

Dry Bulk Market - Weekly Report

Chartering

Supramax (52,000 dwt)

Predictions as to the current trend on the Continent were yet again, disappointingly accurate. From rates being paid on economical Supramax vessels in the region of USD 1,000 for business to the US Gulf, to competing parties willing to sit spot for a week on the premise of having near-only bunkers covered, it is a truly uninspiring situation. But with the current trend of rates falling in reopening positions, some Owners see little reason on leaving the region on next to zero daily hire, and are digging their heels in with the hope that an upturn might be just around the corner.

Another tough week for the US Gulf with spot Supramax vessels sat all around leaving no stone unturned looking for business within February dates. Many Owners now preferred to go Far East to try and ease the pain of the ballast into the US Gulf; a 55,000 dwt vessel fixed at a market rate of USD 18,000 from South West Pass to Singapore-Japan range. Trips within the Atlantic were still soft, illustrated by a Tess 52 fixing at USD 9,500 into Turkey. There seemed to be a few more cargoes entering the market towards the end of the week but only for March dates; perhaps showing some light at the end of the tunnel, however spot/prompt Supramax vessels are still likely to struggle.

Positivity within the Mediterranean remained distinctly lacking once again this week. There was little offered in terms of business heading to the Far East, for which the index route reflected in its continued decline. There has been salvation in terms of business heading towards West Africa from the East Mediterranean, but due to the number of vessels competing, returns for such were only in the region of USD 3,000. This could yet to be seen as a smart move, with predictions of increased activity out of South America from March potentially offering heightened employment prospect for these Owners in the near future. Trips to the US Gulf continued to pay between bunkers-only up to USD 1,000 a day, with no revival in these rates anytime soon.

Another strong week in the Pacific but Owners may not get too excited as rates seemed to lose momentum towards the end of the week. At the start of the week rates were still rising, especially for Indonesian round trips. A 57,000 dwt vessel fixed for a trip basis delivery Caofedian for a trip via Indonesia to India at USD 6,000 which given her poor speed and consumption was considered a strong rate. Rates rose slightly as well for Northern Pacific round trips with rumours towards the end of the week that a 57,000 dwt vessel was on subjects basis delivery Jintang at around USD 7,250. Many were predicting after a fairly strong past fortnight rates in the Pacific market will hold steady next week and maybe start to fall again.

More activity this week in India saw rates rise for most trips. A Tess 58 fixed basis delivery Mumbai for a trip via Goa to China at USD 10,500 which seemed a good rate given the current market. Another encouraging fixture for Owners coming open on the west coast of India was a 55,000 dwt vessel being fixed at USD 9,000 for a trip from Mumbai via the Persian Gulf back to India. With this slight upturn in the Indian market and with bunker prices remaining high some are predicting that the amount of vessels ballasting down to South Africa will start to fall.

The period market for the most part has been a talking shop with many taking a differing view of the future prospects within this segment. With bunker prices continuing to rise, the premium for economical vessels is starting to show. This was seen with a Tess 58 getting USD 1,250 a day more than a Dolphin 57 for 1 year; USD 11,250 and USD 10,000, respectively.

Panamax (74,000 dwt)

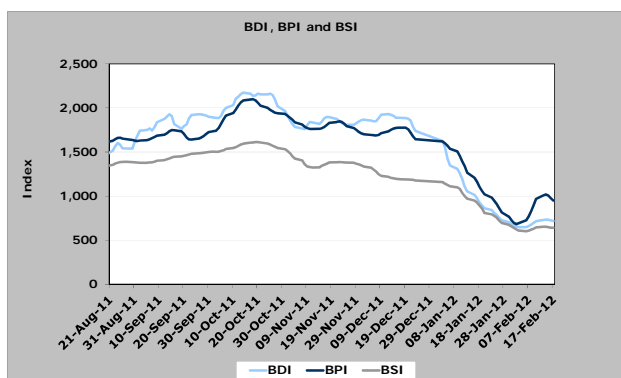
The resurgence of rates that we saw across both basins last week has proven to be short-lived. Confidence in the Atlantic market has weakened following an accident at Santos and this has led to falling rates in both the Atlantic and the Pacific as fears over a fall in output from ECSA, the driving force behind the recovery, increase. The Baltic average of the four assessment routes ended the week down USD 145 to USD 7,587.

Talks of recovery in the Atlantic seem to have run aground this week with the basin being hit by some more bad news; one of the major ECSA load ports, Santos, has been damaged and there are fears that this could lead to a fall in output from the region. While there is still some activity coming out of the US Gulf, and the Baltic, and there have been a few March stems released, this has not been enough to cover the number of spot vessels open in the Gulf or the Continent and with more and more vessels opening confidence doesn't look likely to improve. Owners though can take some solace from the fact that the deep freeze that has engulfed the Black Sea, and much of Europe, seems to be thawing out and as a result we are beginning to see a slight increase in activity from this region. With regards to the trans-Atlantic business reported this week a 2010-built, 83,369 dwt vessel fixed at USD 9,000 + USD 220,000 with delivery APS USEC for a trip with redelivery Skaw Gibraltar range; this is also the lowest level we have seen reported in the Atlantic this week. In terms of front-haul business, we have seen a 2007-built, 76,662 dwt vessel fixed at USD 18,500 + USD 450,000 which was the highest rate we have seen in the Atlantic this week. Trans-Atlantic rates ended the week at USD 6,375 and front-haul rates closed the week at USD 16,470.

The week in the Pacific got off to a fairly slow start with Owners choosing to wait to see if last week's positive momentum continued into this but unfortunately stronger rates failed to materialise as the week wore on with ECSA issue affecting confidence in the East too. In truth, the week failed to really get going and there has been little activity in the East reported. While there remains a number of Indonesian coal stems and NOPAC round voyages the driving force had been the ECSA grain stems and with these beginning to wane and a large number of vessels opening up in the Pacific the future here looks uncertain. Among the Indonesian rounds reported was a 75,846 dwt vessel, built 2002, with delivery passing Taiwan for a trip to South China at USD 8,000 daily. In terms of NOPAC business reported we have seen a 75,100 dwt, 2000-built vessel with delivery Nadahama and redelivery Singapore-Japan range fixed at USD 9,000. In the Pacific market the highest level reported was at USD 11,500 on a 2001-built, 74,297 dwt vessel for an East Coast South America round with redelivery Singapore Japan range. Pacific round voyages ended the week at USD 7,668 and back-haul rates closed the week at USD -164.

The period market was once again being driven by Owners who were willing to offer Charterers the flexibility in duration that they desire. At the beginning of the week a 73,000 dwt vessel fixed for 18-24 months at USD 10,750, whilst as the week closed an LME fixed for 11-16 months at USD 8,000 for the first 50 days and USD 11,500 for the balance.

Baltic Indices



Maersk Broker's illustrative spot and period rates basis 17th February 2012 (USD/day):

	Feb 2012	Change	Jan 2013	Change	Jan 2014	Change	2011	
		+/-		+/-		+/-	High	Low
Tess 52,000 dwt								
Spot	6,701	(45)	n/a		n/a		16,804	11,398
1 year	10,250	250	n/a		n/a		15,500	11,250
2 years	10,500	250	11,250	0	n/a		14,750	11,500
3 years	11,000	0	12,000	0	13,500	0	14,500	12,250
5 years	12,250	0	13,000	0	13,750	0	14,250	12,750
10 years	13,250	0	13,500	0	14,000	0	14,000	13,250
Tess 58,000 dwt								
1 year	10,750	250	n/a		n/a		16,000	11,750
2 years	11,000	250	11,750	0	n/a		15,750	12,000
3 years	11,500	0	12,500	0	14,000	0	15,000	12,750
5 years	12,500	0	13,500	0	14,250	0	14,750	13,250
10 years	13,750	0	14,000	0	14,500	0	14,500	13,750
LME 74,000 dwt								
Spot	7,587	(145)	n/a		n/a		17,115	10,689
1 year	10,750	250	n/a		n/a		17,500	11,500
2 years	11,000	250	11,750	0	n/a		17,000	11,750
3 years	11,250	0	12,250	0	13,500	0	17,000	12,250
5 years	12,500	0	13,500	0	14,000	0	16,750	13,000
10 years	13,750	0	14,250	0	14,500	0	16,500	13,750
Kamsarmax 82,000 dwt								
1 year	11,250	250	n/a		n/a		18,000	12,000
2 years	11,500	250	12,250	0	n/a		17,500	12,250
3 years	11,750	0	12,750	0	14,000	0	17,500	12,750
5 years	13,000	0	14,000	0	14,250	0	17,250	13,500
10 years	14,250	0	14,750	0	15,000	0	17,000	14,250

Note:

- 1) All rates are basis Pacific delivery
- 2) The *High* and *Low* columns denote period rates recorded during 2011.

Baltic Daily Forward Assessment (BFA)

Baltic Forward Assessment	PANAMAX		SUPRAMAX	
	4 BPI TC (Feb 9th)	4 BPI TC (Feb 16th)	5 BSI TC (Feb 9th)	5 BSI TC (Feb 16th)
February	8,571	7,467	7,700	6,508
March	11,861	10,125	10,767	8,885
Q2 12	11,968	11,075	11,417	10,142
Q3 12	10,311	10,038	10,278	9,840
Q4 12	10,911	10,633	10,558	10,063
Q1 13	10,929	10,717	10,729	10,454
CAL 13	11,214	11,025	10,779	10,580
CAL 14	12,186	12,092	11,627	11,542
CAL 15	12,693	12,604	11,787	11,850
CAL 16	12,943	12,900	12,218	12,342
CAL 17	13,107	13,058	12,503	12,623

- Note: (1) 4 BPI TC - Weighted Average of the 4 Baltic Panamax Index Time Charter Routes
(2) The Baltic Supramax Index represents vessels of 52,000 dwt

Sale & Purchase

The week passed with limited concluded deals in the second-hand market. Prospective Buyers were, however, becoming more observant and there are still a large and increasing number of prospective Buyers following those sales candidates available. At the moment, we are seeing many new purchase enquiries; however, we have yet to see the effect in terms of a tangible upturn in activity. With the current relatively low charter rates obtainable in the spot market and very few deals actually concluded, there is still plenty of downward pressure on Sellers. Hence while we expect activity levels to remain low, yet slightly increasing, we expect prices to remain under pressure.

The Handysize bulk carrier "POSEIDON" (34,000 dwt, 2012 built at 21st Century KRS) was sold at USD 22 mill. to undisclosed Buyers, which is below last done.

Estimated Second Hand Prices - 5 yrs old (USD Million)			
Handysize	Supramax	Panamax	Capesize
20-22	23-25	24-26	36-38
Price Development Since Last Week			
→	→	→	→

Source: Maersk Broker

Newbuilding

The past week went by with only one significant order being placed. We are seeing some aggressive pricing and innovative financing terms from Chinese yards, showing an increasing willingness to secure orders in the months to come. We expect the activity level to remain limited with prices under pressure.

U-Ming placed an order for 4+6 x 186,300 dwt Capesize bulk carriers at SWS with delivery in 2014 at USD 49.8 mill. each.

Estimated Newbuilding Prices (USD Million)			
Handysize*	Supramax*	Panamax*	Capesize**
21-23	25-27	28-30	52-54
Price Development Since Last Week			
→	→	→	→

Source: Maersk Broker

*based on Chinese built vessel for 2013 delivery

**based on Korean built vessel for 2013 delivery

Market Developments and Drivers

- **Foreign direct investment in China** fell 0.3% in January from a year earlier to USD 9.997 bill. – the third monthly decline in spending by overseas companies. Foreign investment in China had its first decline since 2009 in November 2011 and the drop deepened to 12.7% in December. Spending by companies in the European Union fell 42.5% y-o-y in January to USD 452 mill. while investment from US businesses rose 29%.
- **China has pledged to invest in Europe's bailout funds** and sustain its holdings of Euro assets. "We would participate in resolving the Euro debt crisis," says People's Bank of China Governor Zhou Xiaochuan, echoing comments by Premier Wen Jiabao. The remarks offer a carrot to European finance ministers, who are increasing pressure on Greece to deliver budget cuts in exchange for a second bailout. At stake for China is helping to stabilize the economy of its largest export market amid a global slowdown that has curtailed growth in Chinese shipments abroad.
- **China, the largest foreign lender to the US, reduced its holdings of Treasuries** in December 2011 to the least since June 2010 amid efforts to assist Europe in addressing its debt crisis. The world's second-largest economy decreased its US debt securities by USD 31.9 bill. from November, or 2.8%, to USD 1.11 trill. Its position in longer-term notes and bonds also fell USD 32.5 bill., or 2.8%, to USD 1.1 trill., the least since June 2010. Japan, the second biggest buyer, increased its holding by USD 3.5 bill. to USD 1.04 trill.
- **Indian inflation eased** to the lowest level in more than two years in January, adding to the central bank's case to cut interest rates as economic growth weakens. The benchmark wholesale-price index climbed 6.55% y-o-y, compared with 7.47% in December.
- **Japan's economy shrank** at an annualized 2.3% rate in the fourth quarter of 2011, due to weak exports exacerbated by slowing global demand. The contraction followed a revised 7% growth in the previous quarter. Net-exports, or overseas shipments less imports, subtracted 2.6%-points from annualized GDP.
- **The Bank of Japan** unexpectedly added 10 trill. Yen (USD 128 bill.) to an asset-purchase program. The asset fund was increased to 30 trill. Yen, with a credit lending program at 35 trill. Yen. The central bank also announced that it will target 1% inflation "for the time being." The overnight lending rate was kept between zero and 0.1%.
- **The Euro-zone economy contracted** in the fourth quarter of 2011 for the first time in 2 1/2 years as the region's debt crisis undermined confidence and forced governments to toughen budget cuts. GDP in the Euro-area fell 0.3% from the previous quarter, the first drop since the second quarter of 2009. In the year, the economy grew 0.7%.
- **US factory production increased** in January, reflecting gains in demand for US-made automobiles and business equipment. Output at factories rose 0.7% after a revised 1.5% gain in December that was the largest in five years. A 2.5% decline in utility output prompted by the fourth-warmest January on record caused total industrial output to be little changed.
- **US consumer prices increased** less than estimated in January, supporting the Federal Reserve's view that inflation will be contained. The consumer-price index increased 0.2% after no change in December 2011. Over the past 12 months, prices climbed 2.9%, the smallest year-to-year advance since March 2011. The so-called core measure, which excludes more volatile food and energy costs, also increased 0.2%. The increase in the core gauge followed a 0.1% advance in December. They were up 2.3% for the past 12 months, the most since a 2.5% increase in the year ended September 2008. Wholesale prices also rose less than forecast in January as food and energy costs dropped. The producer price index rose 0.1% following a 0.1% decrease the prior month. The core measure excluding volatile food and energy rose 0.4%.
- **Wheat exports from Australia**, set to be the world's second-biggest shipper, are expected to advance to a record this year as the harvest climbs to an all-time high after favourable weather. Shipments are forecast to total 22.3 mill. tonnes in the year to 30 September, 20% higher than a year earlier. Production is expected to reach 29.5 mill. tonnes, beating last year's record crop of 27.9 mill. tonnes. Increased shipments from Australia will add to record worldwide supply and may help to extend the grain's 29% slump in the past year, easing global food costs.
- **Coal India**, the world's largest producer of the commodity, will sign agreements with the country's utilities for the first time since 2009 to boost supplies to plants facing a shortage of the fuel. Accords will be signed for projects due for completion by March 2015. The Indian government has set a 31 March deadline for agreements for plants constructed by 31 December. The agreements will benefit power plants that will generate an estimated 50,000 megawatts, which is equivalent to about 27% of the country's current installed capacity. Coal India, which produces more than 80% of the country's coal, will arrange alternative supplies, including imports, if its domestic production is not enough to meet commitments. India's coal demand is expected to climb 41% to 981 mill. tonnes in the next five years. Output may rise 28% to 715 mill. tonnes in this period.