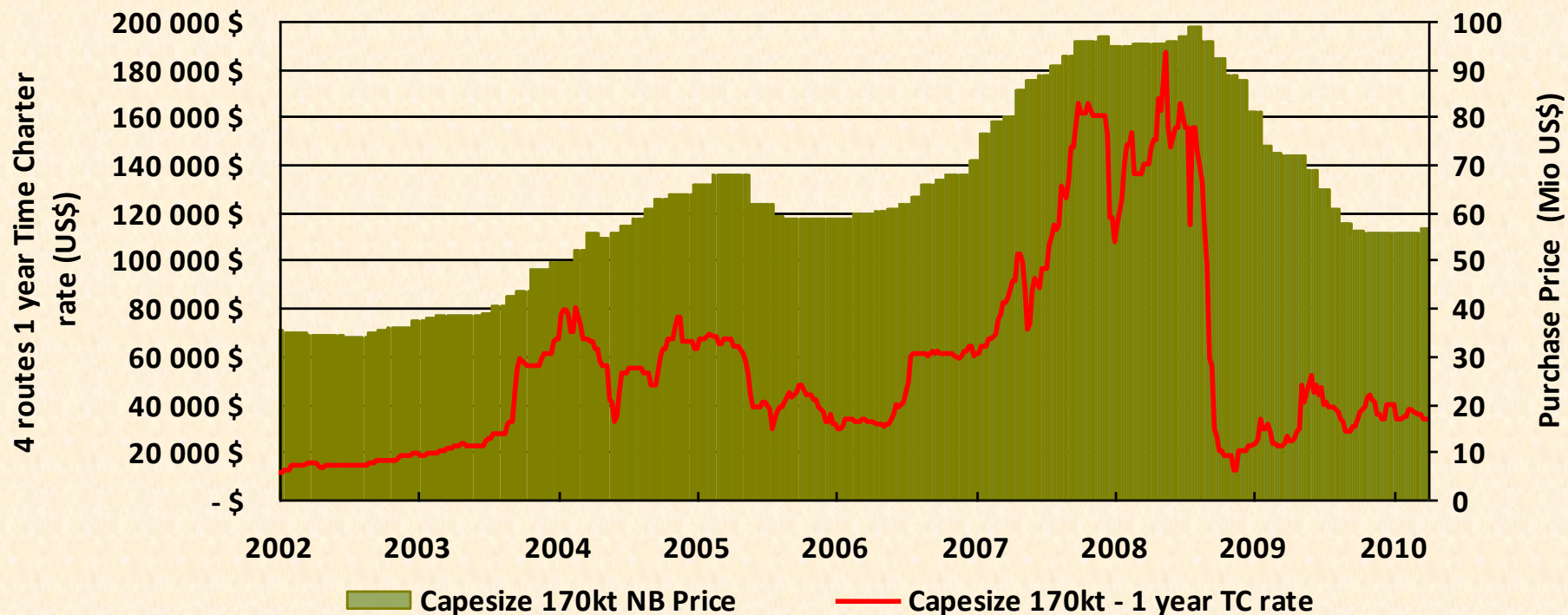
A. Almost perfect competition model...

- Great number of buyers & sellers;
- Standardized products;
- Few entry and exit barriers;
- Perfect information;
- Adjustment gap between supply and demand.

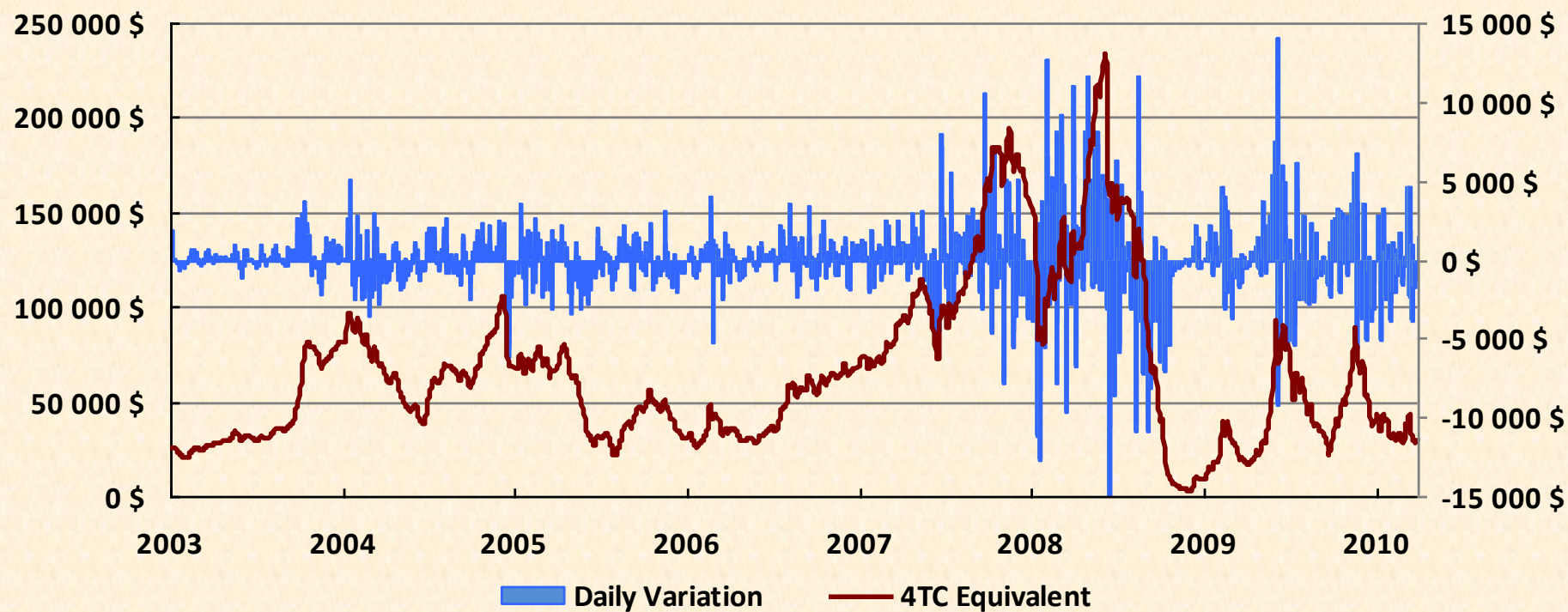
Dry bulk market 1992 - 2010



Dry bulk market 2005 - 2010



Capesize rate volatility



BULK FREIGHT RATES IN CYCLICAL MARKETS

1. Dry bulk : a specific market.

B. ...Leads to super volatility...

- Perfect price elasticity;
 - Port congestion multiplier.
-
- ... And to a specific type of management.
 - Family run businesses.



BULK FREIGHT RATES IN CYCLICAL MARKETS

1. Dry bulk : a specific market.

C. The current cycle.

- World order book, oversupply;
- Chinese decisions (the example of iron ore negotiations).



BULK FREIGHT RATES IN CYCLICAL MARKETS

2. How managing such cycles ?

A. Ship owners' choice of action.

- Spot market;**
- Long term cover (Time charter or COAs).**
- Forward Freight Agreements**

BULK FREIGHT RATES IN CYCLICAL MARKETS

2. How managing such cycles ?

B. Memory of cycles.

- The '*reasonable return*';
- Avoid domino collapse : respect your signature.



BULK FREIGHT RATES IN CYCLICAL MARKETS

Lord Templeton :

What are the 4 most expensive words in English ?



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This time, it's different !



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