International Seaborne Market
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Chartering market at hand: Handysize and Supramax/ Ultramax // week 21

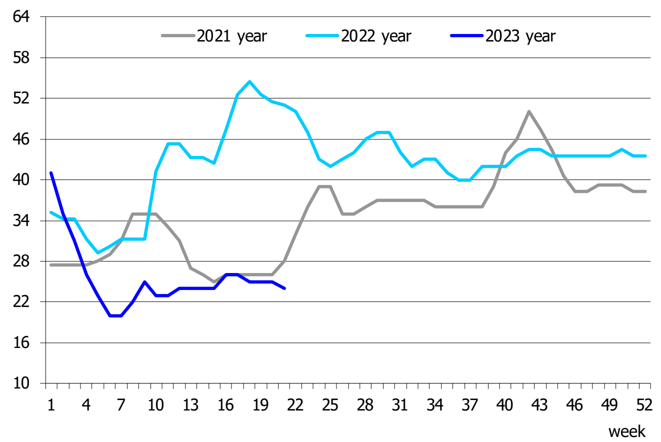
Negative trend persists in the Handy/Supra segment amid longer list of open vessels all across the market

This week, the Supramax/Ultramax shipping market continues to soften in almost all sections, with Handysize rates also going down in the European region (even more noticeably than in the neighboring segment).

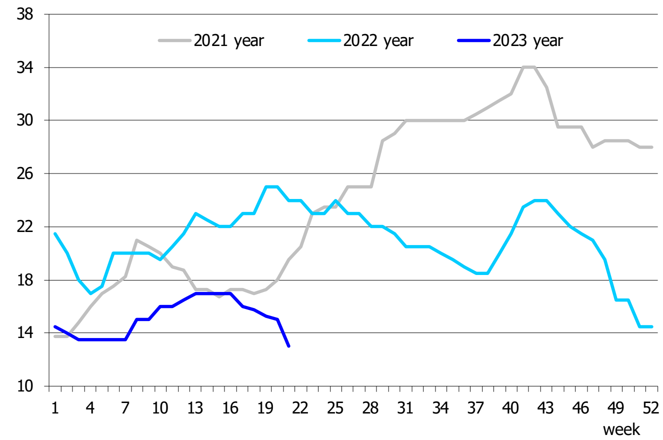
Despite quite brisk exports of South American grain, the ECSA Supramax/Ultramax tonnage list is growing faster than demand as the ballaster inflow from the Indian Ocean looks too active. «Lower than last done levels are observed as there is not enough cargo to employ all the tonnage in the region,» a broker mentioned. By the end of the week, spot rates have dropped by $1k daily and $1/t. Thus, rates for transportation of 50,000 t of soybeans from Brazil to S.China have declined to $40-40.5/t given 8,000 sshex bends l/d rates. Meanwhile, Handysize freight levels hold steady amid still balanced cargo/tonnage ratio.

Similar picture can be seen in USG , where Supramax rates have also sagged by $1k daily and $1/t over the week amid increasing tonnage list for June dates. Similar to the South Atlantic, Handysize rates have stayed at last week's levels due to positional shortage of vessels open in USEC.

Soybeans (sf 50`), 50,000t, USG - ARAG (10000x/8000x), $/t



Wheat, 25-30,000t, Constanta - Alexandria (8000x/5000x), $/t

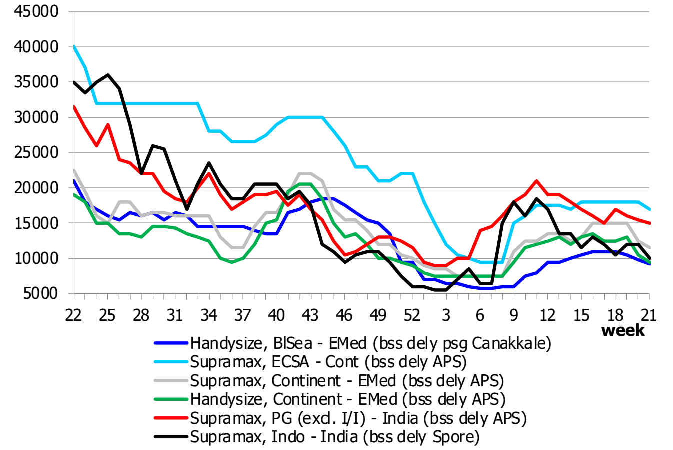


The cargo flow remains extremely weak in the Black and Mediterranean Seas , with most deals discussed on the APS basis; players note fewer indications bss dely passing Canakkale. The list of available vessels, especially of Handysize ones, is growing. As expected, the Russian team at JCC continues to severely hamper inspections, which essentially prevents exporters from resuming normal activity, so there are very few firm offers ex Ukraine. «Although the corridor has been extended, this will hardly support Handy/Supra market as already a lot of vessels are waiting for inspections, while 2 months may be not enough even for the ships that are waiting at the moment; moreover, charterers prefer to look at Panamaxes in order to export as much volume as possible,» a Greek broker shared his thoughts. By the end of the week, Handysize time-charter rates have dropped by $1.5-2.5k daily, while Supramax levels have declined by $0.5-1k daily. Transportation costs of grain and other cargoes have decreased by another $1-2.5/t. Shipment of 30,000 t of wheat or corn from Romania to SpanMed now costs $14-14.5/t on average.

The surplus of open tonnage is getting more acute also in the Baltic & Continent , putting further pressure on rates. There are very few fresh cargo offers both for spot and 2H June laycans. Ship owners are forced to make further concessions, with rates down by another $1-2k daily and $1-3/t this week. Freight rates for shipment of a Supra lot of scrap (40-45,000 t with sf 55-60`) from Ghent to Nemrut Bay amount to $17-18/t given 8,000x/7,000c l/d rates.

As for the Eastern Hemi, Supramax/Ultramax market has also weakened in all regions. In SE Asia , Indonesian coal shipments both to India and China have slowed down significantly, while the number of incoming grain and coal requests ex Australia is insufficient to support the market. In the Far East , shipments of steel products from China, South Korea and Japan remain sparse. Despite regular traffic of construction cargoes from the Persian Gulf and brisker shipments of South African coal and ore, charterers continue to dictate their terms in the Indian Ocean as well. Supramax tonnage list is excessive in all parts of the basin, with rates sagging by another $0.5-1k daily and $0.25-1/t over the week.

TCT rates dynamics, $/day



The sentiment of Handysize owners is slightly better in both SE Asia and Indian Ocean as the tonnage/cargo ratio is still relatively balanced. Demand for Handysize fleet is supported mainly by shipments of steel products, coke, feldspar and barite from India, as well as of fertilizers from the Persian Gulf. Rates stay at last week's levels.

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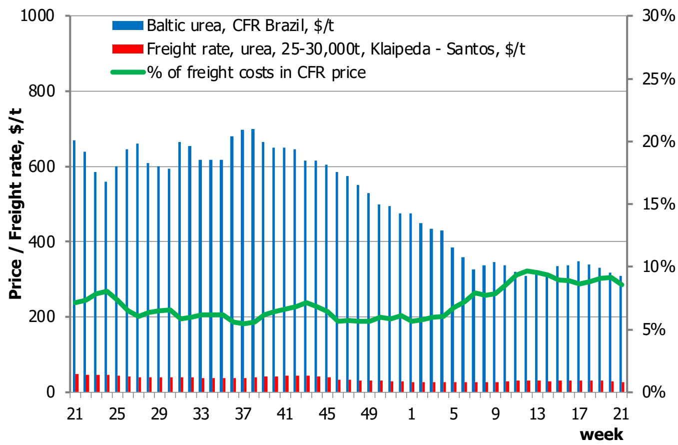
Next week, Supramax/Ultramax owners working in the South Atlantic will try to raise rates again. They primarily hope that June export volumes will remain as

Baltic fertilizers: weight of freight in CFR Brazil price



high as in May, while the ballaster inflow will slow down (Panamax owners express similar hopes in this region). In USG, Supramax owners will have a tough time as tonnage building up for June laycans will continue to have a negative impact on transportation costs from regional ports, which do not show any particular prospects in terms of export activity for June dates (unlike South America). The Handysize segment may start softening again in the region as quite a few ships are expected to open here in the next two weeks: «Very little tonnage actually leaving the Gulf, most trips are inter-Caribbean; thus a significant level of ships will be open in about two weeks,» a broker mentioned.

Few preconditions for higher activity can be seen in the Black and Mediterranean Seas, as well as in North Europe. The short-term upturn in shipments of old crop EU grains is perhaps the only thing ship owners can hope for, although even in this case, the ongoing decline in commodity prices does not contribute to higher freight rates. Shipments from Ukrainian ports will hardly perk up as few traders will risk chartering vessels with such slow inspections and huge downtime, considering that only 6 weeks are left till the end of the current agreement.

In the Indian Ocean, the trend may change in the segment for shipments ex South Africa due to a significant decline in 1H June tonnage list. Players also note a slowdown in ballaster inflow from ECI. In SE Asia, Indonesian coal shipments to China are likely to remain very limited due to ample coal stocks in China. Besides, weakening of steel product exports from Far East ports (which was the local market driver) is likely to lead to fleet outflow to SE Asia, which will create additional pressure in that area.