

S&P MARKET

July 2016 saw a 48% reduction in the total value of secondhand sales concluded, compared to July last year. The total amount spent on second hand vessels was usd 1,627 mil compared to usd 3,083 mil last year. Bulker and Tanker sales were down 13% in July 2016. The largest drop was in the Container sector where only 2 sales were concluded compared to 31 in July 2015.

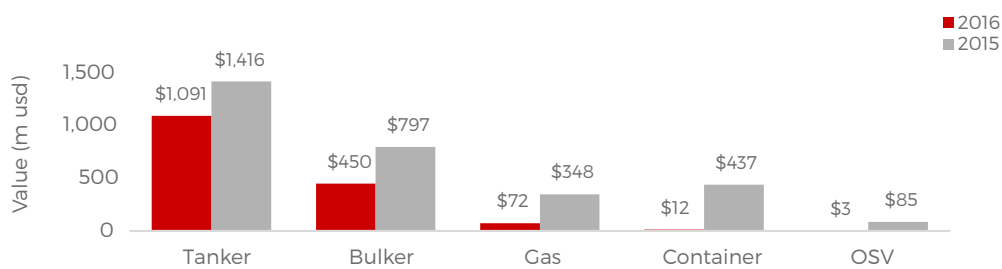


Figure 1: Total value of sales taken place in July 2016 compared to July 2015 for each ship type.

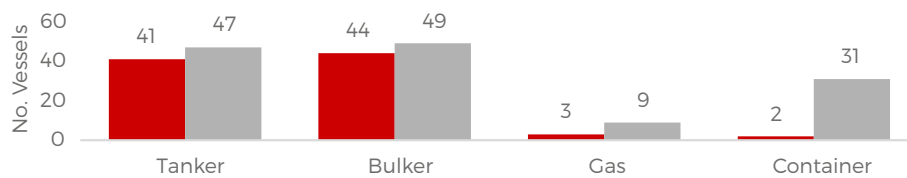


Figure 2: Total number of sales in July 2016 against July 2015.

NEWBUILDING

Only 12 newbuilding orders were placed in July 2016.

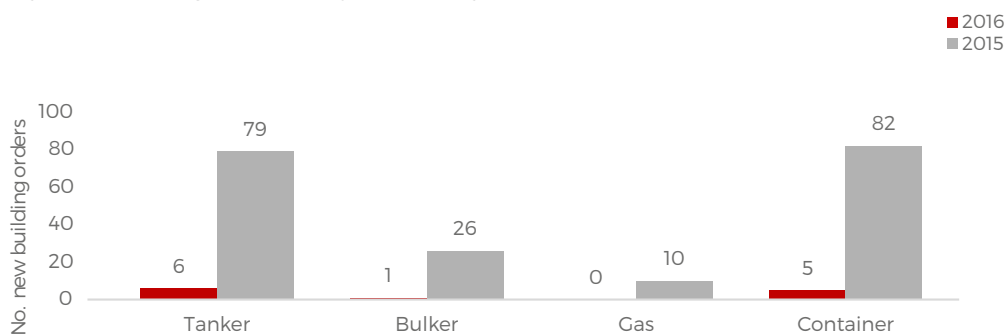


Figure 3: Total number of new building orders in July 2016 against July 2015.

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Modern bulker values have firmed throughout July, Panamaxs have shown the greatest rise. Older tonnage has remained fairly constant however there have been slight decreases within older Supramax vessels.

Capesize values remain steady. The biggest deal of the month was the sale by ZOSCO of the Zosco Jiaxing and Zosco Shao Xing (176,000 dwt blt 2009 Jinhai) at usd 14.80 mil each to Sinokor.

Supramaxes also remain stable at the modern end with older tonnage declining in value due to scrap prices. This is evidenced by Darya Maya and Darya Rani (64,000dwt blt 2016 Huangpu) sold for usd 16.90 mil with VV valuing at usd 16.87 mil and Atlantic Altamira v(51,000dwt blt 2001 Oshima) sold usd 3.65 mil.

Handy Bulkers saw slight increases in value in modern tonnage with the Ethel L (35,000 dwt blt 2010 SPP) sold for usd 9 mil. Meanwhile older values fell with the open hatch sisters New Mariner and New Laurel (31,000dwt blt 1999 Hyundai) selling at usd 2.80 mil.

The busiest dry bulk sector was Panamax bulkers with 15 sales concluded in July. The highest impact has been in resale vessels, with Blue Planet Shipping buying 4 vessels; SBI Twist, GMI Francesca, GMI Tarita and BSI Trafalgar (82,000 dwt blt 2016 Jiangsu) at usd 19.50 mil and VV valuing at 18.60 mil, a significant uplift on last done. Older vessels have not enjoyed such an uplift with the Nord Pegasus (75,400 dwt blt 2007) selling at usd 8.50 mil, a price only marginally above Februarys slump.

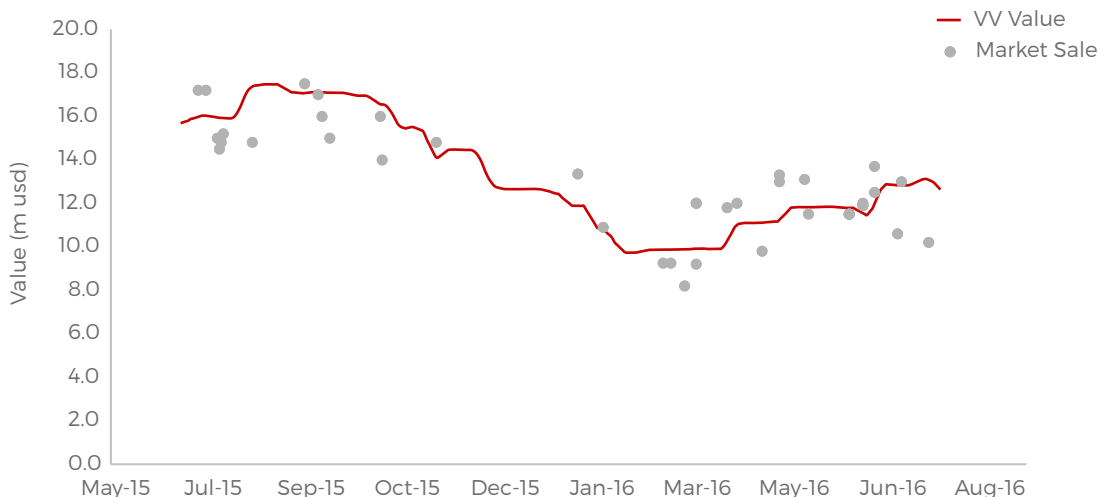


Figure 4: Fixed Age 6 yr old Market Value for a Panamax Bulker against normalised sales from 1st July '15 – 31st July '16.

Overall Panamax bulker values have increased following the downturn seen at the start of the year.

Figure 4 demonstrates the relationship between the VV value and Panamax sales from 1st July 2015 to 31st July 2016, sales are normalised for Age, Size and Specification of vessel.

SCRAPPING

Scrapping of older Bulker tonnage has been much talked about but is yet to materialise. Demolition sales have increased by only 10% in July 2015. Even with this increase in bulker scrapping the total on water bulk fleet has grown by 2m dwt in July 2016 (3.2m dwt delivered and only 1.2m dwt scrapped).

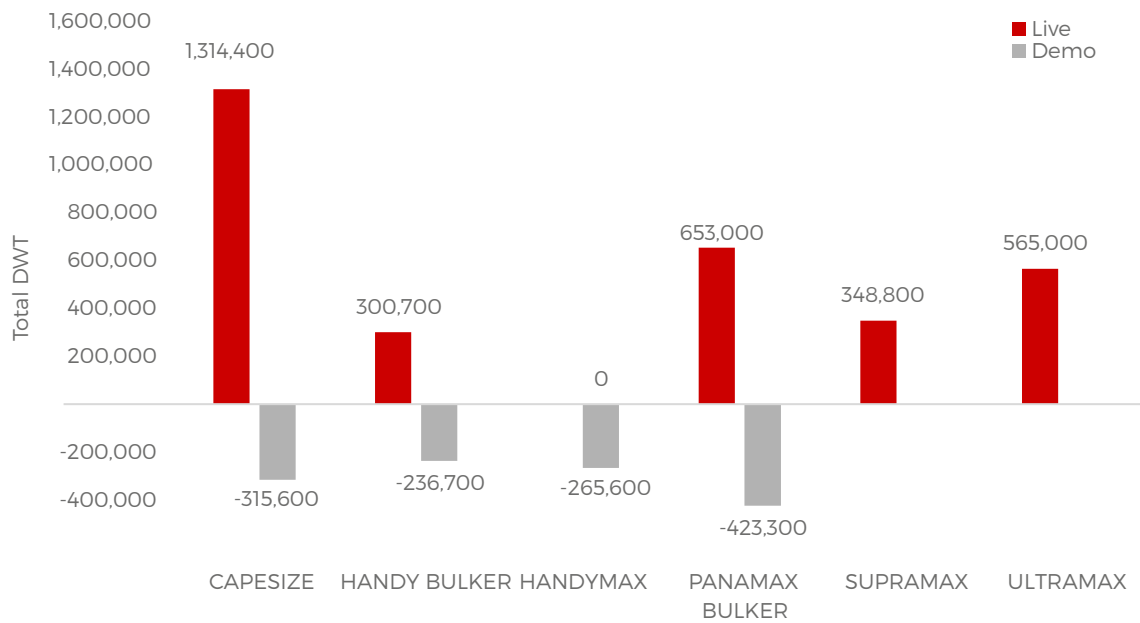


Figure 5: Total bulker dwt delivered vs scrapped in July 2016

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Tanker values have continued to fall throughout July, with the most noticeable reductions in older tonnage.

VLCC values remain relatively consistent throughout July. Out of the 3 sales that have taken place Euronav have bought 2 of the sister resales Hull 792 and Hull 791 (300,000 dwt blt 2016 Hyundai Samho) at usd 84.00 mil, a price in line with the previous sale of two Metrostar VLCCs in June. A slight decrease in value can be seen for the older vessels GenMar Vision (312,700 dwt blt 2001 Hyundai heavy) sold at usd 28.00 mil.

Although no Suezmax sales took place in July 2016, a number of negotiations contributed to the drop in values.

Aframax values continue to fall with the TH Sonata (107,500 dwt blt 2008 Tsuneishi) sold for usd 25.50 mil which is the cheapest an 8 year old Aframax has sold for since January 2014. Figure 6 demonstrates the relationship between the Aframax VV value from 1st July 2015 – 31st July 2016 and Aframax sales for the same time frame, normalised for Age, Size and Specification of vessel.

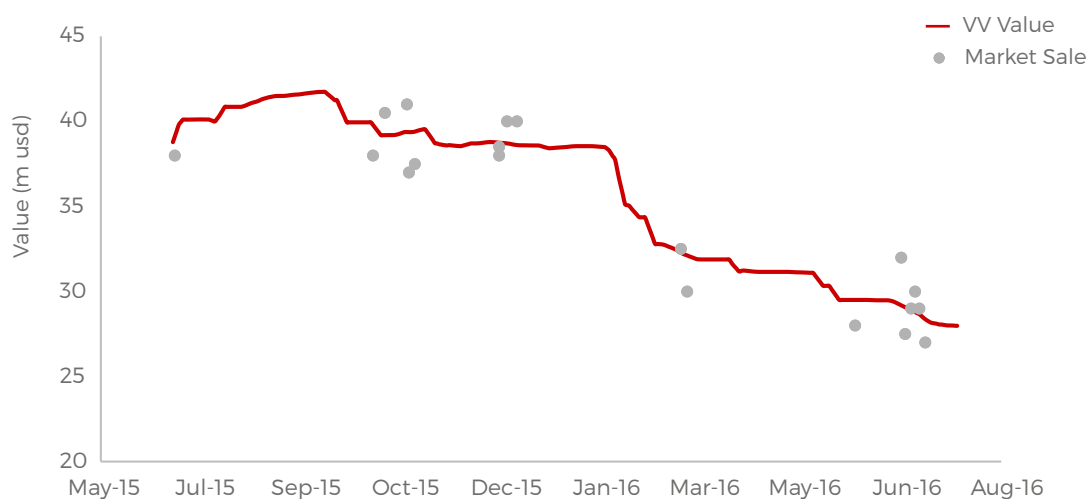


Figure 6: Fixed Age Aframax Market Value for a vessel of 8 yrs old and normalised sales from 1st July '15 – 31st July '16.

Handy Tankers experienced a flurry of activity with 25 Handy Tankers sold during July 2016. 17 of these Handy's bought were bought by Stolt Tankers, who also purchased 4 Small Chemical Tankers (19,500-37,600 dwt blt 1993 up to resales) from Jo Tankers AS. In total Stolt Tankes spent usd 575 mil. VV valued at usd 566 mil the day before the sale.

RATES

The Crude spot market has softened further over the past months with VLCC, Suezmax and Aframax TCE estimates all coming close to hitting 2-year lows.

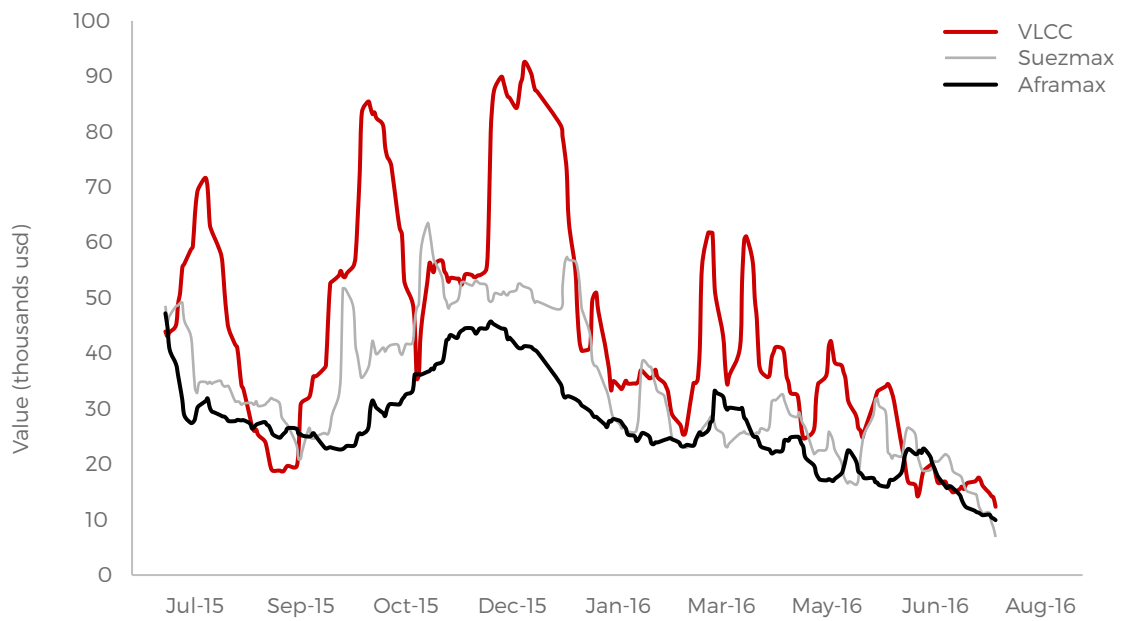


Figure 7: Daily crude tanker spot rate 1st July 2015 – 31st July 2016 for VLCC, Suezmax and Aframax Tankers.

Source: Baltic Exchange

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The Container fleet has had a quiet July: a small decline can be seen within the values especially for older Panamax vessels, however two sales have taken place within the Sub Panamax sector. The Lilac (2,824 TEU, blt 2005) sold for usd 8.00 mil compared with VV's market value of usd 8.50 mil on the day of the sale, showing a slight decrease in market value for this sector. Neither Handy or Feedermax Containers have seen sales in the last month therefore the market remains constant.

SCRAPPING

A combination of low charter rates; over-supply of tonnage and the widening of the Panama Canal has seen an increase in the number of container vessels sent for demolition. 25% of those sales are vessels built 2000-2002, indicating some owners are not willing to put these vessels through their third special survey.

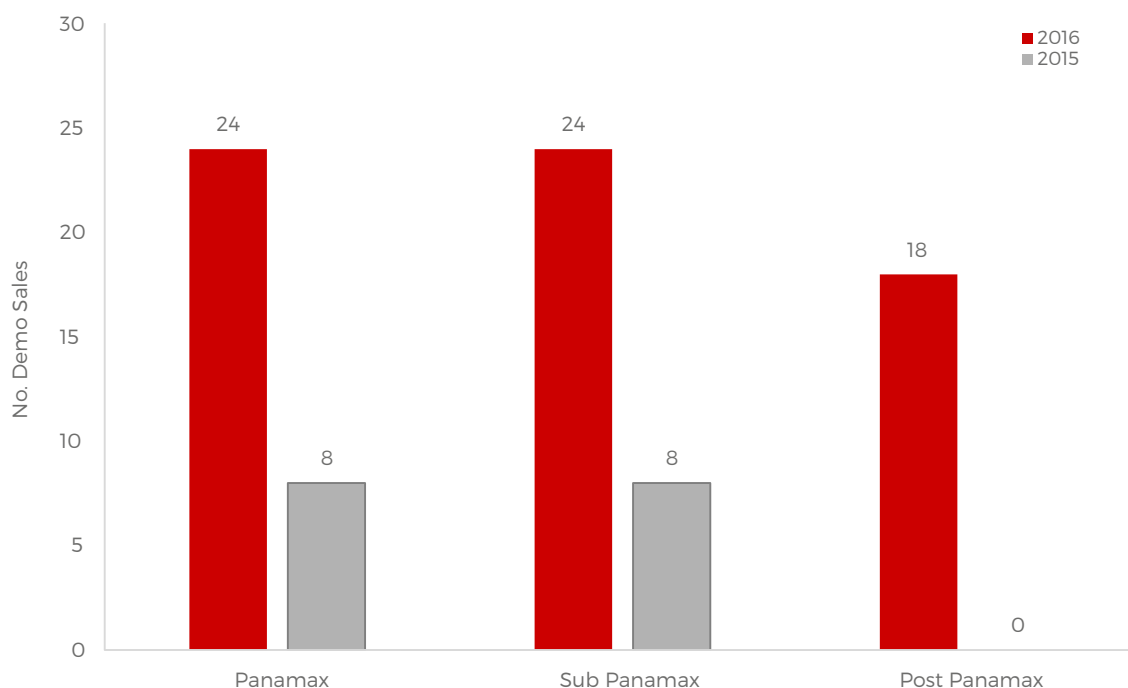


Figure 8: Panamax Container Demolition sales for January - July 2015 and demolition sales January - July 2016

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LNG values remain constant as no sales have taken place and no major changes in charter rates have occurred.

LPG values for VLGC vessels have also remained stable, the sale of BW Borg (84,301 CBM, blt 2001 Kawasaki) sold for usd 42.50 mil. MGC vessels have had a significant decrease in value following the sale of the Gas Oriental (35,533 CBM, blt 2003 Hyundai heavy) at usd 22.00 mil, a low value compared to the Cambridge (34,485 CBM, blt 2006 Hyundai Heavy Ind) which sold at usd 41.50 mil back in February. The Sigas Margrethe (5,000 CBM, blt 2006 Sasaki) sold end of July for usd 7.00 mil SS Due, bringing down the values of older tonnage.

RATES

The LPG sector has seen values fall over the course of 2016 as a result of a softening in the charter rates, especially in larger tonnage. In July 2015, the Baltic Exchange's LPG Index usd per ton was at usd 140 and monthly charter rates were at usd c.3.5 mil, currently they are at usd 25 and usd 500,000 respectively. In terms of values this has resulted in resale VLGCs falling from c. usd 78 mil to c. usd 71 mil.



Figure 9: Gas Charter Rate on route BLPG1 1st July 2015 – 31st July 2016. Source The Baltic Exchange.