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Bulk Carriers International

***Assemblea Assocarboni
March 26th 2015***

Dry Bulk Freight Market

2014 review & outlook for 2015

OWNERS – 2014

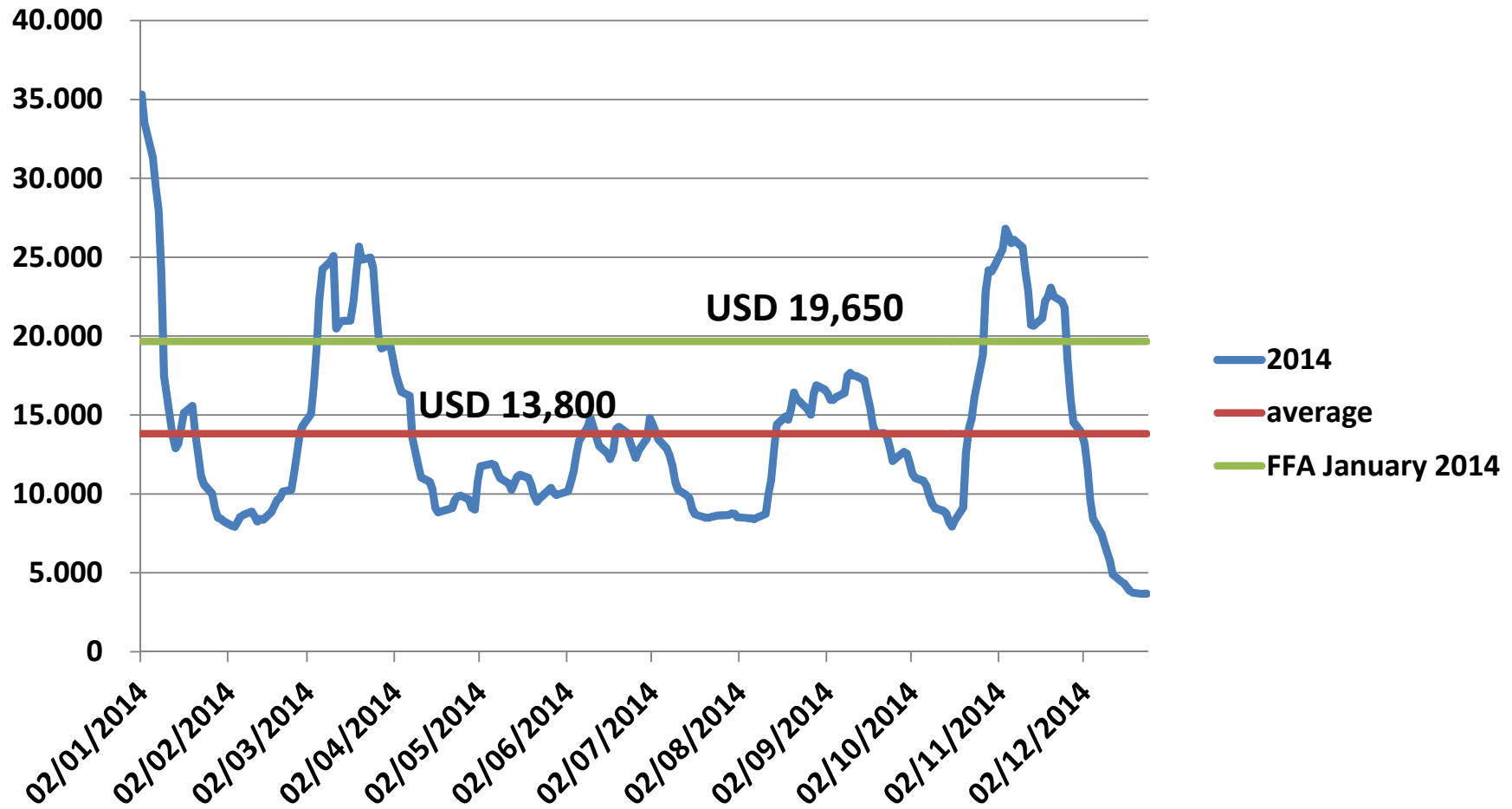
January



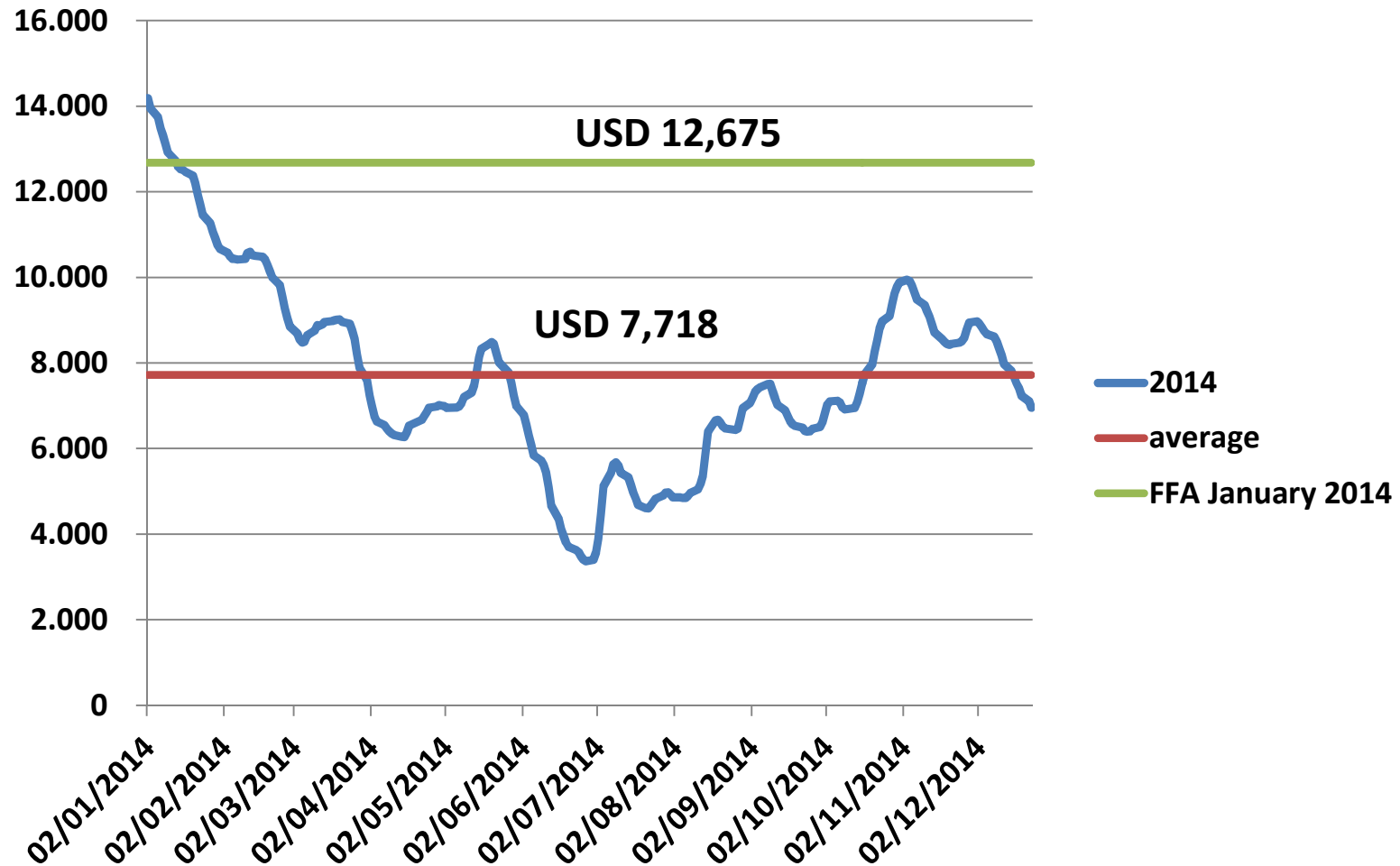
December



2014 Market – Cape Size daily average 4 TC routes BCI



2014 Market – Panamax Size daily average 4 TC routes BCI



SEABORNE TRADES (SSY source)


		March14 Forecast	actual	change	change
	2013	2014	2014	2014	014 vs 013
coking coal	308	323	316	-7	8
steam coal	889	923	864	-59	-25
iron ore	1,239	1,346	1,377	31	138
grain wheat/coarse	232	242	271	29	39
Main commodities	2,668	2,834	2,828	-6	160
Minor commodities	369	392	421	29	52
of which steel	188	193	221	28	33
Grand Total	3,037	3,226	3,249	23	212

Supply / Demand

TRANSPORT GROWTH	2014/13	212 MILL. (+6,9%)
FLEET NET GROWTH	2014/13	30 MILL. (+ 4,8%)
CAPE		14 MILL. (+ 4,8%)
PANAMAX		10 MILL. (+ 5,4%)

- Despite record rises in iron ore, grain and steel trade, together with slower fleet growth, we had weaker than expected vessel earnings.....

What went wrong ?

- Reduced coal imports by China and Europe. 
- Substantially lower port congestion in key coal, grain and iron ore ports lifts dry bulk fleet efficiency. 
- limited offset for lost Indonesian mineral ores.
- 5-year low for bunker prices adds to downward pressure on voyage rates and reduces slow steaming. 

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What's next ??



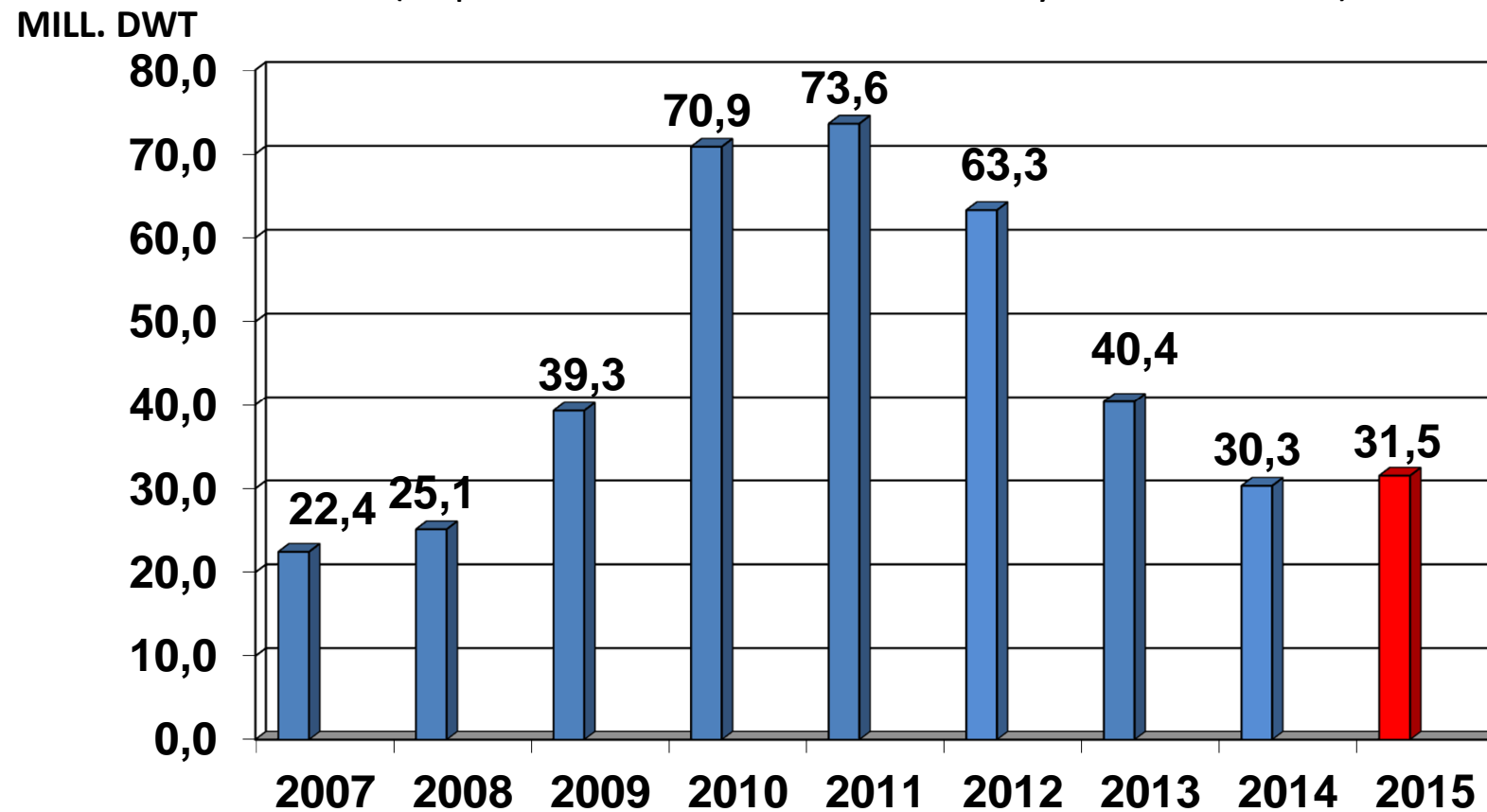
SEABORNE TRADES (SSY source)

		actual	forecast	change		change
	2013	2014	2015	015 Vs 014		014 Vs 013
coking coal	308	316	323	7		8
steam coal	889	864	882	18		-25
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grain wheat/coarse	232	271	264	-7		39
Main commodities	2,668	2,828	2,910	82		160
Minor commodities	369	421	434	13		52
of which steel products	188	221	226	5		33
GRAND TOTAL	3,037	3,249	3,344	95		212

FLEET NET GROWTH

(40 – 100,000+ DWT BULKERS)

(as published on March 15 SSY's Drybulk Forecaster)



2015 EXPECTED SCRAP 20,53 MILL DWT

2014 SCRAP 11,81 MILL DWT

Supply / Demand

TRANSPORT GROWTH	2014/13	212 MILL.(+6,8%)
EXPECTED	2015/14	95 MILL. (+2,9%)
FLEET NET GROWTH	2014/13	33 MILL. (+4,8%)
EXPECTED	2015/14	32 MILL. (+4,8%)
CAPE		12 MILL. (+3,8%)
PANAMAX		7 MILL. (+3,5%)

FFA CAPE 4TC ROUTES

➤	JAN 2014	:	CAL 15	USD 19,650
➤	DEC 23/2014	:	CAL 15	USD 12,000
➤	MAR 20/2015	:	CAL 15	USD 8,625
➤	SPOT RATE			USD 3,341
➤	YEAR TO DATE			USD 4,763
➤	OPEX DAILY COSTS			USD 7,400

FFA PANAMAX 4TC ROUTES

➤ JAN 2014	:	CAL 15	USD 12,675
➤ DEC 23/2014	:	CAL 15	USD 7,475
➤ MAR 20/2015	:	CAL 15	USD 6,625
➤ SPOT RATE			USD 4,710
➤ YEAR TO DATE			USD 4,813
➤ OPEX DAILY COSTS			USD 6,250

Current situation: series of negative factors to dry bulk freight market

- renewed fears of global economic slowdown.
- displacement of high cost iron ore export volumes by low international prices.
- seasonal weakening in iron ore and grain trade.
- Low bunker price to improve fleet efficiency.
- Unfavorable supply/demand ratio.
- Unlikely increase of port congestion.



the new market consensus: *structural oversupply*

- Chinese steel demand is peaking as economy reaches end of steel-intensive growth phase, so limiting upside for steel production and iron ore imports.
- anti-pollution measures, taxes and quotas to reinforce downward trend in China's coal imports.
- Valemax utilization directly into Chinese ports improves fleet efficiency.
- accelerating newbuilding deliveries to cap recovery prospects in 2015/16.



China - main elements affecting Dry bulk demand

- Coal import down about 35m MT in 2014 and estimated between 50 and 100m MT in 2015 to protect domestic producers.
- Hot rolled coils price falling rapidly leading to production cut estimated at about 1,1 % for 2015.
- Iron ore import to rise about 7,1% and reach record figure of 1 bn MT, but as result of displacement of internal production.
- New infrastructure projects balanced by restrictions on real estate new developments.
- Key swing factors will be chinese domestic price for steel and coal.

X – factors....

- Oil price and consequent impact on fuels.
- Political turmoils in Middle East, Central America and Black Sea area.
- Meteorological changes.
- Chinese unpredicted changes of economic strategy.

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VOLATILITY / POSITIONING



2015 – Owners Vs. Charterers.....



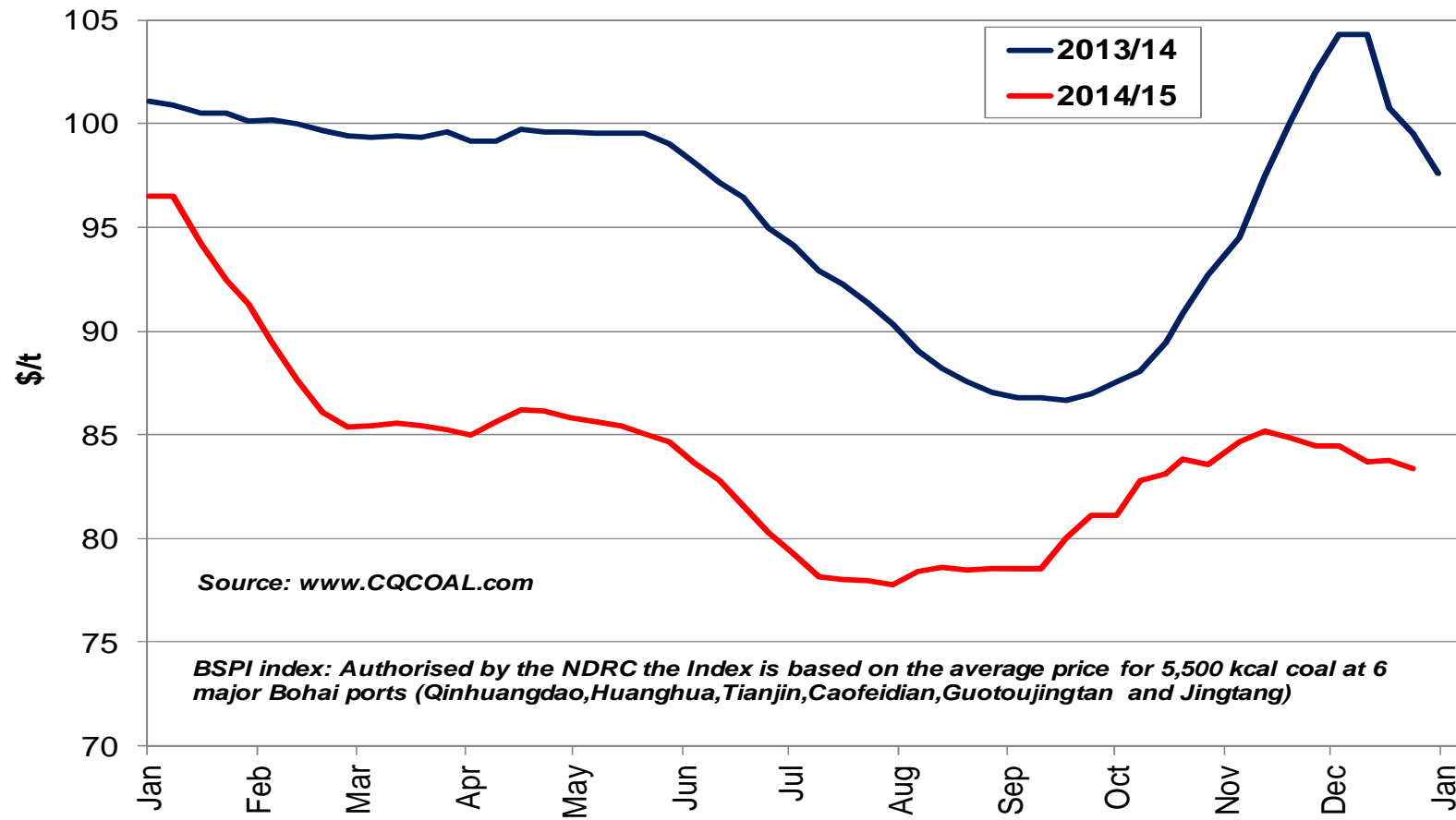
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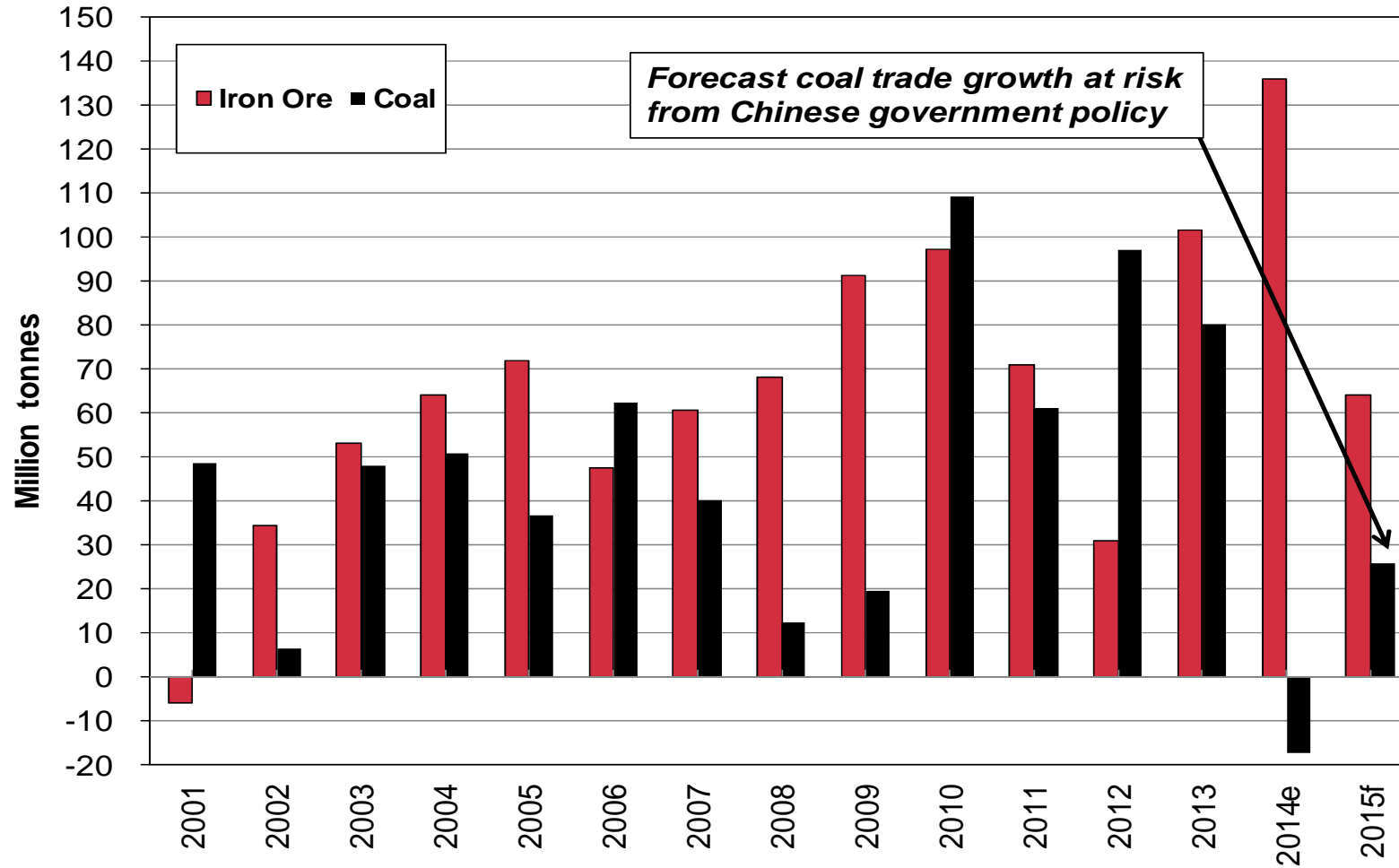


China's domestic steam coal prices





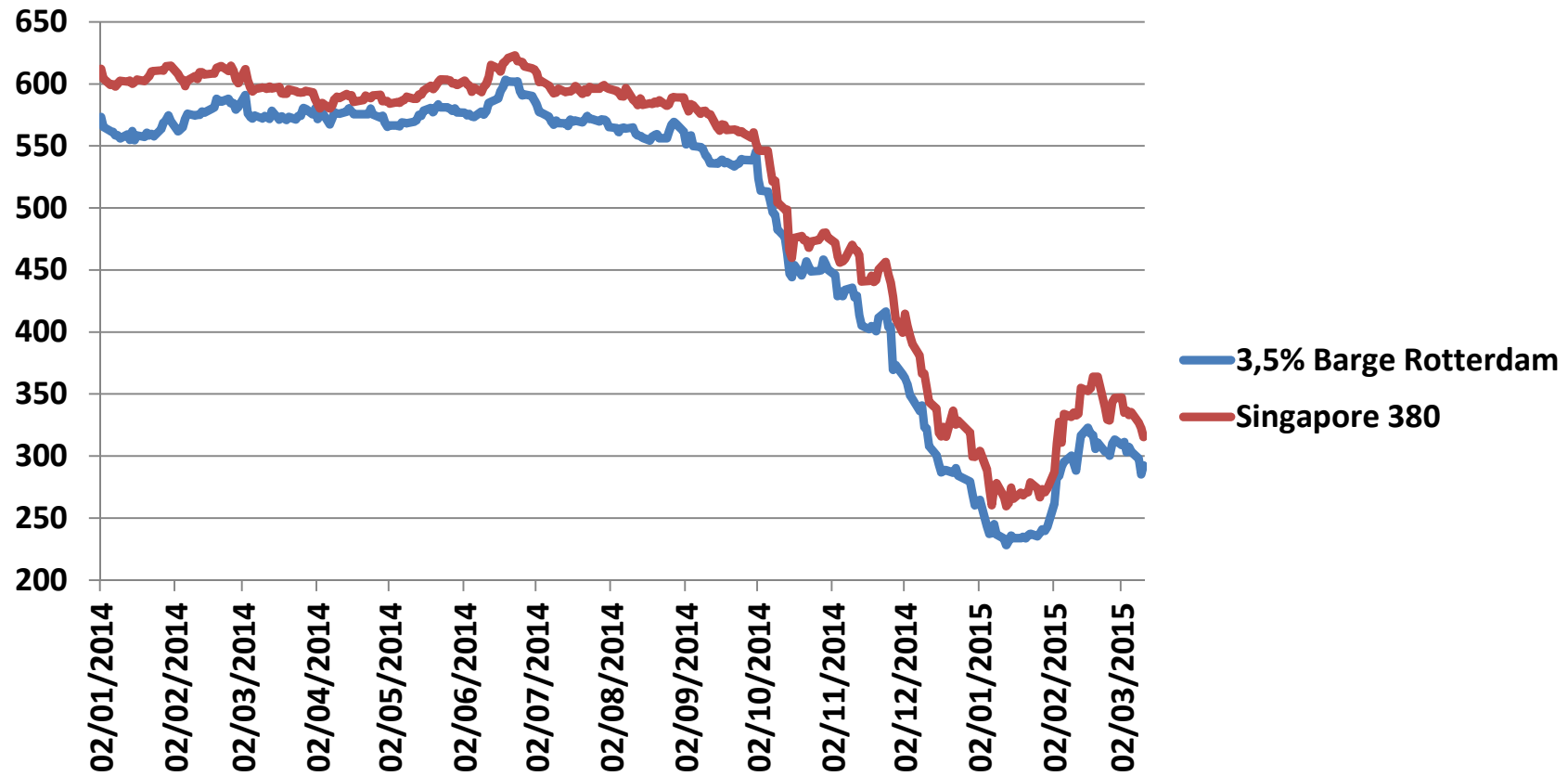
annual growth in seaborne dry bulk trade





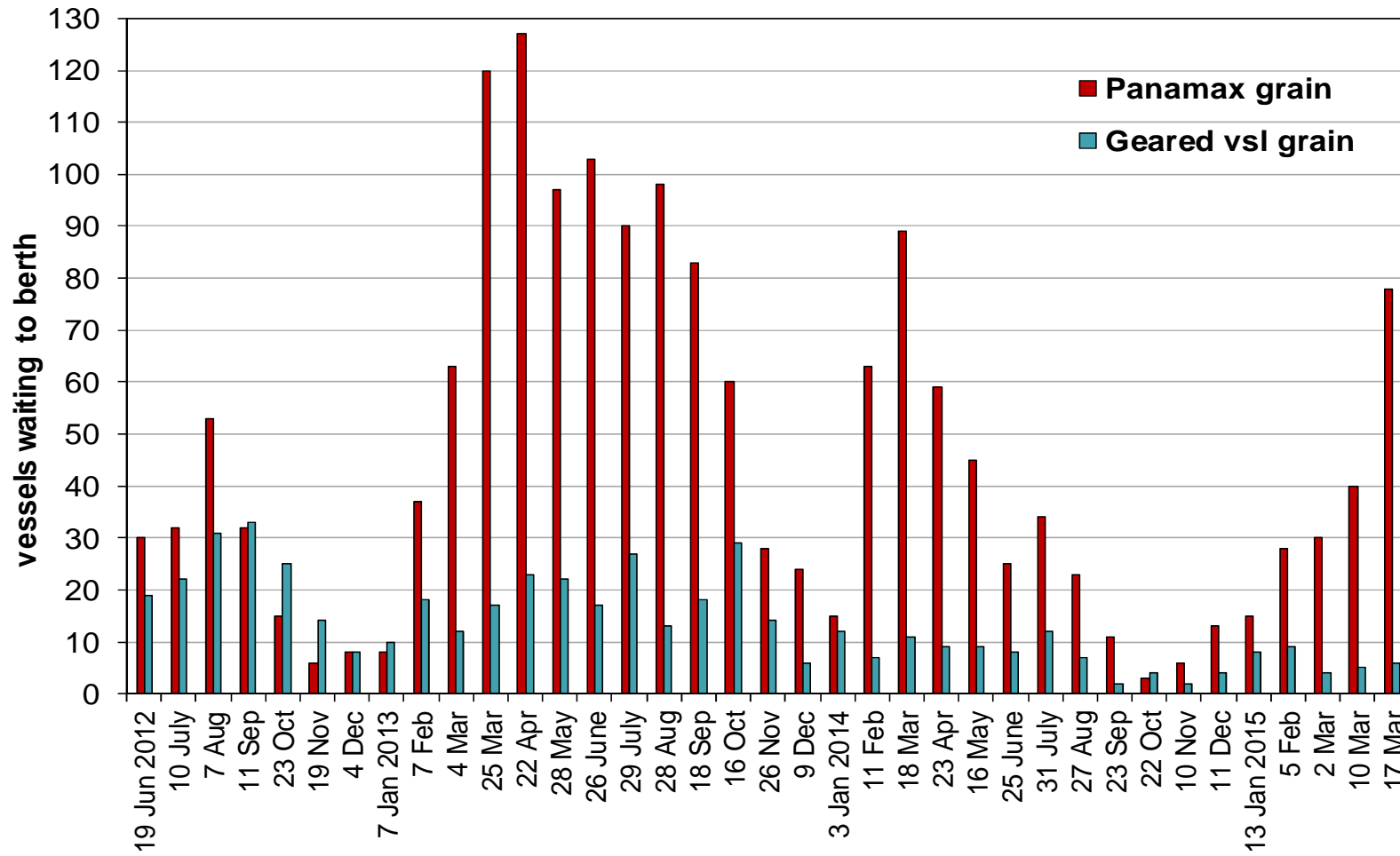
FUEL OIL 2014 ONWARDS

USD/MT





panamax grain port congestion in Brazil



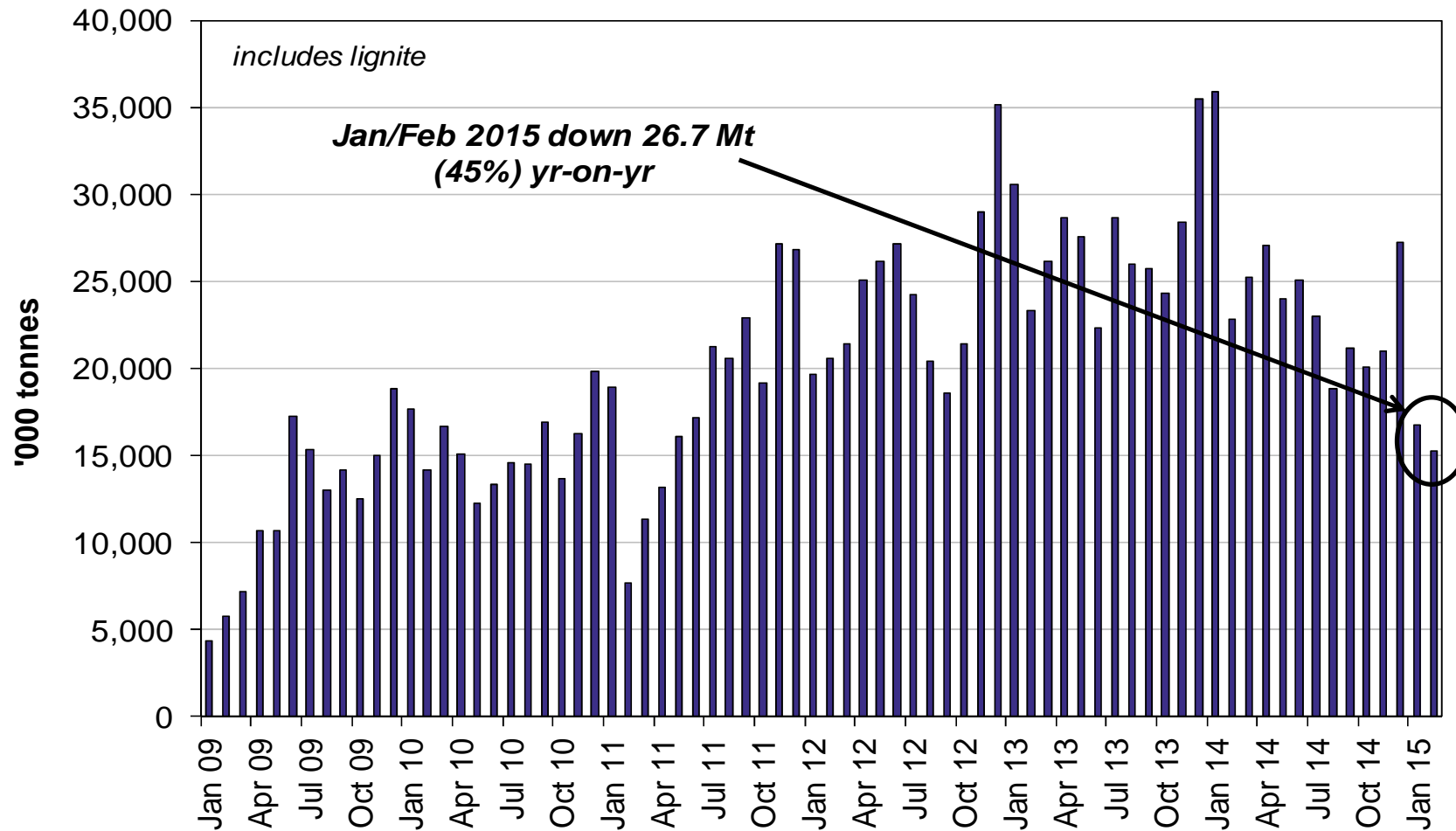


Fuel price impact on freight

Panamax	Jan 14	Feb 15	Diff.	Fuel component
Norfolk/Rott.	15,04	6,34	8,70	2,77 or 32 %
RBCT/Rott.	13,55	7,44	5,91	4,83 or 81 %
Cape Size				
Newc./Qing.	9,61	4,12	5,49	2,09 or 38 %

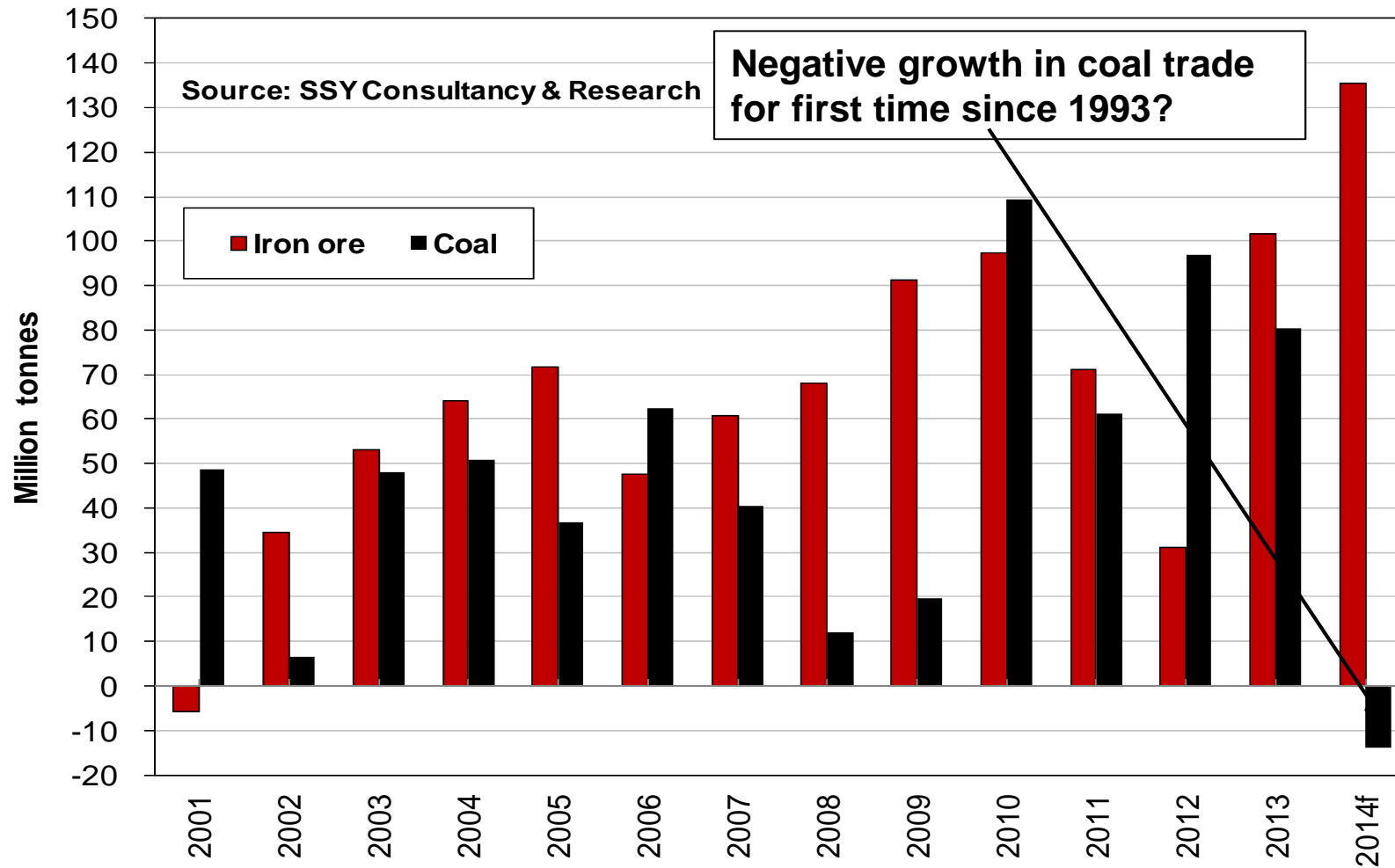


Monthly Chinese coal imports



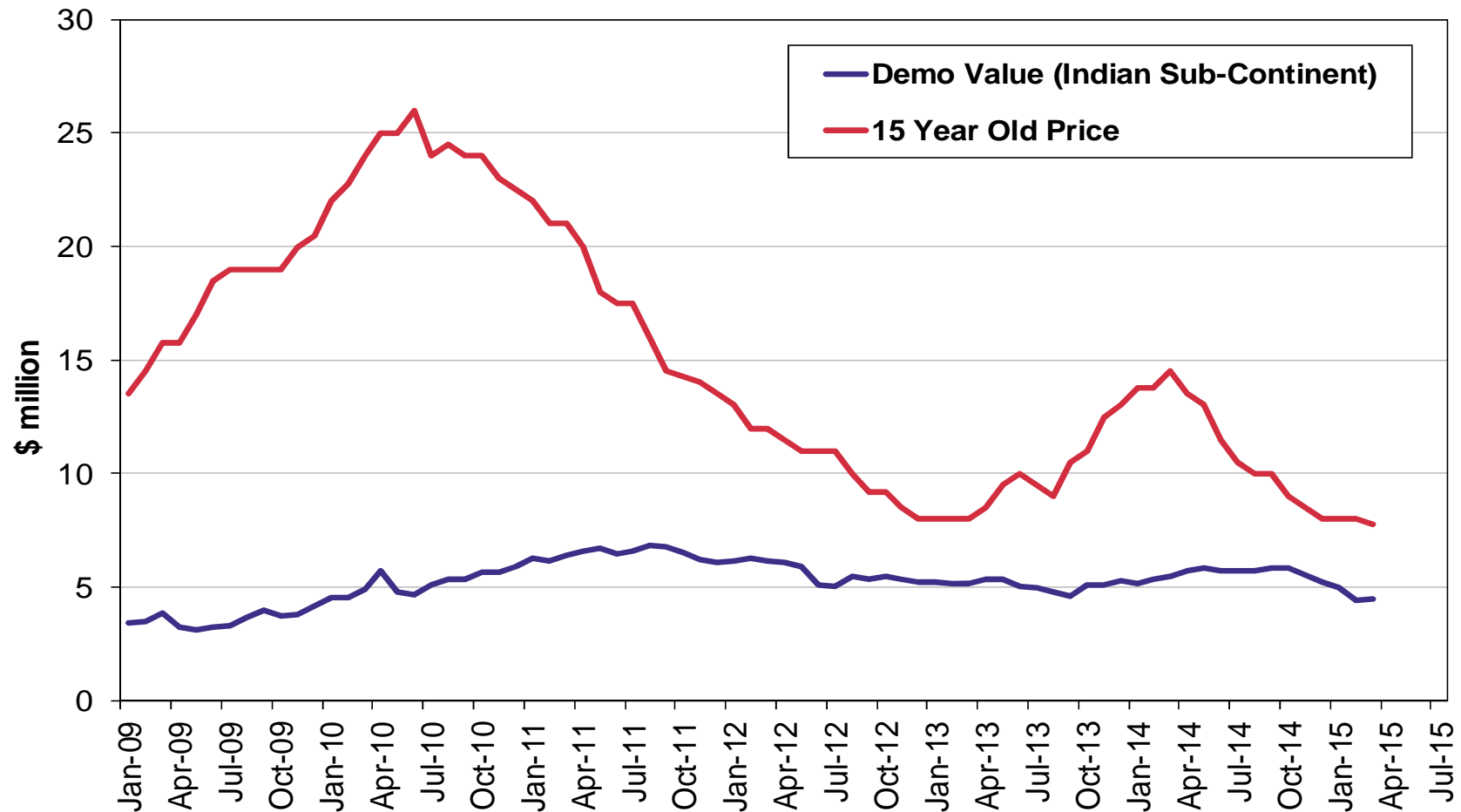


annual growth in seaborne dry bulk trade





Panamax 15 years old second-hand value Vs. Scrap price



Chinese apparent steel demand growth, weakened by oversupplied property market

