GOLDEN DESTINY

ISSUE NO.1/2014

SECONDHAND – DEMOLITION -NEWBUILDING COMMENTARY, JANUARY 2014

Investment Trends: ↑Secondhand –↑Newbuilding – ↓Demolition

The first month of the New Year ended with a downward pressure in dry bulk spot freight market and BDI risking to fall below the psychological barrier of 1,000 points mark. Supramax and handysize vessel categories sustained the Baltic Dry Index at levels above 1,000 points and far above last year's levels, when it was below 800 points at the end of January 2013. The average value of the Baltic Dry Index stood at 1,472 points at the end of January 2014, down by 32.4% from December's highs (2,178 points) and up by 91% year-on-year (average value of BDI at the end of January 2013:771 points).

A weak sentiment in the dry bulk environment has poured from the Chinese Lunar New, but it does not dismiss the positive prospects of the market. Shipping players retain their high confidence and continue their pace of investments at overwhelming levels for secondhand and newbuilding vessels. Ultramax vessel newbuilding design appears to be the new trend in bulk carriers' newbuilding business, leaving supramax and kamsarmax vessel designs out of competition. Crude tanker vessel categories, from VLCC to aframax, emerged also very dynamic by posting accelerated levels of WS during January and triggering record levels of vessel purchases and newbuilding orders in the tanker segment from the weak levels of January 2013. In the container segment, the spot freight market indicates that the boxship recovery is still very fragile and unrealistic with shipping players still ordering post panamax ships by aiming at economies of scale and ignoring the decreasing volumes of utilization fleet and the increase in laid up tonnage.

Overall, S&P activity in the secondhand market for January 2014 ended on a much higher level than January 2013 and January 2012. For January 2014, the average number of weekly reported S&P transactions for secondhand vessels reached 40, up by 82% year-on-year, compared with 22 vessels in January 2013 and 20 vessels in January 2012. In the newbuilding market, ordering activity emerges the same solid with the record levels of December 2013, despite its soft decrease. During January 2014, the average number of weekly reported new orders was 78 vessels, from 84 vessels in December 2013 and 72 vessels in November 2013. Compared with January 2013 levels, the newbuilding business in up by 105% year-on-year, when in January 2013, the average number of weekly reported new orders was 38 vessels and only 14 vessels in January 2012.

Average Number of Weekly Reported Transactions per month				
		Jan 14	Dec 13	Nov 13
▲	Secondhand	40	27	34
▼	Newbuilding	78	84	72
▼	Demolition	10	13	17

Average Number of Weekly Reported Transactions per year					
		2014	2013	2012	%y-o-y
▲	Secondhand	40	22	20	82%
▲	Newbuilding	78	38	14	105%
▼	Demolition	10	21	19	52%

In the demolition market, scrapping business showed declining levels as shipping players reduced significantly their appetite for disposal during the last quarter of last year, mainly due the upturn of the freight market in the dry/tanker segment. However, benchmark scrap prices rose to very firm levels of excess $400/ldt from improving currency issues and local steel prices in the Indian subcontinent region. In the container segment, there is a firm interest for disposal with India offering very encouraging levels of more than $450/ldt for panamax vessels of 3,000-5,000 TEU, and players appear more than willing to proceed with their scrapping decisions as an early recovery of the segment seems to be not feasible in the short term. During January 2014, the average number of weekly reported demolitions was 10 vessels, down by 52% year-on-year from 21 vessels reported on average for disposal during January 2013.

Secondhand Vessel Purchases: (**up 37% month-on-month** and **61% up year-on-year**) - 171 vessels for an invested capital of more than $3,5 bn, 39 S&P deals reported at an undisclosed sale price. (**January 2013**: 106 vessel purchases)

Newbuilding Orders: (**down 30% month-on-month** and up **74% up year-on-year**) - 279 vessels for an invested capital of more than $7,7bn, 194 new orders reported at undisclosed contact price. (**January 2013:** 160 new orders)

Demolition: (**down 49% month-on-month** and **50% down year-on-year**) -43 vessels for disposal of about 1,8mil dwt, 63% year-on-year decline in the number of bulker disposals. (**January 2013**: 86 vessel disposals)

Bulk Carriers: Investment Trends *(compared with previous month)* ↑Secondhand –↓Newbuilding – Demolition ↓

- **Newbuilding**: **23% down month-on-month** and **280% up year-on-year**, in the number of new orders (133 new orders – 35 new orders January 2013). Chinese yards grasped 64% share of the new orders for bulk carriers in January with strong volume of activity in the ultramax and capesize segment (84 new orders won from the total 133 new orders). Japanese yards won also firm business with 28 new orders sealed, from only 5 new orders in January 2013, from high levels of business in the ultramax segment. Overall, ultramax vessels (60,000-67,000dwt) grasped the lion share of bulk carriers' ordering activity (32%) share with 42 new orders, from only 5 new orders reported in January 2013. Capesize newbuilding orders are also in the frontline as 28 new contracts reported during January from only 4 new contracts in similar month last year. Overall, Handymax vessels (40,000-49,999) grasped 14% share with 18 new orders, from zero contracting activity reported last year due to new designs of 43,000dwt emerged in this category. Supramax vessels (50,000-59,999dwt) held 8.3% share with 11 new orders from 2 in January 2013 and kamsarmax (79,000-87,000dwt) 20% share with 26 new orders from 5 in last year.
- **Secondhand**: **39% up month-on-month** and **114% up year-on-year**, in the number of secondhand vessel purchases (75 vessel purchases for an invested capital of more than $1,2bn– 35 vessel purchases January 2013.) Strong purchasing activity for vessels built Japan and China with focus from handy to supramax vessel categories. There was also reported buying interest in the ultramax, kamsarmax and capesize segments mainly for newbuilding resales and modern vessels up to 5yrs old.
- **Demolition**: **30% down month-on-month** and **63% down year-on-year** in the number of demolitions (14vessel demolitions – 38 vessel demolitions January 2013). Activity reported for handy-handymax vessels with capesize and panama vintage tonnage being out of the demolition arena.

Tankers: Investment Trends *(compared with previous month)* ↑Secondhand –↑Newbuilding – Demolition ↑

- **Newbuilding**: **no change month-on-month** and **179% up year-on-year**, in the number of new orders (67 new orders – 24 new orders January 2013). Chinese yards seem to be out of the game with South Korean and Japanese rivals winning the lion share of new contracts, 42%-43% share each against only 6% from Chinese. Handy (10,000-39,999dwt) and MR/handymax (35,000-54,999dwt) are the sizes with the largest ordering activity with 19 (zero reported new orders January 2013) and 18 new orders respectively (8 new contracts reported January 2013). In the crude segment, new orders from aframax to VLCC increased by 186% year-on-year, with 20 new orders (7 in the aframax, 2 in the suezmax and 11 in the VLCC segment) from 7 new orders reported in January 2013 (7 in the VLCC segment).
- **Secondhand**: **32% up month-on-month** and **88% up year-on-year**, in the number of secondhand vessel purchases (62 vessel purchases for an invested capital of more than $2,2bn – 33 vessel purchases January 2013). There is buying interest for vessels built South Korea, Japan and China with reported S&P transactions in the crude segment (aframax to VLCC for vessels up to 16yrs old) and in the MR handymax segment with focus more on vessels up to 5yrs old.

- **Demolition**: **33% down month-on-month** and **100% up year-on-year** in the number of demolitions (8 vessel demolitions-4 reported demolitions in January 2013). No reported activity is reported in the VLCC segment with weak signs of scrapping appetite in the aframax and suezmax segment.

Containers: **-Investment Trends** *(compared with previous month)* ↓Secondhand –↓Newbuilding – Demolition↓

- **Newbuilding**: **54% down month-on-month** and **14% up year-on-year**, in the number of new orders (16 new orders – 14 new orders in January 2013). Strong activity reported in the post panamax segment with 12 new orders (2 in the size range of 9,000-9,999TEU and 10 for boxships of more than 10,000TEU). The ordering appetite for post panama vessels keep the high interest of last year, when 9 new orders had been placed for boxships of more than 10,000TEU during January 2013. South Korean and Japanese yards sealed the new reported business in the post panamax segment with Chinese yards appear to not in the game.
- **Secondhand**: **33% down month-on-month** and **54% down year-on-year**, in the number of secondhand vessel purchases (6 vessel purchases at an invested capital of more than $44mil– 13 vessel purchases January 2013). Most of the activity reported for vessels in the feeder-handy segment built China, of not more than 10yrs old, while only 1 S&P deal reported in the small panamax segment -4,800 TEU.
- **Demolition**: **52% down month-on-month** and **47% down year-on-year** in the number of demolitions (10 vessel demolitions – 19 vessel demolitions January 2013). High scrapping appetite for vessel sizes in the panamax segment from 3,000 to 5,000TEU built from 1990 to 1997.

For more Research Services, please contact us:

GOLDEN DESTINY Research & Valuations Department
Maria Bertzeletou Email: snv@goldendestiny.com