GOLDEN DESTINY

This Week's News: A snapshot on the economic and shipping environment
Week Ending: 15th March 2013 (Week 11/2013)
(Given in good faith but without guarantee)

ECONOMIC ENVIRONMENT

The week has been marked with a not reachable agreement between eurozone officials and the Greek government for the next sub tranche of money in late March. The Greek government is not worrying for the release as only technical issues are outstanding and the talks with eurozone officials will resume at the end of March or in early April. In the meantime, Eurogroup Ministers are going to meet in Brussels to discuss financial help for Cyprus. According to German Finance Minister, Wolfgang Schaeuble, Cyprus has no liquidity problems and the focus should be on the excessive exposure of its banking system.

In China, a dip of growth in exports and imports during February poses serious concerns for the strength of Asian economy. However, it is still no alarming as the Chinese New Year seems to be the primary driver behind the slump of trading growth. Imports fell by 15.2% year-on-year in February from a 28.8% rise in January, while exports rose 21.8% year-on-year in February, down by 25% growth in January, leaving China with a trade surplus of $15,3bn in February. In the meantime, China's consumer inflation is on rise by stepping to a 10-month high of 3.2% in February, which is significantly faster than the 2% rise recorded in January. Premier Wen Jiabao has already set an inflation target of 3.5% or below for this year and the People's Bank of China seems to be increasingly concerned about inflation with expectations for policy tightening later this year.

In US, economy added 236,000 jobs in February with unemployment rate falling to 7.7%, which remains stubbornly high, according to data from Labor Department.

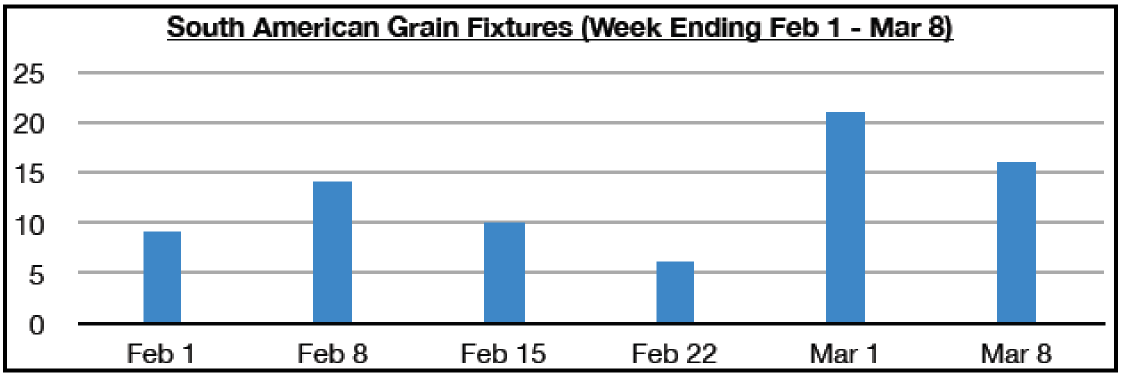
SHIPPING MARKET

The second week of March ends with a reserved optimism for the growth of dry bulk carrier earnings in all vessel categories, a persistent negative market sentiment for crude tankers and negative also trends in container freight rates for major Asia-Europe and Asia-Mediterranean trading routes. The first quarter of the year seems the same challenging for shipping players as 2012 with oversupply issues still lingering. The worrying issue is that scrapping activity has shown lower volume of vessels heading to the scrap yards during January-February 2013 compared with similar period last year.

In the **dry** market, BDI is on a straight rise since the end of February by recording this week the highest gains for the first time this year. Panamax and supramax vessel earnings are on a spectacular rise by surpassing this week levels of more than $9,000/day, while a soft and steady improvement in the capesize segment drives vessels earnings close to $5,000/day. In the supramax segment, vessel earnings have shown an almost 30% increase and panamax vessel earnings about 42% increase from the average value of February.

In the capesize segment, vessel earnings recorded about 21% decrease from the average value of February as Chinese iron ore imports in February fell to a four month low of 56,4m tonnes, down 14% from the previous month and 13% from a year earlier, according to Chinese Customs data. The fall of Chinese iron ore imports is mainly attributable to the New Year holiday and lower iron shipments from Australian cyclones. However, Australian iron ore imports are now fully reopened and congestion in

Australian ports is aiding the growth of capesize earnings. According to Commodore Research, 19 iron ore fixtures came to the market last week and 14 were for capesize vessels. There are expectations that the surge in iron fixture activity will persist till the end of March as iron ore port stockpiles at Chinese ports remain extremely low of about 66,5million tons at their lowest levels since April 2010. In addition, a significant rise in South American grain fixture activity during the first two weeks of March has boosted panamax and supramax vessel earnings.



Source: Commodore Research

BDI closed on **Friday March 15th,** at 892 points, up by 5.8% from last week's closing and up by 2.0% from a similar week closing in 2012, when it was 874 points. The largest increase has been recorded in the supramax segment, while all dry indices closed in green. **BCI** is up by 2.9% w-o-w, **BPI** is up 3.3% week-on-week, **BSI** is up 7% week-on-week, **BHSI** is up 4.7% week-on-week.

Capesizes are currently earning $4,923/ day, up by $440/day from a week ago while **panamaxes** are earning $9,296/day, an increase of $302/day. At similar week in 2012, **capesizes** were earning $5,392/day, while **panamaxes** were earning $7,772/day. **Supramaxes** are trading at $9,677/day, up by $639/day from last week's closing, 97% higher than capesize and 4% higher than panamax earnings. At similar week in 2012, **supramaxes** were getting $9,946/day, hovering at 84% higher levels than capesizes versus 97% today's higher levels. **Handysizes** are trading at $7,536/day; up by $343/day from last week, when at similar week in 2012 were earning $7,691/day.

In the **wet** market, VLCC segment remains seriously distressed with WS in AG-USG being stable at WS18 for five consecutive weeks and time charter equivalent earnings below zero levels since the beginning of the year. In AG-SPORE and AG-JPN routes, WS lost 0.5 points week-on-week and fell to WS33 at time charter equivalent earnings $7,000/day and $6,200/day respectively. In WAFR-USG route, WS stayed stable at WS35-$9,900/day, while in WAFR-CHINA route, WS gained 1.5 points and rose to WS35-$9,600/day.

In the suezmax segment, West Africa market experienced the biggest fixture activity since late December and Black Sea fixtures' activity stayed moderate, however vessel tonnage could not be absorbed by demand and WS in WAFR-USAC and B.SEA-MED routes eased from last week. In WAFR-USAC route, WS lost 0.5 points week-on-week and fell to WS57.5-$12,700/day, while in B.SEA-Med route, WS shed 2.5 points to conclude to WS70-$16,900/day.

In the aframax segment, despite moderating levels of fresh activity in the Caribbean market, rates remained relatively strong with WS in CBS-USG route staying steady from last week at WS117.5-$22,900/day. In the panamax segment, Caribbean market experienced a strong downward correction from last week's high levels on the back of slowing activity and ample list of available tonnage. WS in CBS-USG route 22.5 points to conclude at WS115-$12,000/day, from WS137.5-$23,000/day. In the product segment, WS in AG-JPN route for 75,000dwt vessels rose by 3 points to WS90-$16,500/day week-on-week, while for 55,000dwt vessels rose by 0.5 points to WS119-$18,000/day.

Against the depressing freight market recession, bunker prices remain soft by hovering closer to $600/ton. Fuel IFO380 cost has fallen to less than $600/barrel in Rotterdam, while in March 2012, the cost was near to $700/barrel.

In the **gas** market, Panama Canal Authority announced last week that it had completed dredging at the narrows of the canal part as part of its $5bn expansion program. Upon completion of the expansion project, the Canal will be able to accommodate 80% of the current global fleet, potentially including LNG carriers with nearly 175,000cbm gas capacity, supporting larger LNG volumes from US Gulf to Asia Pacific Markets.

In the **container** market, Shanghai Container Freight Index follows its persistent decline for sevent consecutive weeks by falling last week to levels of less than 1,100points for the first time since end-November 2012. For the week ending March 7th, the Shanghai Container Freight Index ended at 1,072 points, down by 4% week-on-week, led by 9.5% weekly decrease in Asia-Europe trading route and 7% weekly decrease in Asia-Mediterranean.

In Asia-Europe and Asia-Mediterranean routes, rates have now dropped to less than $1,000/TEU, $999/TEU in Asia-Europe and $960/TEU in Asia-Mediterranean for the first time since the beginning of December 2012. Rates are now standing 28% down year-on-year in Asia-Europe and 31% down year-on-year in Asia-Mediterranean.

Transpacific routes are still holding resistance with rates in Asia-USWC going down to $2189/FEU, 4.2% down week-on-week, but they are up by 25% year-on-year. In Asia-USEC, rates are now $3332/FEU, down by 3.3% week-on-week and up by 14% year-on-year.

What is noteworthy is that under the current struggling freight market fundamentals and the collapse of German KG model for financing new vessel investments, the containership ordering activity seems that has not lost its pace. According to Alphaliner statistics, in the four and a half years since the global financial crisis erupted in September 2008, owners have placed firm orders for 445 containerships with a total capacity of 3,02mil TEU, representing 18.4% of the existing fleet. Carriers are estimated to have raised their share of newbuilding capacity to 58% in the post crisis period compared with 49% during the booming period 2006-2008.

In the **shipbuilding** industry, as shipbuilders are struggling to survive under the current worldwide shipbuilding demand, Zhoushan city of China was reported to have shown a surprising surge in newbuilding orders during January and February 2013. According to local industry sources, shipbuilders in Zhoushan are said to have win orders for up to about 60 vessels with a combined capacity of more than 1,8mil deadweight for the first two months of the year. On the other hand, shipbuilding industry in Jiangsu is reported to still have showed a low level of newbuilding orders in February 2013. According to data released on March 4th from Jiangsu Economic and Infromation Technology Commission of China, shipbuilders in the region are said to win not many orders during February and they are still struggling.

In the **shipping finance**, Singapore’s Leopard Tankers, an equal joint venture between Vitol Group and Grindrod Group, secured $109.35M in lending from Standard Chartered Bank for the acquisition of four 51,800dwt medium range product tankers built at SPP Shipbuilding in South Korea expected for delivery middle of this year. The loan facility “will provide liquidity and support for the start of the company’s business operations amidst the continuing volatility in the shipping market”, said Standard Chartered, which is the sole lender in the transaction. “This transaction demonstrates our commitment to our clients who are involved with shipping, an industry which Standard Chartered, with our footprint in growth markets across Asia, Africa and the Middle East, is well positioned to support,” said Nigel Anton, global head, shipping finance, Standard Chartered Bank.

One more interesting ship financing deal emerged from the Export-Import Bank of Korea for the funding of a LNG orderbook from a Greek owner, Thenamaris, to be built at South Korean yard, Samsung Heavy Industries. Chairman Kim Hong-Hwan, who sealed the deal with Thenamaris said: “ To provide support to the nation’s shipbuilders struggling due to decreasing orders and reducing ship prices, the bank will promote financial marketing more actively for outstanding shipping companies abroad. We will expand a range of the direct loan for high value vessel types, such as LNG carrier, promoting the quality differentiation of Korean shipbuilding industry”.

In the capital markets, Italian NYSE-listed Scorpio Tankers announced the pricing for another follow-on equity offering, which is considered to be one of its largest offering, for the funding of MR tanker newbuildings. Scorpio priced 29,012,000 shares at $8.10 per share, equating to gross proceeds of $235M. This implies that net proceeds (after deducting underwriting commissions and expenses) from the latest offering will be the highest ever obtained by the company. It will exceed January's offering, which netted $222M; December's offering, which netted $127M; and it's March 2010 IPO, which netted $155M.

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