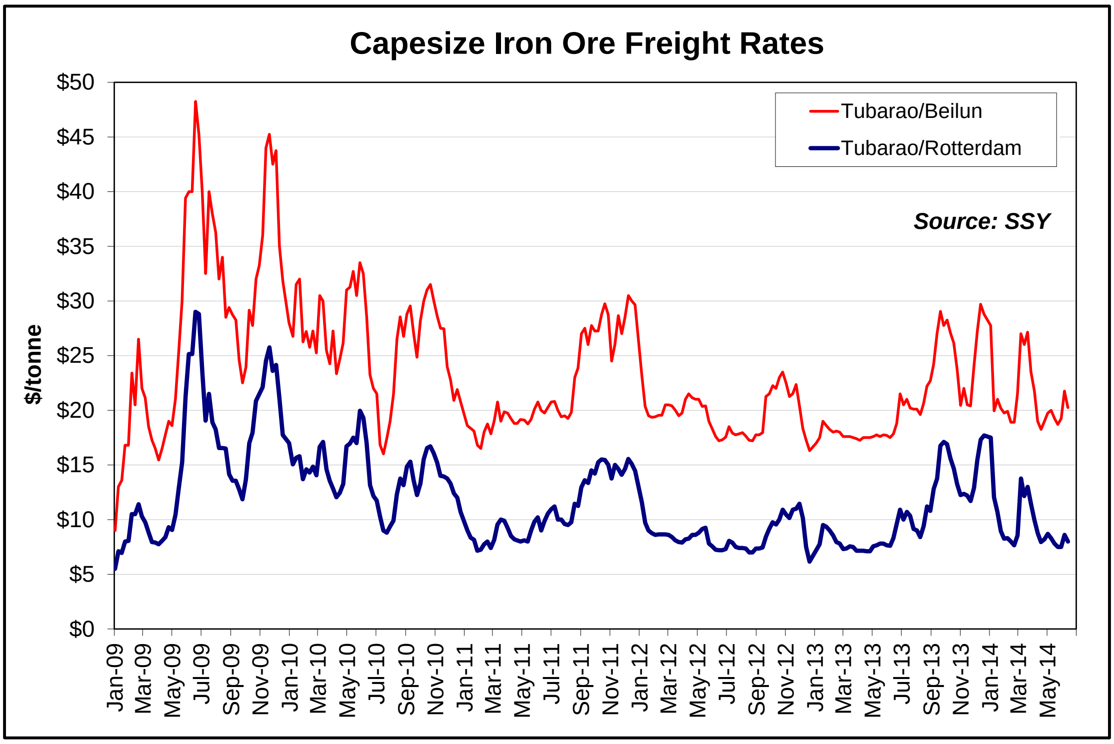
CAPESIZE/PANAMAX MARKET UPDATE (16 June 2014)

The last week has seen a further slump in the Panamax sector, with average earnings falling 24% or $1,367/day week-on-week to $4,352/day. The downward movement is most severe in the Atlantic, with round voyage earnings declining sharply by more than 50% during the week to $1,615/day, the lowest level since early October 2012 (when disastrous drought conditions slashed US grain exports). As a result, the Panamax spot voyage rate from Bolivar to Rotterdam has dropped by $1.95/t from one month ago to a 6-week low of $11.05/t.

Despite the subdued coal trade and a seasonal slowdown in grain shipments, as we mentioned in our previous reports, lower port congestion in both Atlantic and Pacific basins together with faster than average fleet supply growth, has also added negative pressure in the Panamax sector. For example, latest SSY estimates put the Panamax vessel queue at Brazil's grain ports at just over 30 vessels compared with around 100 ships in June 2013. In the Pacific, average waiting time off Australian coal ports in the 1h14 have been less than 8 days, compared with 10 days in the 1h13 and almost 13 days in the 1h12. Furthermore, the Panamax fleet at the end of May was 185 vessels or 8.8% larger than 12 months earlier.

The latest rally in the Capesize spot market ended early last week, when average 4TCs earnings for 172 kdwt vessels hit a 2-month high of $14,829/day. They have since declined by 15% in the past four trading days to $12,578/day. The Capesize iron ore freight rate from Brazil to China rate fell $1.5/t last week to $20.25/t, while the rate to Rotterdam slipped by $0.6/t week-on-week to $8.00/t.



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