This Week's News: A snapshot on the economic and shipping environment
Week Ending: 28th June 2013 (Week 26/2013)
(Given in good faith but without guarantee)

ECONOMIC ENVIRONMENT

Precious metal gold tumbled this week to its lowest level in nearly three years, recording the biggest quarterly fall since the collapse in the 1971 of the Bretton Woods system. The price of gold on the spot market fell to $1,223.54 a troy ounce last Wednesday, which is 23% down since the beginning of April. Traders believe that gold prices will remain under pressure over the next few months as investors continue to sell. UBS, traditionally on of the most bullish banks on precious metals, recently slashed its forecast for gold prices from $1,750 to $1,050 an ounce in a year's time.

US economy finally expanded at a slower pace than previously estimated during the first quarter of the year stemmed from sharp downward revision in consumer spending and business investment. According to data from the Commerce Department, US gross domestic product grew at a 1.8% annual rate from January through March, from an earlier estimate of a 2.4% annual growth rate. Consumer spending, which accounts for two-thirds of economic output, eased to a 2.6% gain from an earlier estimate of 3.4%, while business investment was far slower than previously estimated, with a final reading of only 0.4% growth compared with a 2.2% gain in an earlier report. The latest lower GDP estimation raises worries if US economy would achieve its growth target of 2.3%-2.6% for this year.

In the eurozone, rules to force losses on creditors in failed banks were agreed by EU finance ministers creating one more step towards eurozone banking union that could eventually contribute to future bank bailouts.

In China, downbeat forecasts for slower future growth surprise the world economy. Credit Suisse said that it would not be shocked if China's GDP growth eased to a rate of 6%. It said that there is a combination of factors behind this bearish view that are very familiar, high leverage, a slowing sensitivity of growth to leverage, policy tightening, an apparent housing bubble, high levels of infrastructure, a declining labor forces, rising wages and the cost of capital. China's official GDP growth target for 2013 is 7.5% and the country is aiming at 7% per year growth during its current five year plan, for the period 2011-2015.

SHIPPING MARKET

New investment in Piraeus' port is under negotiations between Greek government and Chinese Cosco group. The new investment will amount 224 million euros for the further expansion of new Pier III of the container handling terminal of the Port of Piraeus, currently managed by Cosco. Cosco has already invested 340 million euros and with the new investment the total amount will increase to almost 600 million euros. The new investment planned was announced by Prime Minister Antonis Samaras during his speech in the opening ceremony of the new Pier III. The new investment should it be realized will add 500 new jobs and enhance the port's handling capacity to reach almost 7 million TEUs annually to become the leading port in the Mediterranean Sea.

In the **dry** market, capesize vessel earnings have moved up to the highest level for this year at more than $14,000/day, which is 174% up from the average value of May - $5,474/day, with an increase in iron ore fixtures from Brazil to Asia. According to Commodore Research, 25 vessels were chartered to haul iron ore to Chinese buyers last week, 10 more than the previous week and 10 more than the trailing four week average. This is the largest amount of Chinese iron ore fixtures to have surfaced since week ending February 8. In addition, capesize port congestion is one strong factor lying behind the recent rise. Of the 190 vessels, congested at main Australian and Brazilian coal and iron ore ports, approximately 140 of them are capesize vessels, from 120 last week. Low iron ore import prices, firmer Chinese iron ore appetite and slower fleet growth are leading capesize vessel earnings to even higher levels from the beginning of June.

The panamax segment has also found some support from a recent surge in South American grain fixtures and congestion at grain ports with vessel earnings at levels of about $8,000/day, from less than $7,500/day of the average value during May. Vessel earnings for panamax vessels are expected to gain further support from a peak summer electricity demand season in China contributing to a decline in coal stockpiles that have already fallen below the critical 7mil tons to 6.7 million tons at Qinhuangdao.

BDI surpassed this week the level of 1,100 points from the average value of 851 during May with the Baltic Capesize Index surpassing the barrier of 2,000 points for the first time since the beginning of December 2012.

Average Value:

- **Baltic Dry Index:** 941 points June 2013– 851 points May 2013 – 937 points June 2012
- **Baltic Capesize Index:** 1637 points June 2013 -1347 points May 2013- 1187 points June 2012
- **Baltic Panamax Index:** 865 points June 2013- 930 points May 2013 – 997 points June 2012
- **Baltic Supramax Index:** 907 points June 2013- 863 points May 2013 – 1104 points June 2012
- **Baltic Handysize Index:** 538 points June 2013- 549 points May 2012-663 points June 2012

Vessel earnings – Average Value:

- **Capesize:** $8,845/day June 2013 - $5,474/day May 2013 - $3,884/day June 2012
- **Panamax:** $6,884/day June 2013 -$7,417/day May 2013 - $7,937/day June 2012
- **Supramax:** $9,485./day June 2013 -$9,021/day May 2013 - $11,543/day June 2012
- **Handysize:** $7,938/day June 2013 -$8,101/day May 2013 - $9,686/day June 2012

On **Friday June 28th, BDI** closed at 1171 points, up by 14% from last week's closing and up by 17% from a similar week closing in 2012, when it was 1,004 points. All dry indices closed in green with the largest increase being recorded in the capesize segment. **BCI** is up by 19% w-o-w, **BPI** is up by 8.6% week-on-week, **BSI** is up 3.3% week-on-week, **BHSI** is up 2.1% week-on-week.

Capesizes are currently earning $15,025/day, up by $3,961/day from last week's closing and **panamaxes** are earning $8,007/day, up by $630/day week-on-week. At similar week in 2012, **capesizes** were earning $3,988/day, while **panamaxes** were earning $7,835/day. **Supramaxes** are trading at $9,973/day, an increase of $319/day from last week, about 34% lower than capesize and 25% higher than panamax earnings. At similar week in 2012, **supramaxes** were getting $13,145/day, hovering at 230% higher levels than capesizes versus 34% today's lower levels. **Handysizes** are trading at about $8,272/day, up by $169/day from last week's closing; when at similar week in 2012 were earning $10,414/day.

In the **wet** market, oversupply outweighs on demand and trends in spot rates are still negative. In AG-USG route, rates fell by 2 points from last week to WS23 at time charter equivalent earnings below zero levels, from WS29 at the end of June 2012. In AG-SPORE and AG-JPN routes, rates fell by 1.5 points to WS41 at time charter equivalent earnings of about $21,000/day, standing at the same levels of June 2012. In WAFR-USG route, rates are flat at WS40 for three consecutive weeks at time charter equivalent earnings of about $19,000/day, from WS45 at the end of June 2012. In WAFR-China route, rates posted also no change from previous week by standing at WS40-$19,200/day, from WS43 at end of June 2012.

In the suezmax segment, the West African activity remained on a modest negative trend with decline in fresh fixture activity and rates in WAFR-USAC route shed by 1.25 points to conclude at WS50-$8,200/day, from WS65 at end June 2012.

In the aframax segment, Caribbean market kept soft from previous week with further weakness in rates. In CBS-USG route, rates moved down by 2.5 points to conclude at WS82.5-$7,300/day, from WS95 at end June 2012. In contrast rates in N.SEA-UKC route gained 2 points and moved up to WS87.5-$13,000/day, from WS95 at end June 2012.

In the panamax segment, Caribbean market showed also weakness as for aframax vessels. Rates in CBS-USG route, eased 12.5 points to conclude at WS97.5-$4,000/day, which is the lowest level reached since the beginning of the year, compared with WS120 at end June 2012.

In the product segment, rates in AG-JPN route for 75,000dwt vessels gained 1.25 points and moved up to WS74.75-$10,100/day, but still floating at record low levels from the beginning of the year compared with WS95-$17,700/day in June 2012. For 55,000dwt vessels, rates in AG-JPN route declined by 5.25 points to WS92.5-$7,400/day, from WS120-$17,200/day at end June 2012.

In the **container** market, the Shanghai Container Freight Index keeps falling below $1,000/TEU by ending last week at 928 points, down by 2.9% week-on-week and down by 35% year-on-year, with downward revision in all major routes.

In Asia-Europe, rates fell now to $514/TEU, down by 3.6% week-on-week and 67% year-on-year. In Asia-Mediterranean, rates are above $1,000/TEU for four consecutive weeks by sliding last week to $1,166/TEU, down by 3% week-on-week and 31% year-on-year. At the end of June 2012, rates in Asia-Europe were at $1,888/TEU and $1,892 in Asia-Mediterranean.

Transpacific rates are showing softer declines with rates in Asia-USWC falling to $1,881/FEU, down by 1.9% week-on-week and 31% year-on-year. In June 2012, rates in Asia-USWC were floating above $2,000/FEU. In Asia-USEC route, rates fell below $3,000/FEU, for the first time since end March 2012, to $2,984/FEU, down by 1.6% week-on-week and 21.6% year-on-year. In June 2012, rates in Asia-USEC were hovering above $3,500/FEU.

Under the current freight market recession, the formation of the P3 Network, announced last week by the world's three largest carriers (Maersk, MSC and CMA CGM), will result in the establishment of the largest operational alliance, which will combine the three partners' fleets on the Far East-Europe, Transpacific and Transatlantic trades. The three carriers will commit all vessels deployed on the three trades into a joint vessel operating center (JVOC) which is expected to begin operations in the second quarter of 2014. It expects to initially operate 255 ships with a combined capacity of 2.6 Mteu which will offer the widest network coverage on the three main east-west trades, encompassing 29 loops in total.

In the **shipbuilding industry**, Japanese yards are gaining more and more strength from the weakening yen as Japanese shipbuilding orders surged by 210% year-on-year in May, according to the Japan Ship Exporters Association. JSEA said that its members won 29 ship export orders totalling 953,900gross tons, from only 6 orders of 305,370 gross tons in May 2012. Bulkers dominated in Japanese orders with yards winning 14 handysize and 10 handymax vessels, one capesize and one panamax vessel. In the tanker segment, two new contracts won in the aframax size and in the container, one feeder boxship.

In China, newbuilding orders showed higher volume of activity during the first five months of the year as a result of the recent rush of orders placed by foreign owners at Chinese yards. According to data from China Association of the National Shipbuilding Industry, domestic shipyards won new vessel orders representing 13,75mil deadweight in capacity from January to May, which is up by 44.2% year-on-year. Among the new orders, the export tonnage amounted for 12,32mil deadweight, up by 80.1% compared with the same period in 2012.

In the meantime, a large consolidation is under talks in China's shipbuilding industry as Guangzhou Shipyard International plans to acquire sister company Guangzhou Longxue Shipbuilding for up to 1bn yuan ($163mil), while it arranged to raise up to Yuan2,5bn from a private placement in Hong Kong. The rest of the proceeds from issuing shares dominated by HK dollars would be used to replenish the yard's liquidity.

In the **shipping finance**, Diana Shipping Inc., a global shipping company specializing in the ownership and operation of dry bulk vessels, announced that it has signed, through two separate wholly-owned subsidiaries, a term loan facility for up to US$18 million with Deutsche Bank Aktiengesellschaft Filiale Deutschlandgeschaft. The Company also completed the drawdown of US$18 million in order to partially finance the acquisition costs of the two Kamsarmax dry bulk carriers, the m/v "Myrto" and the m/v "Maia", which were delivered to the Company on January 25, 2013 and February 19, 2013, respectively.

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