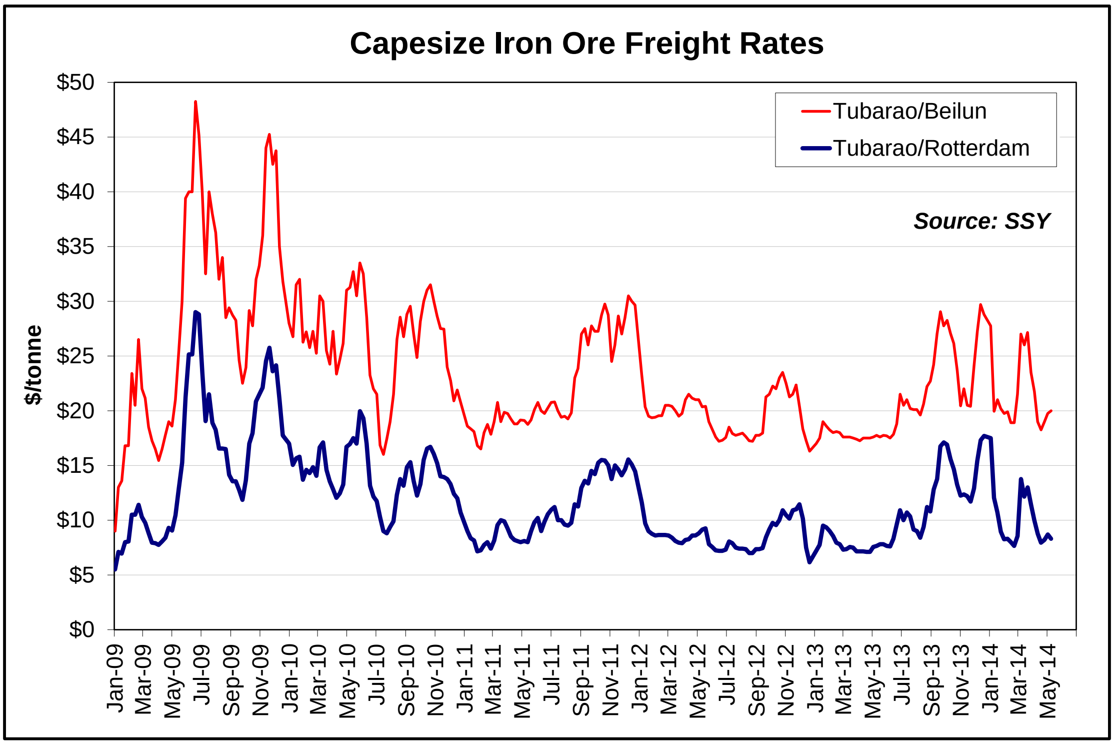
CAPESIZE/PANAMAX MARKET UPDATE (12 May 2014)

As the chart below shows, Capesize iron ore freight rates from Brazil showed little movement last week, with the Tubarao-China rate edged higher $0.25/t last week to $20.00/t, while the rate to Rotterdam finished the week at $8.30/t, down $0.4/t. The spot Panamax rate from Bolivar to Rotterdam was $13.00/t.

Thanks mainly to a slowdown in newbuilding deliveries, April saw the lowest net fleet growth for Capesizes this year, with five entering service following a temporary acceleration to 15 in January, SSY data show. At the same time Panamax demolition activity reached a ten-month high. Increased interest in ship scrapping has come as Panamax secondhand ship values have shown some signs of decline, having risen for the previous 7-8 months. At the same time a scrapping subsidy for Chinese-flagged vessels is encouraging some shipowners from the PRC to consider recycling their ships in the light of the current depressed charter market, while prices at breaking yards in the Indian Sub-Continent have climbed 35% over the last nine months.

Although slowing, net expansion in the Panamax fleet has already reached 3.4% since the turn of the year, clearly outpacing the corresponding growth of 1.9% in the Capesize fleet. Alongside demand-side factors, such as weak coal trade and a South American "grain effect" falling below expectations, rapid growth in the supply of Panamax vessels has kept rates in this sector under pressure.



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