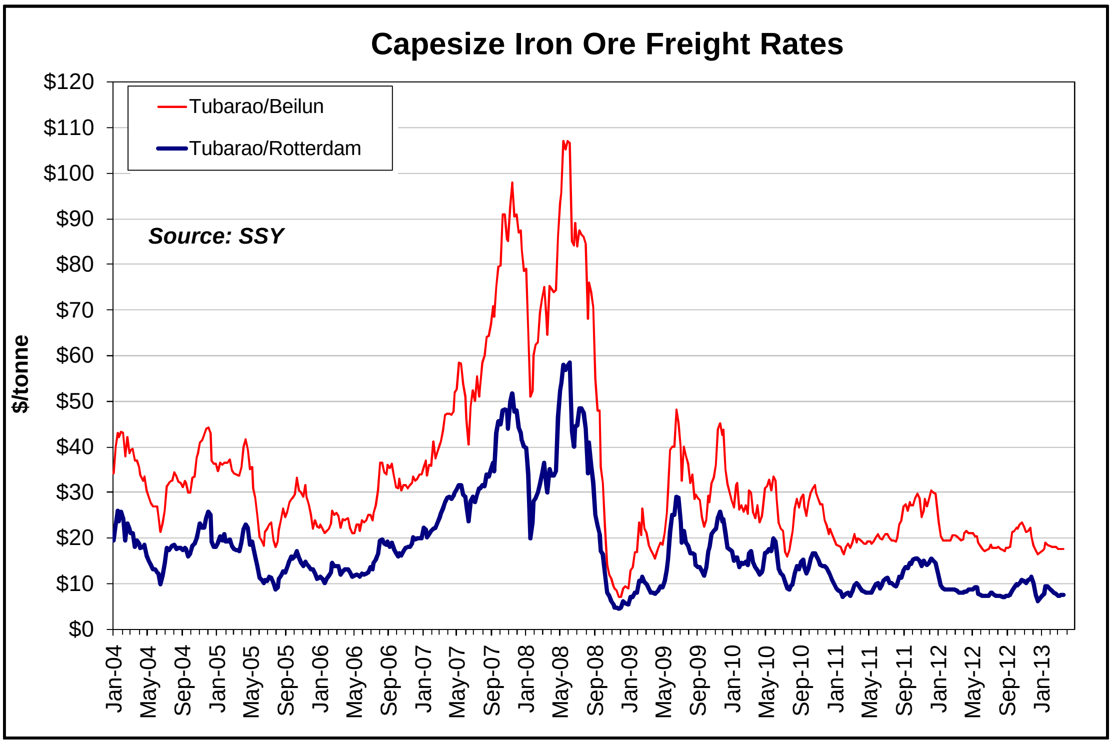
CAPESIZE/PANAMAX MARKET UPDATE (25 March 2013)

The Capesize market remained relatively steady over the past week with average spot charter rates moving in a narrow band between $4,896-$5,084/day well below smaller Baltic Exchange-type vessels such as Panamaxes ($9,680/day), Supramaxes ($10,259/day) and Handysizes ($8,043/day). The normalization of coal supply from Colombia has failed to lift the freight market: the Capesize iron ore voyage rate from Tubarao to Rotterdam edged lower by $0.05/t last week to $7.50/t, while the rates from Tubarao to Qingdao also declined by $0.10/t to a 10-week low of $17.50/t.

By contrast, the Panamax market continued to slowly firm with average earnings rising 3% during the week to $9,680/day, led by the Atlantic where round voyage rates climbed by 21% since March 1 to $9,675/day due to chartering activity ahead of the seasonal 2q peak in Latin American grain exports. Furthermore, port congestion in Brazil continues to restrict the supply of Panamaxes in the Atlantic. The Panamax spot rate from Bolivar to Rotterdam edged lower by $0.05/t week-on-week to $13.85/t.

A mixed picture has emerged in the shipping futures market: there seems little confidence in the freight futures (FFA) market that the latest rally in Panamax earnings will extend beyond the 2q13, the current 3q13 FFA prices ($7,450/day) are trading at a discount to physical spot earnings, reflecting concerns over the pace of fleet supply growth in this size range. By contrast, Capesize FFAs for the 3q ($9,200/day) and the 4q13 ($14,400/day) are trading at a marked premium to the current depressed physical spot market.



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