GOLDEN DESTINY

This Weekös News: A snapshot on the economic and shipping environment

Week Ending: 22nd November 2013 (Week 47/13)

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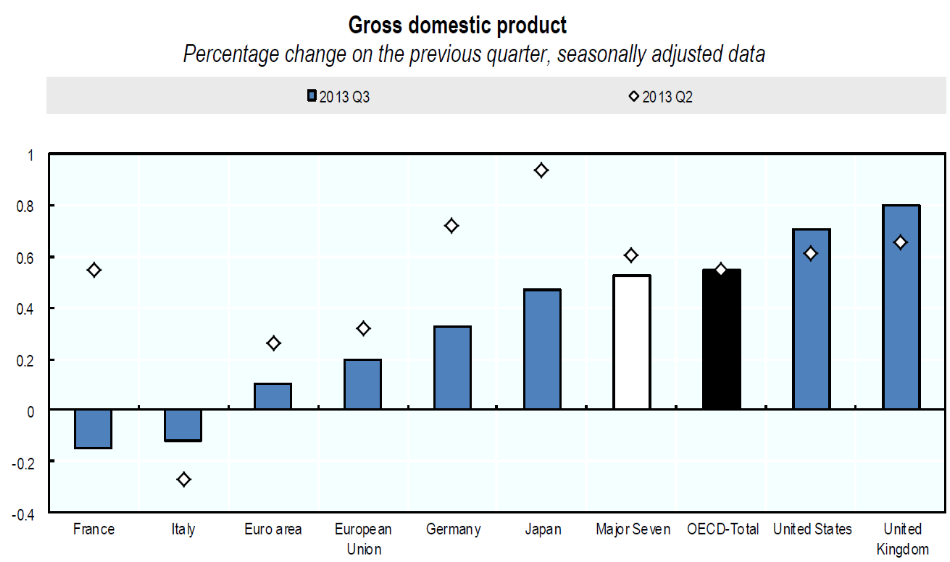
ECONOMIC ENVIRONMENT

The third week of November opened with the OECD cutting its global growth forecasts for the current year and the forthcoming 2014, while provisional estimates show that the quarterly real gross domestic product in the OECD area increased by 0.5% in the third quarter of 2013, at the same pace of the previous quarter.

- GDP growth for **UK** and **US** accelerated to 0.8% and 0.7% respectively, compared with 0.7% and 0.6% in the second quarter.
- In **Japan**, GDP growth slowed to 0.5%, from 0.9% in the previous quarter.
- In **Germany**, GDP slowed to 0.3% compared with 0.7% in the second quarter and 0.1% in **France**, from 0.7% growth.
- In **Italy**, GDP declined for the ninth consecutive quarter, but with the pace of contraction slowing to 0.1% compared with 0.3% in the previous quarter.

However, compared with the third quarter of 2012, GDP growth for the OECD area accelerated to 1.4% compared with 1.0% in the second quarter. Among the major seven economies, Japan recorded the highest growth rate of 2.6% and Italy the largest contraction of 1.9%.



Source: OECD

As the economic recovery seems very fragile in major economies with ongoing slowdown in emerging markets, OECD reduced its estimates for global growth at 2.7% for the current year and 3.6% for 2014, which are down from its previous forecasts set in May for 3.1% growth in 2013 and 4% for 2014. The OECD expected the euro area to expand by 1% in 2014, down from its 1.1% estimation in May, while the US economy is said to grow by 2.9% in 2014. The eurozoneφs recovery was ñlagging and unevenò and the European Central Bank should consider easing policy again if deflationary risks became more serious, the OECD said. The establishment of a banking union needed to be expedited, while any holes in banksô balance sheets had to be ñcredibly identifiedò by forthcoming stress tests and the ECBφs asset quality review.

In the meantime, HSBC Flash Eurozone PMI Composite Output Index fell at thee month low of 50.9 from 51.6 in October, but it remained above the 50-expansionary level for a fifth successive month in November. The rate of expansion indicated a modest easing for a second straight month with output growth in manufacturing sector stabilizing at a robust rate and staying stronger than the servicesô sector. HSBC Flash Eurozone Manufacturing PMI rose at 29-month high of 51.5, from 51.3 in October, and Flash Eurozone Services PMI Activity Index fell at three month low of 50.9, from 51.6 in October. Among the euro countries, Germanyφs PMI recorded the best growth since mid 2011 implying a 0.5% increase in GDP for the fourth quarter of the year, while France remains very weak with its output showing a renewed decline and raising the risk that its GDP could fall again in the fourth quarter, leading to a renewed recession.

In China, output seems to expand modestly in November with the HSBC Flash China Manufacturing PMI falling at tow month low of 50.4, from 50.9 in October. Commenting on the Flash China Manufacturing PMI survey, Hongbin Qu, Chief Economist, China & Co- Head of Asian Economic Research at HSBC said: ***ñ**Chinaφs growth momentum softened a little in November, as the HSBC Flash China Manufacturing PMI moderated due to the weak new export orders and slowing pace of restocking activities. That said, this is still the second-highest PMI reading in seven months. The muted inflationary pressures should enable Beijing to keep policy relatively accommodative to support growth.**ò***

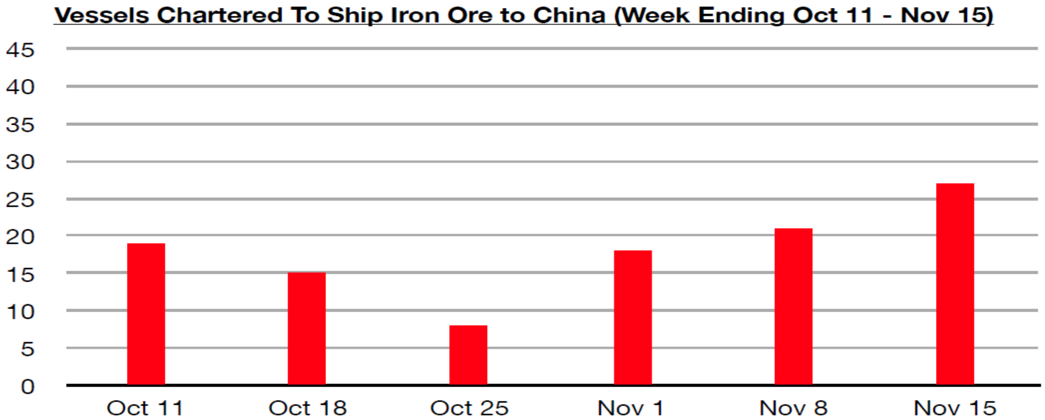
SHIPPING MARKET

The newbuilding business surprises for one more week with the ordering interest to be intense for large vessel size categories in the dry and tanker segment. Capesize units and the new newcastemax vessl design are in the frontline with Scorpio Bulkers of Monaco announcing this week the placement of three units of 180,000dwt at Daewoo Mangalia of Romania for about $54mil each and Winning Shipping of Hong Kong two units of 205,000dwt at Chinaφs Nantong Cosco for about $58mil each. In addition, Germanyφs Oldendorff Carriers continues to expand its fleet with an order for another 208,000dwt vessel at Hyundai Heavy Industries, which is reportedly to be the sixth vessel in order for construction at this yard, with an option for six more newcastlemax newbuildings.

The newbuilding prices stay very alluring for the investors as in May 2008; the newbuilding cost for the construction of a capesize unit in South Korean yard was about $100mil and in Chinese yard about $88,5mil. In the tanker segment, ordering appetite for the construction of very large crude carriers emerged high with Scorpio Tankers, DHT Holdings and Navig8/Oaktree placing a strong volume of contracts ï total 14 new orders at South Korean and Chinese yards. The current newbuilding cost for the construction of a VLCC unit at South Korean yard is estimated in the region of $92-$93mil, from about $150mil in May 2008 and in Chinese yard, is in the region of less than $90mil from about $137mil in May 2008.

In the **dry** market, firm spot chartering activity for dry bulk cargoes maintains the firmness of the Baltic Dry Index despite the downward revision of capesize and panamax rates. The Baltic Dry Index fell this week below the 1,500 points mark with capsize rates heading to levels below $18,000/day and panamax to less than $11,000/day. However, expectations for the dry bulk recovery have not faded as spot chartering activity holds a firm pace.

Last week the market was market with a significant increase of vessel fixtures. According to Commodore Research, 137 vessels were chartered during last week, from 117 vessels in the previous week with increases in Chinese iron ore and thermal coal fixture activity. In the iron ore market, 27 vessels were chartered to haul iron ore to Chinese buyers last week, 6 more than in the previous week and 16 more than the trailing four week average. Chinese iron ore fixture activity is now on increase for three consecutive weeks and approaches the record levels seen during September.



Source: Commodore Research

Chinese thermal coal fixture activity is also in an upward movement as Qinhuangdao coal port stockpiles remain far below the critical 7mil tons. In the last week, 22 vessels are estimated to have been chartered to haul thermal coal to China, 9 more than the previous week and 12 more than the trailing four week average. Expectations are optimistic for the capesize and panama charter rates as Chinese seem that will hold their appetite firm in the demand for iron ore and thermal coal. Chinese iron ore port stockpiles have increased to about 82mil tons, but they are still below the record 101,5 million tons stockpiled in early February 2012 indicating stability in the firmness of Chinese iron ore fixture activity.

On Friday **November 22nd**, **BDI** closed at 1483 points, down by 2.2% from last week's closing and up by 32% from a similar week closing in 2012, when it was 1090 points. Large vessel categories are on a downward incline, while supramax/handy experience firm stability. The largest weekly increase is recorded in the handy segment. **BCI** is up by 0.5% w-o-w, **BPI** is down 3.3% week-on-week, **BSI** is up 2.8% week-on-week, **BHSI** is up 3.5% week-on-week.

Capesizes are currently earning $16,554/day, down by $1,592/day from last week's closing and **panamaxes** are earning $10,880/day, down by $375/day from last week's closing. At similar week in 2012, **capesizes** were earning $16,412/day, while **panamaxes** were earning $8,091/day. **Supramaxes** are trading at about $14,570/day, up by $408/day from last week's closing, about 12% lower than capesize and 34% higher than panamax earnings. At similar week in 2012, **supramaxes** were getting $7,566/day, hovering at 54% lower levels than capesizes versus 12% today's lower levels. **Handysizes** are trading at about $10,282/day, up by $382/day from last week's closing; when at similar week in 2012 were earning $6,357/day.

In the **wet** market, VLCC spot rates keep firm with rates in AG-USG staying at WS35 for two straight weeks and in AG-SPORE, AG-JPN routes at WS60 with time charter equivalent earnings of about $50,000/day. Stable outlook is also kept in WAFR-USG and WAFR-China routes with no change from previous as rates concluded at WS57.5 with time charter equivalent earnings of about $43,000/day. One positive factor for the firm employment of very large crude carriers is that Saudi Arabia's oil output has hit record levels of around 10mil barrels/day for three consecutive months to offset the fall in output from Libya, according to the US Energy Information Administration.

In the suezmax segment, WAFR-USAC rates keep flat at WS57.5-about $13,000/day for three straight weeks, while in the B.SEA-Med route gained 2.5 points and concluded at WS60-$8,000/day. In the aframax segment, there was a negative incline in the fixture activity of the Caribbean market with rates in CBS-USG route losing 12.5 points to conclude at WS95-$14,844/day and rates in the N.SEA-UKC route showed no change for three weeks by staying at WS85-$14,546/day.

In the panama segment, the Caribbean market is more active with rates in CBS-USG route gaining 7.5 points to conclude at WS100-$9,454/day. In the MR segment, AG-JPN route is on a downward momentum with rates for 75,000dwt vessels dropping by 3.5 points to WS68.5 and for 55,000dwt vessels by 6 points to WS90.

In the **gas** market, LNG spot rates for modern 160,000cbm tri fuel diesel LNG carries are now at $100,000/day with a significant increase in chartering interest that removes nearly all available tonnage in the West from November through the first quarter of 2014. In the LPG segment, spot fixtures concluded for very large gas carriers out of the Middle East Gulf have kept freight rates at firm levels of low $60/tonne with time charter equivalent earrings of about $40,000/day for voyages from the Middle East to Asia. There are forecasts that earnings levels will remain robust of about $30,000/day till 2016.

In the **container** market, the Shanghai Container Freight Index remains above 1,000points since the beginning of November with soft declines in Asia-Europe and Asia-Mediterranean routes. The SCFI decreased by 0.1% last week with 8.1% weekly decline in Asia-Europe route and 5.3% weekly decline in Asia- Mediterranean. Rates in Asia-Europe fell to $1,213/TEU, but are 81% up from end-October levels and in Asia-Mediterranean route, rates dropped to $1308/TEU, up by 85% from end-October. Several carriers have already announced a new round from General Rate Increases to be effective from mid-December to boost further rates.

In transpacific routes, rates in Asia-USWC route, moved up to $1885/FEU, up by 9.7% week-on-week and down by 9.8% year-on-year. In Asia-USEC routes, rates gained$106/TEU to conclude at $3184/FEU, up by 3.4% week-on-week and up by 1.2% year-on-year.

In the **shipbuilding industry**, Japanese shipbuilders recorded firmness from previous year's activity as figures from Japan Ship Exporters' Association showed that member yards clinched 29 orders aggregating 1,400,570gt, up from 17 orders of 902,790gt in the same month in 2012. Last month's orders were lower than the 33 orders aggregating 1,202,350gt in September. Bulkers continue to dominate the orders – Japanese yards received orders for 23 bulkers, up from 14 bulkers in October 2012. The October 2013 orders included two VLCCs, two LPG carriers, two ore carriers, two Capesizes and 10 Handymax bulkers. One pure car carrier and three Panamax bulkers were also ordered. The weakening yen and positivity about a recovery in drybulk shipping has enabled Japanese builders to regain their competitiveness against South Korean and Chinese yards.

In the **shipping finance**, Korea Develpoment Bank became became STX Offshore & Shipbuilding's biggest shareholder after a sell-off by STX Corp. and its affiliated shipping company, STX Pan Ocean. STX O&S said in a Korea Exchange filing that KDB and two other parties now held 9,006,187 shares, representing a 25.51% stake.

In addition, Korea EXIM Bank (KEXIM) signed various symbolic MOIs and agreements with the European Bank for Reconstruction and Development, UK Export Finance, Barclays, Société Générale and Seadrill. The purpose is to encourage financial cooperation as it looks to bring new opportunities for exports from South Korea's economy. It is reported that KEXIM will support by up to $1 billion John Fredriksen's Seadrill which has 17 offshore units on order at South Korean yards valued at over $8 billion. It will additionally provide $1 billion together with the EBRD for logistics and infrastructure projects in Europe and Asia with an example given being the Eurasia Tunnel linking Europe and Asia beneath the Bosphorus Strait in Turkey.

In the **capital** market, Dynagas LNG Partners sold 12.5 million partnership units raising $225 million in total proceeds, which represented 41.7% of the company's pre-deal market capitalization ($539.5 million). Priced at $18/unit, below range, the shares closed the next day at $18.01, largely unmoved. The proceeds were used to repay debt and for general corporate purposes.

, BW LPG, which owns a fleet of 36 gas carriers with a total carrying capacity of about three million-cbm and with another 504,000-cbm on order, has launched its IPO on the Oslo exchange. The target is to raise at least NOK 1.66 billion ($280 million) and the share has been priced at between NOK 40 and NOK 50. The shares will be prices on November 22nd and on that day it is likely that the share will start trading also.

According to the offering documents the offering will comprise 82 million shares being 41.5 million new shares, 30.5 million existing shares and an underwritersôoverallotment of 10.1 million shares.

Seaspan announced that it has completed the issuance of 3.5 million Class A common shares through a public offering. Seaspan has authorized the underwriters of the offering a 30-day option to purchase up to an additional 525,000 common shares. The offering is expected to close on November 25, 2013 and proceeds will be used for general corporate purposes, potentially including vessel acquisitions.

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