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Market Outlook – Risks & Opportunities

German Ship Finance Forum

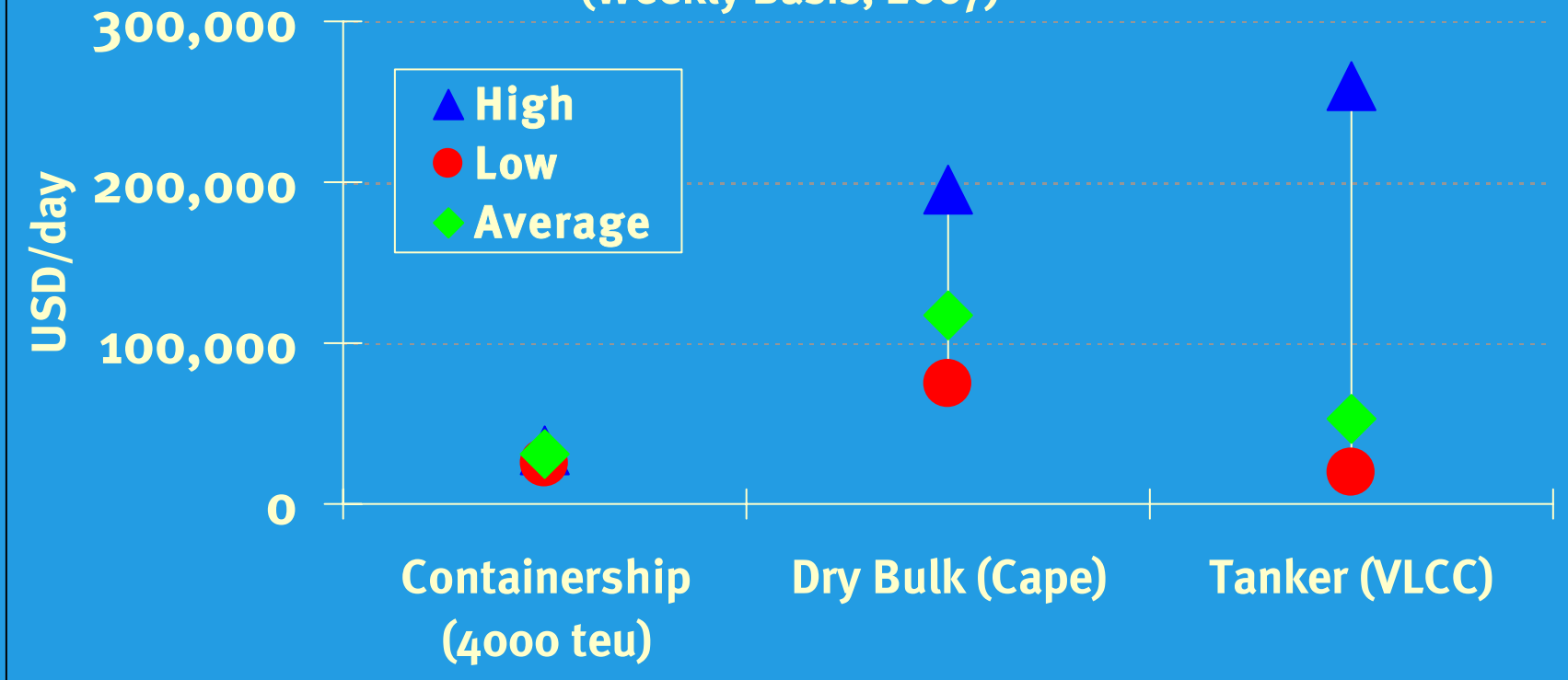
February 2008

Agenda

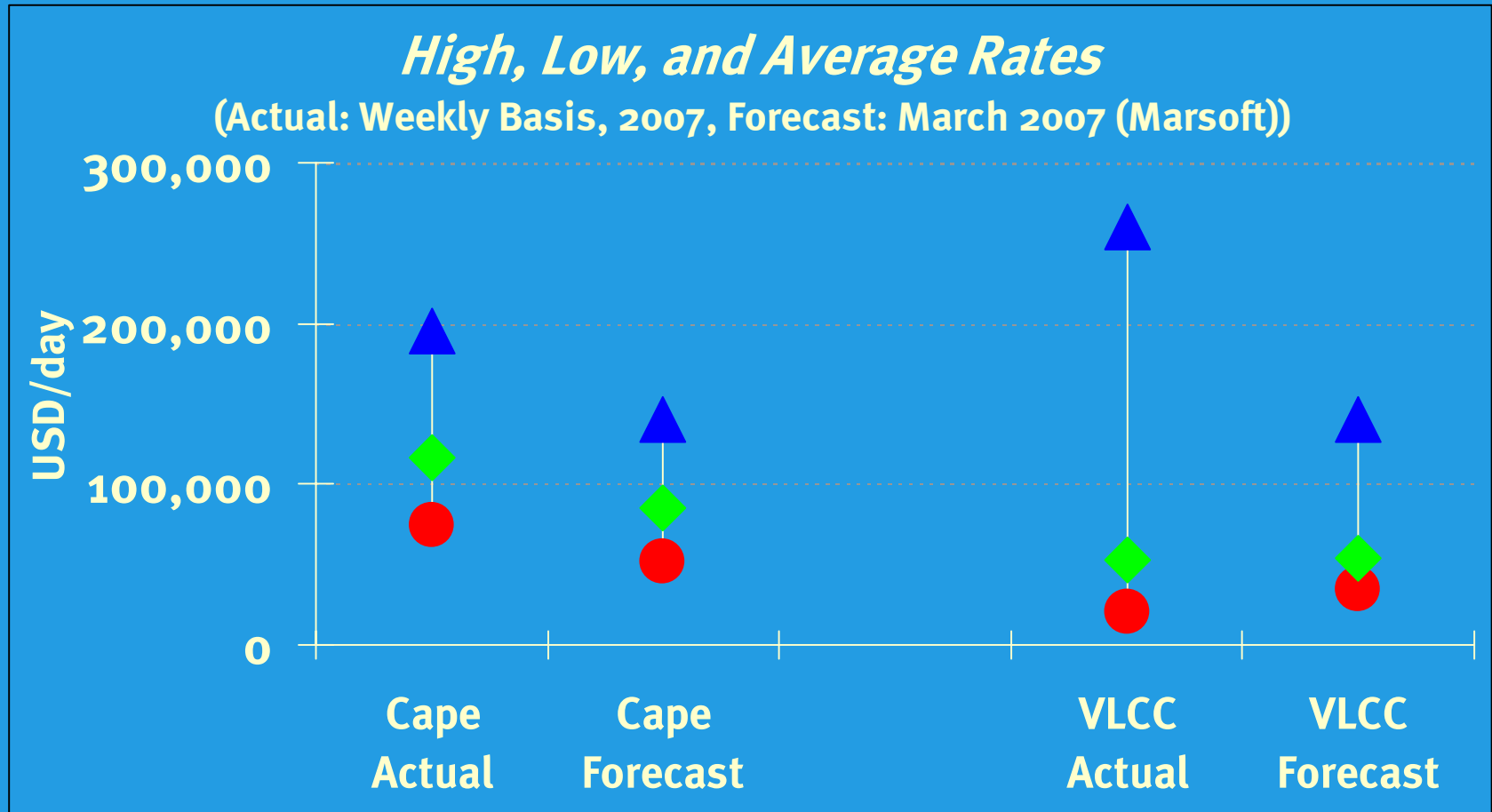
- *Extreme Volatility*
- *Expensive Oil, US Recession, Slowing China*
- *Pent-Up Demand*

Realized Volatility

High, Low, and Average Rates
(Weekly Basis, 2007)



Forecasts & Actual



What Were the Surprises?

- ***Robust Global Growth***
 - Global Growth Slowed, But Not Much
- ***Q4 Oil Stockbuild***
 - OPEC Output Increased by 1 mbd
- ***Ore & Grain Trade***
 - 30% Increase in Brazil – China Ore
 - Q4 Surge in US Grain Exports

Agenda

- *Extreme Volatility*
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Bad News

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- ***From A US Perspective***
 - 45% Economists Polled Think Recession Likely
 - Oil Prices \$100/bbl
 - Housing Prices Fall 10%
 - Inflation Rising (but mainly food & energy)
 - Credit Crunch
- ***From A Global Perspective***
 - Does A US Recession Make A Difference?

Some Sensitivities

<i>US</i>	<i>Slow</i>	<i>Recession</i>	<i>Recession</i>
<i>Global</i>	<i>Slow</i>	<i>Slower</i>	<i>Recession</i>
<i>Cape Rates</i>	<i>\$100,000</i>	<i>\$65,000</i>	<i>\$35,000</i>
<i>VLCC Rates</i>	<i>\$53,000</i>	<i>\$41,000</i>	<i>\$30,000</i>
<i>4000 teu Rates</i>	<i>\$28,000</i>	<i>\$23,000</i>	<i>\$18,000</i>

Agenda

- *Extreme Volatility*
- *Expensive Oil, US Recession, Slowing China*
- *Pent-Up Demand*

What Is Pent-Up?

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- ***Iron Ore***

- Everybody Has Been Holding Back During Negotiations and Now Trade Will Surge

- ***Oil***

- Oil Price Will Fall, Demand & Stockpiles Will Rise
- Single Hull VLCCs Will No Longer Be Chartered

What Is *Really* Pent-Up?

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- ***Iron Ore***

- Everybody Has Been Holding Back During Negotiations and Now Trade Will Surge
- *But Chinese Imports Grew Very Rapidly in January – Hard to See More Acceleration*

- ***Oil***

- Oil Price Will Fall, Demand & Stockpiles Will Rise
- *Probably Not At \$100/bbl*
- Single Hull VLCCs Will No Longer Be Chartered
- *Could Be Significant*

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