

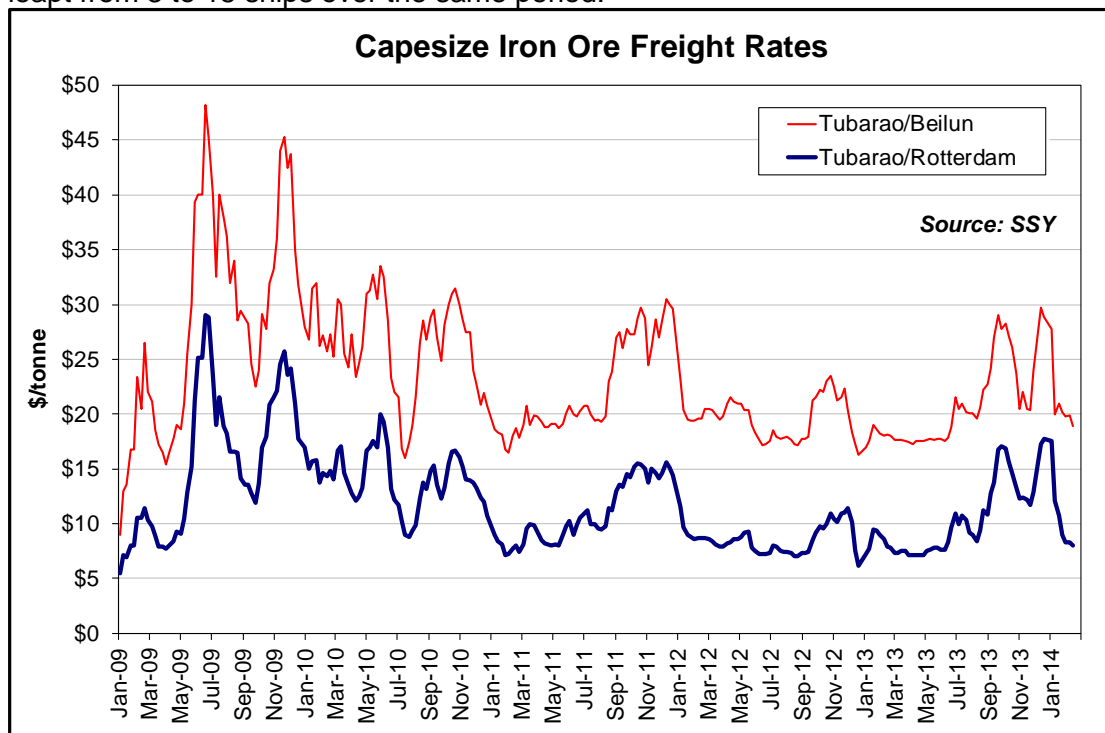
CAPEX/PANAMAX MARKET UPDATE (17 February 2014)

Dry bulk freight market indicators were relatively quiet last week, compared with the volatility of recent months, as average earnings for Capes and Panamax were barely changed from the previous week (at \$8,849/day and \$10,485/day respectively).

These averages did, however, mask divergent trends between the two basins. For example, Capesize round voyage rates in the Pacific rose by \$2,500/day week-on-week to \$11,477/day, supported by increased iron ore and coal shipments from Australia. This helped establish a marginal Capesize premium to the equivalent Pacific round voyage levels for Panamaxes, which also rose over the past week from \$9,182/day to \$11,416/day.

By contrast, earnings in the Atlantic basin experienced further downward momentum. Round voyage charter rates for Capesizes dropped by \$1,100/day from last week to \$5,500/day with the spot voyage rates from Tubarao to China slipped by \$1.0/t week-on-week to \$18.90/t and the corresponding rate to Rotterdam edged lower to \$8.00/t, the lowest level since June 2013. Meanwhile, last week also saw a weekly decline of \$1,300/day in Atlantic Panamax round voyage earnings, which now stand at a 5-month low of \$9,119/day. Consequently, the Panamax coal spot rate from Hampton Roads to Rotterdam has slipped to \$11.95/t, its lowest level since September 2013.

Although the dry bulk freight market's decline since the end of last year has been mainly the result of disruptions to cargo availability, SSY data confirm a sharp acceleration in newbuilding deliveries in January 2014 to a 12-month high of 7.1 Mdw (86 ships), which was up from just 2.1 Mdw in December 2013. There were 30 Panamaxes added last month, compared to 11 in December, while Capesize deliveries leapt from 3 to 15 ships over the same period.



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