

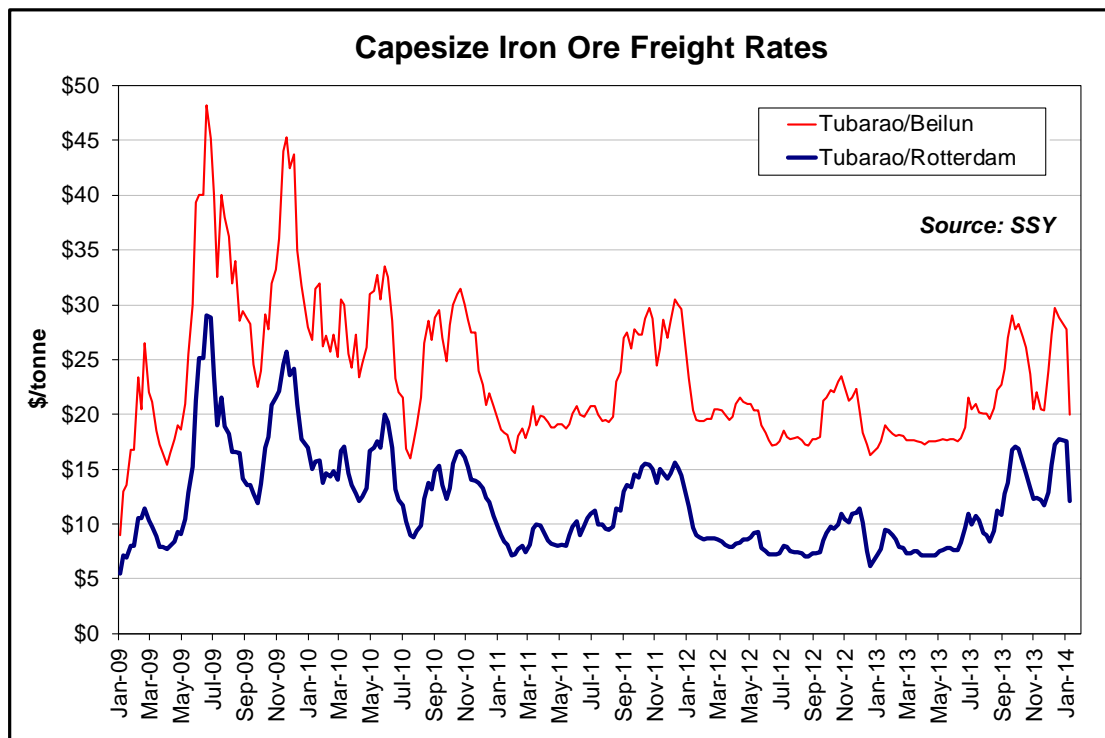
CAPEX/PANAMAX MARKET UPDATE (13 January 2014)

The Baltic Exchange Dry Index has tumbled by almost 40% since the end of 2013 to a 4-month low of 1,395 points. This has been led by a plunge in Capesize earnings, where there has been a sharp slowdown in spot chartering activity on key routes in both basins. Average timecharter earnings have dropped by more than \$17,000/day or 50% from one week ago to a 5-month low of \$13,611/day, according to assessments from the Baltic Exchange.

Capesize weakness began in the Pacific, where temporary weather disruptions to Australian iron ore loading coincided with a build-up of available tonnage. This has reduced round voyage rates to just \$7,300/day, which is their lowest level since May 2013 and less than a quarter of the corresponding earnings at the end of December.

Round voyage rates in the Atlantic proved more resilient in the early days of January and by the middle of last week were trading at a premium of more than \$30,000/day to their Pacific equivalent. This already looked unsustainable before the Colombian government's action to halt indirect ship loading by Drummond (and the company's subsequent declaration of *force majeure*), which triggered a massive \$28,800/day decline in Atlantic round voyage rates, to \$13,700/day, in the space of just three trading days. Tubarao-Rotterdam Capesize iron ore freight rates dropped by \$5.4/t week-on-week to \$12.1/t, while rates from Tubarao to China tumbled by \$7.8/t during the same period to a 5-month low of \$19.95/t.

The Panamax sector has seen a far less severe decline over the past week with average earnings slipping by \$1,011/day, or 7%, to \$12,734/day. Pacific round voyage earnings softened by \$1,237/day week-on-week to \$10,066/day and NSW-Qingdao spot coal rates edged lower by \$0.3/t to \$15.10/t.



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