

By Christiana Gkochari

A look at shipping companies stocks

When it comes to the stock market, expectations regarding the prospects of the industry are very important, but again, so do expectations on the performance of the individual company. Under the same market conditions the strategic decisions and the specific path that each company has followed can result in different balance sheet statements. In a distressed industry as is shipping, financially healthy companies that could potentially withstand the prolonged crisis would look most attractive to investors. Although, bulk shipping companies stocks remain undervalued.

Ever since the historic 290 mark recorded last February, the Dry Bulk Freight Index rose by 173%. The Capesize index enjoyed the largest gains (+611%) followed by the Supramax (+181%), Handysize (+126%) and finally the Panamax index (+118%). However, despite the improvement noted in the dry freight markets, revenues are still very low and it seems that investors do not expect a real recovery to occur any time soon. In general, companies operating in the sector remained under pressure. According to Bloomberg data, Diana Shipping Inc. recorded a -36.09% YTD return and a -54.80% 1YR return, as of yesterday, while Star Bulk Carriers a 83.10% YTD return and a -54.02% 1YR return. Also, Safe bulkers recorded a 95.06% YTD return and a -49.52% 1YR return whilst Scorpio Bulkers a -61.88% YTD return and a -80.49% 1YR return.

Investors remain equally cautious and pessimistic on companies operating in the tanker market. The charter market has followed a downward trend since the beginning of the year, with the Dirty Tanker Index recording a decrease of 50% and the Clean Tanker Index a decrease of 40%. This had a negative impact on tanker shipping companies. In particular, Frontline, recorded a -50.57% YTD return and a -36.95% 1YR return. Nordic American Tankers recorded a -29.47% YTD return and a -16.65% 1YR return, Teekay Tankers a -59.16% YTD return and a -53.17% 1YR return whereas, Scorpio Tankers a -36.53% YTD return and a -41.90% 1YR return.

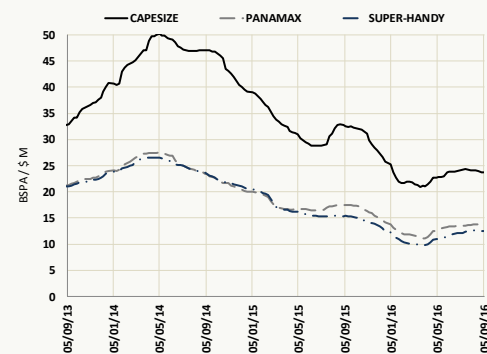
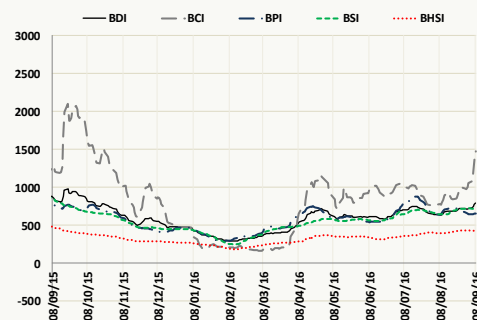
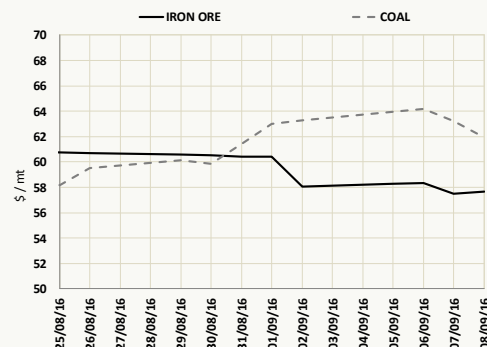


Dry Market

The Chinese iron ore price dropped during the week on the back of declining steel prices and high levels of expected supplies. In the meantime, coal prices were further supported by reducing capacity production in China, before moving back down on Thursday. However, grain prices that edged down on Tuesday on the back of abundant wheat supplies and US corn crop, rose up again on Wednesday on great expectations for next week's USDA data.

The BDI progressed this week and closed yesterday at 792, 80 points up from last Thursday's closing, on the back of higher rates for Capesize vessels. Rates showed a slight improvement in all Panamax routes except for the transatlantic trade that remained under pressure. By contrast, the Supramax index dropped this week on declining activity out of the US as well as in the Cont.-FEAST route. Finally, the Handysize index also slipped this week as firm activity in the Pacific could not make up for the losses recorded in the other routes. Overall, Capes currently earn \$10.170 /day, Panamax vessels are trading at \$5.253/day, whereas, Supramax and Handysize ships are earning \$7.251/day and \$6.044/day respectively.

In the SnP market the interest remains in the smaller sizes; Overall 7 bulkers changed hands; 6 bulkers sized from Handysize to Ultramax, and 1 Panamax. It is interesting to note that Supramax Fleet Phoenix 55K/06 Mitsui was inspected by 10 buyers. On the other hand, 1 bulker was sent for demolition, which was an old Panamax. In the newbuilding front we reported one new order from Wisdom Marine for two eco Ultramax bulkers bringing the company's Ultramax orderbook to 6. The company has a total of 23 bulkers currently on order and zero Capesizes.



Wet Market

A weaker dollar and the agreement between Saudi Arabia and Russia to cooperate in stabilizing the oil market supported oil prices, but as hopes for a production freeze faded gains softened. However, on Wednesday, official data reporting drop in US inventories moved prices back up. Meanwhile, the OPEC price settled at \$44.61 a barrel yesterday, compared with \$42 the previous week.

The BDTI progressed this week and closed yesterday at 536, 22 points up from last Thursday's closing. Crude oil activity increased across all routes, but the demand out of Baltic Sea and North Sea showed the largest boost. In particular, the Aframax route out of Baltic Sea gained 34% to stand at WS69.44, while the route out of North Sea gained 11% to stand at WS91.67 points. VLCCs trade at about \$15.580/day in the MEG-Japan route, and at \$4.050/day in the MEG-USG route, Aframaxes earn about \$6.809/day on average, whilst Suezmaxes trade at \$9.061/day in the WAF-Cont. route and at \$4.557 in the Black Sea-Med route. On the clean side, the BCTI declined and closed at 416, 25 points down from last week on weakening demand across all routes.

The SnP market remained quiet for yet another week. However, the interest for stainless steel chemical tankers was reflected with the sale of Princimar Americas 20K/04 at \$18.5m and Diamond Orchid 20K/08 at \$20.5m. In both the demolition and the newbuilding front we reported zero activity this week. The number of new orders placed decreased significantly this year given that over 50 m dwt tankers were ordered in 2015.

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