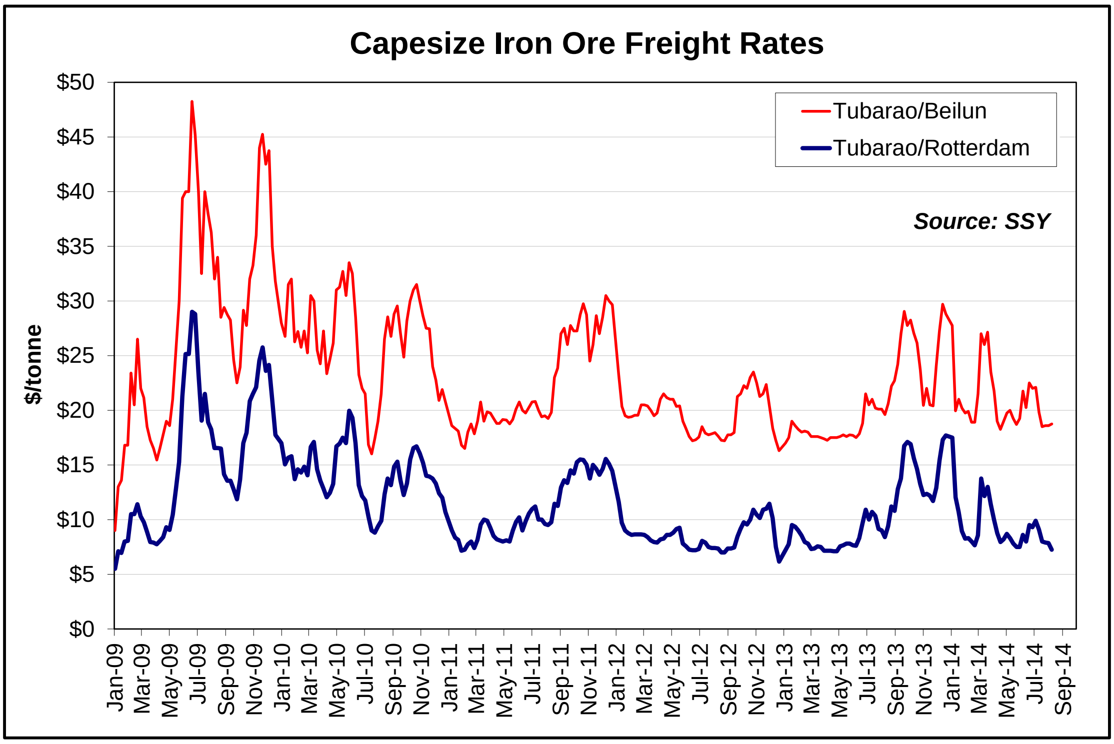
CAPESIZE/PANAMAX MARKET UPDATE (11 August 2014)

The last week has seen tentative signs of revival in the dry bulk freight market as all of the main vessel sizes made a positive contribution to the 5% week-on-week rise in the Baltic Exchange Dry Index. However, at less than 800 points, the BDI remains at a historically low level and is more than 20% below the year-ago level.

There have been only relatively minor changes in Capesize freight rates over the past week with 4TC average earnings for 172 kdwt vessels edging up from a 6-month low of $8,388/day on 7 August to a current $8,731/day. The spot iron ore voyage rate from Tubarao to Qingdao edged higher by $0.15/t from last week at $18.75/t, while Tubarao to Rotterdam slipped by $0.60/t to $7.25/t.

Such weakness in Capesize freight rates has occurred against a background of sustained high levels of iron ore trade. For example, July data has shown that Chinese iron ore imports were at a 3-month high of 82.5 Mt, up by 9.4 Mt year-on-year and iron ore exports from Port Hedland, the largest iron ore port in Australia, surged by 9.5 Mt year-on-year to another monthly record of 36.1Mt.

Earnings for Panamaxes also experienced a slight upward movement, climbing above $5,000/day for the first time since mid-July, but remaining the lowest earning of all the main dry bulk sectors. Fronthaul rates (from Atlantic to Pacific) rebounded by $756/day week-on-week to a 2-month high of $12,135/day. However, the Panamax coal freight rate from Bolivar to Rotterdam slipped to $10.75/t, which compared with the year-ago level of $12.80/t.



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