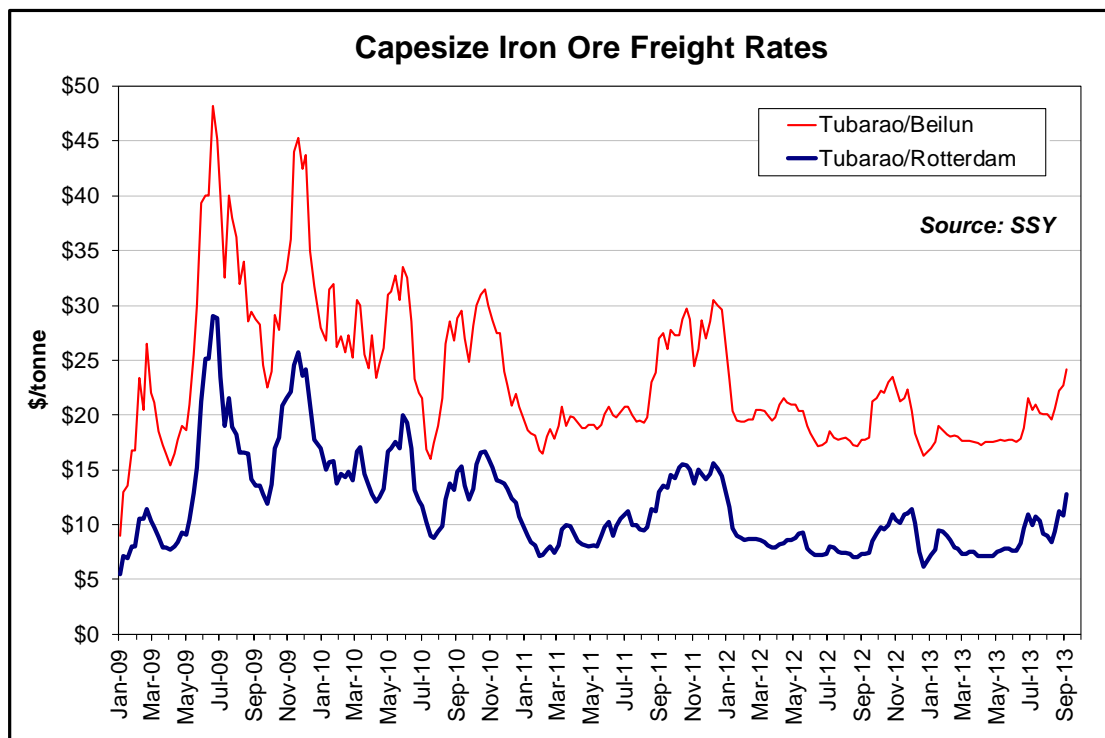


CAPE SIZE/PANAMAX MARKET UPDATE (9 September 2013)

This week saw renewed iron ore chartering activity push average Capesize earnings to a 20-month high of \$25,426/day, following a large weekly jump of \$10,053/day. A massive gain has also been seen in fronthaul charter rates, which climbed by more than \$12,200/day to \$42,727/day. Additional spot fixing of iron ore cargoes on long-haul voyages from Brazil to China have lifted rates on this route from \$19.9/t one-month ago to \$27.6/t, while voyage rate from Tubarao to Rotterdam rose by \$2.0/t to \$12.80/t. Major support to charter rates was also in evidence in the Pacific, where round voyage rates for Capesizes increased by \$8,982/day in the last week to \$26,841/day. Market confidence in a sustained freight market rally is witnessed by the rise in Capesize FFA prices, especially for the 4q13 which is currently trading at almost \$29,000/day, compared with just over \$22,000/day at the end of August.

Increased Pacific coal cargoes, together with grain-related fixing in the North Atlantic, have contributed to a firming Panamax spot market, where average earnings are up by \$1,558/day week-on-week, at \$8,836/day. There was a \$2,621/day improvement in Pacific round voyage earnings to a 5-month high of \$10,036/day.

The surge in Capesize spot markets and a comparatively slow increase in Panamax earnings have stretched the Capesize to Panamax earnings ratio to 2.88 (the highest point since July 2009 or almost twice its late July level). Brokers have reported that a few Cape splits into Panamaxes were being seen out of East Coast Australia in response to the widening differential.



SSY Consultancy & Research

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