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Secondhand Market

Total vessels sold this month: **201**

A very strong start to the year for the secondhand market with significantly more activity than we had seen in any of the previous 12 months in terms of units changing hand, while also signifying a greater interest for larger size units in most sectors.

Newbuilding Market

Total new orders placed this month: **246**

The Newbuilding market also managed to keep much of its momentum while entering the New Year. Dry bulkers and tankers are still managing to hold interest with 112 and 38 units being ordered respectively. Despite all this there has been a slight slowdown as owners take a more precautionary approach and seem to hold back on extra ordering till they see more clear signs as to how the market will be like in 2016 (the year where most of these new orders will be scheduled for delivery).

Demolition Market

Total vessels scrapped this month: **86**

Demolition activity continues to drop further in terms of activity with volume in January being considerably lower than any month we had seen in 2013. This has once again been despite the good price levels been given by scrap buyers, pointing towards a lower willingness from ship owners to scrap ever younger vessel.

Secondhand Prices of 5 year old vessels (million US\$)

Capesize	VLCC	Panamax
\$45.0	\$66.6	\$17.0
Panamax	Suezmax	Sub-Pmax
\$26.5	\$45.2	\$16.3
Supramax	Aframax	Feedermax
\$25.6	\$34.0	\$14.3
Handysize	LR1	Feeder
\$20.6	\$32.0	\$6.0
	MR	
	\$30.4	

Newbuilding Prices (million US\$)

Capesize	VLCC	Panamax	LNG
\$54.5	\$95.0	\$44.5	\$185.0
Panamax	Suezmax	Sub-Pmax	LPG - VLGC
\$28.3	\$61.7	\$31.5	\$74.9
Supramax	Aframax	Feedermax	LPG - LGC
\$26.7	\$53.0	\$25.8	\$64.9
Handysize	LR1	Feeder	LPG - MGC
\$22.7	\$44.0	\$14.3	\$50.0
	MR		LPG - SGC
	\$36.0		\$43.0

Scrap Prices	India	China	Turkey	Bangladesh	Pakistan
Average (\$/ldt)	\$441	\$349	\$325	\$442	\$427

Tankers still face a slippery slope in 2014

With an unexpected increase in demand due to the heavier than usual winter weather experienced in most of the Northern Hemisphere and China witnessing a strong climb in demand in order to increase its stockpiles for its refineries, the final quarter of 2013 proved to be a much needed life line for the tanker market. At the same time, the continued positive course in January of 2014 left many to believe that we were “out of the woods” and a better fate lay ahead for a market that has been in the doldrums since the end of 2010. How much support is there really in this market rally however? And with the latest drop in the market, could we categorize it as just a mere short-lived market spike?

Looking at the latest figures from IEA you can see that demand for this fossil fuel is still there and will continue to play a major part in the energy mix. Demand however has been sluggish the past couple of years with total world demand having increased by only 1.3% last year, while at the same time 2014 is estimated to be just as slow. The major change has been the source of much of this demand. We have seen a rapid increase coming in from China, with 2013 being the strongest we have seen in terms of demand for Oil Products. In particular, Naphtha, Jet Fuel and Motor Gasoline witnessed an annual demand increase of 9.4%, 7.9% and 6.9% respectively in China and with their economy still moving at a relatively fast pace compared to the rest of the world, (and) this pattern is set to hold for 2014 as well. This is good news for crude oil and products tankers, which have found a new source for extra tonne-miles, as most of this energy thirst is most likely to be covered by seaborne trade rather than from the limited pipeline sources in China’s disposal. Following closely behind, has been both Russia and India which have also helped plug part of the gap left behind by the waning demand from the U.S., Japan and most of Western Europe. Being the fourth and fifth largest consumers of oil respectively, Russia and India are what helps hold the market in place at the moment and although they play a fairly small part as to seaborne trade of oil, their increased appetite for it helps push Far Eastern Countries such as China, S. Korea and Japan to source their needs from sources ever farther away.

Going back to our most recent spike in demand and things are looking a bit paler. The sudden upsurge seems to have few fundamentals behind the scene that could support any such freight levels being held for anything longer than a short term spike. In fact things continue to look pretty similar to what we were used to for the first three quarters of 2013. There seems to be little room to support the ever increasing fleet and although this increase has been at a much slower pace than it used to be, demand is growing at an even slower pace. For crude oil tankers we might start to see a balance between demand and supply being formed within 2014 but even that would

not entail high freight earnings for the year as a whole. What’s more is that even this balance has been reached by both a slowdown in newbuilding deliveries as well as a very strong year in tanker scrapping, with the latter seeming harder to continue within 2014 as there are now too few tanker vessels that could be considered overage and suitable candidates for demo. The product tanker market that has been the most hopeful and full of promise over the past three years, is also showing early signs of trouble. The over bloated orderbook has started to put increased pressure on this sector as well and as there many of these vessels on order are set for 2014 and 2015 delivery, we may well face a situation where the limited demand growth for oil products is completely overwhelmed by the over eager ordering of the past two years. Having said that, there is still growing demand and with new refineries popping up closer to crude oil production areas, we may well see an notable extension in tonne-mile demand that will overcome any increases in the fleets carrying capacity.

The poor global economic conditions, growing environmental concerns and the large increase in shale oil production have all made a profound change on the market trade structure. At the same time the tanker fleet has had to battle with what was a rapid fleet growth during non-favourable market conditions. This has ended up leaving us at the absolute market bottom (at least for crude oil carriers) and with limited flexibility due to few in number overage vessels there is little room to maneuver if new problems start to emerge and further gaps between demand and supply are made. Despite all this, there is a strong belief that the market is starting to turn (possibly influenced too much by the dry bulk sector and the late market spike of 2013) and as this starts to take place people move hastily to take advantage of an opportunity just as a thirsty traveller in the desert would run after a “mirage”. The truth is that things have been improving. The market fundamentals are pointing towards a better balance in the market and it does feel like it will be the year were tanker owners will be able to comfortably cover their OPEX and maybe even their CAPEX obligations. This in turn will slowly be more and more reflected in both the charter period market as well as in secondhand asset prices. Nevertheless, it seems that there is little reasoning to back up any notion of a rapid upward movement in the market of the sort that would excuse another round of excessive new ordering. In the opinion of this writer, there is more of an opportunity in chasing after secondhand modern units which are still priced competitively and at these levels seem to be a relatively viable investment options while still allowing for gains in the case that the market turns.

George Lazaridis

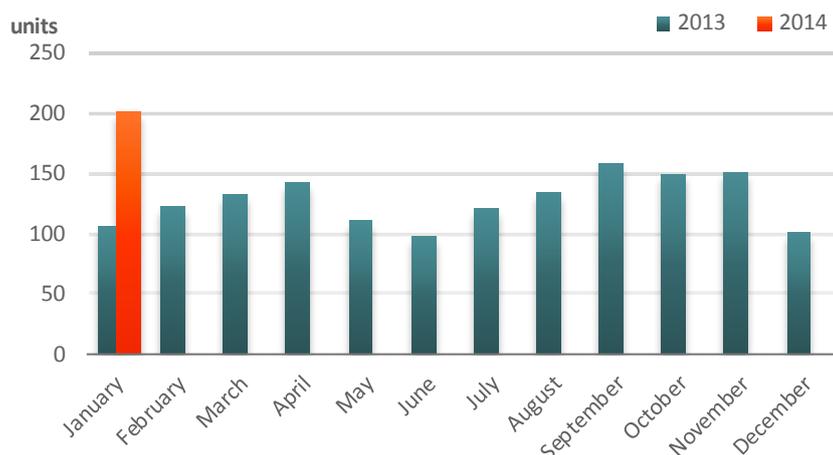
Research Analyst

Vessel Purchases (last 12 months)

	UNITS	OUTLAY (\$)	DWT
February-2013	122	\$1,373.55m	4,617,507
March-2013	132	\$1,397.20m	6,322,574
April-2013	142	\$1,672.50m	5,924,207
May-2013	110	\$1,210.37m	6,356,293
June-2013	97	\$1,249.80m	5,614,535
July-2013	120	\$1,333.46m	4,615,025
August-2013	134	\$1,683.75m	8,659,393
September-2013	157	\$2,596.52m	7,698,244
October-2013	150	\$2,268.74m	8,653,249
November-2013	151	\$3,352.43m	8,631,984
December-2013	101	\$1,645.23m	5,440,338
January-2014	201	\$3,921.42m	16,262,339
TOTAL	1617	\$23,704.95m	88,795,688

Source: Intermodal Research & Valuations

Activity in 2014 Vs 2013



Source: Intermodal Research & Valuations

Summary

A very strong start to the year for the secondhand market with significantly more activity than we had seen in any of the previous 12 months in terms of units changing hand, while also signifying a greater interest for larger size units in most sectors.

Greek buyers started the year with a strong appetite taking up first pace amongst buyers with significantly more interest than other nationalities. They already account for more than a third of purchases, while spending close to two thirds of what they spent the entire of 2013 in just a single month. It will be interesting to see if their buying pace continues during the rest of the year.

Seller Statistics (2014)

	UNITS	OUTLAY (\$)
Germany	20	\$198.44m
Greece	18	\$213.50m
Denmark	17	\$980.96m
Japan	15	\$377.95m
Italy	7	\$183.00m
Singapore	6	\$178.50m
Norway	6	\$56.68m
Turkey	6	\$100.75m
S. Korea	5	\$152.60m
Bahamas	4	\$44.50m
undisclosed	35	\$479.80m
all other	62	\$954.74m
TOTAL	201	\$3,921.42m

Source: Intermodal Research & Valuations

Buyer Statistics

	2014						2013		
	UNITS	%	OUTLAY (\$)	%	DWT	%	UNITS	OUTLAY (\$)	DWT
Greece	70	34.8%	\$1,961.00m	50.0%	8,503,923	52.3%	379	\$6,716.51m	27,805,233
U. S. A.	17	8.5%	\$508.00m	13.0%	972,916	6.0%	81	\$1,498.75m	4,225,961
Italy	14	7.0%	\$140.13m	3.6%	1,290,200	7.9%	31	\$809.15m	1,743,303
China	10	5.0%	\$154.15m	3.9%	494,533	3.0%	102	\$1,271.82m	6,537,179
Canada	6	3.0%	\$149.00m	3.8%	562,354	3.5%	4	\$216.45m	145,723
S. Korea	5	2.5%	\$49.50m	1.3%	115,198	0.7%	45	\$484.45m	2,625,884
Turkey	5	2.5%	\$7.83m	0.2%	50,766	0.3%	34	\$428.30m	855,863
Norway	4	2.0%	\$91.80m	2.3%	184,185	1.1%	62	\$2,021.40m	4,052,281
Sweden	4	2.0%	\$72.00m	1.8%	70,140	0.4%	5	\$75.40m	51,172
Singapore	3	1.5%	\$95.70m	2.4%	779,450	4.8%	41	\$614.02m	2,868,739
undisclosed	25	12.4%	\$235.64m	6.0%	771,008	4.7%	361	\$2,650.23m	10,158,106
all other	38	18.9%	\$456.68m	11.6%	2,467,666	15.2%	376	\$4,344.19m	17,637,856
TOTAL	201	100.0%	\$3,921.42m	100.0%	16,262,339	100.0%	1,521	\$21,130.66m	78,707,300

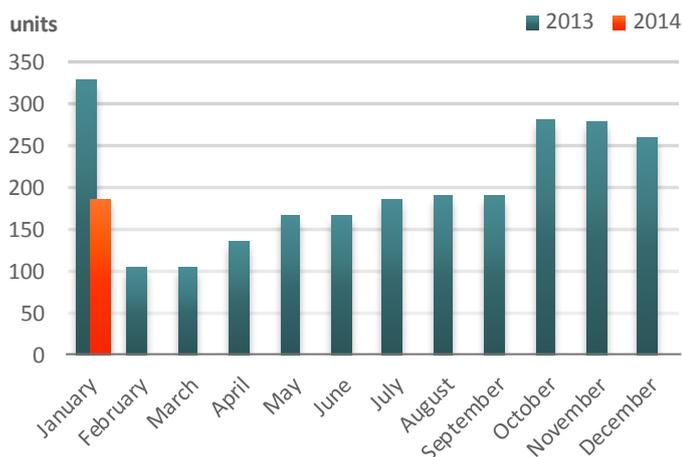
Source: Intermodal Research & Valuations

Buyer Statistics (2014)

	UNITS	OUTLAY (US\$)	DWT
China	22	\$1,049.45m	1,583,596
Greece	21	\$824.82m	2,124,592
Japan	17	\$0.00m	989,834
Monaco	17	\$817.00m	3,144,000
Norway	15	\$121.50m	609,617
Singapore	15	\$0.00m	1,434,972
Cyprus	8	\$0.00m	468,000
U. S. A.	6	\$246.00m	517,449
Kuwait	6	\$0.00m	894,000
Germany	5	\$273.00m	1,040,000
undisclosed	70	\$151.00m	4,025,527
all other	44	\$644.00m	1,334,802
Total	246	\$4,126.77m	18,166,389

Source: Intermodal Research & Valuations

Activity in 2014 Vs 2013 (incl. Bulkers, Tankers, Containers & Gas)



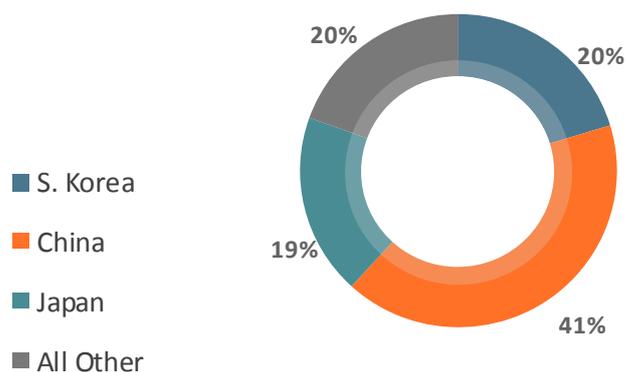
Source: Intermodal Research & Valuations

Summary

The Newbuilding market also managed to keep much of its momentum while entering the New Year. Dry bulkers and tankers are still managing to hold interest with 112 and 38 units being ordered respectively. Despite all this there has been a slight slow down as owners take a more precautionary approach and seem to hold back on extra ordering till they see more clear signs as to how the market will be like in 2016 (the year where most of these new orders will be scheduled for delivery).

Taking this into account, it seems that this year might turn out to be slightly slower for shipbuilders than what we had seen in 2013 and it might end up being for the better as the shipping industry needs to see a slower pace of growth in carrying capacity in order to better align with the global economic growth.

Percentage of new orders secured by each Shipbuilding Nation (2014)



Source: Intermodal Research & Valuations

New orders placed (last 12 months)

	Bulk Carrier	Tanker	Gas Carrier	Container	Other	Total
February-2013	42	46	8	9	65	171
March-2013	49	22	8	27	121	227
April-2013	47	45	15	29	66	202
May-2013	105	42	7	13	149	317
June-2013	102	35	12	17	171	338
July-2013	99	24	18	42	80	267
August-2013	80	74	17	18	65	255
September-2013	110	46	16	20	89	281
October-2013	153	68	26	33	204	485
November-2013	156	92	14	16	120	399
December-2013	145	74	16	24	138	399
January-2014	112	38	8	25	60	246
TOTAL	1,200	606	165	273	1,328	3,587

Source: Intermodal Research & Valuations

Vessels Scrapped (last 12 months)

	UNITS	LDT	DWT
February-2013	127	651,186	3,230,350
March-2013	215	1,001,227	5,632,947
April-2013	154	858,408	4,320,543
May-2013	116	701,067	4,063,043
June-2013	120	700,419	3,450,641
July-2013	162	892,383	4,569,216
August-2013	112	711,077	3,860,793
September-2013	133	754,043	4,386,926
October-2013	123	773,794	3,696,000
November-2013	115	823,641	4,259,386
December-2013	121	786,066	3,936,834
January-2014	86	558,784	2,157,999
TOTAL	1,584	9,212,095	47,564,678

Source: Intermodal Research & Valuations

Demo Seller Statistics

	2014		2013	
	UNITS	DWT	UNITS	DWT
China	17	515,405	195	7,530,029
Turkey	7	40,427	99	1,411,421
Indonesia	5	126,521	17	627,821
India	5	131,014	36	989,806
Ukraine	3	6,667	22	296,881
Singapore	3	94,403	37	2,707,845
Norway	3	22,076	21	418,892
Lebanon	3	8,582	19	194,846
Thailand	2	24,748	10	116,047
Hong Kong	2	101,725	41	2,299,146
undisclosed	13	518,921	164	6,713,749
all other	23	567,510	993	27,570,480
Total	86	2,157,999	1,654	50,876,963

Demo Country Statistics

	2014						2013		
	UNITS	%	LDT	%	DWT	%	UNITS	LDT	DWT
India	19	22.1%	185,502	33.2%	542,692	25.1%	359	3,080,278	12,445,251
China	21	24.4%	160,706	28.8%	587,217	27.2%	299	1,878,271	10,562,840
Turkey	20	23.3%	24,841	4.4%	114,473	5.3%	187	417,719	1,394,539
Bangladesh	15	17.4%	126,572	22.7%	555,366	25.7%	168	1,849,571	10,560,644
Pakistan	4	4.7%	39,918	7.1%	231,050	10.7%	83	1,159,205	8,056,661
Unk./Other	7	8.1%	21,245	3.8%	127,201	5.9%	558	1,245,781	7,857,028
Total	86	100.0%	558,784	100.0%	2,157,999	100.0%	1,654	9,630,825	50,876,963

Source: Intermodal Research & Valuations

Average Prices for scrap (US\$/ldt)

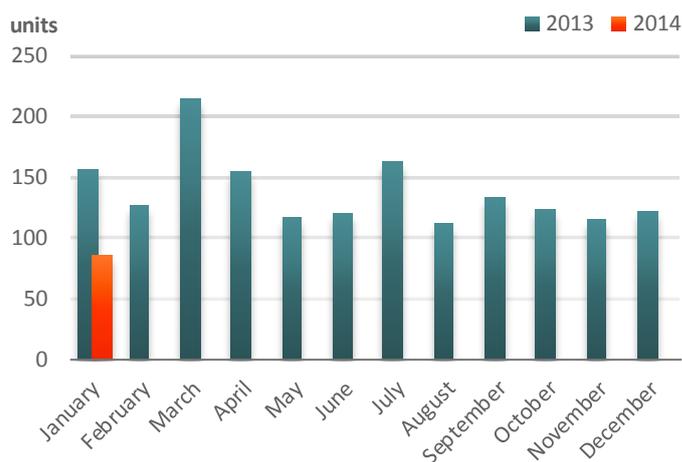
	India	China	Turkey	Bangladesh	Pakistan
Wet	\$446 ↗	\$354 ↘	\$334 ↗	\$449 ↗	\$436 ↗
Dry	\$436 ↗	\$344 ↗	\$317 ▷	\$435 ↗	\$419 ↗

Summary

Demolition activity continues to drop further in terms of activity with volume in January being considerably lower than any month we had seen in 2013. This has once again been despite the good price levels been given by scrap buyers, pointing towards a lower willingness from ship owners to scrap ever younger vessel.

In 2013 we had already seen a drop in the average age of most sector fleets and with such a big percentage of vessels being less than 10 years old, there are too few vessels that could be sent for scrap anymore. This will have as a consequence to either diminish scrapping activity levels down to those seen during the boom years, or it will inevitably cause demo prices to spike to new highs in order to entice ever younger scrapping. The latter however seems to be difficult to implement as scrap steel prices are linked closely to steel prices, which for the moment are on a downward course.

Activity in 2014 Vs 2013



Source: Intermodal Research & Valuations

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