

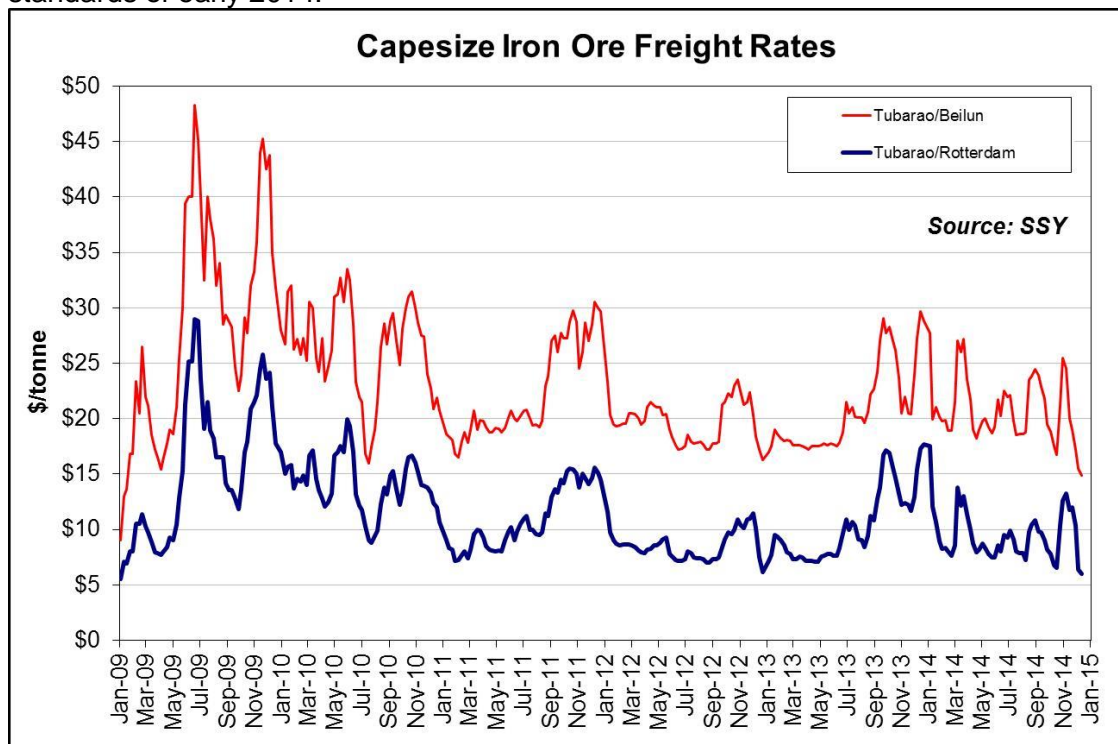
CAPE SIZE/PANAMAX MARKET UPDATE (15 December 2014)

The firmness in the Capesize market of early November has given way to a collapse in rates, which left the charter rate average for 172,000 dwt vessels at a 19-month low of \$4,442/day on 15 December. Downward pressure on voyage rates has been exacerbated by the ongoing slide in bunker prices. Capesize freight rates for Tubarao to Rotterdam, for example, are \$6.00/t, down \$7.25/t on the level seen five weeks ago and Tubarao to Beilun rates down \$9.60/t over the same period, at \$14.90/t.

This abrupt change in fortune for the Capesize market has led to a rapid readjustment in FFA market expectations. At close of business on 12 December, the calendar year 2015 contract was trading at \$11,700-11,800/day, compared with around \$15,750/day for the same contract at the beginning of November. If realized, this would mean the lowest Capesize market (on a charter rate basis) since 2012.

Imports into China last month of 67.4 Mt represented a sharp monthly decline, while spot fronthaul fixing activity has been limited. Furthermore, with iron ore prices at the lowest levels since 2009, a number of iron ore mining companies (in West Africa, Canada and Sweden, for example) have advised actual or potential production stoppages, to the detriment of seaborne iron ore trade volumes.

Tentative upward movement in the Panamax market, driven in part by Indian coal imports and US grain exports, has given way to downward pressure. The Panamax charter rate average stands at \$7,812/day, with the biggest declines evident in the Pacific. In the Atlantic, Panamax coal rates from Bolivar to Rotterdam are currently 11.40/t down \$0.60/t week-on-week. Coal imports into China remain limited by the standards of early 2014.



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