This Week's News: A snapshot on the economic and shipping environment
Week Ending: 8th February 2013 (Week 6/2013)
(Given in good faith but without guarantee)

This Report/Analysis is distributed for the primary use of GOLDEN DESTINY'S subscribers and should not be redistributed to any third parties without the written consent of GOLDEN DESTINY. An extraction of market information from GOLDEN DESTINY'S Reports/Analysis is allowed only when GOLDEN DESTINY is mentioned as a source.

ECONOMIC ENVIRONMENT

The first days of February bring some positive news for the depressed economic sentiment. Economic data provide a firmer picture outlook in eurozone, US and China.

In the eurozone, manufacturing activity shows signs of recovery with hopes for a better future. Markit's Eurozone Composite Purchasing Managers' Index, an indicator of economic and business growth, rose in January to a 10-month high to 48.6 from 47.2 in December. Although it is still below the 50 mark that indicates still contraction and not expansion, it has risen for a third straight month providing comfort for a further strengthening in euro area.

The PMI for manufacturing for the euro area rose to 47.9 from 46.1 in December, which is the highest in 11 months with eurozone's powerhouse economy, Germany, being the main driver behind the increase. Germany's PMI for the country's manufacturing rose to an 11 month high of 49.8 on the back of stronger export output and new business orders. On the other hand, the PMI for the eurozone's second biggest economy, France, plummeted to its lowest levels in the last four years. France's PMI dropped to 42.9 as high unemployment and depressed business orders weighed on activity.

In the meantime, the European Central Bank kept its main refinancing rate on hold at 0.75 per cent, despite fears that the ECB is the only major central bank that is not further loosening its monetary policy that could ease prospects for a stronger euro area growth later this year. In addition, the ECB agreed on a deal to ease Ireland's debt burden that the government believes should ease its exit from its international bailout later this year. The deal will not write off any of the €64bn debts piled up by Dublin when it bailed out its banks during its financial crisis. Instead, it will stretch out repayments on almost half of Ireland's bank related debts over a longer timeframe, easing the country's short-term financing requirements.

In U.S., the Federal Reserve in its quarterly survey of senior bank loan officers reported a stronger demand for business, home and auto loans over the winter, as a sign of health for the major economy that showed a 0.1% contraction for the fourth quarter of last year. Despite concerns for the US fiscal cliff, US consumers became more willing to borrow and spend in recent months. However, high unemployment rates remain a major headwind in the growth of US economy. According to figures from US Labor Department, US created a less than expected 157,000 jobs in January and the unemployment rate rose to 7.9%, but the economy added more jobs in 2012 than previous estimates.

In China, following last week's soft fall in its Purchasing Managers' Index, this week ends with strong import-export data for the major Asian economy pointing towards a solid growth in 2013. Exports increased 25% from a year earlier, which is the largest increase since April 2011 and it is up from 14.1% increase in December. Imports showed a 28.8% increase, which is far above high from December's 6% rise. The largest increase in imports narrowed China's trade surplus to $29,2bn in January from $31.6bn a month earlier.

The economic data are not the same comforting for India that is facing from last year a slowest expansion in its GDP growth. The statistical office has forecast growth of 5% for the year to March 31st 2013, while last week, India's central bank cut its forecast to 5.5% from 5.8%. A slowdown in exports and subdued domestic demand affected the country's manufacturing and economic growth.

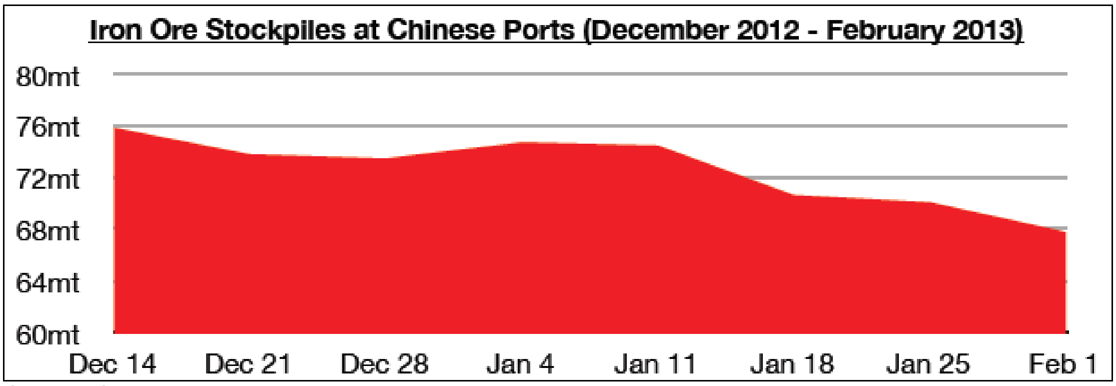
SHIPPING MARKET

Freight market gave signs of depression in January for all main conventional vessel segments apart from bulk carriers. The first quarter of the year does not give hopes for firmer freight rates compared with last year that will support the downward incline in asset prices and shipping investments. Demolition activity will keep going at the same robust levels of last year as long as freight rates keep welcoming owners' decision for vessels' disposal. Newbuilding activity in January posted firmer signs than last year. The current oversupply picture in terms of vessel deliveries seems to smooth from the end of 2014 and intense newbuilding ordering activity in the main conventional vessel segments during the year will distort this picture.

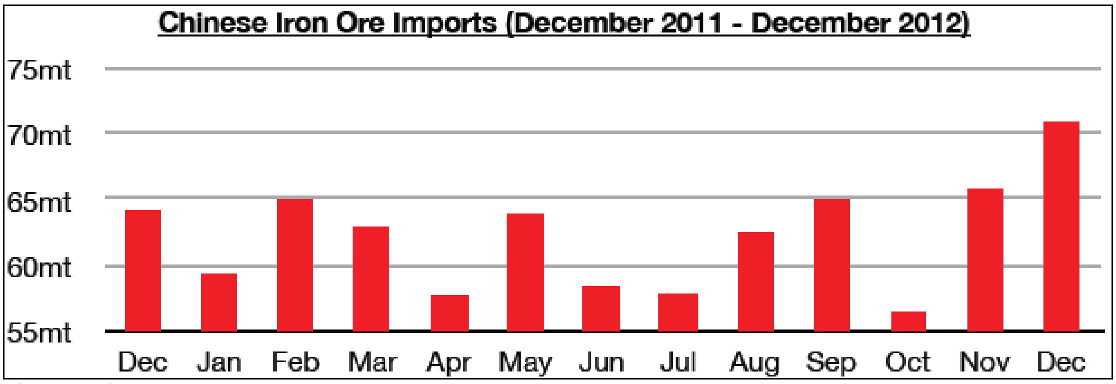
In the **dry** market, the first days of February continue the weakness seen at the end of previous month, mainly in the capesize and panamax segment, with the Baltic Dry Index still struggling to stabilize at higher levels than the record lows seen last year. Chinese iron ore inventories have fallen to extremely low levels, of less than 70mil tons, which is even lower than April 2010 levels, one main positive beneficiary factor for the growth of capesize vessel earnings. However, lower levels of Australian and Brazilian iron ore export activity have not yet offered a powered boost in vessels earnings and the rise of Baltic Dry Index.

At the end of February's first week, there has been a very soft improvement in the capesize and panamax segment that we hope to become stronger after the end of Chinese New Year. Smaller vessel categories, supramax and handy, are also trying to stay afloat with signs of declines in their earnings and lower expectations for a remarkable growth in the upcoming months. Lower expectations for world grain trade are a major headwind for smaller vessel categories. The USDA lowered further its predictions for 2013/2013 global trade to 285.7 million tons, 1.7mt (-0.5%) less than its previous forecast of 287.4mt a month ago.

There is a conservative optimism with the beginning of Chinese New Year on February 10th as Chinese players are expected to be away from the market celebrating the Golden Week holidays. Chinese iron ore fixture activity is high likely to resume at firm levels after the end of celebrations due to record lows of iron ore port stockpiles that will eventually lead to stronger capesize vessel earnings, but in the panamax segment, prospects are not so encouraging in terms of vessel supply and demand. The high levels of newbuilding deliveries and the increase of Qinhuangdao port stockpiles at healthier levels will lead to lower Chinese thermal coal fixture volume with a downward pressure on panamax earnings.



Source: Commodore Research



Source: Commodore Research

BDI closed on **Friday February 8th,** at 748 points, down by 0.2% from last week's closing and up by 4.6% from a similar week closing in 2012, when it was 715 points. The first week of February ends with a soft improvement in the capesize and panamax segment. The largest increase has been recorded in the panamax segment. **BCI** is up by 0.4% w-o-w, **BPI** up 8.8% w-o-w, **BSI** down 1.9% w-o-w, **BHSI** down by 6.2% w-o-w.

Capesizes are currently earning $7,344/day, up by of $15/day from a week ago, while **panamaxes** are earning $5,748/day, an increase of $491/day. At similar week in 2012, **capesizes** were earning $5,227/day, while **panamaxes** were earning $7,732/day. **Supramaxes** are trading at $6,995/day, down by $140/day from last week's closing, 4.7% lower than capesize and 22% higher than panamax earnings. At similar week in 2012, **supramaxes** were getting $6,746/day, hovering at 29% higher levels than capesizes versus 4.7% today's lower levels. **Handysizes** are trading at $6,281/day; down by $426/day from last week, when at similar week in 2012 were earning $5,489/day.

In the **wet** market, the downfall in AG-US route for very large crude carriers keeps from the beginning of the New Year with WS loosing another 0.75 points on a weekly basis and floating below WS20 for two consecutive weeks at negative time charter equivalent earnings below zero levels. In AG-SPORE and AG-JPN routes, WS rose by 0.75 points from previous week to WS31 - $2,500/$3,000/day time charter equivalent earnings. At the end of January last year, WS in AG-SPORE and AG-JPN routes was almost doubled than today by standing at WS60-$35,000/day. In WAFR-USG route, WS moved also upwards by 3 points from previous week to WS40.5-$17,000/day, but in WAFR-CHINA, it fell to WS34-$7,000/day, down by 0.75 points. At the end of January last year, WS in WAFR-USG and WAFR-CHINA routes stood at WS65 and WS60 respectively at time charter equivalent earnings of excess $30,000/day.

In the suezmax segment, stronger activity in the Atlantic alleviated the pressure from oversupply, but there is still uncertainty if stronger rates seen in previous week will hold. In WAFR-USAC route, WS gained 2.5 points to WS55-$10,125/day and in B.SEA-MED route, moved up also by 2.5 points to WS62.5-$12,400/day. At the end of January last year, WS in WAFR-USAC route was WS20-$20,000/day and in B.SEA-MED route was WS85.

In the aframax segment, the Caribbean market remained unchanged with WS in CBS-USG route being steady from previous week at WS82.5, while in the panamax market eased by 5 points to WS110. Last year, WS in CBS-USG route for aframax vessels was at WS138-$24,000/day and in the panamax segment, it was at similar today's levels.

In the product segment, WS in AG-JPN route lost further ground this week by falling 1.5 points to WS80-$11,300/day for 75,000dwt vessels and 5.75 points to WS94-$8,800/day for 55,000dwt vessels. At the end of January last year, WS in AG-JPN route for 75,000dwt vessels was standing at WS90-$10,200/day and WS105-$7,300/day for 55,000dwt vessels.

Comparable with previous yearly levels, the picture of the freight market is the same struggling as the previous year with more intense falls in the crude tanker segment, mainly for very large and suezmax crude carriers, than in the product.

In the **gas** market, LNG orderbook is on rise from 2011 levels with estimations of being around 25% of the existing fleet from 6% in January 2011. The rise of capacity is going to add a negative pressure in short term LNG rates due to a gap between vessel deliveries and production capacity. According to Wells Fargo Securities, short term charter rates will decrease by 10-20% on average in 2013, with longer-term rates floating more stable in the region of $75,000-$80,000/day.

In the **container** market, the Shanghai Container Freight Index fell again following the previous week's increase due to declines in all major routes. Rates in Asia-Europe and Asia-Mediterranean fell each by 0.8% week-on-week and in transpacific routes, they fell by 0.9% in Asia-USWC and 0.7% in Asia-USEC.

In Asia-Europe, rates are now at $1316/TEU and $1285/TEU in Asia-Mediterranean by standing at 82% and 66% respectively higher than last year. In transpacific routes, Asia-USEC and Asia-USWC, the improvement from last year's levels is softer than in Asia-Europe and Asia-Mediterranean routes. In Asia-USWC, rates are now at $2475/FEU, up by 36% year-on-year, and $3630/FEU in Asia-USEC, up by 23% year-on-year.

The current downfall seen in the major Asia-Europe route has urged big players to schedule general rate increases from the beginning of March and schedule capacity cuts before the beginning of Chinese New Year on February 10th. COSCO has already announced the heaviest rate hike on the Asia-Europe westbound route of US$775 per TEU effective March 15, even higher than the recently announced big increase of $750 per TEU from Hapag-Lloyd.

In terms of capacity, Alphaliner reported that carriers are going to skip a series of sailings for the weeks commencing on February 11th and 18th that will eventually reduce capacity on trade. It estimated that about 15 sailing are going to be missed for the week starting February 11th with a weekly drop in the capacity to 200,000TEU from 250,000 TEU. A further reduction is being scheduled for the week starting February 18th to about 130,000 TEU, representing a 47% decline in capacity from the week starting February 4th.

In the **shipbuilding** industry, South Korean shipyards set new high ordering targets for 2013 against the slump of newbuilding orders. Hyundai Samho HI, Hyundai Mipo Dockyard, Hanjin HI & Construction, Sungdong Shipbuilding & Marine Engineering aim to win $12.75Bn worth of orders this year. Hyundai Samho HI won $2.51Bn worth of orders in 2012 and has raised its target to $4Bn this year. Hyundai Mipo Dockyard has raised its target slightly to $3.2bn this year, from winning $3bn in new orders last year. Hyundai's Mipo Dockyard orderbook was boosted by MR products tankers and it hopes to secure more orders of pure car truck carriers and LNG carriers this year.

Sungdong Shipbuilding & Marine Engineering won 40 orders worth $1.4Bn last year and hopes to repeat the same in 2013. Its orderbook was also boosted by MR product tankers and has established a niche in offshore shuttle tankers. In last, Hanjin aims to win $2.75Bn in orders and its targeting orders in the drybulk carrier and pure car and truck carrier segments

In the **shipping finance**, Shipping companies will find it tough to borrow money again this year as a slump in the sector shows few signs of easing and regulators press banks to cut back lending, Citigroup's global head of shipping said. Many European lenders are abandoning or scaling back their ship financing capacity as regulators trying to minimize the risk that banks are facing after the 2008 global financial crisis. Global syndicated lending for shipping in the fourth quarter of last year dropped to $2.85 billion from $5.48 billion in the previous three months, Thomson Reuters LPC data showed.

Under the current distressed ship financing picture, German shipping lender, HSH Nordbank, is asking from its main owners, the states Hamburg and Schleswig-Holstein another EUR 3bn ($4bn) in loan guarantees to "ensure adequate capital resources" in the downturn. The lender returned EUR 3bn of guarantees - arranged at the height of the financial crisis in 2008 - to its owners last year, expecting an upturn in business, but the slump has continued. The bank is now asking from its owners to bring their commitments back to the levels of EUR 10bn, from EUR 7bn.

In terms of **ship financing deals**, Singapore-listed JES International has secured $15M loan from China Minsheng Banking. The loan, secured through JES subsidiary Jiangsu Eastern Heavy Industries, will be used as working capital.

In addition, Ocean Rig UDW Inc., a global provider of offshore deepwater drilling services, announced that it has received firm commitments from lenders for a $1.35 billion syndicated secured term loan to partially finance the construction costs of the Ocean Rig Mylos, the Ocean Rig Skyros and the Ocean Rig Athena. This facility has a 5 year term and approximately an 11 year repayment profile. The facility bears interest at LIBOR plus a margin. Lead banks are DNB Bank and Nordea Bank supported by several other commercial lenders. Also participating in this financing are export credit agencies Garanti-Instituttet forEksportkreditt (GIEK), Export Credit Norway and the Import-Export Bank of Korea (KEXIM). This agreement is subject to definitive documentation which the Company expects to complete in the first quarter of 2013.

MARIA BERTZELETOU – GOLDEN DESTINY RESEARCH DEPARTMENT

For more Research Services, please contact us:

GOLDEN DESTINY

Research & Valuations Department

Sofia M.Kokkinis & Maria Bertzeletou

Email: snv@goldendestiny.com