

By Christiana Gkochari

Amid a difficult period for shipping, stricter emission regulations and financial incentives are being advanced to contribute in the fight against climate change. As part of the green growth, the world's busiest ports seek to promote the use of LNG as a fuel for shipping; granting discounts on seaport dues and taking part in LNG fueling infrastructure investments. Earlier this month, the Keppel Corporation announced a shareholders agreement with Shell to construct a LNG bunkering facility in Singapore; a project that is scheduled to be completed by 2020. Meanwhile, the Port of Rotterdam Authority (PRA) is expected to launch its LNG Break Bulk terminal towards the end of this summer. The new facility will have a maximum capacity of 280 berthing slots per year and, in essence, will expand the Gate terminal with a harbor basin. In fact, the new harbor is strategically located nearby the Baltic and North Sea designated Emission Control Areas - that from January 1st, 2015 are subject to the 0.1% sulfur limit - with the purpose to transform the port of Rotterdam into the LNG hub of Europe.

Although LNG bunkering has attracted much attention recently there is no doubt that the dual fuel market is far from being well-established. Evidently, the demand for dual fuel engines in liner shipping has picked up over the past two years but the orderbook for LNG fueled tankers and bulkers remains low. In particular, shipyards currently hold orders for 8 Handysize tankers and 3 bulk carriers, the largest of which is a Supramax. Nonetheless, these vessels are bound to operate in ECAs and/or refer to niche markets. However, emission reduction is likely to occupy shipping even more in the future as new regulations on global limits are coming into force by 2020, pending a fuel availability review. Also, China is expected to enforce the IMO ECAs Sulphur content limits in its new emission control areas from 2020 onwards. Hence, while different technical measures exist to cut emissions, alternative fuels including LNG are an area that owners will be exploring in the future.

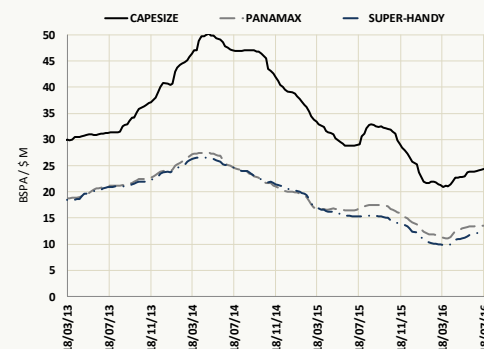
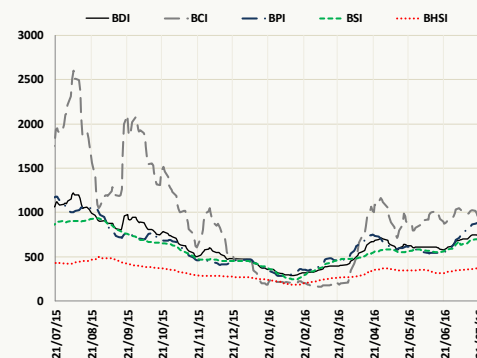
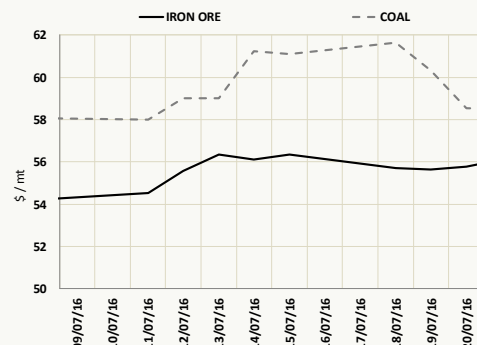


Dry Market

The sentiment in the iron ore market weakened this week on concerns over Chinese growth and port inventories, but the iron ore price is still hovering around the \$56/ton mark. Meanwhile, coal prices were supported by robust Chinese demand and weather related shipping delays, before moving back down; whilst wheat prices also came under pressure during the week on the back of a bumper output from the US winter crop.

Following four weeks of gains, the BDI weakened this week and closed yesterday at 726, 12 points down from last Thursday's closing. Market fundamentals do not support rate increases especially in the Capesize sector; while Panamax earnings that broke the mark of \$7.000/day last Tuesday - after 10 months - showed a downward progress. In the smaller sizes, poor rates in the USG/SKAW route limited the improvement of BSI, whereas Handysize earnings were supported by stronger demand. More specifically, Capes currently earn \$6.632/day, Panamax vessels are trading at \$6.801/day, whereas, Supramax and Handysize ships are earning \$7.331/day and \$5.541/day respectively.

The SnP market was robust this week, reflecting the Panamax boost recorded last weeks. Overall, we reported 14 transactions; of which 1 Kamsarmax, 4 Panamaxes and 2 Ultras. The buying interest is prominent in the Kamsarmax size as supported by the charter market; and especially for modern tonnage and prompt resales. On the other hand, the demolition market was relatively calm as owners seem to hold on for the fourth quarter. Finally, the newbuilding activity was nonexistent for yet another week leaving the year-to-date ordered capacity far below 1 m dwt.

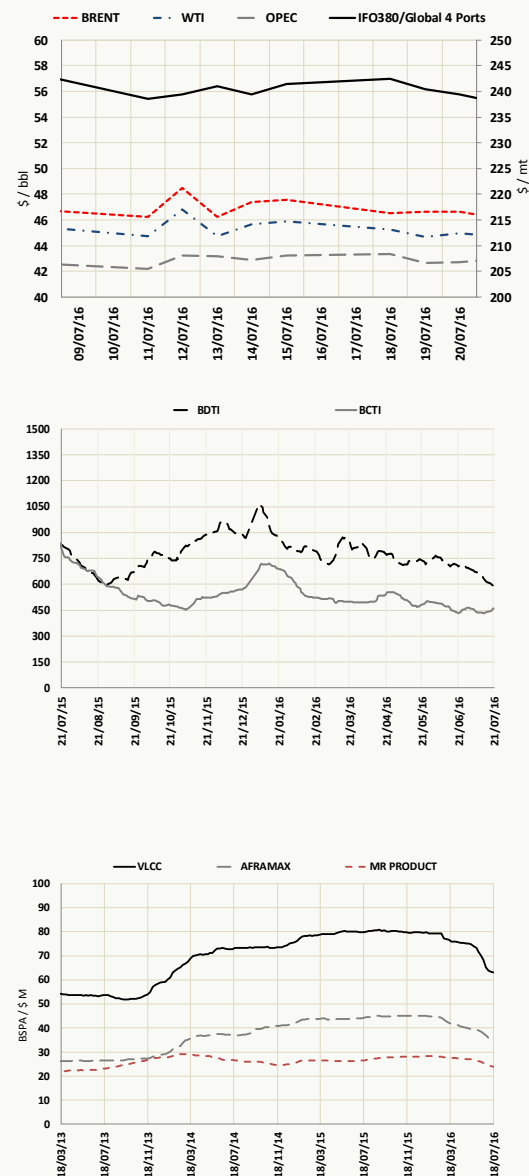


Wet Market

Oil prices increased slightly, after the U.S. Department of Energy reported that crude stocks dropped by nearly 1.8% during the last 9 weeks. Although, indices retreated during the week as U.S. crude oil inventories are at historically high levels for this time of year and there is large amounts of floating oil. In the mean time, the OPEC price settled at \$42.93 a barrel yesterday, compared with \$42.88 the previous week.

The BDTI slipped further during the week and closed yesterday at 589, 31 points down from last Thursday's closing, due to declining volumes in BSEA, WAF and NSEA but also the poorer performance of crude oil product carriers. Rates for VLCCs picked up during the week due to the increase in the demand from MEG, but showed a downward momentum on Thursday. VLCCs trade at about \$26.476/day in the MEG-Japan route, and at \$7.568/day in the MEG-Gulf route; whilst Suezmaxes trade at \$13.511/day in the WAF-Cont. route and at \$9.929 in the Black Sea-Med route. On the clean side, the BCTI recorded an improvement and closed at 462, 27 points up from last week, on the back of the good activity in the MEG to Japan and Cont. to USAC routes.

The SnP activity picked up this week on account of the enbloc sale of a chemical tanker fleet comprising 21 modern vessels; and it seems that the interest for the larger segments has slowed down now. We also reported one new order for 2 chemical tankers that further reflects the interest in the segment. Finally, the demolition market was very quiet this week.



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