

EXM Rally

Wow. The YTD rally for EXM has been phenomenal. Literally. Solely looking at the fundamentals and the core operation, we can't comprehend the 140% YTD rally from \$0.45 to \$1.10. However, with a secular view of what is developing in the shipping market and more importantly, the global economy and trade activity, we can see that the hype is propelling the stock movement to the level seen today.

We honestly were anticipating Ch.7 proceedings in the next year or two and we are not alone. A Wells Fargo analyst called out EXM's risky balance sheet, which we explained in our previous note, that the co.'s management expects a pending impairment charge of \$1.5 BB!! should the market remain at the historic lows for freight rates.

This is one of those trades where we are scratching our heads wondering if this is just a bunch of bottom feeders attempting to score a big bagger before flipping and leaving it to die. A little dramatic, I know, but we are on the sidelines with this particular stock.

"Shipping companies' rally continues but Wells Fargo analyst skeptical

Dry bulk shipping companies are advancing, continuing a rally which began several weeks ago. A likely drop in the supply of dry bulk ships and optimism about an upturn in global trade may be boosting the stocks. Shipping executives said on March 6 that new dry bulk ship deliveries would be below expectations this year, while vessel scrapping would continue to proceed at high rates, reducing competition, Reuters reported. Meanwhile, investors have become more optimistic that the recovery in the Chinese economy will spur increases in global trade, Wells Fargo analyst Michael Webber wrote in a note to investors earlier today. Webber believes that the rally has come too early and warns that multiple companies in the sector may not survive. Specifically, he believes that the balance sheets of Eagle Bulk Shipping (EGLE), Exel Maritime (EXM) and Genco Shipping (GNK) pose significant risks, while DryShips (DRYS) may have to sell more shares in order to shore up its balance sheet. Webber maintained Underperform ratings on Diana Shipping (DSX), Eagle Bulk Shipping, Excel Maritime and Genco. He maintained Market Perform ratings on DryShips and EuroSeas (ESEA). In mid-afternoon trading, Eagle Bulk soared 14.67% to \$3.90, Excel Maritime jumped 13.3% to \$1, Genco was flat at \$3, Diana Shipping rose 6% to \$11.20 and Euroseas climbed 5% to \$1.05."

Source: Fly on the Wall