GOLDEN DESTINY

This Week's News: A snapshot on the economic and shipping environment
Week Ending: 5th July 2013 (Week 27/2013)
(Given in good faith but without guarantee)

ECONOMIC ENVIRONMENT

The first days of July bring tension from eurozone as Greece is under talks with officials for the release of the next loan tranches of EUR8,1bn and Portugal's austerity program is under threat. According to reports, an agreement could be reached before Monday's Eurogroup meeting between Greece and officials otherwise tranches could be delayed for at least three months. In addition, Cyprus President is going to meet the president of the European Central Bank, Mario Draghi in an attempt to soften the harsh terms imposed on the country's EUR10bn bailout deal. In Portugal, the Prime Minister is trying to hold the country's discipline in its EUR78bn bailout programme after the resignation of two high profile ministers in less than 24 hours.

Under the current political chaos of the euro area, global manufacturing Purchasing Managers' Index recorded an expansion for a straight six month period at 50.6 in June, unchanged from May with solid rates of expansion in US, Japan, UK, Russia, Switzerland and Mexico. Asian countries, China, Taiwan, South Korea and Vietnam reported contractions during the last survey period, while downturn in eurozone continues to ease.

In the eurozone, final Markit Eurozone Manufacturing Purchasing Managers' Index rose to a 16-month high of 48.8 in June, up from 48.3 in May and slightly above the earlier flash estimate of 48.7. During the second quarter of the year, the average reading for the headline PMI -47.9, was the highest since the first quarter of 2012. Among the nations covered by the survey, only the German PMI failed to rise in June. Ireland saw a marginal improvement in manufacturing business conditions and Spain experienced a stabilisation, while rates of contraction eased in France, Italy, the Netherlands, Austria and Greece.

Countries ranked by Manufacturing PMI®: June

Ireland	50.3	4-month high
Spain	50.0	26-month high
Italy	49.1	23-month high
Netherlands	48.8	4-month high
Germany	48.6 (flash 48.7)	2-month low
France	48.4 (flash 48.3)	16-month high
Austria	48.3	4-month high
Greece	45.4	24-month high

In Japan, manufacturing sector expanded at the sharpest rate in 28 months with the Markit Purchasing Managers' Index improving to a near two and a half year high of 52.3 in June, up from 51.5 in May. A key driver of the latest improvement in the headline index was a marked and accelerated increase in the volume of new orders. Latest data indicated that export orders rose for the four month in succession, but at a slower pace, with China and US remaining the key sources of export sales in June.

In UK, manufacturing sector maintained its solid second quarter performance during June with levels of production and new business rising at the fastest rates since April 2011 and February 2011 respectively. Markit Purchasing Managers' Index stood at 52.5 in June, from 51.5 in May, staying above 50 for three consecutive months, while the average reading of 51.4 during the second quarter of the year is the highest recorded since the second quarter of 2011.

In US, the final Markit Manufacturing Purchasing Managers' Index signalled only a modest manufacturing expansion during June and fell to 51.9 from 52.3 in May, indicating the slowest rate of growth since last October. The PMI averaged 51.1 during the second quarter of the year, down from 54.9 in the first quarter and was the lowest reading since the third quarter of 2012. One positive element for US economy is that US private sector job growth accelerated as US companies created more jobs than expected in June. Private sector payrolls rose by 188,000 last month, following a downwardly revised 134,000 rise in May, according to data from ADP, while economists had expected an increase of 165.000. The unemployment rate is now predicted to tick lower to 7.5% from 7.6%.

In China, manufacturing sector weakened sharply in June as an indication that the country's growth slowdown deepens with the official Purchasing Managers' Index falling to 50.1 from 50.8 in May, which is the lowest reading recorded in the last four months. More alarming indication for the world's second largest economy is that HSBC Purchasing Managers' Index fell to a nine-month low of 48.2 in June, indicating contraction and not expansion. The latest fragile economic data pour concerns that China's government will miss its growth target of 7.5% for this year and it would be the first time that China has missed its annual growth goal since the Asian financial crisis 15 years ago. During the first quarter of the year China's economy slowed to 7.7% growth, from 7.9% growth in the final three months of 2012 and expectations for growth in the second quarter remain discouraging for the future of Chinese economy.

SHIPPING MARKET

June ended with a downward incline in secondhand and newbuilding investments from the highs of May, but the investment appetite remains accelerated under the appealing asset prices.

Second - hand: (Upward momentum – up 30% year-on-year – **June 2012:** total 80 vessel purchases: 21 bulkers, 14 tankers, 6 gas tankers, 10 liners, 22 containers, 3 reefers and 15 special projects).

- 104 vessels reported to have changed hands in **June 2013**, down by about 11% from May's levels, (43 bulkers, 21 tankers, 3 gas tankers, 6 liners, 24 containers, 1 Pax-Roro and 6 special projects).
- Containers appeared to the only vessel segment that recorded monthly increase in the number of vessel purchases, up by 167% month-on-month.
- Bulk carriers held the lion share of June's S&P activity, 41% share, and posted the lowest monthly decline in the number of vessel purchases, about 10% against 63% decline in the number of tanker orders.

Newbuilding: (Upward momentum – up 31.5% year-on-year – **June 2012:** total 140 new orders: 17 bulkers, 9 tankers, 6 gas tankers, 6 liners, 22 containers, 5 Pax-RoRO, 3 car carriers and 72 special projects).

- 184 vessels reported on order in **June 2013**, down by about 19% from May's levels, (65 bulkers, 16 tankers, 6 gas tankers, 4 liners, 37 containers, 2 Pax-Roro, 2 Car carriers and 52 special projects).
- Containers appeared also to the only vessel segment that recorded monthly increase in the number of new orders up by 28% month-on-month.
- Bulk carriers held the lion share of June's S&P activity, 35% share, and posted the lowest monthly decline in the number of new orders, about 11% against 40% decline in the number of tanker purchases.

Demolition: A soft improvement posted in the number of vessel disposals and in close proximity with **June 2012** levels (82 vessel demolitions – 34 bulkers, 12 tankers, 1 gas tanker, 11 liners, 7 containers, 2 combined, 3 Pax-RoRo, 9 reefers and 3 special projects).

- 80 vessels reported for scrap in **June 2013**, up by about 9.6% from May's levels, (38 bulkers, 6 tankers, 2 gas tankers, 9 liners, 14 containers, 7 Pax-Roro and 4 special projects).
- Containers and bulk carriers appeared to be the vessel segments that recorded monthly increase in the number of disposals, up by about 46% and 17% month-on-month respectively against 25% decline in the number of tanker demolitions and 18% decline in the number of liner demolitions.
- Bulk carriers held the lion share of June's Demolition activity, 48% share, against 7.5% share from tankers and 17.5% share from containers.

In the **dry** market, the surge of capesize iron ore fixture activity during June and the slower fleet growth led to remarkable levels of charter rates with uncertainty about their stability on the long term. According to Commodore Research, a weekly average of 22 iron ore fixtures came to the spot market during June, 2 more than during May, and it is the second consecutive month of increasing iron ore fixture volume. However, charter rates for capesize vessels showed this week a downward incline by falling to levels of less than $13,000/day, from more than $15,000/day last week, while panamax rates stayed steady at levels of near $8,000/day from strong South American grain fixture activity. The forward freight market already indicates lower charter rates for July/August and the Baltic Dry Index has slumped by about 40 points from previous week's highs, but it is still 100 points above the psychological barrier of 1,000 points.

In the supramax segment, charter rates have not managed to surpass the levels of $10,000/day since the end of March and handysize rates are showing an upward incline at levels of more than $8,300/day. The recent recovery of freight rates has led dry bulk vessel values to higher levels at the end of the second quarter of the year from the previous three months, January-March.

Baltic Sale & Purchase Assessments – 5yrs old vessels:

- **Capesize** 172,000dwt: Average value 2q 2013 – about $30,7mil – up 3% from 1q 2013 – down by 9% from 2q 2012.
- **Panamax** 74,000dwt: Average value 2q 2013 – about $20,5mil – up 11% from 1q 2013 – down by 12% from 2q 2012.
- **Supramax** 56,000dwt: Average value 2q 2013 – about $19,6mil – up 8% from 1q 2013 – down by 13% from 2q 2012.

BALTIC SALE & PURCHASE ASSESSMENT - 5yrd old vessels									in terms of USD($)		
	Average	T/C Average	Average	T/C Average	%quarterly	Average	% since	%2q 2012	quarterly	since	from 2q 2012
Dry	2q 2013	$/day	1q 2013	$/day	change	Jan 2013	Jan 2013	change	change	Jan 2013	change
Capesize -172,000 dwt	30.783.500	6.214	29.785.917	6.058	3%	29.793.500	3%	-9%	997.583	990.000	-3.189.962
Panamax -74,000 dwt	20.550.071	7.775	18.526.667	7.055	11%	18.409.500	12%	-12%	2.023.405	2.140.571	-2.816.775
Supramax-56,000 dwt	19.612.071	9.319	18.186.083	8.084	8%	18.104.250	8%	-13%	1.425.988	1.507.821	-2.964.082
									in terms of USD($)		
	Average	T/C Average	Average	T/C Average	Average	T/C Average	Average	T/C Average	2012-2011	2011-2010	2010-2009
Dry	2q 2012	$/day	2012	$/day	2011	$/day	2010	$/day	change	change	change
Capesize -172,000 dwt	33.973.462	6.068	32.738.320	7.680	42.858.192	15.635	57.366.118	33.320	-10.119.872	-14.507.925	5.655.549
Panamax -74,000 dwt	23.366.846	9.630	22.326.400	7.684	30.671.442	14.000	38.122.510	25.067	-8.345.042	-7.451.067	1.375.412
Supramax-56,000 dwt	22.576.154	11.215	21.438.507	9.455	27.031.000	14.401	30.848.294	22.479	-5.592.493	-3.817.294	4.118.333
									in terms of USD($)		
	Average	T/C Average	Average	T/C Average	Average	T/C Average	Average	T/C Average	2009-2008	2008-2007	2007-2006
Dry	2009	$/day	2008	$/day	2007	$/day	2006	$/day	change	change	change
Capesize -172,000 dwt	51.710.569	42.565	128.306.882	106.100	109.562.596	116.049	63.394.824	45.139	-76.596.314	18.744.286	46.167.773
Panamax -74,000 dwt	36.747.098	19.257	73.996.314	49.013	65.086.442	56.815	42.173.588	23.778	-37.249.216	8.909.871	22.912.854
Supramax-56,000 dwt	26.729.961	17.339	70.897.588	41.563	56.632.462	47.449	32.413.882	22.619	-44.167.627	14.265.127	24.218.579

On **Friday July 5th, BDI** closed at 1099 points, down by 6.1% from last week's closing and up by 25% from a similar week closing in 2012, when it was 878 points. A large decrease is recorded in the capesize segment and a soft improvement in the handysize. **BCI** is down by 11% w-o-w, **BPI** no change week-on-week, **BSI** is down 3.1% week-on-week, **BHSI** is up 0.7% week-on-week.

Capesizes are currently earning $12,737/day, down by $2,288/day from last week's closing and **panamaxes** are earning $8,013/day, up by $6/day week-on-week. At similar week in 2012, **capesizes** were earning $4,256/day, while **panamaxes** were earning $6,976/day. **Supramaxes** are trading at $9,664/day, a decrease of $309/day from last week, about 24% lower than capesize and 21% higher than panamax earnings. At similar week in 2012, **supramaxes** were getting $10,539/day, hovering at 148% higher levels than capesizes versus 24% today's lower levels. **Handysizes** are trading at about $8,324/day, up by $52/day from last week's closing; when at similar week in 2012 were earning $8,912/day.

In the **wet** market, the downward pressure in the AG-USG route for VLCCs seems endless with rates falling this week to WS21, down by 2 points from last week, while the average value of WS during the whole year has not managed to surpass the barrier of WS20. In AG-SPORE and AG-JPN routes, rates fell by 6 points to WS35 at time charter equivalent earnings of about $12,000-$13,000/day, hovering 12.5 points down from the highest value for this year of WS47.5 at the end of May. In WAFR-USG route, rates lost 1 point and fell to WS39-$18,700/day, down by 3.5 points from the high value of WS42.5 at the end of May. In WAFR-China route, rates fell by 2.5 points down to WS37.5-$16,400/day, down by 5 points from the high value of WS42.5 at the end of May.

In the suezmax segment, the picture is also negative with the West African market posted no positive change despite a greater number of vessel fixtures materializing as the oversupply of tonnage remains. Rates in the WAFR-USAC route kept unchanged at WS50, down by 12.5 points from the high value of WS62.5 during the third week of April. In B.SEA-MED route, time charter equivalent earnings fell this week into a negative territory for the first time since September 2012 at WS50, down by 2 points from last week's closing and down by 22.5 points from the high value of WS72.5 in the last week of April.

In the aframax segment, oversupply also squeezes the Caribbean market with rates declining by 2.5 points to WS80-$6,800/day, down by 35 points from the high value of WS115 at the end of May. The Caribbean market emerged stronger for the panamax product vessels with rates lifting up by 7.5 points to WS105-$6,900/day, down by 20 points from the high value of WS120 at the end of May.

In the MR segment, AG-JPN route showed also weak picture with rates for 75,000dwt falling by 2.25 points to WS72.5-$9,700/day, down by 32.5 points from the high value of WS105 during the third week of March. For 55,000dwt vessels, AG-JPN routes fell by 3.5 points to WS89-$6,700/day, down by 48.5 points from the high value of WS137.5 during the third week of March.

The threat of the increase in US oil production on the fortune of VLCC earnings persists with the US crude oil output moving up 16.9% from a year earlier in April, to 7,353 million barrels per day, the highest level since February 1992, according to government data. The rise of 1.063 million barrels per day was the biggest since December and led to a 10% year-on-year drop in crude oil imports, which was the lowest level since 1995, as per data from the Energy Information Administration. On the other hand, China's oil demand growth with its massive new refinery additions would have a positive impact on VLCCs' demand. The slowing pace of Chinese economy from a double digit growth of more than 10% in 2010 to less than 8% in the first quarter of 2013 has led Chinese oil demand growth to fall to a more controlled rate of 3.7% per year, according to International Energy Agency. However, China is planning to add other 4.2million barrels per day of crude refining capacity by 2018 that will lead to an increase in demand for VLCC tonnage.

In the **gas** market, the outlook of LPG freight market is expected to be rosy for at least three years on the back of US shale gas boom. According to Arctic Securities, despite heavy ordering in the very large gas tanker segment, freight rates currently embrace all time highs and LPG market will remain tight with time charter rates to be firm averaging above $1m/month through 2015 from an increase in US LPG exports. During January-April 2013, LPG exports have reached 7.2m tons, 30% up year-on-year following a 36% increase to 5.5mil tons in 2012.

In the **container** market, rates in Asia-Europe more than doubled with the Shanghai Container Freight Index increasing to more than 1,000 points for the first time since end-May. The general rate increases of $900/TEU applied in July have led to a 174% week increase of rates in Asia-Europe, which remains to be seen if this can be sustained. Last week, Shanghai Container Freight Index closed at 1,133 points, up by 22% week-on-week and down 22.4% year-on-year, with rates in Asia-Europe moving up to $1409/TEU, from $514/TEU last week, which is the highest level recorded since March. In Asia-Mediterranean route, rates increased to $1386/TEU, up by 19% week-on-week, which is the highest level since March 2013. Compared with previous year's weekly levels, Asia-Europe rates are down 25.4% year-on-year and 26.7% down in Asia-Mediterranean route.

In transpacific routes, rates to the USWC and USEC grew by 14.6% and 12.6% week-on-week respectively. Rates in Asia-USWC are now $2,114/FEU, up by 14.6% year-on-year and $3,361/FEU in Asia-USEC, up by 12.6% year-on-year. In the meantime, member lines in the Transpacific Stabilization Agreement have announced a new rate increase of $400/FEU for eastbound transpacific trade from August 1, which follows an earlier TSA hike of $400/FEU for July 1.

However, the stability of rate hikes seen is still in doubt due to supply growth and weaker demand. According to Alphaliner, capacity additions by the top 21 carriers during the last 12 months have reached 892,000 TEU for a year-on-year growth of 6.3% amidst weak demand growth, with the throughput growth at the world's top 30 ports growing by only 2.7%.

In the **shipbuilding industry**, Korea Development Bank and other creditors have decided to inject 3 trillion won ($2,6bn) over the next three years in the troubling STX Offshore & Shipbuilding. The bank made the decision after due diligence showed the debt-ridden shipbuilder's going concern exceeds its liquidation value. STX O&S, which has about $1.1Bn in debt, is now undergoing voluntary debt restructuring. KDB and other creditors already provided 600Bn won in emergency funds. KDB's due diligence showed the going concern of STX O&S is valued at 2.1 trillion won, while the liquidation value is 1.19 trillion won.

In the **shipping finance**, Qatar Gas Transport Co., owner of the world's largest liquefied natural gas fleet, is reportedly to have secured $662,4mil of finance to expand the fleet of the joint venture it runs with Greece's Maran Gas Maritime. Qatar Gas Transport Co, known as Nakilar, will also use the funds to increase its ownership of the joint venture, according to its statement in Qatar Exchange. The joint venture Maran Nakilat is going to increase its fleet from four to six LNG carriers. Maran Nakilat signed the deal with leading Doha-based Islamic banks Qatar Islamic Bank and Barwa Bank.

In addition, China Shipping Container Lines, the Shanghai and Hong listed unit of China Shipping Group, is planning to borrow $320mil, $190mil for from Agricultural Bank of China for two years and $130m from Australia & New Zealand Banking group for one year to replenish its liquidity. "The deals are for operational needs and replenishing working capital," the filing said.

In the capital markets, Scorpio Bulkers introduced a new publicly traded dry bulk company, Scorpio Bulkers via a $250mil private placement in the Oslo over the counter market. Scorpio Bulkers aims to build a fleet of eco friendly geared ultramax and supramax bulkers built in China and Japan. Details of the initial fleet have not been made public, but orders for up to 30 bulkers are said to be under consideration.

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