



SHIPTRADE SERVICES S.A.

# **WEEKLY SHIPPING MARKET REPORT**

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WEEK 13 (21<sup>st</sup> March to 27<sup>th</sup> March 2015)

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## Top Stories: Shipping, Commodities & Global Economy

### Analyzing The Current Bulk Shipping Market

The dry bulk shipping market, which primarily is the market for the shipping of such unpackaged bulk cargo as grains, coal, iron ore and cement, has been relatively soft since the start of the global recession. The Baltic Dry Index (BDI) — a measure of the price of shipping major raw materials such as iron ore, grains and fossil fuels by sea— is down approximately 86 percent from its November 2009 high. This increasingly challenging environment has been forcing some bulk carriers to take various corporate actions to stay afloat, while some have had to shut down. The soft bulk shipping market that is the cause of these challenges can be attributed to both a slowdown in the Chinese economy and an increase in the supply of new bulk carrier ships on the market. The slowdown in the Chinese economy, specifically, resulted in a slowdown in its real estate sector and consequently the demand for iron ore. Additionally, China, which has been a large consumer of coal, has been shifting away from coal to natural gas as a source of energy. The result has been a reduction in the demand for coal and the demand for ships to transport coal, which, along with iron ore, accounts for a significant portion of the annual volume of cargo transported by bulk carriers.

**Bulk Ships.** A bulk carrier ship is a merchant ship designed to transport such unpackaged bulk cargo as grains, coal, iron ore, bauxite, and cement. The sophistication of the ship's design depends somewhat on the major port of call— the port where the ship unloads and loads cargo. Some ships may include extra machinery that unloads cargo and that packages cargo while loading. Bulk cargos are often corrosive or abrasive; therefore, cargo ships have to be built with a consideration for the highest degree of safety and strength. Bulk carriers can be identified by their size. Mini-bulkers are designed to carry up to 10,000 dead weight tons (DWT), excluding the weight of the ship. Mini-bulkers are built primarily for river transport, and they usually have one cargo holding area, while larger ships have many. Handysize ships have a DWT of between 10,000 and 39,000, and they are usually multipurpose in nature. Handymax/Supramax ships, on the other hand, usually have a capacity of between 40,000 and 65,000 DWT. They are also multipurpose and have multiple holding areas. Panamax/Kamsarmax ships are larger ships with a DWT of between 65,000 and 85,000. This ship is called panamax, because its size is the same as the maximum-sized ship that can be accommodated by the Panama Canal currently. Post-panamax ships are ships with capacity between 85,000 and 120,000 DWT. These ships will be accommodated by the Panama Canal after it has been upgraded. The largest category of ships is referred to as capesize ships. Capesize ships are ships that have a capacity of over 120,000 DWT. In the past most capesize ships had to travel around the Cape of Good Hope, because they were too large to traverse the Panama and Suez Canals. Recently however, the Suez Canal was deepened, permitting the movement of most capesize ships.

**Cost of Operating a Bulk Ship.** The bulk shipping business is capital intensive, prompting many shipping companies to take on high debt. The operating cost structure is simple. The cost of building a new ship runs anywhere from US\$20 million to US\$80 million, depending on the capacity of the ship. Subsequently, the major operating costs that are borne by most shipping companies are port fees, fuel costs, voyage-related insurance premiums, broker commissions, crew compensation, vessel supplies, repairs,

and maintenance. These companies which own bulk carrier ships earn revenue through two main channels: the charter market and the spot market. In the charter markets, bulk carriers are contracted at fixed rates over a fixed term (over a number of years), usually with a renewal option. In the spot market, bulk carriers are contracted for a short term at the prevailing market rate. Market Rates and Company Bottom Line. The rapid decline in the BDI reflects to a high degree the deterioration in the profitability of most of the companies that operate capesize, panamax, and supramax ships. The Baltic Dry Index (BDI), which is a composite of the spot rate for capsize, panamax, and supramax ships, has exhibited enormous volatility over the last six years, but has gradually trended down (FIGURE 1). For most of the calendar year 2010, the BDI moved sideways, fluctuating between 2000 and 4500. Since the latter part of 2010, the BDI has trended downwards, hitting a six-year low of 548 by early 2015. Companies with a heavy concentration of capesize ships are more resilient, because the charter rates for capesize ships are less volatile than those for smaller ships. Companies with a heavy concentration of ships that are on long-term charters experience less revenue volatility than those that do not. Corporate Strategy. The low charter rates have prompted many companies to find creative means to stay afloat. Some companies in the industry such as Baltic Trading Limited (BALT) have chosen to operate most of their ships in the spot market instead of the long-term charter market. These bulk carriers prefer to accept the uncertainty that comes with the spot market rather than to lock in revenues in a long-term contract, because they believe that future spot rates will be higher by a significant margin. Other companies such as Dianna Shipping Inc (DSX) prefer the certainty that comes with having a large portion of ships on long-term charter hires. Yet, other shipping companies such as Knightsbridge Tankers (VLCCF) are consolidating as a means to reduce operating costs and increase efficiency. Some shipping companies such as Eagle Bulk Shipping (EGLE) are in a very challenging spot and are seeking creditor leniency. On the other hand, the larger companies are positioning themselves to make cheap acquisitions as a means to broaden market share. The Bottom Line. A reduced demand for the transportation of coal and iron ore has led to significant challenges in the bulk shipping industry. This reduction in demand can be partially attributed to the slowdown of China's construction activity, which has lowered the country's demand for steel and iron ore, as well as to the fact that increasing environmental concerns in China have forced the Chinese government to throw their support behind sources of energy other than coal, such as natural gas. Coal and iron ore constitute the two largest portions of the total cargo transported by bulk carriers. The reduced demand in the industry has been compounded by the excess supply of new ships on the market, with the order book for the building of new capesize ships being at some of the highest levels since the early 1980's. This has pushed many companies to the brink and forced others to merge. Larger companies are seeking cheap acquisitions to broaden their market share. Source: Investopedia

## Sale & Purchase

### Secondhand Sales – Bulk Carriers

Name	Dwt	YoB	Yard	SS	Engine	Gears	Price (mill.)	Buyer
<i>Abyo Four</i>	172.639	1999	Constanta, Rom.	09/2019	B&W	-	\$11.0-11.5	Turkish (Karadeniz)
<i>Lopi Z</i>	71.982	1998	Shin Kurushima, Jpn	01/2018	Mitsubishi	-	\$5.9	Norwegian
<i>SBI Kratos</i>	63.500	2016	Chengxi, Chn	-	B&W	4 x 30 T	\$24.5	Greek
<i>Royal Flush</i>	57.000	2010	Qingshan, Chn	04/2015	B&W	4 x 30 T	\$13.5	China
<i>Global Wind</i>	53.026	2003	Oshima, Jpn	02/2018	Mitsubishi	4 x 30 T	\$9.0	Greece
<i>Jasmine Ace</i>	32.946	2006	Kanda, Jpn	05/2016	Mitsubishi	4 x 30 T	\$9.4	Greece
<i>Ziemia Lodzka</i>	26.264	1992	Turkiye Gemi, Trk	04/2017	Sulzer	n/a	\$1.9	Undisclosed

### Secondhand Sales - Tankers

Name	Dwt	YoB	Yard	SS	Engine	Hull	Price (mill.)	Buyer
<i>Cosmic Jewel</i>	300.955	1997	Mitsubishi, Jpn	06/2017	Mitsubishi	DH	\$25.5	Undisclosed
<i>Seaglory</i>	47.149	2003	Onomichi, Jpn	05/2018	B&W	DH	\$15.0	Middle Eastern
<i>Trans Trader</i>	8.801	2005	Shitanoe, Jpn	04/2015	B&W	DH	\$10.3	European
<i>LPG Petro Millennium</i>	3.753	2000	Shin Kurushima, Jpn	04/2015	Alaska	DH	\$4.3	Vietnamese

### Secondhand Sales – Containers

Name	Teu	YoB	Yard	SS	Engine	Gear	Price (mill.)	Buyer
<i>YM New Jersey</i>	4.923	2006	Koyo Mihara, Jpn	11/2016	B&W	-	\$21.5 (each enbloc, inc. TC to Yang Ming at 21.000\$/day)	Greek
<i>YM Los Angeles</i>	4.923	2006	Koyo Mihara, Jpn	12/2016	B&W	-		
<i>Maersk Jurong</i>	2.824	2008	HMD, Kr	06/2018	B&W	-	\$17.0	Turkish (Arkas)

## Indicative Values - Bulk Carriers

Size	Prompt Resale	5 years	10 years	15 years
<i>Capesize</i>	48	32	20	15
<i>Panamax - Kamsarmax</i>	29	17	11	8
<i>Supramax - Ultramax</i>	28	16,5	11	7
<i>Handysize</i>	23	14	8	6

## Indicative Values - Tankers

Size	Prompt Resale	5 years	10 years	15 years
<i>VLCC</i>	101	80	52	31
<i>Suezmax</i>	70	59	41	22
<i>Aframax</i>	55	45	30	17
<i>Panamax</i>	43	32	23	11
<i>MR</i>	36	27	17	11

## Newbuilding & Demolition

### Newbuilding Orders - Bulkers

No	Type	Dwt	Yard	Delivery	Owner	Price (mill.)	Comments
2	Kamsarmax	82.000	Jiangsu Jinling, Chn	2018	Qingdao Da Tong	n/a	
2	Ultramax	63.500	Sinopacific, Chn	2016	White Sea	n/a	
6	Handysize	38.000	Tsuneishi, Jpn	2018/19	Orix	\$500.0	
8	Handysize	38.000	Oshima, Jpn	2018/19	Orix		
2	Handysize	38.000	Imabari, Jpn	2018/19	Orix		
5	Handysize	38.000	Onomichi, Jpn	2018/19	Orix		
2	MPP	28.000	Hudong, Chn	2018	Cosco Shipping	\$40.0	Heavy lift (700t swl)

### Newbuilding Orders – Tankers

No	Type	Dwt	Yard	Delivery	Owner	Price (mill.)	Comments
2	Suezmax	167.000	Samsung, Kr	2016	Delta Tankers	\$66.0	
1	Chemical	6.366	Tersan, Trk	2016	Gefo Gesellschaft	n/a	

### Demolition Sales

Vessel	Type	Built	Ldt	Dwt	Price (\$)	Country	Comments
Aquahope	BC	1997	22.093	167.105	400	Pakistan	Including 400 tons bunkers rob
Silver Merchant	BC	1995	17.970	151.066	413	Bangladesh	Including 1.900 tons bunkers rob
Jawaharlal Nehru	Tanker	1992	17.065	94.512	380	n/a	As is where is Colombo, via tender
Manuela	Container	1993	8.018	21.540	380	India	
Dawn Meerut	Tanker	1995	6.994	29.990	360	n/a	As is where is Colombo, including 150 tons bunkers rob
Zaizoom	Tanker	1979	2.171	4.350	325	Pakistan	
Green Line	Tanker	1985	1.060	3.389	325	Pakistan	
Byar Ali	Tanker	1981	548	1.165	310	Pakistan	

### Indicative Demolition Prices

Country	Tanker Prices	Bulker Prices
India	395	370
Bangladesh	390	375
Pakistan	400	370
China	230	210
Turkey	230	210

## Dry Bulk Chartering

### Baltic Indices (Friday Closing Values)

Index	Week 13	Week 12	Change (%)
BDI	596	591	0,84
BCI	456	423	7,80
BPI	597	617	3,24
BSI	647	635	1,89
BHSI	390	384	1,56

### 1 year T/C rates (\$/day)

Type	Size (k dwt)	Week 13	Week 12	Change (%)
Capesize	160 -175	3103	3026	2,60
Panamax	72 - 76	4778	4941	3,30
Supramax	52 - 57	6768	6638	1,90
Handysize	30 - 35	5780	5667	1,99

### Average spot rates (\$/day)

Type	Size (k dwt)	Route	Week 13	Week 12	Change (%)
Capesize	160 -175	F. East - ATL	-4304	-4636	-
		Cont/Med - F. East	9815	10025	2,10
		F. East RV	3645	3600	1,25
		TransAtlantic RV	3255	3115	4,50
Panamax	72 - 76	F. East - ATL	397	436	8,94
		ATL - F. East	9614	9755	1,45
		Pacific RV	4907	5307	7,54
		TransAtlantic RV	4195	4265	1,64
Supramax	52 - 57	F. East - ATL	5480	5250	4,30
		ATL - F. East	9300	9308	0,08
		Pacific RV	6292	5992	5,00
		TransAtlantic RV	7090	7091	-
Handysize	30 - 35	Far East - ATL	3408	3342	2,00
		ATL - F. East	10359	10176	1,80
		Pacific RV	6532	6398	2,10
		TransAtlantic RV	5544	5425	2,20

## Key Indicators & Stock Markets

### Exchange Rates

Currency	Week 13	Week 12	Change (%)
EUR / USD	1,0903	1,0693	1,96
USD / JPY	119,38	121,07	1,40
USD / KRW	1103	1122	1,69
USD / NOK	8,00	8,09	1,11

### Bunker Prices

Port	IFO 380	IFO 180	MGO
Piraeus	315	338	525
Fujairah	335	365	745
Singapore	330	345	540
Rotterdam	305	330	525
Houston	302	359	562

### Commodities

Commodity	Week 13	Week 12	Change (%)
Brent Crude (BZ)	58,20	54,09	7,60
Natural Gas (NG)	2,65	2,84	6,69
Gold (GC)	1200	1171	2,48
Copper	278	269	3,35
Wheat (W)	501	515	2,72

## Key Indicators & Stock Markets

### Shipping Stock Prices - Dry Bulk

Company	Stock Exchange	Week 13	Week 12	Change (%)
<i>Baltic Trading Ltd (BALT)</i>	NYSE	1,45	1,24	16,94
<i>Diana Shipping Inc (DSX)</i>	NASDAQ	6,19	6,53	5,21
<i>Dryships Inc (DRYS)</i>	NASDAQ	0,84	0,73	15,07
<i>Euroseas Ltd (ESEA)</i>	NASDAQ	0,73	0,72	1,39
<i>Eagle Bulk Shipping Inc (EGLE)</i>	NASDAQ	8,04	9,14	12,04
<i>Freeseas Inc (FREESE)</i>	NASDAQ	0,05	0,05	0,00
<i>Navios Maritime (NM)</i>	NYSE	4,21	4,56	7,68
<i>Navios Maritime PTN (NMM)</i>	NYSE	11,14	10,88	2,39
<i>Paragon Shipping Inc (PRGN)</i>	NASDAQ	1,02	1,28	20,31
<i>Star Bulk Carriers Corp (SBLK)</i>	NASDAQ	3,57	3,26	9,51
<i>Seenergy Maritime Holdings Corp (SHIP)</i>	NASDAQ	0,79	0,71	11,27
<i>Safe Bulkers Inc (SB)</i>	NYSE	3,52	3,51	0,28
<i>Golden Ocean (GOGL)</i>	Oslo Bors (NOK)	5,30	5,34	0,75

### Shipping Stock Prices - Wet

Company	Stock Exchange	Week 13	Week 12	Change (%)
<i>Capital Product Partners LP (CPLP)</i>	NASDAQ	9,59	9,58	0,10
<i>TOP Ships Inc (TOPS)</i>	NASDAQ	1,09	1,06	2,83
<i>Tsakos Energy Navigation (TNP)</i>	NYSE	8,03	7,83	2,55

### Shipping Stock Prices - Other

Company	Stock Exchange	Week 13	Week 12	Change (%)
<i>Aegean Maritime Petrol (ANW)</i>	NYSE	13,85	14,91	7,11
<i>Danaos Corporation (DAC)</i>	NYSE	6,49	6,24	4,01
<i>StealthGas Inc (GASS)</i>	NASDAQ	6,56	6,41	2,34
<i>Rio Tinto (RIO)</i>	NYSE	42,72	42,08	1,52
<i>Vale (VALE)</i>	NYSE	5,94	5,85	1,54
<i>ADM Archer Daniels Midland (ADM)</i>	NYSE	46,30	46,49	0,41
<i>BHP Billiton (BHP)</i>	NYSE	48,05	46,60	3,11