

DRY BULK FREIGHT MARKET

2018 REVIEW AND 2019 OUTLOOK

Assemblea Assocarboni - Roma 21 marzo 2019



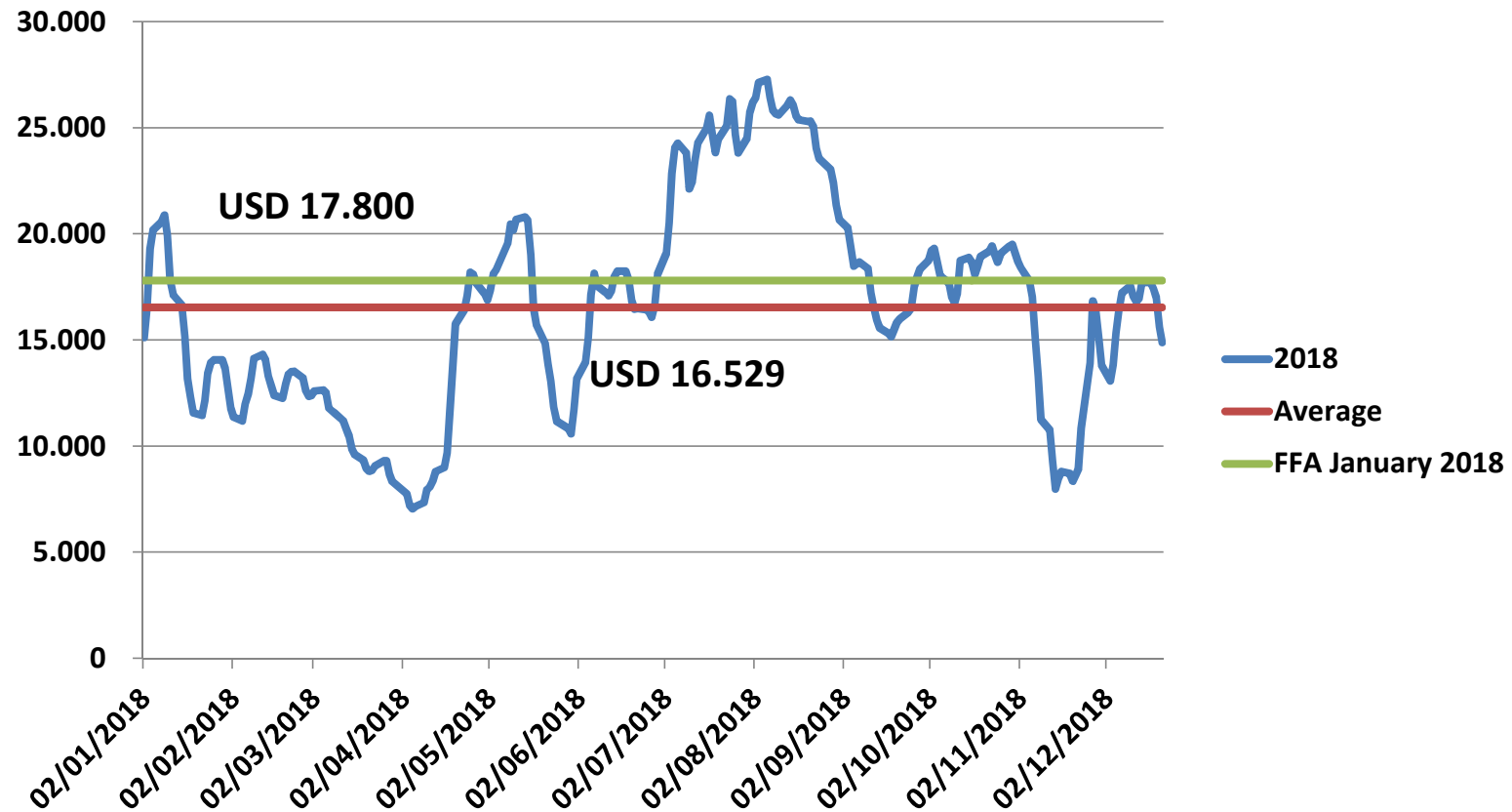
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STRUCTURE OF PRESENTATION

- ❖ Market figures and graphs for 2018
- ❖ Main market movers for 2018
- ❖ Supply and demand outlook for 2019
- ❖ Main market movers for 2019
- ❖ Outlook for 2020 and key factors to watch

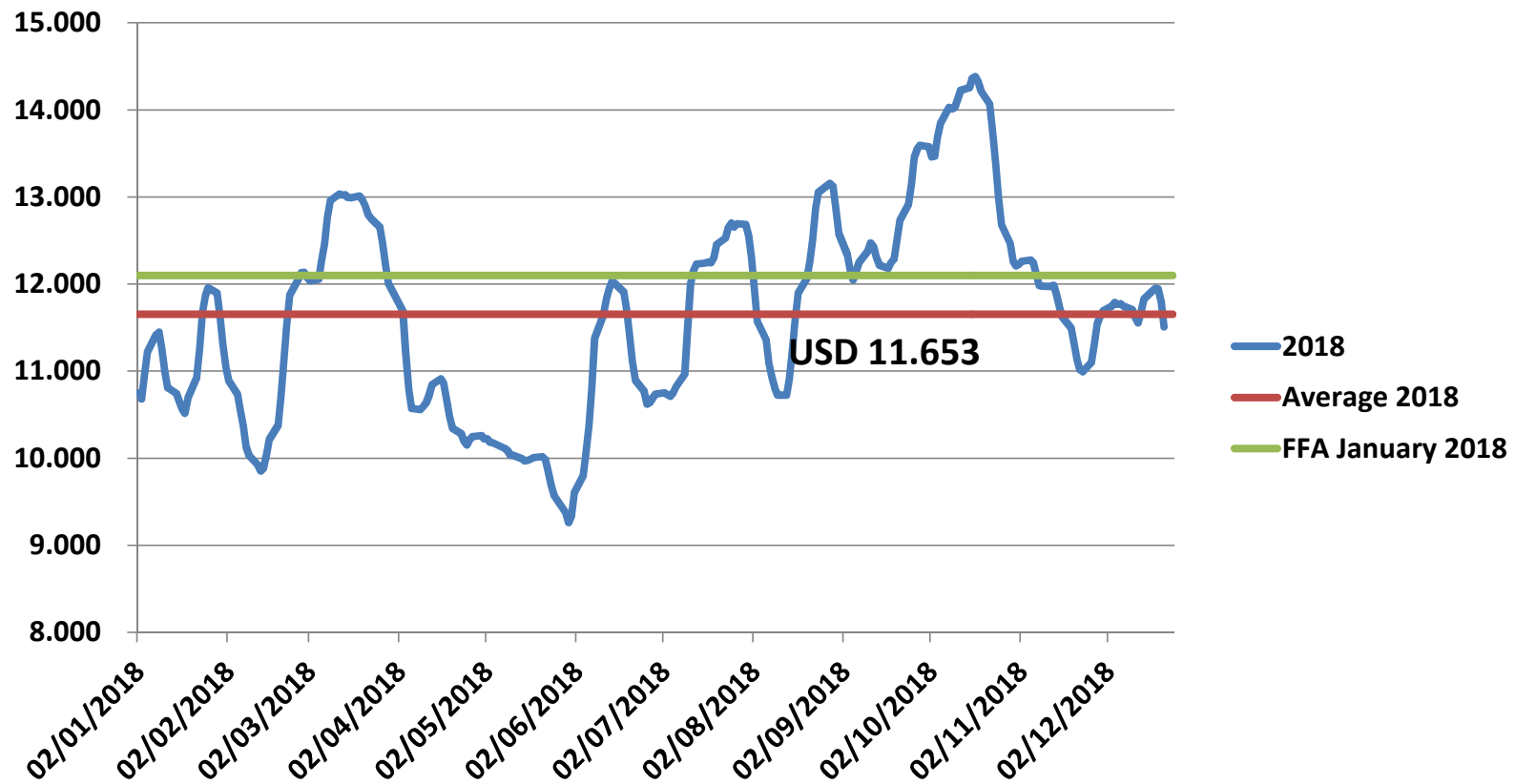


2018 Cape Size average 5 TC routes



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2018 Panamax average 4 TC routes



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SEABORNE TRADE

Seaborne Dry Bulk Trade (MMt)

	2017	2018	growth	%
Coking coal	295	305	+ 10	+ 3.38 %
Steam coal	857	897	+ 40	+4.66%
Iron ore	1,530	1,527	- 3	-0.19%
Grains	504	514	+ 10	+1.99%
Minor	254	242	- 12	-4.90%
Total	3,440	3,485	+ 45	+1.30%



2018 FLEET PROFILE

2018 Net Fleet Change Actual (Mdwt)

	Handysize	Handymax	Panamax	Capesize	Total
Deliveries	+2.75	+5.04	+6.12	+14.26	+28.17
Deletions	- 0.68	- 0.67	- 0.36	- 3.09	- 4.80
Net growth	+2.07	+4.37	+5.76	+11.17	+23.37

2018 Existing Fleet (Mdwt)

Total	830.59
% increase	+2.9%



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SUPPLY/DEMAND RATIO

❖ 2018 ACTUAL FIGURES

Transport growth 2018 Vs. 2017	+ 45 MMT	+1.75 %
Net Fleet growth 2018 Vs. 2017	+ 23 MMT	+2.90 %

❖ ESTIMATE MARCH 2018

Transport growth 2018 Vs. 2017	+ 117 MMT	+3.23 %
Net Fleet growth 2018 Vs. 2017	+ 17 MMT	+2.02 %

But despite that.....



2018 - TC routes evolution

❖ Average 4 panamax TC routes

2017 usd 7,300

2018 usd 11,650

❖ Average 5 Cape size TC routes

2017 usd 15,129

2018 usd 16,529

How did we manage to do that?



2018 MARKET MOVERS

- ❖ High bunker forced very slow steaming
- ❖ Trade war impact on ECSA grain season and ton/mile
- ❖ All above has reduced fleet optimization
- ❖ Accelerated DD for BW implementation
- ❖ Steam coal increase also on long-haul trades



AND NOW WHAT IS NEXT



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2019 EXPECTED TRADE GROWTH

2019 Est. Seaborne Dry Bulk Trade (MMt)

	2018	2019	growth	%
Coking coal	305	315	+10	+ 3.40 %
Steam coal	897	909	+12	+1.40%
Iron ore	1,527	1,544	+17	+1.10%
Grains	514	523	+9	+1.80%
Minor	242	250	+8	+3.40%
Total	3,485	3,541	+56	+1.60%



2019 FLEET PROFILE

2019 Est. Net Fleet Change (Mdwt)

	Handysize	Handymax	Panamax	Capesize	Total
Deliveries	+2.69	+7.24	+11.3	+17.3	+28.17
Deletions	-1.40	-2.26	-3.39	-7.40	-14.45
Net growth	+1.29	+4.98	+7.91	+9.9	+24.08

2018 Existing Fleet (Mdwt)

Total	830.59
% increase	+2.9%



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SUPPLY/DEMAND RATIO

EST. TRANSP. GROWTH

2019/18: + 56.0 MMt. (+ 1,60%)

EST. FLEET NET GROWTH

2019/18: +24.8 MMt. (+ 2,90%)

CAPE 9.9 MMt.

PANAMAX 7.9 MMt.



2019 NEGATIVE MARKET MOVERS

- ❖ Slow down of world Economy including China
- ❖ Major commercial tensions, not only USA/China
- ❖ Dam disaster in Brazil and consequent government steps
- ❖ Chinese policy to support domestic coal prices
- ❖ Above two combined are putting additional pressure on steel mills profitability.
- ❖ Broadly speaking, Chinese unpredictable moves have huge effects on bulk trade
- ❖ Mild seasons and climate changes



2019 POSITIVE MARKET MOVERS

- ❖ End of USA/China trade war
- ❖ Extremely good ECSA grain season and ton/mile
- ❖ New trades surfacing as consequence of disruptions
- ❖ Slow steaming will continue
- ❖ 2020 new low sulphur regulations for fuels



LOW SULPHUR FUEL 2020

- ❖ Full uncertainty still reigns
- ❖ Scrubbers are fitted almost exclusively by stock listed companies
- ❖ The open loop scrubber and its perceptions by non-shipping media
- ❖ Commonly shared view is for refineries to produce suitable fuel.
- ❖ WW availability remains a paramount issue
- ❖ Focus made so far on prices. No one seriously looking at huge technical implications.



LOW SULPHUR FUEL 2020

- ❖ Whichever will be the price, less efficient tonnage will be heavily penalized
- ❖ 20 % of the dry bulk fleet will be more than 15 years old by January 2020.
- ❖ This should increase scrapping, mainly in the smaller sizes
- ❖ WW Compliance in open seas remains an issue
- ❖ LS compliance will create the base of strong market rise in a low market environment.



CONCLUSIONS

- ❖ Market fundamentals are pointing down in all sectors
- ❖ WW political turbulences are creating uncertainties to trade flows
- ❖ Events like the dam collapse in Brazil are hitting strong.
- ❖ LS fuel regulations could be strong enough to reverse the trend
- ❖ Key role of oil industry.
- ❖ Cape sizes remain the most exposed
- ❖ Who will be the winner? Time will tell.....





KEEP
CALM
AND
DROP THE
ANCHOR

LOW SULPHUR FUELS - 2020



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