

DRY BULK FREIGHT MARKET

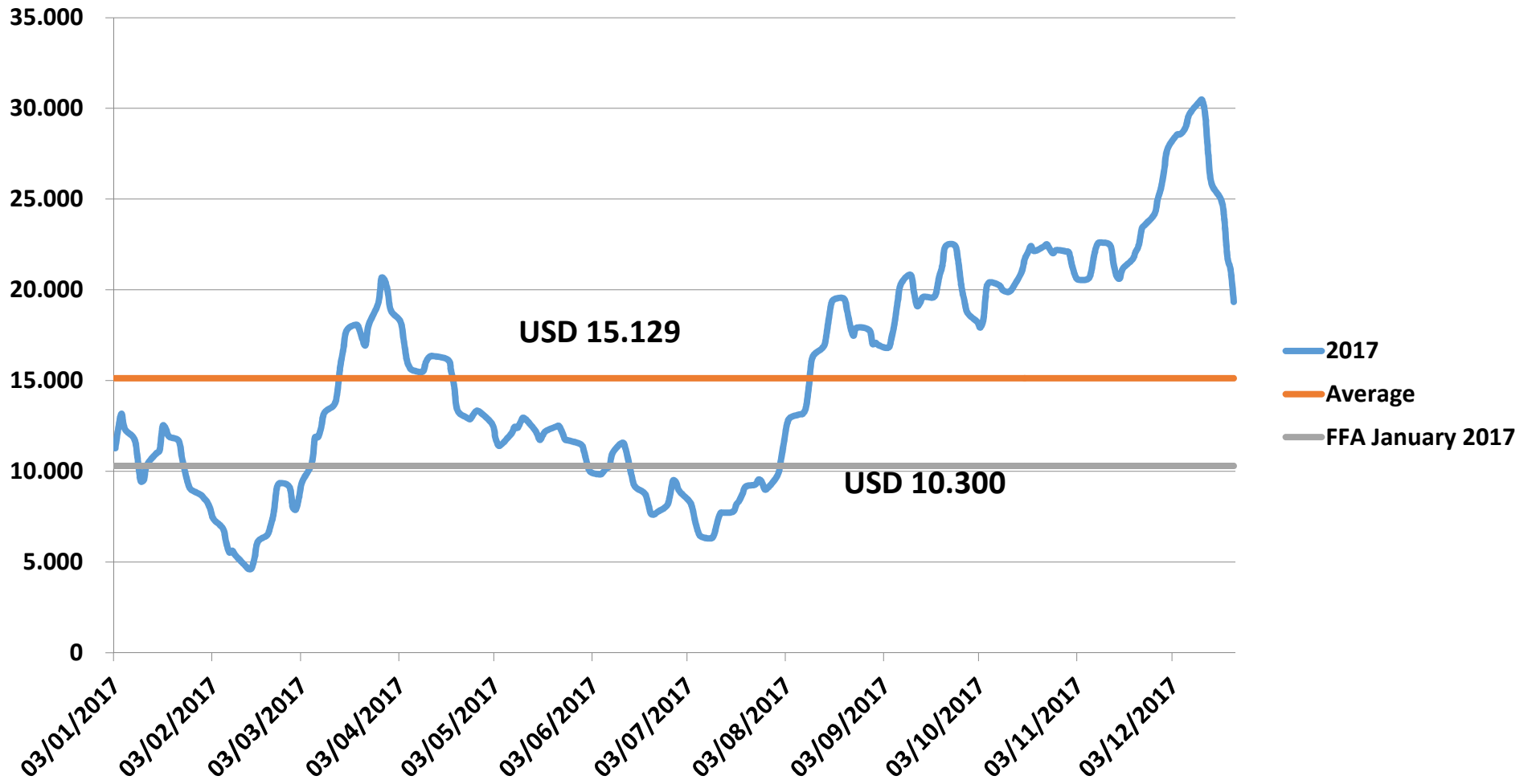
2017 REVIEW AND FORWARD ANALYSIS

Assocarboni – Roma March 22nd, 2018

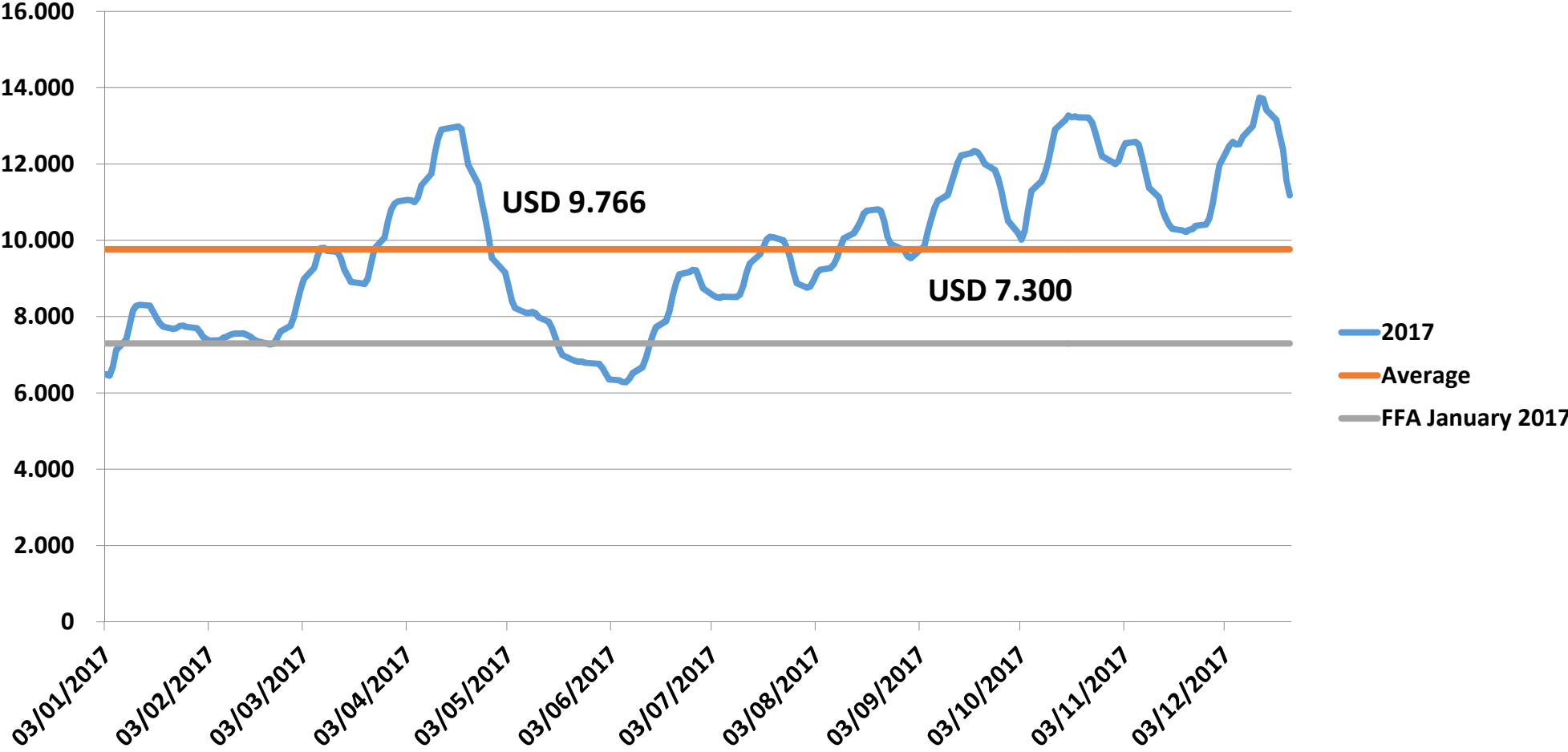
STRUCTURE OF PRESENTATION

- ❖ Market figures and graphs for 2017
- ❖ Main market movers for 2017
- ❖ Supply and demand outlook for 2018
- ❖ 2018 market forecast
- ❖ Main market movers for 2018
- ❖ Outlook for 2019 and onwards & key factors to watch.

2017 Market – Cape Size 5 TC routes



2017 Market – Panamax 4 TC routes



Seaborne Trade

Seaborne Dry Bulk Trade (MMt)

	2016	2017	growth	%
Coking coal	295	294	- 1	-0.34%
Steam coal	831	854	23	2.77%
Iron ore	1,482	1,529	47	3.17%
Grains	473	503	30	6.34%
Minor	457	438	- 19	-4.16%
Total	3,538	3,618	80	2.26%

2017 Fleet structure

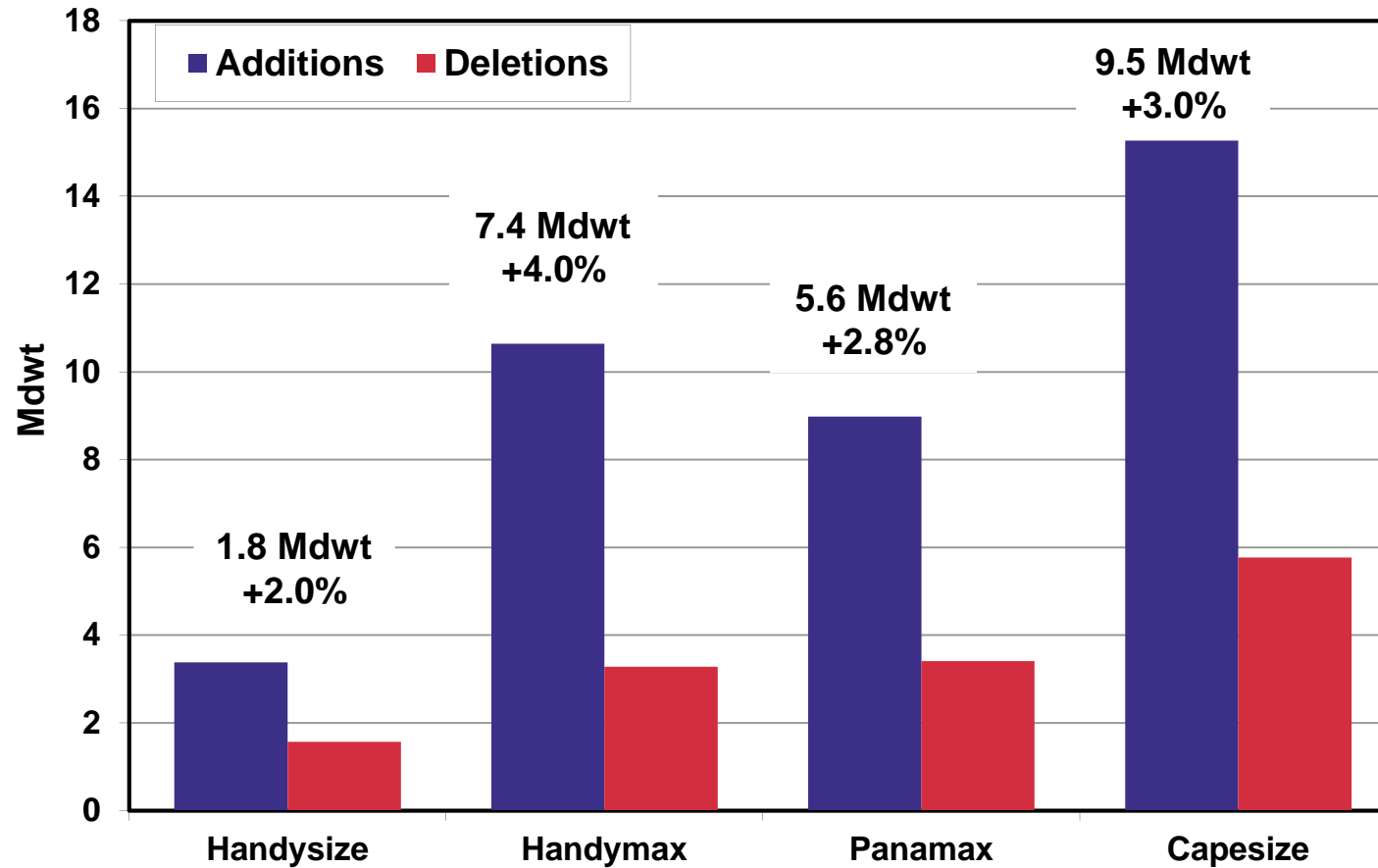
2017 Net Fleet Change Actual (Mdwt)

	Handysize	Handymax	Panamax	Capesize	Total
Additions	3.38	10.64	8.98	15.27	38.27
Deletions	1.57	3.28	3.41	5.77	14.03
Net growth	1.81	7.36	5.57	9.50	24.24

2017 Existing Fleet (Mdwt)

Total	806
% increase	2.8 %

2017 Fleet growth



2017 Supply / Demand Ratio

TRANSPORT GROWTH	2017/16	79.0 MILL.	(+ 2,6%)
FLEET NET GROWTH	2017/16	24.2 MILL.	(+ 2,8%)
CAPE		9.5 MILL.	(+ 2,9%)
PANAMAX		5.6 MILL.	(+ 2,7%)

2017 Main market movers

- ❖ Large increase of US coal volumes, to both EU & Far East.
- ❖ Recovery of world Economy.
- ❖ Fleet supply under control due to uncertainty on rules.
- ❖ Large increase in grains & iron ore, typically on long routes
- ❖ Slow steaming persists due to high bunker price.

2018 Outlook



2018 expected trade growth

2018 Est. Seaborne Dry Bulk Trade (MMt)

	2017	2018 est.	growth	%
Coking coal	294	311	17	5.78%
Steam coal	854	867	13	1.52%
Iron ore	1,529	1,578	49	3.20%
Grains	503	519	16	3.18%
Minor	438	460	22	5.02%
Total	3,618	3,713	117	3.23%

2018 Estimated fleet growth

2018 Est. Net Fleet Change Actual (Mdwt)

	Handysize	Handymax	Panamax	Capesize	Total
Additions	2.68	5.46	5.55	12.98	26.67
Deletions	0.98	2.02	2.01	5.03	10.04
Net growth	1.70	3.44	3.54	7.95	16.63

2018 Est. Existing Fleet (Mdwt)

Total	823
% increase	2.02%

2018 supply/demand ratio

EST. TRANSP. GROWTH	2018/17	117.00 MILL.	(+ 3,23%)
EST. FLEET NET GROWTH	2018/17	16.63 MILL.	(+ 2,02%)
CAPE		7.95 MILL.	(+ 2,46%)
PANAMAX		3.54 MILL.	(+ 1,76%)

2018 Main market movers

- ❖ Extended recovery of world Economy.
- ❖ Fleet supply under control due to uncertainty on LSFO rules.
- ❖ Delays in USCG approval of BWM system have jeopardized NB orderbook.
- ❖ Lowest NB deliveries in the last 10 years.....
- ❖ Rising oil price will boost slow steaming.
- ❖ Expectation for record low hydro electric output in China.
- ❖ Expected record soya beans crop in Brazil.
- ❖ Highest trade growth in the last 7 years.....
- ❖ Government interventions & Political turbulences

Legislation on fuels as from 2020

- ❖ As from Jan 1st 2020, vessels shall have to use LSFO at all times.
- ❖ There will not be any postponement. Rules will be further tightened.
- ❖ Fast implementation does not allow industry to timely solve technical issues.
- ❖ Investments in fuel logistics will be required and prices are set to rise.
- ❖ LSFO will be mainly allocated to big players.
- ❖ Older fleet will be heavily penalized.
- ❖ Upgrade costs have a different % impact, depending on vessel size.

MGO steaming. What does it mean?

Tsuneishi Cebu built 2016.

about 13 Kn on 22 mt fuel laden and ballast

Tsuneishi built 2011

about 11 Kn Laden and 12 kn ballast on 24.5 mt fuel

Voyage.

Hong Kong/Santos/singapore/Quingdao with grains

Duration

Tsuneishi 2016 about 101 days

Tsuneishi 2011 about 114 days

Fuel cost

Tsuneishi 2016 about 914,000 usd

Tsuneishi 2011 about 1,180,000 usd

Difference about 266,000 usd

Risks for fleet development

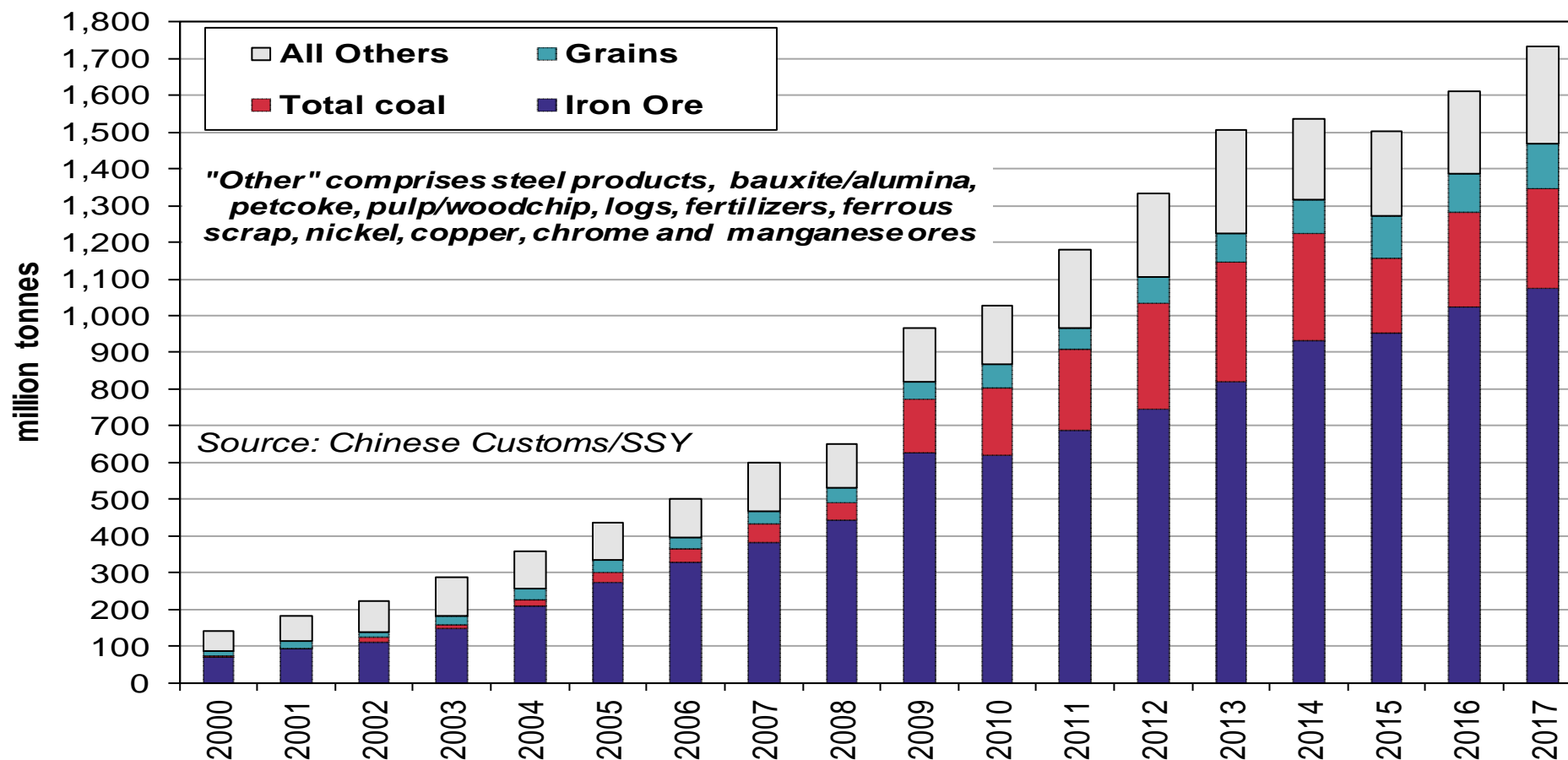
- ❖ At the end of 2019, around 100 panamax and 100 supramax built 2001 will still be afloat.
- ❖ These vessels will have to face costs for Scrubber and BWM with very short shelf life.
- ❖ Alternatively they will have to run on LSMGO at heavy costs.
- ❖ Unless market will rocket up (unlikely) like 2007, then these will be candidate for scrapping.
- ❖ At the same time, uncertainty on rules keeps order book at low levels.
- ❖ Far Eastern yards offer a variety of options, but no one wants to go first!

Conclusions

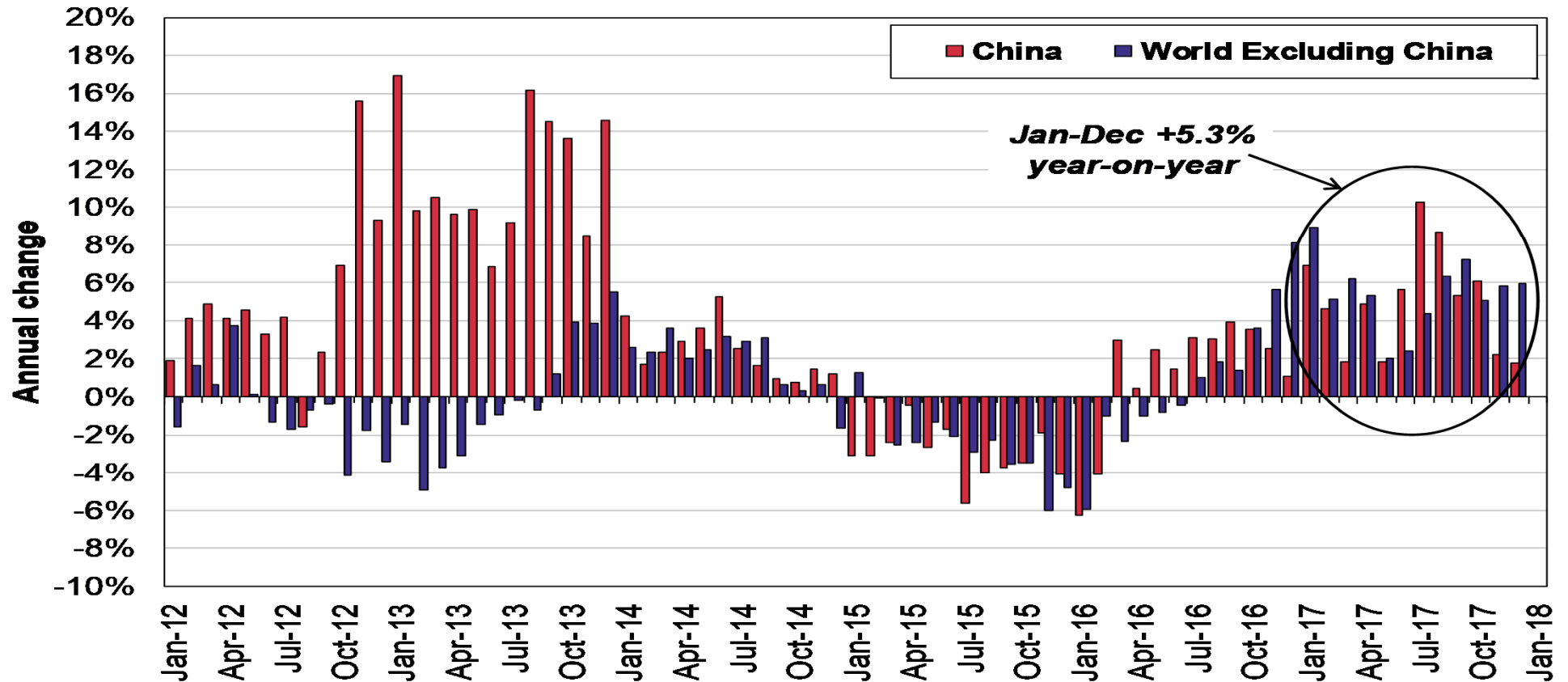
- ❖ Market is set to rise steadily in the few years to come.
- ❖ Demand will rise following a rising world economy.
- ❖ Supply side set to remain under control due to lack of clarity on legislations.
- ❖ Panamax rates seem to be the best candidate to lead this rise.
- ❖ The most delicate time will be at beginning of 2020, when we shall see if the supply chain of LSFO has developed enough to grant market efficiency.
- ❖ Severe peaks unlikely, due to Chinese shipbuilding capacity already there.
- ❖ Charterers should seek today sufficient level of cover for the next 2/4 years.
- ❖ But do not worry, owners have not learned even the last of the many lessons, and soon will splash billions in new buildings.....

2018 Estimated fleet growth

Chinese Dry Bulk Import by Cargo



Annual change in world steel production





SIMPSON | SPENCE | YOUNG

DRY BULK MARKET REVIEW & OUTLOOK

ASSOCARBONI – 22 MARZO, 2018

MARCH 2018

2018 Estimated fleet growth

2018 Estimated fleet growth

2018 Estimated fleet growth

2018 Estimated fleet growth

2018 Estimated fleet growth
