



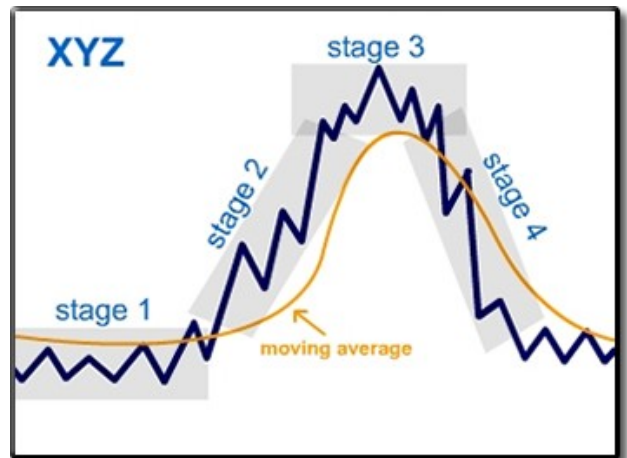
## Shipping Stocks Are Turning Up - Mike Swanson (03/17/13)

I want to bring your attention to the shipping stock sector, because it appears to be breaking out of a stage one base right now and beginning a new bull market. Take a look at the SEA shipping stock ETF on the right for example.

SEA has been basing now for over a year. It currently has resistance at its January high of 17.60. It managed to close Friday just a few decimal points below its upper 200-day Bollinger Band.

Over the past several years shipping stocks have tended to move with the price of commodities and be effected by the global economy. They crashed in 2011 when commodities, gold, and just about every stock market in the world with the exception of the US market went into a bear market. Europe and other world markets bottomed last year and are now in bull markets. Commodities and gold have lagged but are likely to begin new bull markets this year. Shipping stocks also have lagged and now appear to be on the verge of breaking out into new bull markets of their own.

Shipping stocks also are heavily effected by the Baltic Dry index which tracks the rate that shipping companies are charging to move commodities. The higher they charge the more money they make and that helps the stocks. The Baltic Dry index just like



the stocks has been building a base for the past year and looks like it is in a position to breakout and begin to move higher. This suggests that shipping companies are going to be charging more to move goods than they are now. It doesn't matter if that reason is inflation from higher commodity prices or higher global demand, what matters is that this means shipping companies will be making more money.

Shipping stocks fell so much that their prices became depressed and many are trading way below book value and paying higher dividends. I believe that these stocks are in a position to go up a lot over the next two to three years. I went through the stocks in the sector and want to highlight the ones that look the most interesting to me right now.



Now I already own VLCCF and ESEA. VLCCF is paying a 9.40% dividend right now and already broke out of its January high. So it is outperforming SEA. ESEA has not broken out though and is paying a 6.20% dividend and 0.22 price/book ratio. VLCCF has a 0.65 P/B. A lot of these shipping stock valuations are that low.



Right now NMM is the most interesting shipping stock to me. It is paying a 12% dividend and on a short-term chart looks ready to make a quick jump up to its January highs. The best performing shipping stock in the sector is SSW. It broke out in December and has been surging the past few weeks to new highs already. It is paying a 5.00% dividend.



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A lot of the shipping stocks popped up on Friday on large volume. Most of the shipping stocks actually have been seeing volume increases the past four months. That's good for a sector, because it suggests accumulation towards the end of a stage one base. EGLE jumped up Friday over 11% on high volume. It already has broken out of its January high. Notice how high the price was just two years ago. These stocks really look like they have the potential to go up a lot. PRGN looks like it is in a better entry position though, because it is pausing below a \$4.50 resistance point. EGLE has a P/B of 0.06 and PRGN of 0.12. Both companies suspended their dividends, but I'd look for shipping stocks to reinstate or increase their dividends if the Baltic Dry index does indeed go up. And it probably will. It should if the inflation story happens like I think it will in the coming years.



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EXM also had a big volume surge on Friday and is trading below resistance at 75 cents. It is trading with a 65 million dollar market cap and a P/B of 0.04. TDW is a shipping stock paying a 2.10% dividend that has outperformed most of the other shipping stocks the past few years - notice that it did not collapse and crash. I'd expect it to do well going forward and probably make new highs ahead of SEA and other shipping stocks much like SSW has done. It's a big cap stock with over 2 billion in market cap, unlike ESEA and EXM which have become small cap stocks.



NAT is also basing in a great position and paying a 6.80% dividend while SFL is paying a 9% dividend and acting as one of the leading ship-ping stocks.



I bought TNK back in September and sold out of it as it broke down. It had to cut its dividend. This is why the shipping stocks crashed. The Baltic Dry Index dumped and they made less money and had to cut dividends. But they are now so cheap that many are priced for bankruptcy and the sector as a whole is poised to break out of a stage one base. That's a good combination. Plus everything else is now in a bull market so they should turn up too. TNK is still paying a 4.60% dividend and looks like it has bottomed. SHIP is another shipping stock that is basing too and has seen a jump in volume the past few weeks.

Now I'm currently 80% invested so I do not know if I am going to buy any new stocks right now or not. I will have to think about it. If I wasn't invested at all I would. If I do buy anything it will just be a small position. I'm not in a hurry to add any new positions to my account, but you may be so you may want to consider these stocks. In the long run the most important thing when it comes to making money in the stock market is how you manage your money with your position sizes. I will have to write something about this in more detail soon.

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