GOLDEN DESTINY

This Week's News: A snapshot on the economic and shipping environment
Week Ending: 31st January 2014 (Week 4/14)
(Given in good faith but without guarantee)

ECONOMIC ENVIRONMENT

The emerging Asian economies are under negative economic outlook, when developed economies are getting stronger. Over 225 economists polled from Reuters have downgraded or left unchanged growth estimates from 9 of the top 13 economies in Asia, from China to India, Indonesia, Taiwan and Thailand. *"The days of double-digit growth are behind us, at least in the largest emerging economies,"* said Dominic Bryant, global economist at BNP Paribas.

"*It is reasonable to say China is slowing down as a result of repositioning itself to a domestic-demand driven economy. And since it makes up 50 percent of Asia, there is bound to be some knock-on effects around the region.*" Economists predict a 7.4 percent average growth rate this year, which would be the slowest expansion since 1990, and a further cooling to 7.2 percent in 2015.

In the Eurozone, the head of European Central Bank, Mario Draghi, said that there has been a dramatic improvement in the Eurozone recovery over the past two years. Speaking at a forum in Davos he said: *"Risks have decreased across the board both for core eurozone countries and the periphery".* Mr Draghi said that so far the recovery had been driven by exports, but demand was picking up with domestic consumers. However, he warned that the recovery was still fragile and uneven. On the subject of inflation, Mr Draghi said he was confident that in the medium term the eurozone would achieve its 2% target.

Despite the positive signs of euro area recovery, Spain's economy shrank again in the fourth quarter of last year and remains in deep recession. According to the country's national statistics office, Spain's economy contracted by 0.7% as consumers continue to cut spending. It was the worst quarterly decline since the second quarter of 2009, when Spain was still in the middle of the first downturn in its double-dip.

In euro's largest economy, Germany, the unemployment rate declined for the second straight month, as per data published from the Federal Labor Agency. Unemployment declined by 28,000 in January, which was bigger than the expected decrease of 5,000, while at the same time, the seasonally adjusted jobless rate held steady at 6.8%.

In Japan, the country recorded the worst trade deficit underlining the impact of the total shutdown of nuclear power since the Fukushima nuclear disaster of March 2011. The Finance Ministry reported that the gap between imports and exports was a record high of Yen 11.5trillion ($111bn) in 2013, widening from Y6.9tn and Y6.2tn deficits recorded in 2012 and 2011 respectively.

In U.S., the economy is said to have recorded a 3.2% annual rate of growth during the fourth quarter of last year, from 4.1% in the previous three months' period. The figure is the first of three estimates that are revised as more data become available from the Commerce Department and matches expectations with consumer spending increasing at a rate of 3.3%, from 2% in the previous quarter.

In emerging economies, the Reserve Bank of India announced 25 basis points rate increase to 8% for battling the country's worrying high levels of inflation, citing price rises at the "gravest risk" to the rupee. The Reserve Bank of India's governor commented that the increase targets to bring down inflation to a low and stable level that monetary policy can contribute to reviving consumption and investment in a sustainable way.

SHIPPING

A new newbuilding design "Deltamarin's B Delta" for bulkers is under success with more than 100 ships to have been ordered by several worldwide shipping players at nine Chinese shipyards. The latest addition is the order of eight open hatch B.Delta37 bulk carriers by Polish shipowner, Polska Zegluga Morska P.P. (Polsteam), at Yangfan Group shipyard.

The main dimensions of Polsteam's B.Delta37 are 179.99 m in overall length and 30.0 m in beam, with cargo carrying capacity of 50,000 m3. Deltamarin's B.Delta37 has attracted significant attention in the industry due to its best- in-class (handysize segment) performance in terms of a range of parameters such as low fuel oil consumption, low emissions, EEDI, deadweight intake and lightweight particulars.

For the time being, Yangfan Group is building a total of 21 B.Delta37 vessels, two for Tunisian owner Transbulk, eleven for Italian d'Amico, and the latest eight for Polsteam. Discussions about further contracts on other sizes, such as B.Delta25, B.Delta64, B.Delta82 and B.Delta210, are ongoing with several shipowners and yards.

In the **dry market**, the Baltic Dry Index is on a straight fall amid Chinese festivities with capesize iron ore fixture activity recording low volumes and Chinese iron ore stockpiles remaining at excessive levels. 93,8 million tons of iron ore are stockpiled at Chinese ports, 34% more than a year ago. BDI fell this week below 1,200 points with capesize charter rates decreasing to levels below $10,000/day for the first time since last June. However, the sentiment remains bullish with expectations for a firm rebound from the beginning of March. Panamax charter rates are also under a serious negative pressure by hovering at levels near to supramax – at excess $11,000/day, while Chinese coal port stockpiles are approaching the critical 7 million tons.

In smaller vessel size categories, handies are showing the least volatility with charter rates averaging more than $10,000/day since the beginning of the year, while supramax rates are also under pressure as could not fetch levels of $15,000/day, seen at the end of last year. South American grain season is still several weeks away, from March-April period, when the annual surge of South American grain shipments is expected to bring firmness.

The low Chinese iron ore demand amid the Lunar New Year beginning on January 31st has dropped the spot iron ore prices to the lowest level since July 8th to $123.20/tonne, according to data provider Steel Index. Chief executive officer of Vale's top iron ore miner believes that the decline in iron ore prices is temporary saying that the fundamentals of Chinese economy remain solid.

According to data from the Secretary of Foreign Trade of Brazil, Brazil's iron ore exports to China reached a record high of more than 170 million metric tons in 2013, up about 4% from the previous year, and will continue to increase as the demand for resources by the world's second largest economy keeps rising alongside urbanization. As the world's second largest iron ore producer, Brazil's exports to China have soared from 38 million tons in 2003 to 171 million tons in 2013. Vale estimates that the company would export about 1.1 billion tons of iron ore to China over the next six years and to realize that target the company plans to invest $3,5 billion to raise its annual iron ore capacity by 50% to 450 million tons by 2018.

On Friday **January 31st**, **BDI** closed at 1110 points, down by 11% from last week's closing and up by 48% from a similar week closing in 2013, when it was 750 points. All dry indices closed in red and capesize/supramax category recorded the largest decrease. **BCI** is down by 12% week-on-week, **BPI** is down 7% week-on-week, **BSI** is down 10% week-on-week, **BHSI** is down 4% week-on-week.

Summary of Baltic Dry Indices & Average Time Charter Earnings

		31/1/2014 week 04	24/1/2014 week 03	w-o-w	2013 week 04	% w-o-w	% y-o-y
Dry	**BDI**	1110	1246	-136	750	-11%	48%
Capesize	**BCI**	1524	1723	-199	1454	-12%	5%
Panamax	**BPI**	1337	1437	-100	664	-7%	101%
Supramax	**BSI**	996	1112	-116	682	-10%	46%
Handy	**BHSI**	684	712	-28	449	-4%	52%

		31/1/2014 week 04	24/1/2014 week 03	w-o-w	2013 week 04	% w-o-w	% y-o-y
Capesize	**Average T/C routes**	8263	10608	-2345	7329	-22%	13%
Panamax	**Average T/C routes**	10663	11460	-797	5257	-7%	103%
Supramax	**Average T/C routes**	10410	11627	-1217	7135	-10%	46%
Handy	**Average T/C routes**	9804	10218	-414	6707	-4%	46%

Capesizes are currently earning $8,263/day, down by $2,345/day from last week's closing and panamaxes are earning $10,663/day, down by $797/day from last week's closing. At similar week in 2013, capesizes were earning $7,329/day, while panamaxes were earning $5,257/day. Supramaxes are trading at about $10,410/day, down by $1217/day from last week's closing, about 26% higher than capesize and 2% lower than panamax earnings. At similar week in 2013, supramaxes were getting $7,135/day, hovering at 3% lower levels than capesizes versus 26% today's lower levels. Handysizes are trading at about $9,804/day, down by $414/day from last week's closing; when at similar week in 2013 were earning $6,707/day.

In the **wet** market, crude tanker rates continue their firm pace with VLCC rates reaching new highs in all major routes. Strong fixture activity is reported from the Middle East to Asia with limited available capacity. In AG-USG route, rates are above WS35 from mid-January, and in AG-SPORE and AG-JPN routes above WS60. In WAFR-USG route, rates moved above WS70 since mid-January, while in WAFR-CHINA route are nearing to WS70.

In the suezmax segment, the West African market has recorded a slower fixture activity with rates sliding to less than WS100, while in B.SEA-Med route, rates are still excessively high at more than WS170.

In the aframax segment, rates fell to less than WS200 in CBS-USG route, from WS300 one week ago and in the Mediterranean route to WS150 from WS275. The N.SEA-UKC route keeps the firmness with levels now fetching WS200, from less than WS180. In the panamax segment, CBS-USG route, has also recorded weekly decrease, but at a slower pace than in the aframax segment, and fell to WS275, from more than WS280.

In the **gas** market, Chinese firm demand for gas is one more supportive demand factor, apart from the Japanese appetite, on the strong freight market outlook of LNG vessels. According to data released from General Administration of Customs, Chinese LNG imports hit a record high last month, by recording a 33.3% year-on-year increase with LNG supplies from Qatar fetching a new increased level of 1,09 million mt, which is more than double volumes received in December 2012. State-owned China National Petroleum Corp., meanwhile, is expecting total gas consumption this year to grow by 11% to 186 billion cu m, with natural gas and LNG imports totaling 63 billion cu m.

In Japan, LNG imports set another record in 2013 and increased to 87,49 million tons last year, according to preliminary trading figures from the Ministry of Finance, and paid a record 7.06 trillion yen ($68.98 billion). During last December, Japan imported 8.09 million tons of LNG, up 4.9% from a year ago and the highest since January 2013.

In the **container market**, the Shanghai Container Freight Index fell for one more week due to rate weakness in major trading routes, Asia-Europe and Asia-Mediterranean. Asia-Europe rates fell below $1600/TEU, but are up by 21% year-on-year and down 2.6% week-on-week, while Asia-Mediterranean rates fell to less than $1650/TEU, down by 2.2% week-on-week and up by 25.6% year-on-year.

In transpacific routes, rates remain almost flat following a firm rebound seen a week ago. In Asia-USWC route, rates are now at $2110/FEU, down by 15.5% year-on-year, and in Asia-USWC route, at $3427/FEU, down by 6.3% year-on-year. In the meantime, a new round of general rate increases is already planning from members of the Transpacific Stabilization Agreement as they will be seeking an additional $300/FEU in Asia-USWC route to be effective from March 15th.

Under the current slide in Asia-Europe rates despite the general rate increases applied in December, the inactive fleet is estimated to have exceeded 3% (513,802TEU capacity) of the existing fleet for the second time in a month, according to figures provided from Lloyds List Intelligence. In terms of number of vessels, 304 vessels are estimated to be out of service from a total fleet of 5,042 boxships. As per vessel segment, the panamaxes had the highest number of laid up vessels with 163,800 TEU-39 ships out of action and the post panamax segment (5,000-7,499TEU) follows with 136,104TEU of inactive capacity.

In the **shipbuilding industry**, Hyundai Heavy Industries has started the construction of a series of five 19,000 TEU boxships, which would be the largest containerships ever build, for China Shipping. The vessels had been upgraded from 18,400 TEU capacity when originally ordered in last May. The largest containerships currently afloat are Maersk Line’s Triple E vessels with a capacity of 18,270 teu. The dimensions of China Shipping’s vessel are very similar to the Triple E at 400 m long, 58.6m wide and 30.5 m depth. The first vessel for China Shipping is due for delivery in November this year, with the remaining four scheduled for delivery at the end of the first quarter of 2015.

In Spain, domestic shipbuilders Astillero Barreras and Navantia have been awarded $407M in contracts to build floating accommodation platforms for Mexican state oil company Pemex. Each yard will build a complete platform for Pemex subsidiary PMI North America, which was selected by its parent to carry out the contract after a long tender procedure. The order is of vital importance for the state shipbuilder Navantia, which has run out of work at its Ferrol and Fene yards in Galicia, northwest Spain. Astillero Barreras shipbuilder is in a different position since it has already sealed a number of orders for Pemex, which acquired a 51% stake in the company last November. Both yards had been waiting for the order since May 2012, when it was first mentioned in a co-operation agreement signed between Pemex and the Galician regional government.

In the **shipping finance**, Chinese ship lending appears once more strong and supportive for Greek newbuilding orders at domestic shipyards. CSSC Shipping (Hong Kong), the internal leasing unit of China State Shipbuilding Corp, said in a website statement, that it signed a financing agreement with the Export-Import Bank of China over the construction of five 208,000dwt bulkers for construction at Shanghai Waigaoqiao Shipbuilding, with an option of five more, backed by bareboat charter commitments from Oceanbulk Maritime of Greece.

Nanjing Tanker Corporation (NJTC) is hoping to secure a loan of RMB9.2bn ($1.5bn) from banks this year, as it expects to post a 2013 full year deficit. In a statement to the Shanghai Stock Exchange it said the board of NJTC approved the company to seek the loan from banks, though no specific banks were named. Shanghai-listed NJTC said earlier said that a delisting is confirmed as the company will post four years of consecutive losses since 2010. In the first three quarters of 2013, NJTC recorded a loss of RMB984.71m. The subsidiary of China's state-owned Sinotrans & CSC Group attributed the company's struggles to the sluggish global tanker shipping market and high operating costs.

Norwegian gas shipping player Hoegh LNG announced that it has signed an agreement with a syndicate of seven banks for a $400mil senior credit facility. The company said that the facility would allow the company to cover the third and fourth 170,000cbm FSRU that are due for delivery from Huyndai Heavy Industries in June 2014 and March 2015 respectively. The credit facility has a five-year, post-delivery tenor and a repayment profile of 15 years.

Star Bulk and Deutsche Bank entered a binding term sheet for a seven-year senior secured credit facility of up to $39 million. The facility will be used to partially finance the acquisition of two modern Post-Panamax bulk carriers from an unaffiliated third party. The vessels will be delivered to Star Bulk in February and March of 2014 and will be re-chartered to the seller for 30 to 34 months and 27 to 31 months, respectively.

Gatar Gas Transport Company-Nakilat is reportedly to have secured a $669mil facility with Qatar National Bank to finance newbuilding purchases in a joint venture with Greece's Maran. The deal follows previous financing agreement back in June for another $662.4mil to finance the expansion from four to six LNG newbuildings and now the newbuilding tally has upped to eight total new orders at a newbuilding price of $200mil each.

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