

WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 11th January 2013 (Week 2, Report No: 2/13)

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The New Year opened with firm investments in the secondhand and newbuilding market, while scrap prices have shown an upward direction from the end of 2012 welcoming owners' decision for disposal of vintage tonnage.

Overall, 49 transactions reported worldwide in the secondhand and demolition market, up by 58% week on week due to a 173% increase of secondhand purchasing activity. At similar week in 2012, the total S&P activity was standing 4% higher than the current levels, when 51 transactions had been reported and secondhand ship purchasing activity was 123% higher than the ordering business. The highest activity has been recorded in the newbuilding market with 475 S&P transactions reported, while secondhand purchasing activity and demolition transactions keep a solid pace from last year's high levels.

SECONDHAND MARKET

Bulk carriers and tankers are in the frontline with asset prices having already touched bottom levels from December 2012, standing at even lower levels than 2003-2004, and investors seem hungry for purchase upon the start of New Year. In the bulk carrier segment, interesting deal is enbloc resale of four very large ore capesizes built South Korea to Norwegian or Far East buyers for about \$53,5mil each. In the tanker segment, there has been an appetite for aframax crude carriers with investors not losing their appetite also for MR product tankers. In the container segment, there has been an enbloc deal for two small panamax containerships of about 4,600 TEU blt 2010 South Korea for about \$45mil each including charter deal.

Overall, 30 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 586,3 mil with tankers holding the lion share by grasping 53% of the S&P activity and bulk carriers 40% share. In terms of the reported number of transactions, the S&P activity is up by 173% from last week's activity, due to a 200% weekly increase in the purchase of bulk carriers and 700% increase in tanker purchases. Comparable with previous year's weekly S&P activity is almost at similar levels, when 29 vessels induced buyers' interest at a total invested capital of about \$451,6 mil with bulk carriers holding the lion share, 41% of the total volume of S&P activity and tankers 24%. In terms of invested capital, the dry bulk sector appears as the most overweight segment by attracting about 51% of the total amount of money invested with the purchase of 12 vessels and tankers to follow with 34% share for 16 vessel purchases.

NEWBUILDING MARKET

In the **newbuilding market**, the flurry ordering activity of December keeps going for the opening of New Year with significant emerged business for the construction of large sized vessels in the bulk carrier and tanker segments. Notable newbuilding deal was that Frontline of John Fredriksen signed a LOI for six capesizes with an option for six more to be constructed at Chinese yards at a price in the region of \$46mil each from a cancelled newbuilding order for the construction of three very large crude carriers. In the tanker segment, a Korean shipping fund Kukje Maritime Investments's HI Gold Ocean is behind an order for the construction of four very large crude carriers at Hyundai Samho of South Korea to be chartered by Hyundai Glovis to service a deal with Hyundai Oil in 2014.

Overall, the week closed with 45 fresh orders reported worldwide at a total deadweight of 3,368,320 tons, posting a 10 % week-on-week decline from the first week of January due to non reported activity in the gas tanker and container segments. In the bulk carrier segment, there has been a remarkable 800% week-on-week increase from strong capesize orders placed at Chinese yards, while offshore vessels still keep the lion share, 49% of the total newbuilding volume. This week's total newbuilding business is up



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by 246% from similar week's closing in 2012, when 13 fresh orders had been reported, 2 for bulkers, 5 for tankers, 1 liner, 2 passenger/cruises and 3 special projects. In terms of invested capital, the total amount of money invested is estimated in the region of more than \$1,34bn, 25 newbuilding deals reported at an undisclosed contract price, with a hefty amount invested in the construction of capesize and very large crude carrier newbuildings.

In the **bulk carrier** segment, Chinese Shipbuilder Nantong Cosco KHI has won a new order for two ultramax bulkers of 61,000 dwt from a compatriot shipowner, Jiangsu Ocean Shipping with delivery during the first half of 2014. The newbuilding price is estimated in the region of \$25mil each. In addition, Oldendorff Carriers of Germany is said to have booked two 61,000dwt bulkers at Nantong Cosco KHI for delivery at the end of 2014, including an option of two more vessels, at a price of about \$24-\$25mil per vessel.

In the capesize segment, Frontline of Norway and Thenamaris of Greece have placed firm contracts, while South Korea's biggest shipping companies have organized themselves into consortia to build nine capesize bulkers with a value of 1,8 trillion won (\$1,6 bn). The ships would service coal cargoes to Korea Electric Power Corp and the successful consortium will be obliged to build the ships in compatriot yards.

In the **tanker** segment, Hyundai Samho HI has won an order for four very large crude carriers of 320,000dwt from South Korean shipping fund, Kukje Maritime Investment Corp, at a price in the region of \$100 mil each for delivery from 2014. The vessels will be chartered to South Korean Hyundai Glovis to service a consecutive voyage contract with Hyundai Oil from 2014. In the suezmax, Venezuelan energy major PDVSA is said to be planning a suemaz newbuilding following the order of BP Shipping in order to exploit the low newbuilding costs.

In the **gas tanker** segment, China Shipping Group and Japan's Mitsui OSK Lines are said to be in final talks with Chinese shipbuilders for the construction of eight LNG carriers of a total value of more than \$1,5bn.

In the small LNG segments, energy major Shell is in discussions with shipyards in South Korea and Japan to build a series of small LNG carriers of around 30,000 cbm in a partnership with Russian shipowner Sovcomflot. In addition, Jiangnan Shipyard of China is under process to seal the construction of one or two 30,000cbm LNG vessels for domestic player, CNOOC Energy and Technology Services.

In the **container** segment, Hyundai HI of South Korea may win an order to built five ultra large containerships of 14,100TEU for Canadian shipowner, Seaspan, to be chartered to Taiwan's Yang Ming Marine Transport for \$46,000/day for 10 years. The vessels are said to cost \$110mil each with delivery from late 2015.

DEMOLITION MARKET

In the demolition market, Bangladesh, China and India appear strong few days after New Year with business going on and scrap prices giving signs for firmer levels. Bulk carriers and containers are in the frontline for disposal with shipping players tend to follow the record levels of "2012" demolition activity. China becomes a serious competitor to the Indian subcontinent region with prices at levels near \$400/ldt and scrap prices in India and Bangladesh are now surpassing levels of \$400/ldt for dry/general cargo. Remarkable demolition transactions are seen in the container segment with India offering extremely strong levels. Container vessel M/V "IRENESE DREAM" with ldt of 12,135 tons fetched \$463/ldt in India, including bunkers. Chinese shiprecyclers have also strengthened their position on the back of improving steel prices and need for importing additional vessels before the start up of Chinese New Year.

The week ended with 19 vessels reported to have been headed to the scrap yards of total deadweight 975,406 tons. In terms of the reported number of transactions, the demolition activity has been marked with a 5% week-on-week decline, due to 75% lower volume of demolition transactions in the tanker segment, whereas there has been a 15% increase regarding the total deadweight sent for scrap due to the disposal of 3 capesize bulkers and 1 aframax tanker. Bangladesh won 6 of the 19 total demolition transactions taking the leading position from India, which is reported to have won 3 deals. At a similar week in 2012, demolition activity was up by 16% from the current levels, in terms of the reported number of transactions, 22 vessels had been reported for scrap of total deadweight 788,248 tons with bulk carriers grasping 45% of the total number of vessels sent for disposal. India and Pakistan had been offering \$450-\$455/ldt for dry and \$480-\$485/ldt for wet cargo.

GREEK PRESENCE

Greek owners keep their dynamic position in the secondhand market with light activity reported for newbuilding business. In the secondhand market, they have purchased 3 bulk carriers, one panamax built 2002 Japan and two supramaxes built 2011 China, for about \$46,1mil. In the tanker segment, they have purchased four vessels, one aframax built 1998 Japan, two aframax vessels built 2002& 2003 Japan and one MR vessel built 2003 Japan for about \$55,7mil. In the container segment, they have bought two small panamax containerships of 4,616 TEU built 2010 South Korea for about \$90mil including charter agreement.

In the newbuilding market, Greek owner Thenamaris has placed one capesize order at Shanghai Waigaoqiao of China at a price in the region of \$46mil, including an option for two more vessels, and one more as a replacement for a cancelled very large crude carrier originally ordered in April 2011.

