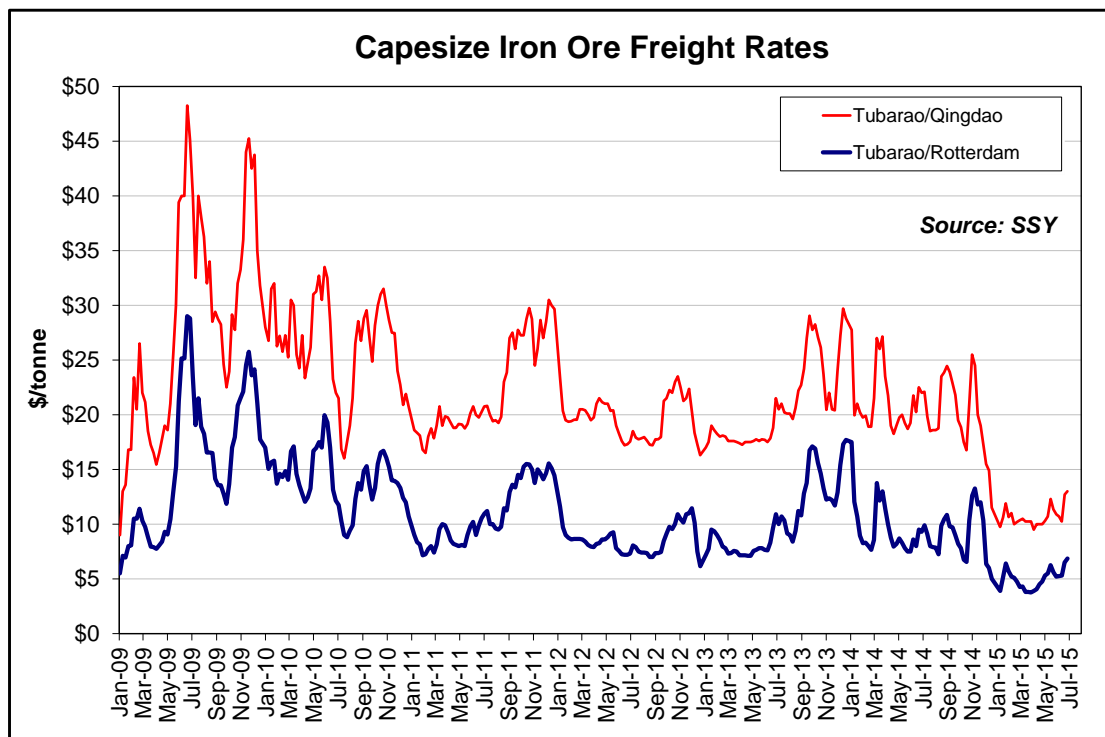


CAPE SIZE/PANAMAX MARKET UPDATE (29 Jun 2015)

Capesize average earnings peaked at a year-to-date high of \$9,467/day on 25 June, before easing to \$8,782/day by time of writing. Last week the Cape spot iron ore freight rate from Tubarao to Rotterdam and Tubarao to China rates both rose to \$6.85/t to \$13.00/t, respectively. Moreover, the freight futures (FFA) market is pricing in a higher 2h15, with the corresponding contract trading at \$11,450/day, with market sentiment lifted by the prospect of additional iron ore supply entering the market at a time of negative, or minimal, net fleet growth.

Last week also saw a small decline in the Panamax market, leaving the sector average at \$6,685/day, a daily return which barely covers vessels' operating costs. The Atlantic round voyage rate rose to a year-to-date high of close to \$8,300/day, supported by grain shipments from South America. This stretched the premium over the Pacific round voyage rate to more than \$2,300/day, the biggest such spread seen this year. The Panamax coal freight rate from Bolivar to Rotterdam eased from its 6-month high to \$10.65/t.

Despite robust grain trade, a combination of weaker coal trade volumes and competition from new Ultramax designs are weighing on supply/demand balances in the sector. These factors are also reflected in Panamax FFA prices, with the 2h15 trading just below \$7,000/day. The Panamax coal freight rate from Indonesia to China has retreated from a 2015-high to \$5.35/t.



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