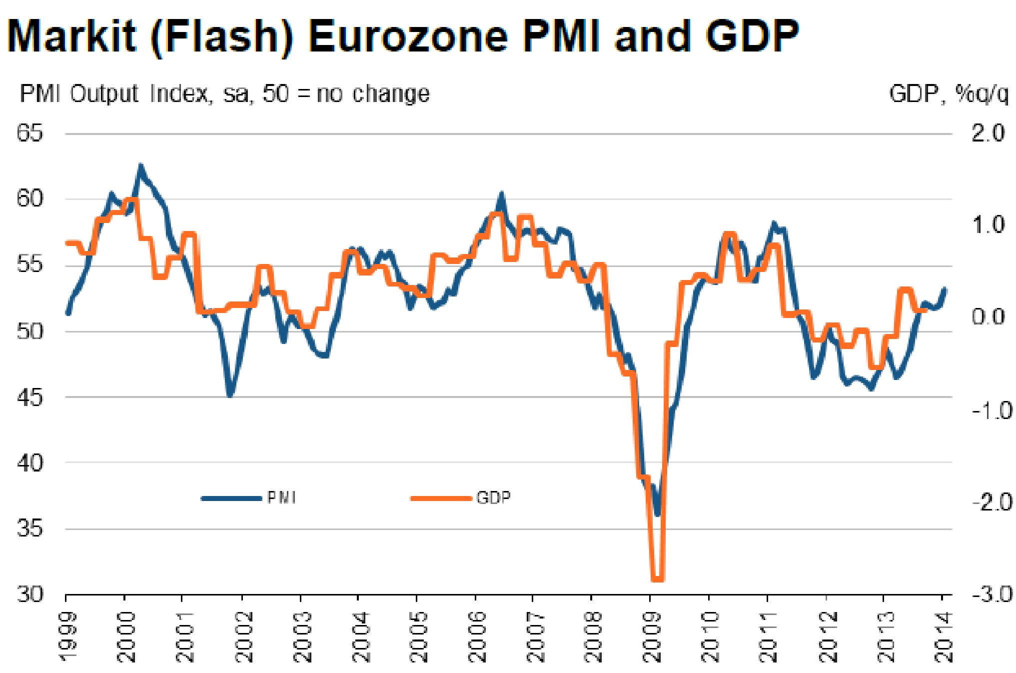
This Week's News: A snapshot on the economic and shipping environment
Week Ending: 24th January 2014 (Week 3/14)
(Given in good faith but without guarantee)

ECONOMIC ENVIRONMENT

Optimistic new for a stronger euro economic recovery came to light this week with the Markit Flash Eurozone Purchasing Managers' Index rising at the highest level since June 2011. The Markit Flash Eurozone PMI grew for a seventh consecutive month and ended at 53.2 from 52.1 in December. Growth picked up in Germany and the rate of decline eased in France, while the rest of the region also saw a strengthening upturn. Manufacturing activity expanded at a robust pace in January as output, new orders and export orders showed the largest monthly rises since April 2011. The employment increase was the best seen since September 2011, while service sector companies saw a more moderate increase in activity than manufacturers.

In Germany, the growth hit the highest since June 2011 and the strong pace of expansion was fuelled by a seventh consecutive monthly rise in new business. In France, output fell for a third consecutive month, but the rate of decline eased to the slowest recorded over this period both in manufacturing and services.



Source: Markit, Eurostat. GDP = gross domestic product

Commenting on the flash PMI data, Chris Williamson, Chief Economist at Markit said: "*The eurozone's recovery gained further momentum in January. The upturn in the PMI puts the region on course for a 0.4-0.5% expansion of GDP in the first quarter, as a 0.6-0.7% expansion in Germany helps offset a flat-looking picture in France. However, while gathering pace, the upturn remains fragile. Companies cut employment again, and selling prices continued to fall amid still-weak demand. Deflationary forces are clearly a concern in many countries. "The growth disparities are also a persistent concern. We are seeing growth being led by Germany, especially its surging manufacturing sector, while France looks likely to act as a drag on the eurozone recovery for some time."*

In contrast with the strongest data in the euro area, HSBC Flash China Manufacturing PMI shows signs of deterioration for the first time in six months by falling to 49.6 in January, from 50.5 in December.

China Flash Manufacturing PMI™ Summary	
PMI	Decrease change of direction
Output	Increase, slower rate
New Orders	Decrease, change of direction
New Export Orders	Decrease, faster rate
Employment	Decrease, faster rate

Commenting on the Flash China Manufacturing PMI survey, Hongbin Qu, Chief Economist, China & Co- Head of Asian Economic Research at HSBC said: *"The marginal contraction of January's headline HSBC Flash China Manufacturing PMI was mainly dragged by cooling domestic demand conditions. This implies softening growth momentum for manufacturing sectors, which has already weighed on employment growth. As inflation is not a concern, the policy focus should tilt towards supporting growth to avoid repeating growth deceleration seen in 1H 2013."*

Against the disappointing economic figures for China's manufacturing activity, economic growth was 7.7% in 2013, just above the target of 7.5% set at the beginning of the year, according to the National Bureau of Statistics. In addition, Chinese Premier Li Keqiang confirmed that is confident about keeping stable the economy and developing it healthier this year.

The comforting is that the world economy seems to have returned to firmer growth with the International Monetary Fund recognizing also as the World Bank better development for the current year. IMF said that the world economy and trade picked up in the second half of 2013 and projects global growth to increase from 3% in 2013 to 3.7% in 2014 and 3.9% in 2015 as economic growth in advanced economies accelerates. Final demand in advanced economies expanded broadly as expected—much of the upward surprise in growth is due to higher inventory demand. In emerging market economies, an export rebound was the main driver behind better activity, while domestic demand generally remained subdued, except in China.

In sum, the International Monetary Fund gives the following projections for advanced and emerging economies:

- **US:** Growth in the United States is expected to be 2.8% in 2014, up from 1.9% in 2013.
- **Euro area:** Growth is projected to strengthen to 1% in 2014 and 1.4% in 2015, but the recovery will be uneven. The pickup will generally be more modest in economies under stress, despite some upward revisions including Spain. High debt, both public and private, and financial fragmentation will hold back domestic demand, while exports should further contribute to growth.
- **UK:** Economic activity has buoyed by easier credit conditions and increased confidence. Growth is expected to average 2¼ percent in 2014–15, but economic slack will remain high.
- **Japan:** Growth is expected to remain broadly unchanged at 1.7% in 2014 and moderate to 1% in 2015.
- **Emerging market and developing economies:** The growth is expected to increase to 5.1% in 2014 and 5.4% in 2015. Growth in China is expected to moderate slightly to around 7.5% in 2014-2015.

SHIPPING

The 2013 ordering bonanza in the dry bulk segment led to business revival in Japanese and Chinese shipbuilding nations, but prospects are still fragile for major shipbuilding nations.

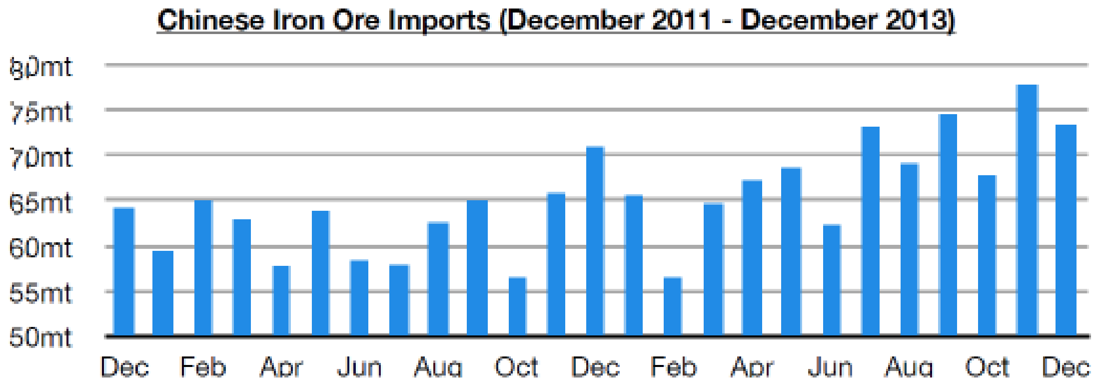
In Japan, domestic shipyards are estimated to have gained orders for 286 ships of 12.7m gross tons in 2013, compared with 177 ships totalling 8.1m gt in 2012, according to the Japan Ship Exporters' Association. Foreign owners ordered 251 dry bulk vessels at a total 11.1 gt in 2013, up from 147 vessels at 5.8 gt the previous year. However, December figures are indicating a fall in the recent bonanza of dry bulk newbuilding orders as Japanese Association revealed that nine bulkers worth 496,713 gt were ordered in December, down from 19 bulkers for a total 609,990 gt in 2012 and substantially lower than the figure for November 2013, when foreign owners ordered 19 ships that totalled 941,666 gt.

In China, as per data from the China Association of National Shipbuilding Industry, domestic shipyards won newbuildings totaling 69.8mil dwt, up by 242% year0-on-year. However, 90% -62.8mil dwt of these orders were contracted at 30 yards, out of the 1,664 yards monitored by CANSI. The total orderbook stood at 131m dwt, up 22.5% and total delivery reached 45.3m dwt, down 24.7% year-on-year. Chinese yards fetched $18bn worth of new offshore orders, though most were of low specification, commanding a 29.5% market share, up from 16% in 2012. Between January and November last year, the industry recorded Yuan25.2bn ($4.2bn) profit, down 13.1%, with account receivables up 4% on-year to Yuan10.6bn and financing costs up 12.8% to Yuan5bn. "Even if the industry realized Yuan25.2bn net profit, it mainly came from non-shipbuilding sectors, logistics equipment manufacturing and proceeds from financials. Shipbuilding has been virtually profitless," Cansi said on its website.

In the **dry market**, the Baltic Dry Index hovers around 1,400 points with capesize rates keeping levels above $13,000/day after the first ten days of January. At the end of last week, capesize fixture activity showed signs of improvement in both Atlantic and Pacific basins, while more coal cargoes emerged from Western Australia to China. In the panamax segment, rates maintain levels at above $12,000/day in close proximity with supramax levels, while handysize rates are almost flat at levels excess $10,000/day since the beginning of the year. Currently, Brazilian iron ore cargoes are largely absent of the market and a new lull in South African coal and iron ore shipments pushing downwards the capesize sentiment.

On the upcoming Chinese New Year at the end of January, Chinese iron ore fixture activity has slowed down with Chinese iron ore port stockpiles rising to 92.7 mil tons, 22 million tons (31%) more than was stockpiled a weak ago. Chinese coal port stockpiles are also on rise by standing at about 6.6 milion tons, 900,000 tons (16%) more than a week ago, influencing negatively the performance of panama/supramax freight rates.

The outlook is still bullish for capesize recovery as there are prospects for Chinese imports averaging over 75 million tons per month, from 68.4 million tons averaged last year, with a large amount of new iron ore production in Australia and Brazil coming in the market.



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On Friday **January 24th**, **BDI** closed at 1246 points, down by 12% from last week's closing and up by 56% from a similar week closing in 2013, when it was 798 points. All dry indices closed in red and capesize/panamax category recorded the largest decrease. **BCI** is down by 15% week-on-week, **BPI** is down 8% week-on-week, **BSI** is down 5% week-on-week, **BHSI** is down 1% week-on-week.

Summary of Baltic Dry Indices & Average Time Charter Earnings

		24/1/2014 week 03	17/1/2014 week 02	w-o-w	2013 week 03	% w-o-w	% y-o-y
Dry	BDI	1246	1421	-175	798	-12%	56%
Capesize	BCI	1723	2026	-303	1520	-15%	13%
Panamax	BPI	1437	1564	-127	718	-8%	100%
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Handy	BHSI	712	719	-7	475	-1%	50%

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Capesize	Average T/C routes	10608	15132	-4524	7922	-30%	34%
Panamax	Average T/C routes	11460	12470	-1010	5690	-8%	101%
Supramax	Average T/C routes	11627	12186	-559	7436	-5%	56%
Handy	Average T/C routes	10218	10301	-83	7094	-1%	44%

Capesizes are currently earning $10,608/day, down by $4,524/day from last week's closing and panamaxes are earning $11,460/day, down by $1010/day from last week's closing. At similar week in 2013, capesizes were earning $7,922/day, while panamaxes were earning $5,690/day. Supramaxes are trading at about $11,627/day, down by $559/day from last week's closing, about 10% lower than capesize and 1% lower than panamax earnings. At similar week in 2013, supramaxes were getting $7,436/day, hovering at 6% lower levels than capesizes versus 10% today's lower levels. Handysizes are trading at about $10,218/day, down by $83/day from last week's closing; when at similar week in 2013 were earning $7,094/day.

In the **wet** market, crude oil markets keep their firmness with seasonally stronger winter demand contributing in the recent euphoria. In the VLCC segment, the supply of vessels available in the Middle East over the next four weeks declined by 11 week-on-week to 78 and the reduction of available capacity in the Middle Eastern market have improved rates on cargoes to Asia. In AG-USG route, rates moved up to WS37, up by 5 points week-on-week, from WS25 at the end of September 2013. In AG-SPORE and AG-JPN route, rates firmed up to WS62.5, up by 20 points week-on-week. In WAFR-USG route, rates are now more than WS70, from the lows of WS40 at the end of the third quarter last year.

In the suezmax segment, rates keep firm with weather delays limiting available capacity in the Mediterranean. In the WAFR-USAC route, rates have increased to WS130-up by 87.5 points from end September 2013 and in the B.SEA-Med route to the astonishing levels of WS187.5, up by 137.5 points from the lows of September 2013.

In the aframax sector, rates give the same strong picture with a combination of weather delays and increased number of cargoes out of Libya. In CBS-USG route, rates gained 45 points to conclude at WS305-$105,758, from less than WS100 at the end of October last year.

Supportive factor for the current strong freight market outlook in the crude tanker segment is that US demand for oil grew by more than China's last year for the first time since 1999, according to the International Energy Agency. The IEA said that US oil demand rose by 390,000 barrels/day last year or 2% reversing years of steady decline. As China's economic growth has boosted over the past decade, its oil demand has surged, while US consumption has been falling steadily since 2005. European oil demand is also showing signs of growth for the first time since the financial crisis and the IEA said that the industrialized economies will likely to record the first oil demand rise since 2010.

In the **gas** market, Japanese LNG shipments create an air of optimism for the future outlook of freight rates. According to Japan's Institute of Energy Economics, Japan's LNG imports are expected to have risen 1.7% to 90.9mil tonnes per year for the whole 2013 and should keep rising to 91.1m tonnes per year in 2014. New gas fired power plants starting up in Japan this year and in 2015 will help boost Japanese imports of liquefied natural gas to feed the plants, supporting employment for LNG vessels. According to DNB Market, about 14 new gas fired power plants will come on line in Japan in 2014 and 2015 and Japanese LNG imports will continue to be high as between 6 and 16 nuclear reactors are forecast to be in operation by the end of the first quarter of 2015 out of a total of around 50.

In the **container** market, the Shanghai Container Freight Index increased by 1.8% last week due to an improvement in transpacific rates as Asia-Europe rates declined for one more week by 4.2% and 4.3% in Asia-Mediterranean, despite the announcement of general rate increases by liners in December and January. The SCFI ended last week at 1,188 points, down by 4.6% year-on-year, with Asia-Europe rates falling to $1,641/TEU and $1,670/TEU in Asia-Mediterranean. Compared with similar week's closing in 2012, Asia-Europe rates are up by 21.6% and 27.4% up in Asia-Mediterranean. Under the current downward revision in spot freight rates, CMA CGM and its partners announced fresh Asia-North Europe cancellations

Rates in Asia-USWC route moved by 13.1% week-on-week to $2111/FEU, which is the highest level recorded since end June 2013 following a general rate increase applied on January 15^{th} by participants of the Transpacific Stabilization Agreement on January 15^{th}. In Asia-USEC route, rates ended at $3430/FEU, up by 6.6% week-on-week, but down by 6.5% year-on-year.

In the meantime, HAPAG-Lloyd and Compañía Sud Americana de Vapores have signed a memorandum of understanding to merge their container units and said that the talks between them "are going into a new phase". The merger would form the world's fourth-largest container shipping company, after CMA CGM, in a deal that may see Hapag-Lloyd launch a public offering within a year of the closing of the merger, according to a regulatory filing by CSAV.

In the **shipbuilding industry**, Daewoo Shipbuilding & Marine Engineering Co. said its Romanian unit won a record US$1.07 billion in orders last year, the highest in six years. Daewoo Mangalia Heavy Industries (DMHI) obtained orders for 18 vessels in 2013, the South Korean shipbuilder said, which included bulk carriers, oil tankers and containers. The amount is the highest since $1.67 billion tallied in 2007.

In the **shipping finance**, Qatar Shipping (Q-Ship) has sealed a new $425m loan to refinance four LNG carriers owned with Japan's big three, MOL NYK and K Line and are under long term charter agreement with Qatar producer RasGas. The company said the 12-year facility was arranged with mainly Japanese banks. (Bank of Tokyo-Mitsubishi UFJ, Mizuho Bank, Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Mitsubishi UFJ Trust & Banking Corporation, Shinsei Bank, and Development Bank of Japan.

Aegean Marine Petroleum Network secured a $150 million uncommitted working capital facility from ABN AMRO Capital (USA) to finance the working capital requirements of Aegean Bunkering (USA), the company formed to complete the acquisition of the U.S. East Coast Bunkering business of Hess Corporation.

In the **capital** market, Teekay Tankers Ltd. and Teekay Corporation (Teekay) jointly announced the creation of Tanker Investments Ltd. (TIL), which will seek to opportunistically acquire, operate and sell modern secondhand tankers to benefit from an expected recovery in the current cyclical low of the tanker market. TIL has completed a $250 million private equity offering in which Teekay Tankers and Teekay have co-invested $25 million each for a combined 20 percent ownership interest in the new company. The balance of the privately placed TIL shares, which will trade on the Norwegian over-the-counter market, have been purchased by a group of institutional investors primarily based in the United States, Norway and United Kingdom. A portion of the net proceeds from the private equity offering will be used to acquire four 2009 and 2010-built Aframax crude oil tankers for an aggregate purchase price of approximately $116 million. TIL will also acquire four 2009-built Suezmax crude oil tankers from Teekay for an aggregate purchase price of approximately $163 million, which TIL will pay for by assuming an equal amount of indebtedness already secured by those vessels. TIL intends to use the remaining net proceeds from the private equity offering to acquire additional tankers in the near future and for general corporate purposes.

In the shipbuilding industry, Aker Philadelphia Shipyard issued 2.25 million shares at NOK 165 per share, raising $60 million. The deal, targeted towards U.S. institutional investors, was substantially oversubscribed. Proceeds will be used to provide near term funding for a series of Jones Act tankers under construction and for general corporate purposes.

MARIA BERTZELETOU – Shipping Analyst

GOLDEN DESTINY RESEARCH & VALUATIONS DEPARTMENT

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GOLDEN DESTINY

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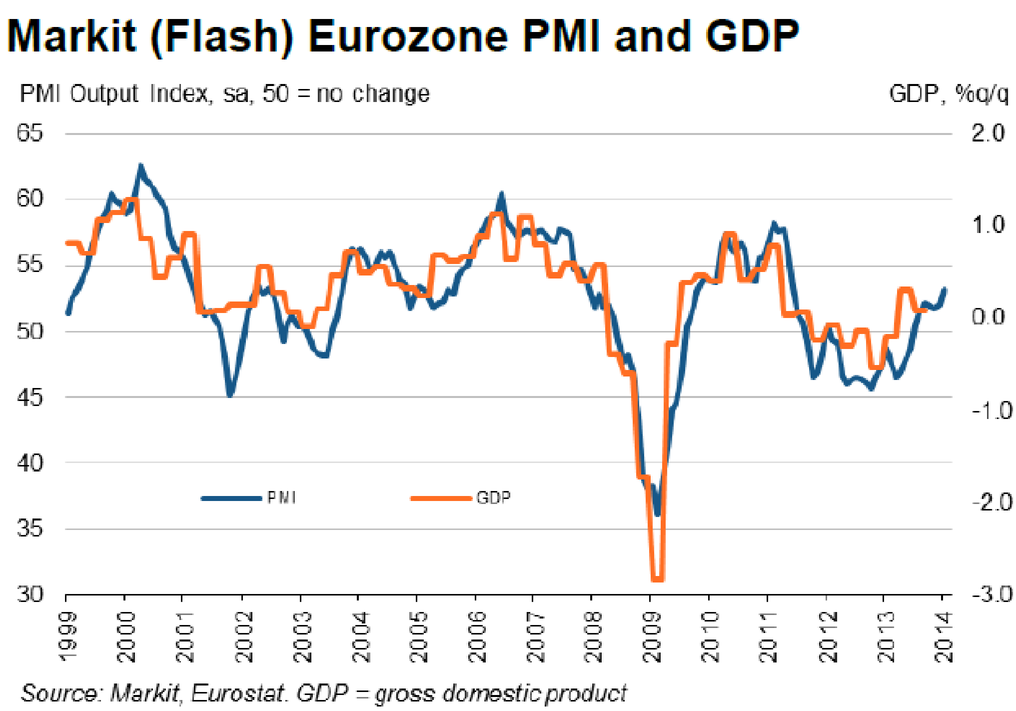

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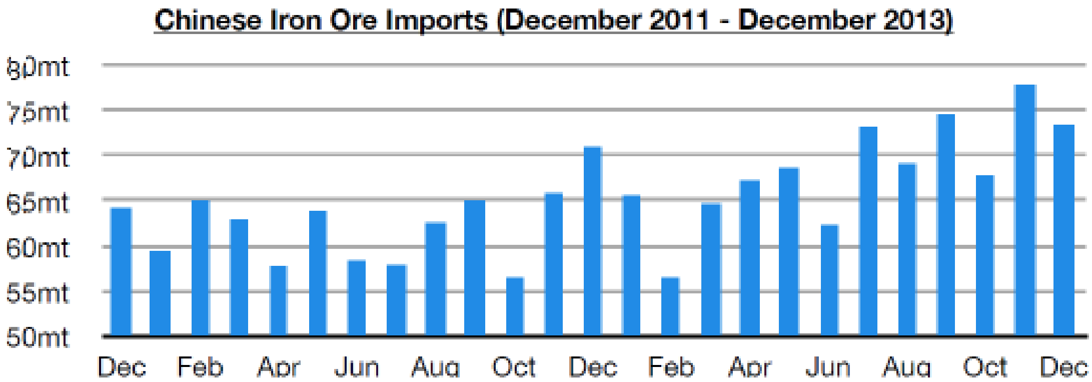

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Supportive factor for the current strong freight market outlook in the crude tanker segment is that US demand for oil grew by more than China's last year for the first time since 1999, according to the International Energy Agency. The IEA said that US oil demand rose by 390,000 barrels/day last year or 2% reversing years of steady decline. As China's economic growth has boosted over the past decade, its oil demand has surged, while US consumption has been falling steadily since 2005. European oil demand is also showing signs of growth for the first time since the financial crisis and the IEA said that the industrialized economies will likely to record the first oil demand rise since 2010.

In the **gas** market, Japanese LNG shipments create an air of optimism for the future outlook of freight rates. According to Japan's Institute of Energy Economics, Japan's LNG imports are expected to have risen 1.7% to 90.9mil tonnes per year for the whole 2013 and should keep rising to 91.1m tonnes per year in 2014. New gas fired power plants starting up in Japan this year and in 2015 will help boost Japanese imports of liquefied natural gas to feed the plants, supporting employment for LNG vessels. According to DNB Market, about 14 new gas fired power plants will come on line in Japan in 2014 and 2015 and Japanese LNG imports will continue to be high as between 6 and 16 nuclear reactors are forecast to be in operation by the end of the first quarter of 2015 out of a total of around 50.

In the **container** market, the Shanghai Container Freight Index increased by 1.8% last week due to an improvement in transpacific rates as Asia-Europe rates declined for one more week by 4.2% and 4.3% in Asia-Mediterranean, despite the announcement of general rate increases by liners in December and January. The SCFI ended last week at 1,188 points, down by 4.6% year-on-year, with Asia-Europe rates falling to $1,641/TEU and $1,670/TEU in Asia-Mediterranean. Compared with similar week's closing in 2012, Asia-Europe rates are up by 21.6% and 27.4% up in Asia-Mediterranean. Under the current downward revision in spot freight rates, CMA CGM and its partners announced fresh Asia-North Europe cancellations

Rates in Asia-USWC route moved by 13.1% week-on-week to $2111/FEU, which is the highest level recorded since end June 2013 following a general rate increase applied on January 15th by participants of the Transpacific Stabilization Agreement on January 15th. In Asia-USEC route, rates ended at $3430/FEU, up by 6.6% week-on-week, but down by 6.5% year-on-year.

In the meantime, HAPAG-Lloyd and Compañía Sud Americana de Vapores have signed a memorandum of understanding to merge their container units and said that the talks between them “are going into a new phase”. The merger would form the world’s fourth-largest container shipping company, after CMA CGM, in a deal that may see Hapag-Lloyd launch a public offering within a year of the closing of the merger, according to a regulatory filing by CSAV.

In the **shipbuilding industry**, Daewoo Shipbuilding & Marine Engineering Co. said its Romanian unit won a record US$1.07 billion in orders last year, the highest in six years. Daewoo Mangalia Heavy Industries (DMHI) obtained orders for 18 vessels in 2013, the South Korean shipbuilder said, which included bulk carriers, oil tankers and containers. The amount is the highest since $1.67 billion tallied in 2007.

In the **shipping finance**, Qatar Shipping (Q-Ship) has sealed a new $425m loan to refinance four LNG carriers owned with Japan’s big three, MOL NYK and K Line and are under long term charter agreement with Qatar producer RasGas. The company said the 12-year facility was arranged with mainly Japanese banks. (Bank of Tokyo-Mitsubishi UFJ, Mizuho Bank, Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Mitsubishi UFJ Trust & Banking Corporation, Shinsei Bank, and Development Bank of Japan.

Aegean Marine Petroleum Network secured a $150 million uncommitted working capital facility from ABN AMRO Capital (USA) to finance the working capital requirements of Aegean Bunkering (USA), the company formed to complete the acquisition of the U.S. East Coast Bunkering business of Hess Corporation.

In the **capital** market, Teekay Tankers Ltd. and Teekay Corporation (Teekay) jointly announced the creation of Tanker Investments Ltd. (TIL), which will seek to opportunistically acquire, operate and sell modern secondhand tankers to benefit from an expected recovery in the current cyclical low of the tanker market. TIL has completed a $250 million private equity offering in which Teekay Tankers and Teekay have co-invested $25 million each for a combined 20 percent ownership interest in the new company. The balance of the privately placed TIL shares, which will trade on the Norwegian over-the-counter market, have been purchased by a group of institutional investors primarily based in the United States, Norway and United Kingdom. A portion of the net proceeds from the private equity offering will be used to acquire four 2009 and 2010-built Aframax crude oil tankers for an aggregate purchase price of approximately $116 million. TIL will also acquire four 2009-built Suezmax crude oil tankers from Teekay for an aggregate purchase price of approximately $163 million, which TIL will pay for by assuming an equal amount of indebtedness already secured by those vessels. TIL intends to use the remaining net proceeds from the private equity offering to acquire additional tankers in the near future and for general corporate purposes.

In the shipbuilding industry, Aker Philadelphia Shipyard issued 2.25 million shares at NOK 165 per share, raising $60 million. The deal, targeted towards U.S. institutional investors, was substantially oversubscribed. Proceeds will be used to provide near term funding for a series of Jones Act tankers under construction and for general corporate purposes.

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