CAPESIZE/PANAMAX MARKET UPDATE (2 April 2013)

The Capesize market remained the lowest of the main sizes last week with average spot earnings falling below $5,000/day at the end of March, taking January-March average for the 4 TCs to the lowest level for any Q1 since the Baltic Exchange Capesize Index was introduced in 1998. The Capesize market has remained under downward pressure due to a seasonal drop in iron ore availability. According to the country's trade ministry data, Brazil exported 67.9 Mt of iron ore in the 1q13, posting the lowest quarter since the 2q09. At the same time shipbrokers report a build-up of available ships off West Australia which is also depressing freight rates in the Pacific. Transpacific earnings have fallen from $5,800/day two weeks ago to below $5,000/day by the time of writing. The Capesize iron ore voyage rate from Tubarao to Rotterdam fell by $0.35/t last week to a year-to-date low of $7.15/t, while the rates from Tubarao to Qingdao also declined by $0.10/t to a 12-week low of $17.40/t.

In stark contrast to the Capesize market, Panamax average earnings have at $9,238/day been more than double the Capesizee equivalent and have drawn support from the onset of the main Latin American grain season. Trade data show that Brazil exported a combined 14.0 Mt of soya and corn during the 1q13, which was 2.6 Mt above the corresponding period in 2012 and compared with 8.4 Mt in the 1q11. Furthermore, congestion at Brazil's ports has also absorbed more than 100 Panamaxes. The Panamax spot rate from Bolivar to Rotterdam fell to a 3-week low of $13.75/t.