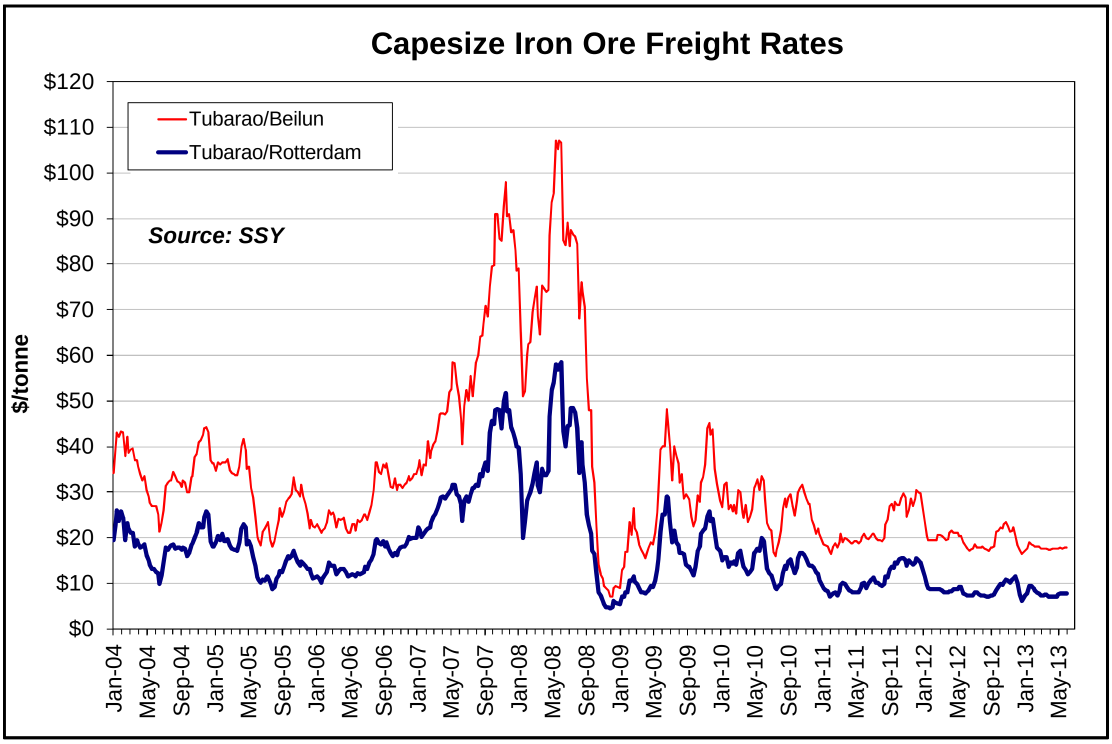
CAPESIZE/PANAMAX MARKET UPDATE (3 June 2013)

The Capesize market has remained the weakest of the four main bulk markets, with average vessel earnings easing to $5,168/day compared with $6,252/day for Panamaxes. Cape voyage rates from Tubarao to Qingdao inched lower by $0.05/t week-on-week to $17.70/t, while the route from Tubarao to Rotterdam was down fractionally by $0.15/t from last week to $7.65/t.

Fleet expansion in the Capesize sector has been slower than for Panamaxes. With 51 newbuilding arrivals since 1 January alongside 23 scrapped ships, the Capesize net fleet growth is running at 2.7%, with demolition activity running close to last year's levels.

The Panamax spot rate from Puerto Bolivar to Rotterdam declined by $0.15/t week-on-week to $12.60/t, almost reaching a four-month low. Fleet data from SSY show a slowdown in demolition activity, which in combination with high numbers of newbuilding deliveries has added negative pressure to the Panamax market. Capacity in the Panamax fleet (65-99 kdwt bulkers) has already increased by a substantial 5% net since the turn of the year, as 113 newbuildings have been accompanied by just 15 scrapped ships (less than half the number scrapped at the same point last year). Indeed, despite the current low physical spot market secondhand values are on the increase: a five-year old Panamax is worth $20.4 million according to the Baltic Exchange a gain of $2 million in the last three months. Furthermore, in the 1q13 an increase in port congestion in Brazil helped offset the influx of newbuildings, whereas berthing queues are now starting to decline.



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