

WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 1st March 2013 (Week 9, Report No: 9/13)

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The fourth and finally week of February ends with a persistent upward momentum for secondhand purchases and firm scrapping activity, while newbuilding business did not seem to lose its high pace of activity from previous highs of January from the low reached newbuilding prices. However, the distressed freight picture outlook in all main vessel categories, bulk carriers, tankers and containers, remains the same rough as previous month with optimism for firmer vessel earnings in the bulk carrier segment from Chinese aggressive iron ore buying. Secondhand prices are following the negative trends seen in previous year and scrap price levels have shown a downward direction from the influx of tonnage for disposal.

Overall, 41 transactions reported worldwide in the secondhand and demolition market, down by 12.7% week-on-week with 21.4% decrease in secondhand purchases and same number of vessels heading the scrapyards. At similar week in 2012, the total S&P activity was standing 24% lower than the current levels, when 31 transactions had been reported and secondhand ship purchasing was 38% lower than the volume of newbuilding orders. This week the secondhand purchasing activity has been by 46.6% stronger than the newbuilding activity.

SECONDHAND MARKET

Overall, 22 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 210.45 mil, 3 S&P deals reported at an undisclosed sale price. Tankers again held the lion share of this week's S&P activity, 59% and bulkcarriers follow with just 22.7%. Comparable with previous year, this week's S&P activity is much stronger than last year, when 10 vessels induced buyers' interest at a total invested capital of about \$134.6mil with 5 S&P deals in the bulk carrier segment, 2 in the tanker, 2 in the liner and 1 in the container. In terms of invested capital, the tanker segment appears as the most overweight segment by attracting about 73.5% of the total amount of money invested with an invested capital of about \$154.7mil tons.

NEWBUILDING MARKET

In the **newbuilding market**, the fourth and final week of February ends with very soft new volume of business from previous high weekly reported new orders. Interesting news emerged for an important volume of business in the bulk carrier large sized segment, capesize and very large ore capesize. Commodities trading house Cargill is said to have signed a letter of intent for the construction of up to six fuel efficient capesize newbuildings with China's Shanghai Waigaoqiao Shipbuilding. Sources suggest that the letter of intent includes three firm newbuildings and additional three options at an estimated newbuilding price of \$46mil per vessel. In the very large ore capesize segment, Chinese newcomer owner, Shandong Shipping Corp is said to be planning a massive order between four and ten ore carriers of 250,000dwt after securing a long term charter contract from Australian mining giant BHP. Sources suggest that the newbuilding deal inked in the final quarter of 2012, but no details were disclosed. An official from Shandong Shipping Corp confirmed in Tradewinds the charter deal and that it requires newbuildings, but he declined to give precise details.

Overall, the week closed with 15 fresh orders reported worldwide at a total deadweight of 1,380,200 tons, posting 50% week-on-week decline from previous week with significant lower volume of contracts in the bulk carrier and tanker segments, down by 400% and 100% respectively week-on-week, and no new orders reported in the gas tanker and container segments. This week's total newbuilding business almost at similar levels from similar week's closing in 2012, when 16 fresh orders had been reported, 2 for bulkers, 5 for tankers, 2 for gas tankers and 7 for liners. In terms of invested capital, the total amount of money invested is



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estimated in the region of about \$928mil. A hefty amount of money was invested once more in the offshore segment. Energy Drilling of Singapore will pay about \$200mil for the construction of a semi-submersible rig at Cosco Guangdong of China with delivery in 2015, while SembMarine of Singapore won the construction of a jack up rig from a Malaysian player at a newbuilding cost of about \$208mil.

DEMOLITION MARKET

In the **demolition** market, China has returned the same aggressive after the end of Chinese New Year with scrap price levels approaching Indian subcontinent region. Bangladesh and Pakistan remain quiet in terms of new scrapping activity, while India remains the busiest with a downward pressure in its levels offered. There is some evidence that vessels arrived into Alang are facing hefty negotiations from cash buyers unable to perform at the previous high agreed levels. Benchmark prices for dry/general cargo are now \$385-\$400/ldt and \$420-\$425/ldt for wet, while in China, \$375/ldt for dry/general and \$400/ldt for wet cargo.

The week ended with 19 vessels reported to have been headed to the scrap yards of total deadweight 689,599tons. In terms of the reported number of transactions, the demolition activity has been marked with no change from previous week, showing 200% and 167% increase in the volume of disposals for tankers and liners respectively. In the bulk carrier segment, there was 60% decrease in the number of vessel disposal with liner capturing this week's lion share of scrapping activity. In terms of deadweight sent for scrap, there has been 5.8% decrease with small volume of disposals in large sized vessels, 1 capesize bulker and 2 panamax bulkers.

At a similar week in 2012, demolition activity was up by 11% from the current levels, in terms of the reported number of transactions, 21 vessels had been reported for scrap of total deadweight 1,281,029 tons with bulk carriers grasping 38% of the total number of vessels sent for disposal. India and Bangladesh had been offering \$450-\$470/ldt for dry and \$480-\$500/ldt for wet cargo.

GREEK PRESENCE

In the secondhand market, the Greek presence was shown in the acquisition of an enbloc deal of three mr tankrs built 2003 at \$ 15.5 mil each, while in the newbuilding market, Marmaras Navigation, as reported from previous week, has placed an order for three capesize vessels at Sungdong of South Korea for a price of about \$47mil each with delivery in 2015.