This Week's News: A snapshot on the economic and shipping environment
Week Ending: 14th February 2014 (Week 6/14)
(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

Chinese economic trading data defied this week economists' expectations for a weak start for this year, as Chinese exports and imports rose sharply in January. Exports increased by 10.6% from a year ago and imports by 10%, as per data from General Administration of Customs. The welcoming news in Chinese trading data comes in contradiction with the decrease of Purchasing Managers' Index below the 50 point mark and Chinese festivities. At the end of the first month of the year, the trade surplus for the world's second largest economy concluded at $39.9 billion, which is the widest for January since 2009.

Based on median projections in Bloomberg surveys, economists' estimates for Chinese exports ranged from a decline of 8% to a 5.9% increase, following December's improvement by 4.3%. For Chinese imports, economists were projecting a 4% rise following December's 8.3% increase and a trade surplus of $23.45 billion, well below the actual trade surplus. The gradual recovery of developed economies seems that is contributing in the recent stronger trading figures for China with expectations for holding at encouraging levels in the long term. Demand from advanced economies will give "substantial support" for China's growth this year, which along with resilient consumption will keep the government "in a good position to avoid a shadow banking-induced crisis and sharp decline in investment," said Shen Jianguang, chief Asia economist at Mizuho Securities Asia Ltd. in Hong Kong.

Overall in 2013, overseas shipments for the world's second largest economy rose 7.9%, according to official data, with the government aiming at 8% growth in exports and imports combined. For the current year, the Chinese government has set a lower target of 7.5% in export growth as uncertainties remain for China's export outlook from the current turmoil in emerging economies although the European and US economies showing signs of recovery.

In US economy, January ended with 113,000 new jobs, well below economists' expectations of 180,000 new positions, and unemployment rate down to 6.6%. January was the second straight month with disappointing news for US new jobs coming against the steady improvement of the economy with an annual rate of growth of 3.2% in the last three months of 2013. In December, US added only 75,000 new jobs, well below economists' expectations for 200,000 new jobs. Throughout the past year, US economy added an average of 194,000 jobs per month.

In the UK economy, the Bank of England said that British interest rates could start to rise from record lows in a little more than a year as a rapid recovery brings the economy closer to operating at full stream. The Bank of England cut interest rates by 0.5% on the eruption of the financial crisis in 2009. UK economy has started its rebound, but there are still serious issues and the governor Mark Carney said that the increase in rates would be gradual.

SHIPPING

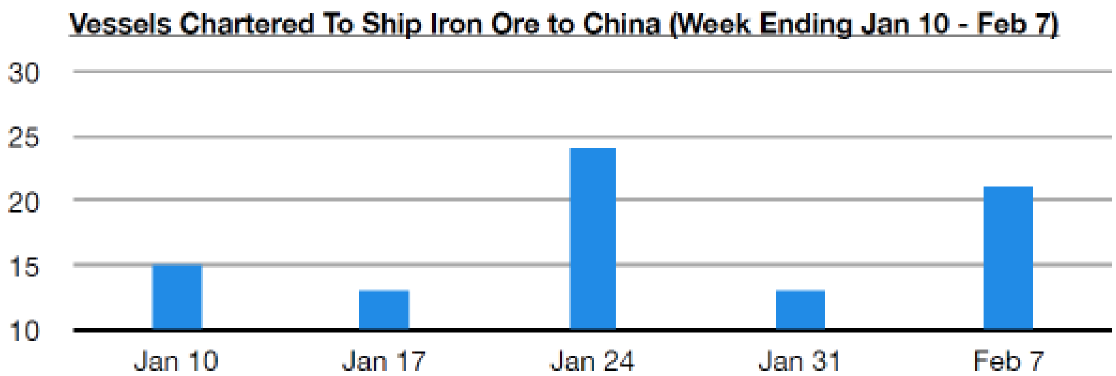
January ended with a flurry of shipping investments in the secondhand and newbuilding market and asset prices being on the high side from the upturn of the freight market. Shipping players appear more confident than ever and do not forego their investment plans despite the unsteady economic environment. The pace of secondhand / newbuilding activity kept the record levels of last year, while demolition volumes keep on the low side against the solid levels of scrap prices. There is a low demand for vessels' disposals and high interest in newbuildings that increase the risk of freight market falling again to weak levels in the forthcoming years.

Secondhand Market: 171 S&P deals (up by 37% month-on-month and 61% year-on-year) - Invested capital more than $3,5bn.

Newbuilding Market: 279 new orders (down by 30% month-on-month and up 74% year-on-year) – Invested Capital more than $7,7bn.

Demolition Market: 43 vessel disposals (down by 49% month-on-month and 50% year-on-year) – Total deadweight scrapped 1,2 mil tons.

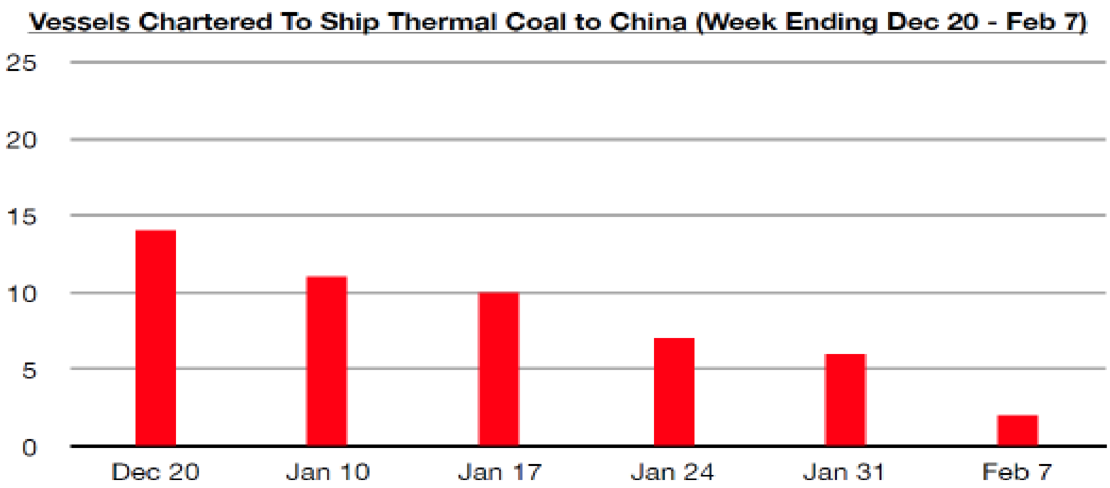
In the **dry market**, Chinese New Year has now ended and the Baltic Dry Index has started to show signs of upward momentum from a soft improvement in the capesize segment. Chinese iron ore fixture activity has recorded its first signs of rebound and 21 vessels were chartered to haul iron ore cargoes to Chinese buyers last week, 8 more than chartered during the previous week, as per data from Commodore Research. Despite the weaker dry bulk outlook during January and lower iron ore purchasing appetite, China's iron ore imports fetched record levels in January. Data from the General Administration of Customs showed that Chinese iron ore imports accelerated to 86.83 million metric tons in January, from 73.38 million tons in December and 65.54 million tons a year ealier.



Source: Commodore Research

Chinese iron port stockpiles remain excessively high at about 96.9 million tons and on increase for eighteen consecutive week, up by 44% year-on-year, which will continue to push downwards capesize rates that are now still less than $10,000/day from near $39,000/day at the end of December 2013. In the meantime, the dry bulk fleet growth keeps growing with demolition activity being at weak levels. Approximately, 89 bulkers are said to have been delivered during January, while 14 bulkers were demolished, down by 63% year-on-year (38 total bulker demolitions reported in January 2013), confirming that the threat of oversupply has not yet dismissed.

In the panamax segment, rates keep their spot levels at more than $10,000/day since the beginning of the year, while Chinese coal port stockpiles at Qinghuangdo has now risen to about 8.2 million tons, up by 6% week-on-week. The expected increase of China's coal port stockpiles at levels well above the critical 7 million tons suggests lower levels of Chinese thermal coal fixture activity for the current month that will downsize the panamax rates. According to Commodore Research, 2 vessels were chartered to haul thermal coal to Chinese buyers last week, 4 less than chartered during the previous week and 7 less than the trailing four week average.



Source: Commodore Research

Supramax/handysize rates have started to show soft signs of weekly declines to levels of less than $10,000/day. The upcoming South American grain season in March and April is expected to firm the position of supramax and handysize vessel categories at the end of the first quarter of the year.

On Friday February **14th**, **BDI** closed at 1106 points, up by 1% from last week's closing and up by 47% from a similar week closing in 2013, when it was 753 points. Capesize and handysize indices closed in red, while supramax and panamax in green. The supramax segment recorded the largest weekly increase. **BCI** is down by 2% week-on-week, **BPI** is up 1% week-on-week, **BSI** is up 7% week-on-week, **BHSI** is almost flat with 3 points down.

Summary of Baltic Dry Indices & Average Time Charter Earnings

		14/2/2014 week 06	7/2/2014 week 05	w-o-w	2013 week 06	% w-o-w	% y-o-y
Dry	**BDI**	1106	1091	15	753	1%	47%
Capesize	**BCI**	1554	1588	-34	1434	-2%	8%
Panamax	**BPI**	1311	1304	7	832	1%	58%
Supramax	**BSI**	998	929	69	672	7%	49%
Handy	**BHSI**	671	674	-3	412	-0,0045	63%

		14/2/2014 week 06	7/2/2014 week 05	w-o-w	2013 week 06	% w-o-w	% y-o-y
Capesize	**Average T/C routes**	8367	8657	-290	6750	-3%	24%
Panamax	**Average T/C routes**	10506	10417	89	6626	1%	59%
Supramax	**Average T/C routes**	10438	9717	721	7028	7%	49%
Handy	**Average T/C routes**	9689	9684	5	6138	0%	58%

Capesizes are currently earning $8,367/day, down by $290/day from last week's closing and panamaxes are earning $10,506/day, up by $89/day from last week's closing. At similar week in 2013, capesizes were earning $6,750/day, while panamaxes were earning

$7,028/day. Supramaxes are trading at about $10,438/day, up by $721/day from last week's closing, about 25% higher than capesize and 1% lower than panamax earnings. At similar week in 2013, supramaxes were getting $7,028/day, hovering at 4% higher levels than capesizes versus 25% today's higher levels. Handysizes are trading at about $9,689/day, up by $5/day from last week's closing; when at similar week in 2013 were earning $6,138/day.

In the **wet** market, VLCC rates keep their firm outlook with a sense of downward revision, while suezmax and aframax weakness persists, but overall the picture of the spot market in the crude segments is much brighter than last year.

In the VLCC segment, AG-USG rates are now WS30-$5,369/day, down by 8 points from the highs recorded on week ending January 24th. In AG-SPORE-AG-JPN routes, rates moved up by 8.5 points to WS48.5-$29,000/day, but are down by 16.5 points from week ending January 24th. Rates in WAFR-USG and WAFR-China route recorded downward revision of 5 points to WS60-$41,000/day and 7.5 to WS50-$28,895/day respectively. Compared with January 24th levels, rates in WAFR-USG route are down by 15 points and in WAFR-China route are down by 17.5 points.

In the suezmax segment, the buildup of available vessels in the Mediterranean and Black Sea combined with fewer available cargoes in West Africa led to freight market weakness. In WAFR-USAC route, rates decreased to WS67.5-$17,085, down by 15 points from last week and down by 62.5 points from week ending January 17th. In B.SEA-Med route, the weekly decrease is bigger of 32.5 points to WS67.5-$13,316/day, down by 120 points from week ending January 17th.

In the aframax segment, rates in CBS-USG route lowered to WS120-$21,515/day, down by 32.5 points from last week and down by 185 points from the record highs of WS305 at the week ending January 17th. In the panamax segment, the CBS-USG route is also under a strong negative pressure with rates falling by 32.5 points to conclude at WS175-$23,379/day, down by 110 points from week ending January 17th.

In the meantime, Chinese crude oil imports seem that will continue to be a key beneficiary factor in the full upturn of crude tanker earnings. According to government data, Chinese crude oil imports moved up to 11.9% in January from a year earlier to a record of 28.16 million tons – 6.66 million barrels/day. Chinese crude oil imports are up by 5.1% from the previous record of 26.78 million tons (6.33 million barrels/day) in December.

The statistical agency within the Department of Energy said it expects China to import more than 66% of its total oil by 2022 and 72 percent by 2040 "as demand is expected to grow faster than domestic crude supply." China is the world's second-largest oil consumer after the US and became the largest global energy consumer in 2010. The EIA estimates that China is likely to surpass the US in net oil imports on an annual basis by 2014 as US oil production and Chinese oil demand "increase simultaneously."

In terms of oil supply, the International Energy Agency urged OPEC to sustain oil production at almost 30mil barrels/day as oil inventories in the OECD group of countries dropped by 1.5mil barrels in the last three months of 2013, the steepest quarterly decline since 1999. The IEA said that the "unexpected" market tightness reflected a "resurgence" of OECD demand growth, which rose 370,000 barrels/day and 300,000 barrels/day respectively in the third and fourth quarters of last year.

In the **gas** market, Hyundai Merchant Marine is planning to sell its liquefied natural gas (LNG) transport business to a local investment firm for 1.1 trillion won ($1.03 billion), as the player is still seeking for finance to pay off debt. In a statement Hyundai Merchant Marine said it has chosen IMM Investment Corp as the preferred bidder for the LNG transport business, and that it plans to complete the deal in the first half of this year. "The sale... is our best option to restore market confidence, and we will concentrate our efforts to improve competitiveness in containers and bulk carriers going forward," Hyundai Merchant Marine said in the statement. The LNG unit, which has provided Hyundai Merchant Marine with stable cash flow, owns 10 vessels and carries nearly 20% of South Korea's annual LNG imports under long-term contracts with state-run Korea Gas Corp.

In the **container market**, the Shanghai Container Freight Index is on decline for four consecutive weeks with Asia-European and Asia-Mediterranean rates losing steadily ground and rates to USWC and USEC routes staying flat. The SCFI closed last week at 1165, down by 0.3% week-on-week and up by 3.6% year-on-year with Asia-European rates falling by 0.8%. In Asia-Europe, rates fell to $1567/TEU, staying below $1,600/TEU since week ending January 24th, but they are up by 20.4% from last year's levels. In Asia-Mediterranean, rates moved down to $1595/TEU, but are up by 27% year-on-year.

In transpacific routes, rates in Asia-USWC stayed at $2108/FEU, down by 13.8% year-on-year, but they remain above $2000/FEU, since week ending January 17th. In Asia-USEC route, rates keep their momentum at levels of more than $3,400/FEU, down by 5% year-on-year.

In the meantime, the percentage of the laid up fleet to the existing is moving every week to higher levels. According to data from Lloyds List Intelligence, the laid up fleet increased to 3.2% of the existing fleet, from 2.9%, with the panamax fleet (3,000-4,999TEU) recording the largest amount of inactive capacity.

In the **shipbuilding industry**, against the firm rebound of newbuilding orders in 2013, South Korean shipbuilders reported losses in 2013. Hyundai Mipo Dockyard fell into the red with a Won267Bn ($248M) loss for 2013, reversing a Won87.3Bn profit for 2012, which is mainly attributed to the strengthening of won against the US dollar and low priced orders. In addition, Hyundai Heavy Industries reported 86% year-on-year plunge of its profit to Won 146.3bn ($136MIL).

In the **shipping finance**, Lloyds Banking Group is looking to sell $500mil of shipping loans as than bank is seeking to accelerate its exit from the sector. Lloyds accelerated the decrease of its shipping portfolio last year and sold $2,7 billion pounds ($4,5 billion) of loans, contributing to a 35 billion pound reduction in its in non-core assets to 64 billion pounds. Lloyds' sale of shipping loans last year left it with 965 million pounds of net ship finance loans at the end of December, down from more than 7 billion pounds at the peak of the financial crisis.

In addition, German lender Commerzbank is looking to cut its assets of its non-core unit to EUR 75bn ($102,51BN) by 2016 as loan loss provisions remain high. Last year loan loss provisions, including shipping, increased as expected to EUR1.74bn, from EUR1.66bn in 2012. High risked loans from Commerzbank's portfolio were reduced by 48% in 2013, leaving EUR 7.4bn of its non-core portfolio at high risk of default, down from EUR 14.3bn at the end of 2012.

In the **capital market**, **DORIAN** announced the completion of a NOK 620MM (~$100MM) private placement, issuing 28.2MM shares at NOK 22/share (~$3.55/share). DORIAN intends to use the proceeds from the private placement to partially finance its outstanding orderbook (16 ecoclass VLGCs delivering through Q1 2016, along with three options) and general corporate purposes.

In the bulker segment, **Paragon Shipping** announced that it has priced its previously announced underwritten offering of 5,900,000 shares of its Class A common stock at $6.25 per share. The offering is expected to close on February 18, 2014. Jefferies LLC is acting as the sole book-running manager of the offering. Maxim Group LLC is acting as lead manager of the offering. Paragon Shipping has granted the underwriters a 30-day option to purchase up to an additional 885,000 shares of Class A common stock.

The net proceeds from this offering after the underwriting discount and other offering expenses payable by Paragon Shipping are expected to be approximately $34.5 million. The net proceeds of this offering are expected to be used for vessel acquisitions with the balance for general corporate purposes, including working capital and the repayment of debt.

In addition, **Navios Maritime Partners L.P**. announced that it has priced its follow-on public offering of 5,500,000 common units, which represent limited partnership interests, at $17.30 per unit. Navios Partners granted the underwriters a 30-day option to purchase an additional 825,000 common units. Navios Partners expects to use the net proceeds from the public offering to fund its fleet expansion and/or for general partnership purposes. The offering is expected to close on February 14, 2014.

In the offshore segment, **Ocean Rig UDW Inc.** announced that along with its wholly owned subsidiaries, Drillships Financing Holding Inc. ("DFHI"), and Drillships Projects Inc., have entered into amendment and restatement of $1,9bn term loan facility. George Economou, Chairman and Chief Executive Officer of the Company commented: *"We are pleased with the successful closing of this important transaction which extends Ocean Rig's debt maturities. We effectively refinanced the short-term tranche of the Term Loan B Facility with a fungible add-on to the long-term tranche. Post transaction, the entire $1.9 billion facility will mature not earlier than the third quarter of 2020."*

MARIA BERTZELETOU – Shipping Analyst

GOLDEN DESTINY RESEARCH & VALUATIONS DEPARTMENT

For more Research Services, please contact us:

Email: snv@goldendestiny.com

This Week's News: A snapshot on the economic and shipping environment
Week Ending: 14th February 2014 (Week 6/14)
(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

Chinese economic trading data defied this week economists' expectations for a weak start for this year, as Chinese exports and imports rose sharply in January. Exports increased by 10.6% from a year ago and imports by 10%, as per data from General Administration of Customs. The welcoming news in Chinese trading data comes in contradiction with the decrease of Purchasing Managers' Index below the 50 point mark and Chinese festivities. At the end of the first month of the year, the trade surplus for the world's second largest economy concluded at $39.9 billion, which is the widest for January since 2009.

Based on median projections in Bloomberg surveys, economists' estimates for Chinese exports ranged from a decline of 8% to a 5.9% increase, following December's improvement by 4.3%. For Chinese imports, economists were projecting a 4% rise following December's 8.3% increase and a trade surplus of $23.45 billion, well below the actual trade surplus. The gradual recovery of developed economies seems that is contributing in the recent stronger trading figures for China with expectations for holding at encouraging levels in the long term. Demand from advanced economies will give "substantial support" for China's growth this year, which along with resilient consumption will keep the government "in a good position to avoid a shadow banking-induced crisis and sharp decline in investment," said Shen Jianguang, chief Asia economist at Mizuho Securities Asia Ltd. in Hong Kong.

Overall in 2013, overseas shipments for the world's second largest economy rose 7.9%, according to official data, with the government aiming at 8% growth in exports and imports combined. For the current year, the Chinese government has set a lower target of 7.5% in export growth as uncertainties remain for China's export outlook from the current turmoil in emerging economies although the European and US economies showing signs of recovery.

In US economy, January ended with 113,000 new jobs, well below economists' expectations of 180,000 new positions, and unemployment rate down to 6.6%. January was the second straight month with disappointing news for US new jobs coming against the steady improvement of the economy with an annual rate of growth of 3.2% in the last three months of 2013. In December, US added only 75,000 new jobs, well below economists' expectations for 200,000 new jobs. Throughout the past year, US economy added an average of 194,000 jobs per month.

In the UK economy, the Bank of England said that British interest rates could start to rise from record lows in a little more than a year as a rapid recovery brings the economy closer to operating at full stream. The Bank of England cut interest rates by 0.5% on the eruption of the financial crisis in 2009. UK economy has started its rebound, but there are still serious issues and the governor Mark Carney said that the increase in rates would be gradual.

SHIPPING

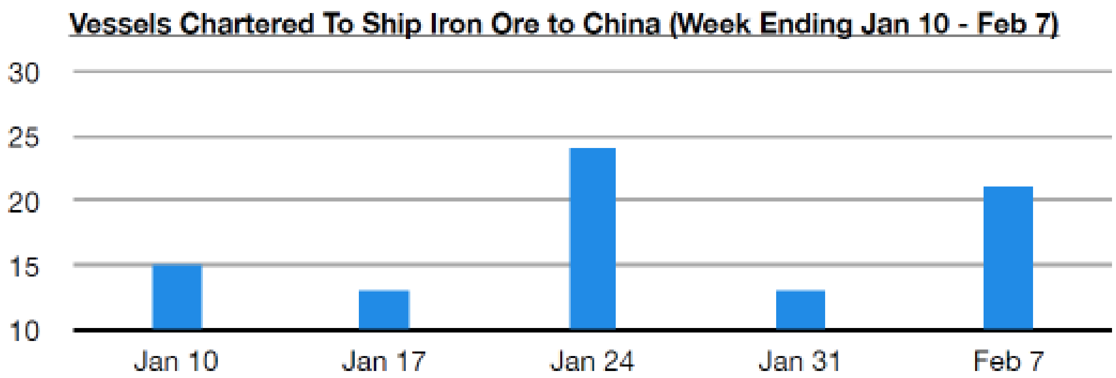
January ended with a flurry of shipping investments in the secondhand and newbuilding market and asset prices being on the high side from the upturn of the freight market. Shipping players appear more confident than ever and do not forego their investment plans despite the unsteady economic environment. The pace of secondhand / newbuilding activity kept the record levels of last year, while demolition volumes keep on the low side against the solid levels of scrap prices. There is a low demand for vessels' disposals and high interest in newbuildings that increase the risk of freight market falling again to weak levels in the forthcoming years.

Secondhand Market: 171 S&P deals (up by 37% month-on-month and 61% year-on-year) - Invested capital more than $3,5bn.

Newbuilding Market: 279 new orders (down by 30% month-on-month and up 74% year-on-year) – Invested Capital more than $7,7bn.

Demolition Market: 43 vessel disposals (down by 49% month-on-month and 50% year-on-year) – Total deadweight scrapped 1,2 mil tons.

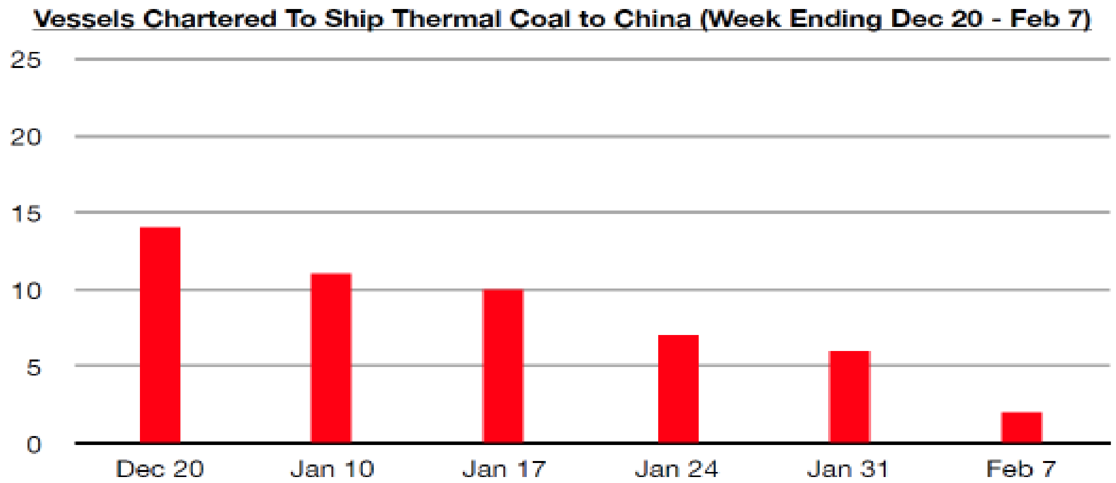
In the **dry market**, Chinese New Year has now ended and the Baltic Dry Index has started to show signs of upward momentum from a soft improvement in the capesize segment. Chinese iron ore fixture activity has recorded its first signs of rebound and 21 vessels were chartered to haul iron ore cargoes to Chinese buyers last week, 8 more than chartered during the previous week, as per data from Commodore Research. Despite the weaker dry bulk outlook during January and lower iron ore purchasing appetite, China's iron ore imports fetched record levels in January. Data from the General Administration of Customs showed that Chinese iron ore imports accelerated to 86.83 million metric tons in January, from 73.38 million tons in December and 65.54 million tons a year ealier.



Source: Commodore Research

Chinese iron port stockpiles remain excessively high at about 96.9 million tons and on increase for eighteen consecutive week, up by 44% year-on-year, which will continue to push downwards capesize rates that are now still less than $10,000/day from near $39,000/day at the end of December 2013. In the meantime, the dry bulk fleet growth keeps growing with demolition activity being at weak levels. Approximately, 89 bulkers are said to have been delivered during January, while 14 bulkers were demolished, down by 63% year-on-year (38 total bulker demolitions reported in January 2013), confirming that the threat of oversupply has not yet dismissed.

In the panamax segment, rates keep their spot levels at more than $10,000/day since the beginning of the year, while Chinese coal port stockpiles at Qinghuangdo has now risen to about 8.2 million tons, up by 6% week-on-week. The expected increase of China's coal port stockpiles at levels well above the critical 7 million tons suggests lower levels of Chinese thermal coal fixture activity for the current month that will downsize the panamax rates. According to Commodore Research, 2 vessels were chartered to haul thermal coal to Chinese buyers last week, 4 less than chartered during the previous week and 7 less than the trailing four week average.



Source: Commodore Research

Supramax/handysize rates have started to show soft signs of weekly declines to levels of less than $10,000/day. The upcoming South American grain season in March and April is expected to firm the position of supramax and handysize vessel categories at the end of the first quarter of the year.

On Friday February **14th**, **BDI** closed at 1106 points, up by 1% from last week's closing and up by 47% from a similar week closing in 2013, when it was 753 points. Capesize and handysize indices closed in red, while supramax and panamax in green. The supramax segment recorded the largest weekly increase. **BCI** is down by 2% week-on-week, **BPI** is up 1% week-on-week, **BSI** is up 7% week-on-week, **BHSI** is almost flat with 3 points down.

Summary of Baltic Dry Indices & Average Time Charter Earnings

		14/2/2014 week 06	7/2/2014 week 05	w-o-w	2013 week 06	% w-o-w	% y-o-y
Dry	**BDI**	1106	1091	15	753	1%	47%
Capesize	**BCI**	1554	1588	-34	1434	-2%	8%
Panamax	**BPI**	1311	1304	7	832	1%	58%
Supramax	**BSI**	998	929	69	672	7%	49%
Handy	**BHSI**	671	674	-3	412	-0,0045	63%

		14/2/2014 week 06	7/2/2014 week 05	w-o-w	2013 week 06	% w-o-w	% y-o-y
Capesize	**Average T/C routes**	8367	8657	-290	6750	-3%	24%
Panamax	**Average T/C routes**	10506	10417	89	6626	1%	59%
Supramax	**Average T/C routes**	10438	9717	721	7028	7%	49%
Handy	**Average T/C routes**	9689	9684	5	6138	0%	58%

Capesizes are currently earning $8,367/day, down by $290/day from last week's closing and panamaxes are earning $10,506/day, up by $89/day from last week's closing. At similar week in 2013, capesizes were earning $6,750/day, while panamaxes were earning

$7,028/day. Supramaxes are trading at about $10,438/day, up by $721/day from last week's closing, about 25% higher than capesize and 1% lower than panamax earnings. At similar week in 2013, supramaxes were getting $7,028/day, hovering at 4% higher levels than capesizes versus 25% today's higher levels. Handysizes are trading at about $9,689/day, up by $5/day from last week's closing; when at similar week in 2013 were earning $6,138/day.

In the **wet** market, VLCC rates keep their firm outlook with a sense of downward revision, while suezmax and aframax weakness persists, but overall the picture of the spot market in the crude segments is much brighter than last year.

In the VLCC segment, AG-USG rates are now WS30-$5,369/day, down by 8 points from the highs recorded on week ending January 24th. In AG-SPORE-AG-JPN routes, rates moved up by 8.5 points to WS48.5-$29,000/day, but are down by 16.5 points from week ending January 24th. Rates in WAFR-USG and WAFR-China route recorded downward revision of 5 points to WS60-$41,000/day and 7.5 to WS50-$28,895/day respectively. Compared with January 24th levels, rates in WAFR-USG route are down by 15 points and in WAFR-China route are down by 17.5 points.

In the suezmax segment, the buildup of available vessels in the Mediterranean and Black Sea combined with fewer available cargoes in West Africa led to freight market weakness. In WAFR-USAC route, rates decreased to WS67.5-$17,085, down by 15 points from last week and down by 62.5 points from week ending January 17th. In B.SEA-Med route, the weekly decrease is bigger of 32.5 points to WS67.5-$13,316/day, down by 120 points from week ending January 17th.

In the aframax segment, rates in CBS-USG route lowered to WS120-$21,515/day, down by 32.5 points from last week and down by 185 points from the record highs of WS305 at the week ending January 17th. In the panamax segment, the CBS-USG route is also under a strong negative pressure with rates falling by 32.5 points to conclude at WS175-$23,379/day, down by 110 points from week ending January 17th.

In the meantime, Chinese crude oil imports seem that will continue to be a key beneficiary factor in the full upturn of crude tanker earnings. According to government data, Chinese crude oil imports moved up to 11.9% in January from a year earlier to a record of 28.16 million tons – 6.66 million barrels/day. Chinese crude oil imports are up by 5.1% from the previous record of 26.78 million tons (6.33 million barrels/day) in December.

The statistical agency within the Department of Energy said it expects China to import more than 66% of its total oil by 2022 and 72 percent by 2040 "as demand is expected to grow faster than domestic crude supply." China is the world's second-largest oil consumer after the US and became the largest global energy consumer in 2010. The EIA estimates that China is likely to surpass the US in net oil imports on an annual basis by 2014 as US oil production and Chinese oil demand "increase simultaneously."

In terms of oil supply, the International Energy Agency urged OPEC to sustain oil production at almost 30mil barrels/day as oil inventories in the OECD group of countries dropped by 1.5mil barrels in the last three months of 2013, the steepest quarterly decline since 1999. The IEA said that the "unexpected" market tightness reflected a "resurgence" of OECD demand growth, which rose 370,000 barrels/day and 300,000 barrels/day respectively in the third and fourth quarters of last year.

In the **gas** market, Hyundai Merchant Marine is planning to sell its liquefied natural gas (LNG) transport business to a local investment firm for 1.1 trillion won ($1.03 billion), as the player is still seeking for finance to pay off debt. In a statement Hyundai Merchant Marine said it has chosen IMM Investment Corp as the preferred bidder for the LNG transport business, and that it plans to complete the deal in the first half of this year. "The sale... is our best option to restore market confidence, and we will concentrate our efforts to improve competitiveness in containers and bulk carriers going forward," Hyundai Merchant Marine said in the statement. The LNG unit, which has provided Hyundai Merchant Marine with stable cash flow, owns 10 vessels and carries nearly 20% of South Korea's annual LNG imports under long-term contracts with state-run Korea Gas Corp.

In the **container market**, the Shanghai Container Freight Index is on decline for four consecutive weeks with Asia-European and Asia-Mediterranean rates losing steadily ground and rates to USWC and USEC routes staying flat. The SCFI closed last week at 1165, down by 0.3% week-on-week and up by 3.6% year-on-year with Asia-European rates falling by 0.8%. In Asia-Europe, rates fell to $1567/TEU, staying below $1,600/TEU since week ending January 24th, but they are up by 20.4% from last year's levels. In Asia-Mediterranean, rates moved down to $1595/TEU, but are up by 27% year-on-year.

In transpacific routes, rates in Asia-USWC stayed at $2108/FEU, down by 13.8% year-on-year, but they remain above $2000/FEU, since week ending January 17th. In Asia-USEC route, rates keep their momentum at levels of more than $3,400/FEU, down by 5% year-on-year.

In the meantime, the percentage of the laid up fleet to the existing is moving every week to higher levels. According to data from Lloyds List Intelligence, the laid up fleet increased to 3.2% of the existing fleet, from 2.9%, with the panamax fleet (3,000-4,999TEU) recording the largest amount of inactive capacity.

In the **shipbuilding industry**, against the firm rebound of newbuilding orders in 2013, South Korean shipbuilders reported losses in 2013. Hyundai Mipo Dockyard fell into the red with a Won267Bn ($248M) loss for 2013, reversing a Won87.3Bn profit for 2012, which is mainly attributed to the strengthening of won against the US dollar and low priced orders. In addition, Hyundai Heavy Industries reported 86% year-on-year plunge of its profit to Won 146.3bn ($136MIL).

In the **shipping finance**, Lloyds Banking Group is looking to sell $500mil of shipping loans as than bank is seeking to accelerate its exit from the sector. Lloyds accelerated the decrease of its shipping portfolio last year and sold $2,7 billion pounds ($4,5 billion) of loans, contributing to a 35 billion pound reduction in its in non-core assets to 64 billion pounds. Lloyds' sale of shipping loans last year left it with 965 million pounds of net ship finance loans at the end of December, down from more than 7 billion pounds at the peak of the financial crisis.

In addition, German lender Commerzbank is looking to cut its assets of its non-core unit to EUR 75bn ($102,51BN) by 2016 as loan loss provisions remain high. Last year loan loss provisions, including shipping, increased as expected to EUR1.74bn, from EUR1.66bn in 2012. High risked loans from Commerzbank's portfolio were reduced by 48% in 2013, leaving EUR 7.4bn of its non-core portfolio at high risk of default, down from EUR 14.3bn at the end of 2012.

In the **capital market**, **DORIAN** announced the completion of a NOK 620MM (~$100MM) private placement, issuing 28.2MM shares at NOK 22/share (~$3.55/share). DORIAN intends to use the proceeds from the private placement to partially finance its outstanding orderbook (16 ecoclass VLGCs delivering through Q1 2016, along with three options) and general corporate purposes.

In the bulker segment, **Paragon Shipping** announced that it has priced its previously announced underwritten offering of 5,900,000 shares of its Class A common stock at $6.25 per share. The offering is expected to close on February 18, 2014. Jefferies LLC is acting as the sole book-running manager of the offering. Maxim Group LLC is acting as lead manager of the offering. Paragon Shipping has granted the underwriters a 30-day option to purchase up to an additional 885,000 shares of Class A common stock.

The net proceeds from this offering after the underwriting discount and other offering expenses payable by Paragon Shipping are expected to be approximately $34.5 million. The net proceeds of this offering are expected to be used for vessel acquisitions with the balance for general corporate purposes, including working capital and the repayment of debt.

In addition, **Navios Maritime Partners L.P**. announced that it has priced its follow-on public offering of 5,500,000 common units, which represent limited partnership interests, at $17.30 per unit. Navios Partners granted the underwriters a 30-day option to purchase an additional 825,000 common units. Navios Partners expects to use the net proceeds from the public offering to fund its fleet expansion and/or for general partnership purposes. The offering is expected to close on February 14, 2014.

In the offshore segment, **Ocean Rig UDW Inc.** announced that along with its wholly owned subsidiaries, Drillships Financing Holding Inc. ("DFHI"), and Drillships Projects Inc., have entered into amendment and restatement of $1,9bn term loan facility. George Economou, Chairman and Chief Executive Officer of the Company commented: *"We are pleased with the successful closing of this important transaction which extends Ocean Rig's debt maturities. We effectively refinanced the short-term tranche of the Term Loan B Facility with a fungible add-on to the long-term tranche. Post transaction, the entire $1.9 billion facility will mature not earlier than the third quarter of 2020."*

MARIA BERTZELETOU – Shipping Analyst

GOLDEN DESTINY RESEARCH & VALUATIONS DEPARTMENT

For more Research Services, please contact us:

Email: snv@goldendestiny.com