

WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 14th June 2013 (Week 24, Report No: 24/13)

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The second week of June ends with lower volume of investments for newbuilding and secondhand vessels, while the demolition activity has shown firmness for two consecutive weeks with an average number of demolitions of more than 20 vessels per week, from more than 10 vessels at the end of May.

At the current week, 39 transactions reported worldwide in the secondhand and demolition market, down by 2.5% week-on-week with 16% decrease in secondhand purchases and 9.5% higher scrapping volumes. At similar week in 2012, the total S&P activity was standing 33% lower than the current levels, when 26 transactions had been reported and secondhand ship purchasing was 19% lower than the volume of newbuilding orders. The highest activity has been recording in the newbuilding arena, which is up by 52% from this week's secondhand purchasing activity due to large volume of new orders for bulk carriers and special projects.

SECONDHAND MARKET

S&P activity eased during the first two weeks of June with the average number of vessels reported sold per week not surpassing 20 vessels, from more than 30 vessel reported sold during May. In the bulk carrier segment, 6 vessels reported sold mainly built in Japan, from 3 in the previous week, 1 capesize built 1999, 2 panamax vessels of more than 10yrs old, 1 ultramax resale, 1 supramax built 2005 and one handysize built 1996. In the tanker segment, the S&P activity has centered on handysize vessels of less than 35,000dwt of more than 10yrs old and one aframax tanker built 1998. In the container segment, the S&P activity reported is only in the handy segment with 3 vessels reported sold, one boxship of 1730TEU built 1999 and 2 boxships of 1,118TEU built 2006.

Overall, 16 vessels reported to have changed hands this week at a total invested capital in the region of US\$ 135,74 mil, 4 S&P deals reported on private terms. Bulk carriers and tankers grasped 60% of this week's S&P activity against 13% share from liners and 20% from containers. Comparable with previous year, this week's S&P activity is 11% lower than last year, when 18 vessels induced buyers' interest at a total invested capital of about \$223,35mil with 6 S&P deals in the bulk carrier segment, 4 in the tanker, 3 in the gas tanker, 2 in the liner, 2 in the container and 1 for special projects. In terms of invested capital, the bulk carrier segment appears as the most overweight segment by attracting about 62% of the total amount of money invested with an invested capital of about more than \$84.05mil compared with more than \$27,2mil invested in the tanker and \$24,49mil in the container segment.

NEWBUILDING MARKET

In the **newbuilding market**, investors' appetite eased but remains high with strong business for bulk carriers. Ordering activity in the tanker and container segments recorded declines from previous week, 33% and 82% respectively, in contrast with 33% and 50% weekly increase in the volume of new orders for bulk carriers and special projects. In the bulk carrier segment, 16 new orders reported, 2 for capesizes, 4 for kamsarmaxes, 10 for ultramaxs and 2 small handysize steel carriers. Chinese yards won 10 of 16 new orders and Japanese 4 new orders. South Korean yards made strong their presence this week in the construction of more specialized vessels by winning a LNG floating storage regasification unit, 2 post panamax boxships, a drillship and FPSO vessel.

Overall, the week closed with 33 fresh orders reported worldwide at a total deadweight of 1,834,400 tons, posting 55% week-on-week decline from previous week, with bulk carriers holding 49% share of the total volume of new orders, tankers 12%, containers 12% and special projects 18%. This week's total newbuilding business is down 5.7% from similar week's closing in 2012, when 35 fresh orders had been reported, 3 bulkers, 5 containers, 5 liners, 4 passenger/cruises and 18 special projects. In terms of invested capital, the total amount of money invested is estimated in region of more than \$4,4 bn with 18 newbuilding contracts reported at



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an undisclosed contract price. A hefty amount of money is invested in the offshore segment with an invested capital of more than \$3,55bn for 6 new orders due to the construction of a high valued FPSO for about \$3bn. Gas tankers follow with an invested capital of about \$335mil for 2 new orders with the construction of a LNG floating storage regasification unit for about \$300mil.

In the **bulk carrier** segment, Taiwan's China Steel Express its subsidiary CSE Transport placed orders for two 209,000dwt capesizes and two 12,000dwt steel carriers at Japan Marine United. The newbuilding cost will be \$55,5mil for each capesize and \$13,65mil for each steel carrier with delivery from the second half of 2015.

In the kamsarmax segment, Global Marine Investment of Greece ordered two 82,000dwt vessels at Jiangsu New Yangzijiang Shipyard of China for about \$27mil each with delivery in 2015, including an option for two more. In addition, Wisdom Marine Lines of Taiwan ordered two 81,6000dwt bulkers at Tsuneishi Zhoushan for about \$27,75mil each with delivery in 2015.

In the ultramax segment, Chinese Baoyuan International ordered two eco-friendly 64,000dwt bulkers at CSSC Chengxi Shipyard with delivery in 2015-2016. Furthermore, Chinese Wah Kwong Maritime Transport ordered four eco-friendly 64,000dwt bulkers at the same yard with delivery in 2015. In last, Italian shipowner Coeclerici and d'Amico Società di Navigazione have formed a joint venture, DACC Maritime, registered in Dublin, which has ordered two 60,000dwt vessels from Japanese shipbuilder Oshima with delivery in the second half of 2015. The order includes two options declarable by next September and delivery scheduled for 2016.

In the **tanker** segment, Alterna Capital Partners of USA ordered four 50,000dwt vessels at Hyundai Mipo Dockyard of South Korea for an undisclosed contract price.

In the **gas tanker** segment, China's AVIC Dingheng shipyard has secured a contract for an LNG bunkering tanker of 6,200cbm from Norwegian owner Jahre Marine. The vessel will be the first seagoing LNG carrier for bunkering and small-scale distribution with delivery in 2015. China's AVIC Dingheng shipyard has secured a contract for an LNG bunkering tanker of 6,200cbm from Norwegian owner Jahre Marine. The vessel will be the first seagoing LNG carrier for bunkering and small-scale distribution with delivery in 2015.

In the large LNG segment, Nigeria Liquefied Natural Gas Company is said to be signed agreements with South Korea's Samsung Heavy Industries and Hyundai to acquire six LNG vessels. France's BNP Paribas and Nigeria's GT Bank are brokering a \$1.6 billion loan to help fund acquisition of the vessels and expect to sign the financing documents next week, a banking source said in Reuters. In addition, Dynagas of Greece and South Korean STX Offshore & Shipbuilding, Jinhae have sealed an order for an LNG floating storage regasification vessel of 170,200cbm scheduled for delivery in the second half of 2015.

In the **container** segment, Asiatic Lloyd Shipping of Singapore ordered two 9,000TEU boxships at Hyundai Samho of South Korea for about \$81mil each with delivery in 2014. In addition, Evalend Shipping of Greece signed a letter of intent for the construction of two 6,800TEU boxships at Hanjin Subic Bay yard of Philippines for about \$55mil each.

In the **offshore** segment, South Korean yard, Samsung Heavy Industries won significant business this week for the construction of a drillship by ENSCO of UK for about \$511mil and a high valued FPSO, which will be the biggest ever built, from an undisclosed contractor for about \$3bn.

DEMOLITION MARKET

In the **demolition** market, the record low Indian rupee's depreciation against US dollar keeps Indian competitiveness against Pakistan in doldrums with benchmark price levels offered by Alang to be squeezed at levels of less than \$400/ldt. However, one more deal emerged this week for a container vessel that fetched very firm scrap price for India. A large panamax boxship of about 4,507 TEU, M/V "MSC VENEZUELA" reported for scrap in India at about \$440/ldt. In Bangladesh, the anticipated budget of June 6th brought no effect on the recyclers in Chittagong and the activity remains weak. In Bangladesh, panamax bulker M/V "GEORGIOS S" fetched an astonished level of \$421/ldt, whereas in China, the gap with the Indian subcontinent region remains large with little activity. Benchmark prices in the Indian subcontinent region are now \$390-\$400/ldt for dry and \$420/ldt for wet cargo with China offering \$310/ldt for dry and \$330/ldt for wet cargo.

The week ended with 23 vessels reported to have been headed to the scrap yards of total deadweight 749,240 tons. In terms of the reported number of transactions, the demolition activity has been marked with 10% increase from previous week, showing 500% 67% higher demolitions for liners and containers respectively. Bulk carriers held the lion share 43% of this week's total volume of demolition business with 10vessel disposals against 6 vessel disposals in the liner and 5 in the container segment.

In terms of deadweight sent for scrap, there has been 28% weekly decrease with strong vessel disposals for panamax and handysize bulkers. India is reportedly to have won 8 of the 23 total demolitions, Bangladesh 5, Pakistan 2, China 3 and Turkey 3.

At a similar week in 2012, demolition activity was down by 65%, in terms of the reported number of transactions, when 8 vessels had been reported for scrap of total deadweight 310,911 tons with 6 disposals for bulkers, 1 tanker and 1 reefer. Ship-breakers in Indian subcontinent region had been offering \$360-\$380/ldt for dry and \$385-\$400/ldt for wet cargo.

GREEK PRESENCE

Following last week's absence of Greek owners from newbuilding arena, they invested this week about about \$464mil for five new orders, 2 bulkers, 1 gas tanker and 2 containers. In the bulk carrier segment, Global Marine Investment of Greece ordered two 82,000dwt vessels at Jiangsu New Yangzijiang Shipyard of China for about \$27mil each with delivery in 2015, including an option for two more. In the gas tanker segment, Dynagas of Greece and South Korean STX Offshore & Shipbuilding, Jinhae have sealed an order for an LNG floating storage regasification vessel of 170,200cbm scheduled for delivery in the second half of 2015. In the container segment, Evalend Shipping of Greece signed a letter of intent for the construction of two 6,800TEU boxships at Hanjin Subic Bay yard of Philippines for about \$55mil each.

In the secondhand market, Greek owners invested about \$50,8 for the purchasing of 5 vessels, 3 bulkers, 1 tanker and 1 container. In the bulk carrier segment, they bought one panamax vessel built 2002 Japan for about \$13,8mil, one supramax vessel built 2005 Japan for about \$18,7mil and one handysize built 1996 Japan for about \$4,95mil. In the tanker segment, they bought one handysize built 1997 Russia for about \$7,5mil and in the container segment, one handy vessel built 1999 Poland for about \$5,85mil.

