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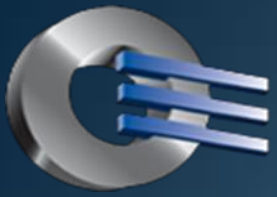
Serving the Shipping Industry with Quality and Professionalism Since 1981

Dry Bulk Market Outlook

09 May 2016

IMSF Annual Meeting 2016 - Athens.

Prepared by Angelica Kemene | Research Executive



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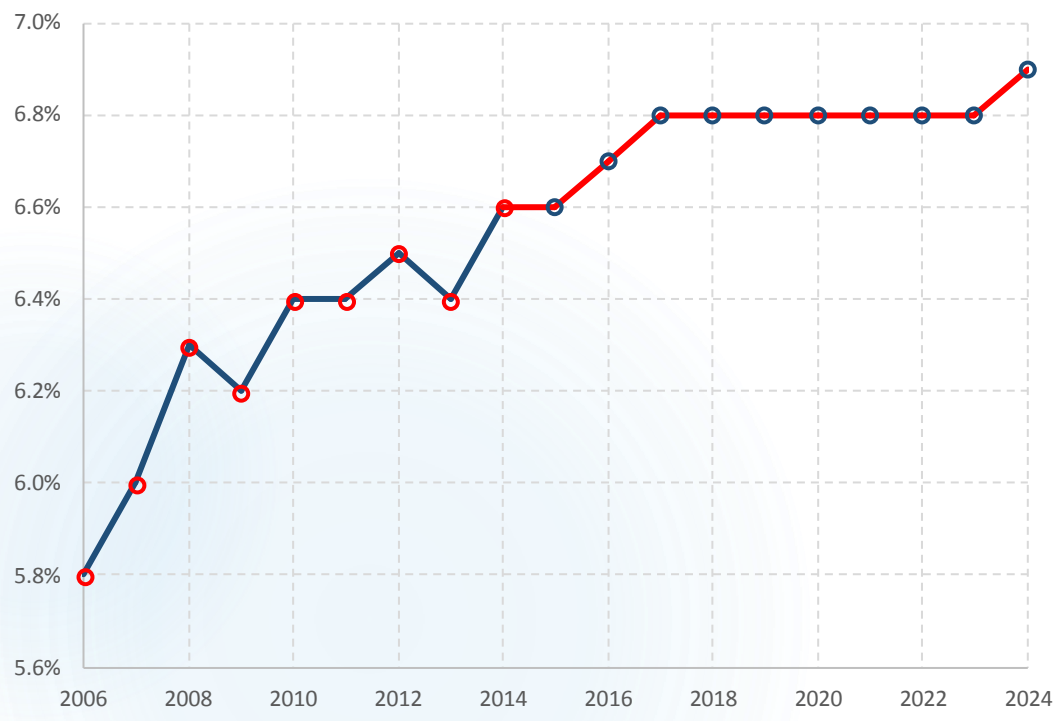
Dry Bulk Demand Outlook

Short term & long term demand



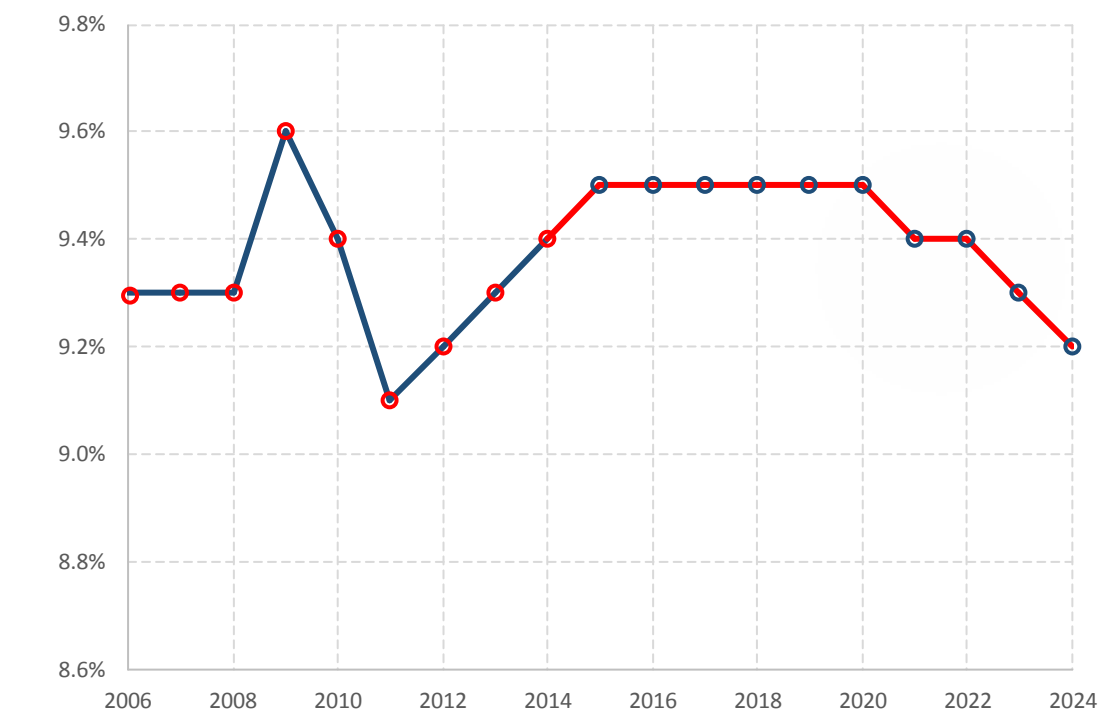
Global infrastructure spending on the rise

Global Infrastructure spending trends by % of GDP



Source Data: Oxford Economics

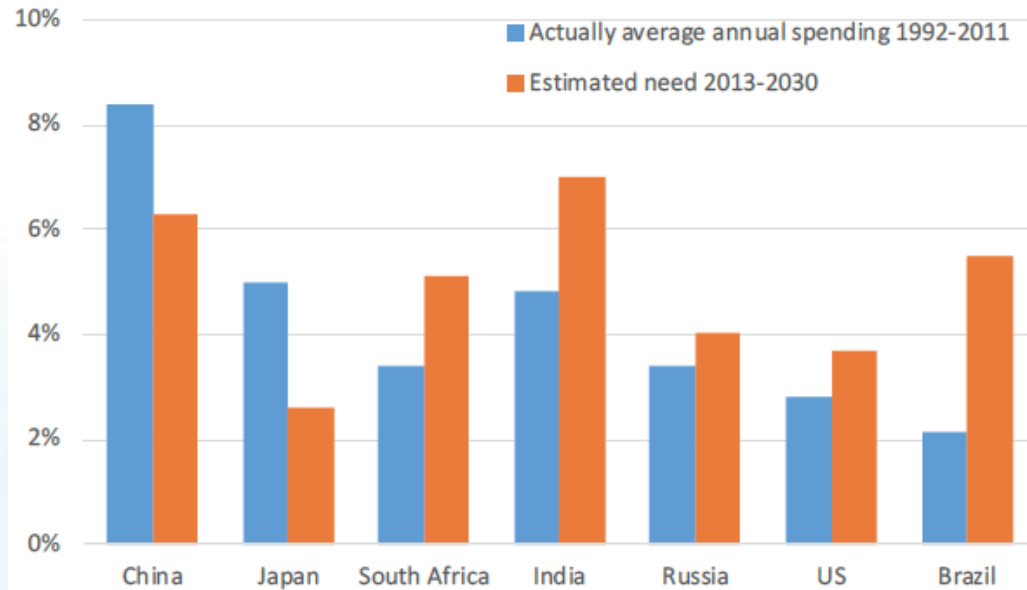
Asia-Pacific Infrastructure spending trends by % of GDP



- ✓ Overall, spending on infrastructure will rise, benefiting companies that specialize in big transport and construction projects.
- ✓ Infrastructure spending in Asia-Pacific is expected to soar to \$5.3 trillion per annum by 2025, accounting for nearly 60% of the global total over the next 10 years. China and India, where urbanization is in full swing, along with ASEAN countries should dominate the picture.

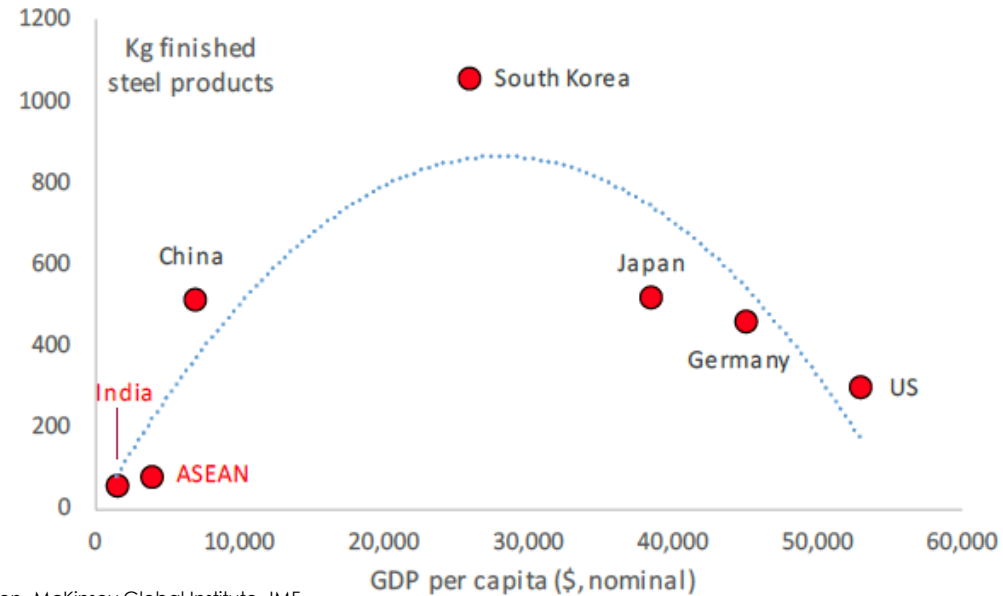
Asian Infra Investment Bank potential

Infrastructure spending as % of GDP

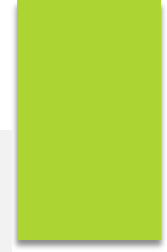


Source Data: World Steel Association, McKinsey Global Institute, IMF

The development curve of GDP growth and steel demand

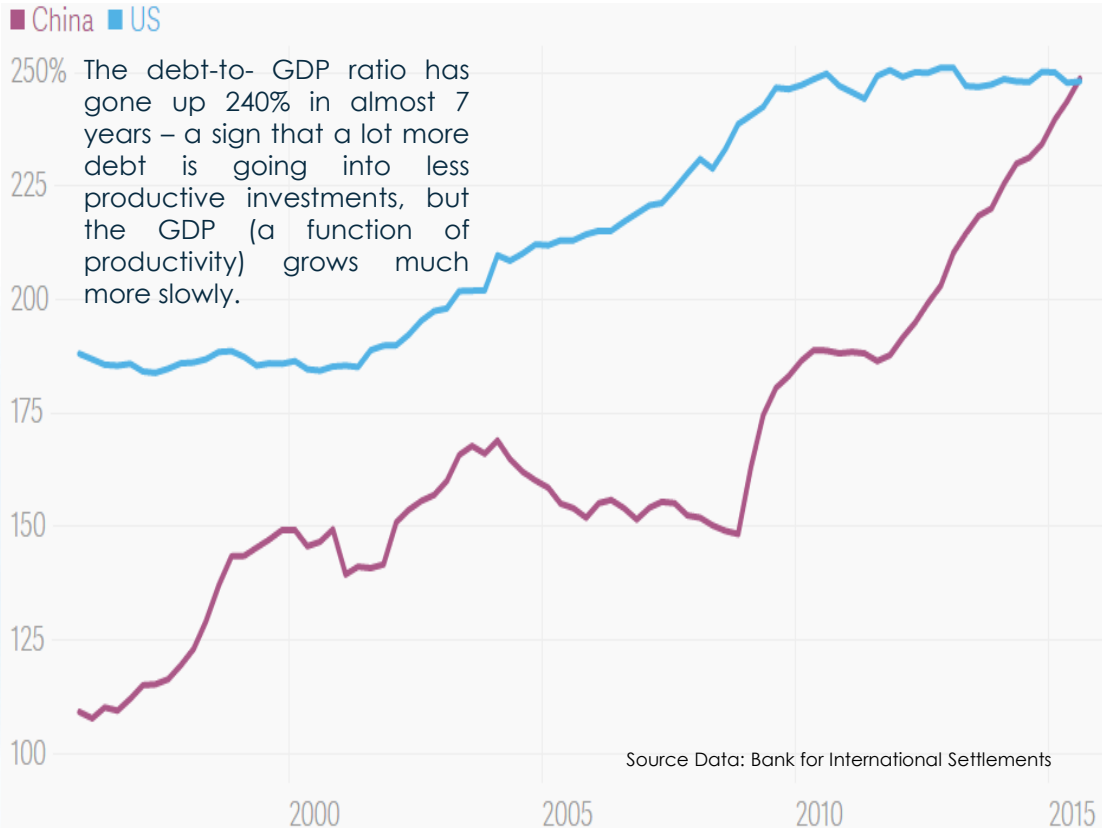


- ✓ The Asian Development Bank estimated that in the coming decade, the demand for infrastructure investment across Asian countries will be as high as \$730 billion per year, which is far larger than what the current international funds can provide (about \$20 billion). The AIIB led mainly by China, India and Russia is expected to “fill the gap”.
- ✓ Should the AIIB function well over the coming years, India and other Asian countries will likely move up along with the curve (right hand side chart), following in China’s footsteps. From there on, the new steel demand will be transferred to the iron ore and coke demand, while the new energy demand will likely trickle down into increased fossil fuel demand. At the same time, there is another way in which these projects will support the freight market: the shipment of building materials (such as steel or cement) from the capacity holding countries to the end-user countries.

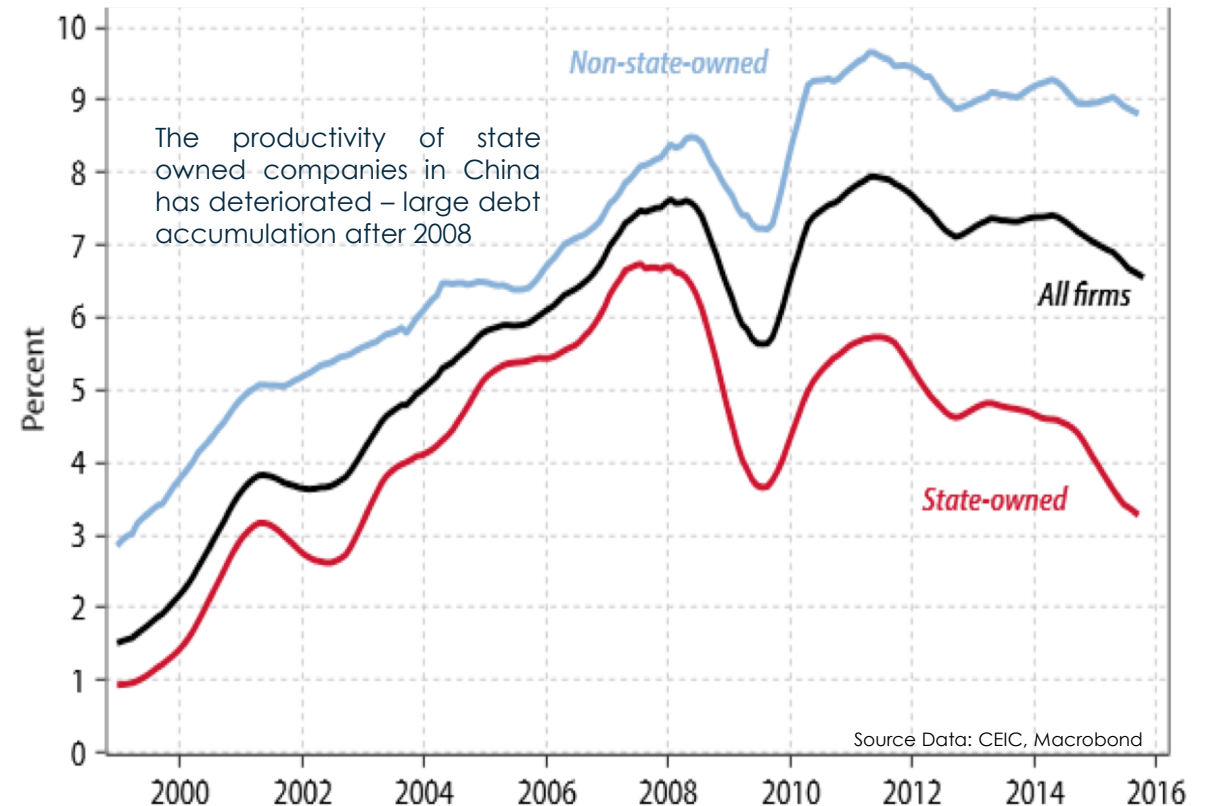


China's debt load

Total nonfinancial debt – to GDP ratio, quarterly

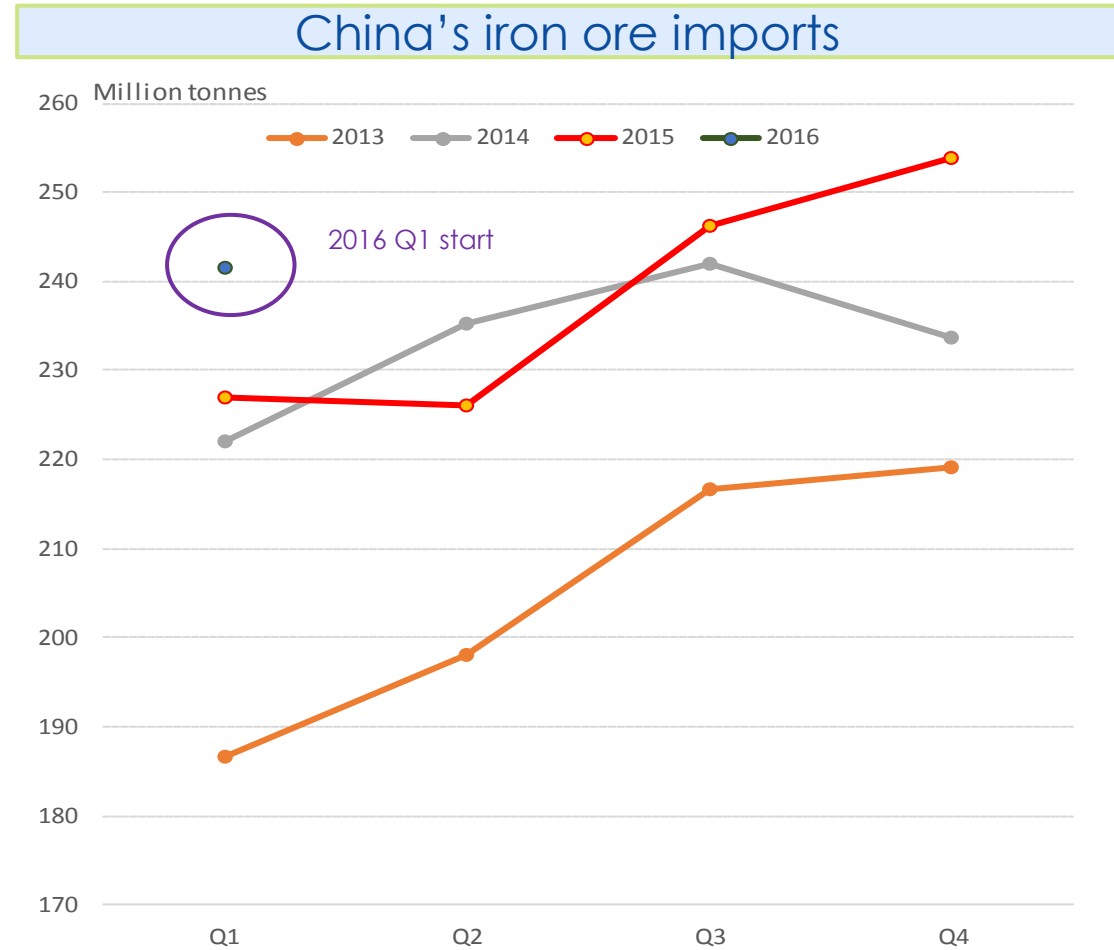
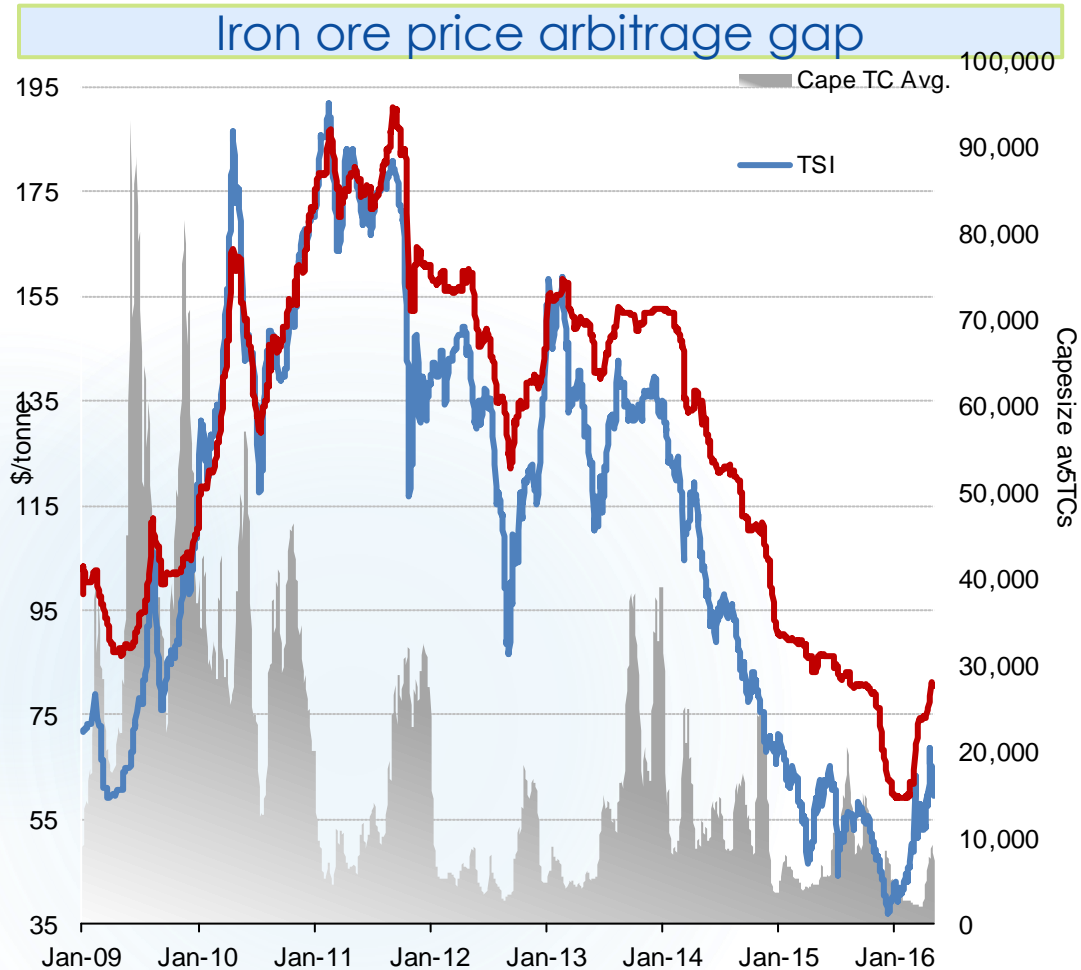


Return on assets of Chinese Industrial enterprises



- ✓ Financial sector reform was looking promising but has fallen into disarray. The problem crystallized last year. Reformers wanted a more flexible exchange rate and a more vigorous stock market. But you had others who viewed the stock market simply as an index of economic performance and the exchange rate as an anchor of stability.
- ✓ China from now on will vigorously promote PPP in infrastructure and public services investments. About 1,043 projects have been unveiled since the launch of the PPP library with estimated investments totalling 1.97 trillion yuan or \$309 billion. - In 2009 China spent on stimulus 4 trillion yuan or around \$650 billion
- ✓ Part of the country's growth over the last 30 years was building all the infrastructure. And that job isn't completely done. But it's done enough so that it becomes a much smaller part of the equation. Therefore the GDP is falling

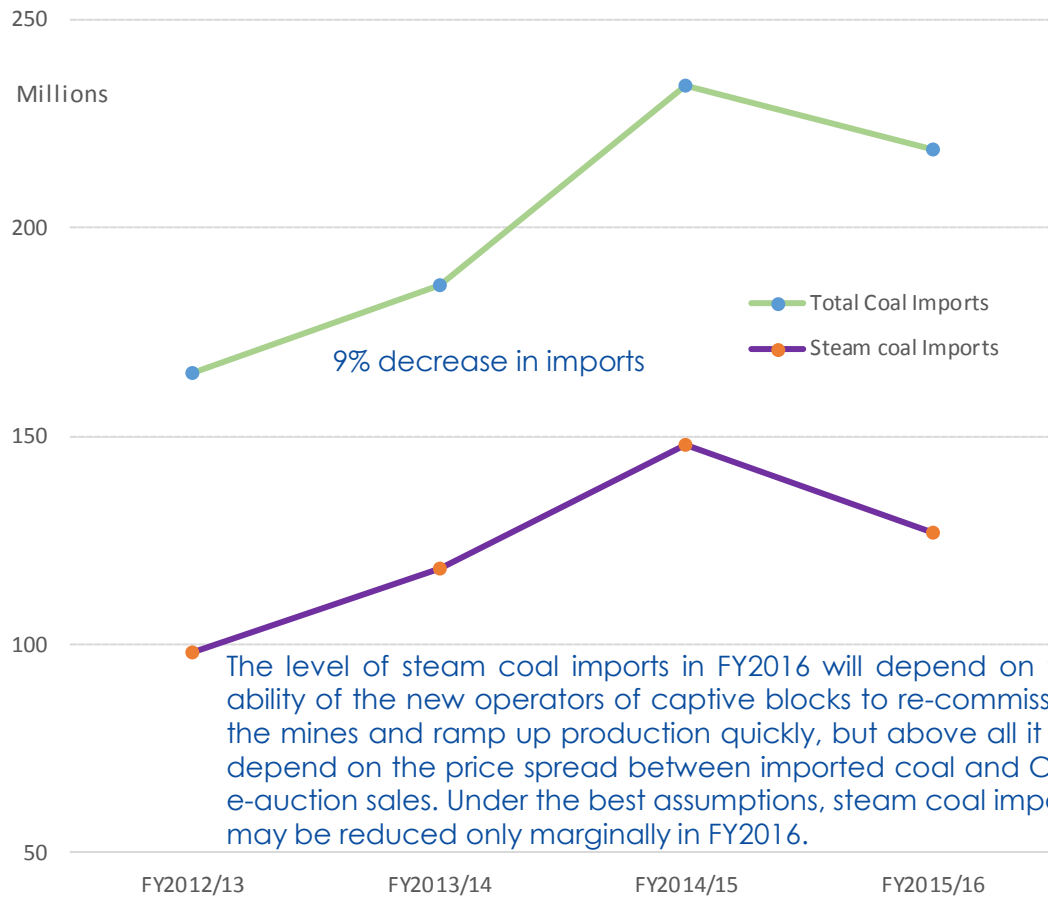
China: iron ore imports



- ✓ The huge iron ore price gap between China's domestic market and the international market has resulted in the surge of China's iron ore imports in 2014, however a change in domestic fundamentals resulted in a 10% growth in iron ore imports in China in 2015 approx. at approx. 954MT.
- ✓ Iron Ore imports have been affected in part because of the depreciation of the Chinese currency coupled with the slow down and change in policy of the Chinese economy & the steel industry
- ✓ Iron ore trade is mainly driven nowadays by restocking activity

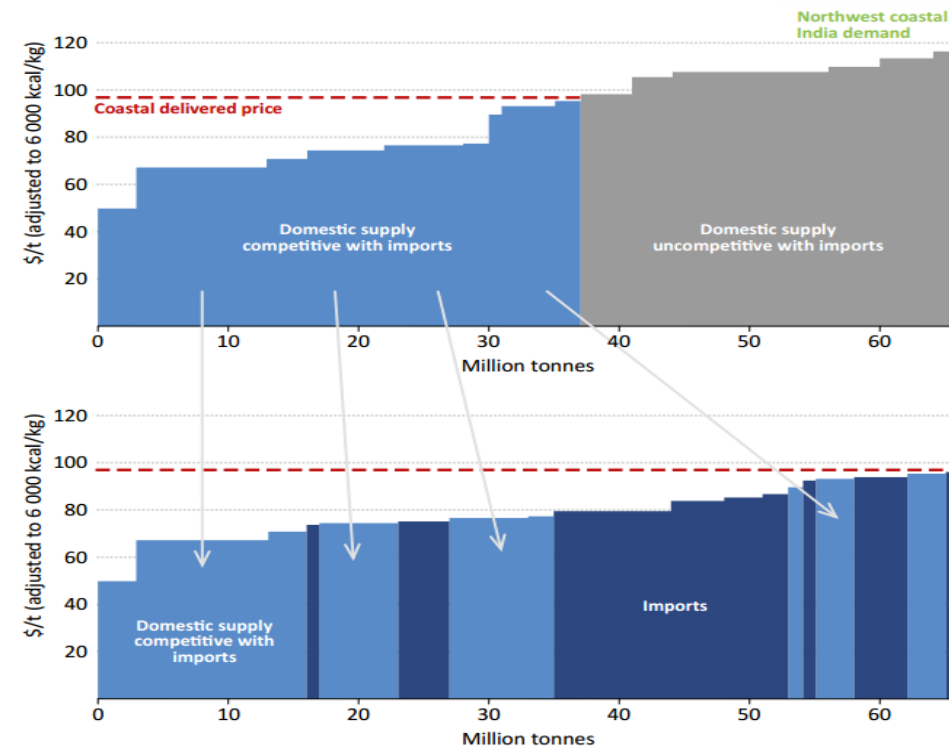
Coal: India's potential is fragile

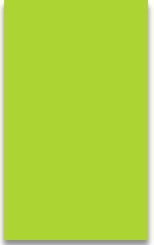
India's Coal imports



Indicative cost of coal delivered to northwest coastal India

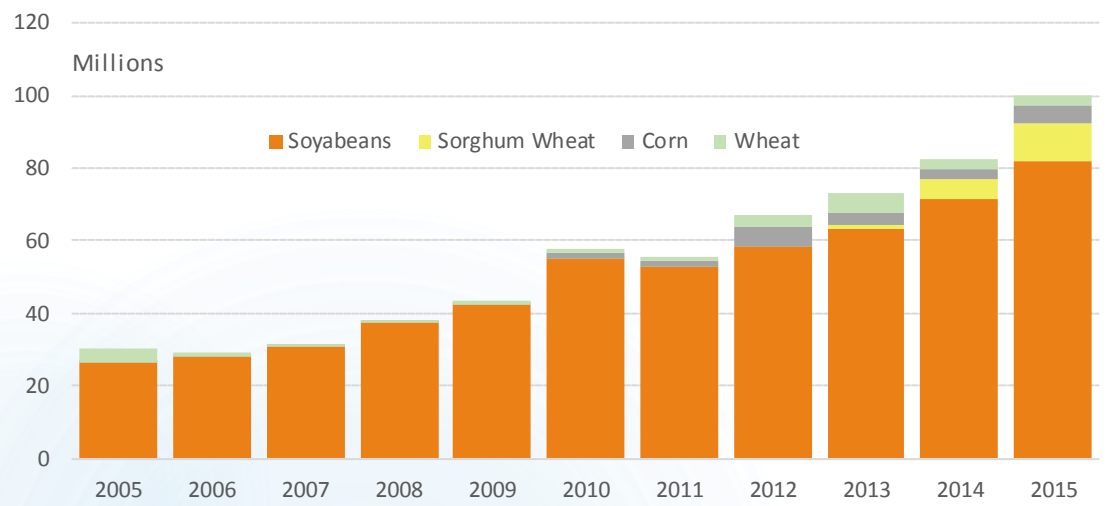
In the long run, the region might become a key arbitrage point, playing an important role in the pricing of internationally traded coal too. Under these circumstances, a continued share of imports is beneficial to the Indian economy, helping to keep coal supply costs down across the country.





Grain trade: front haul trade potential

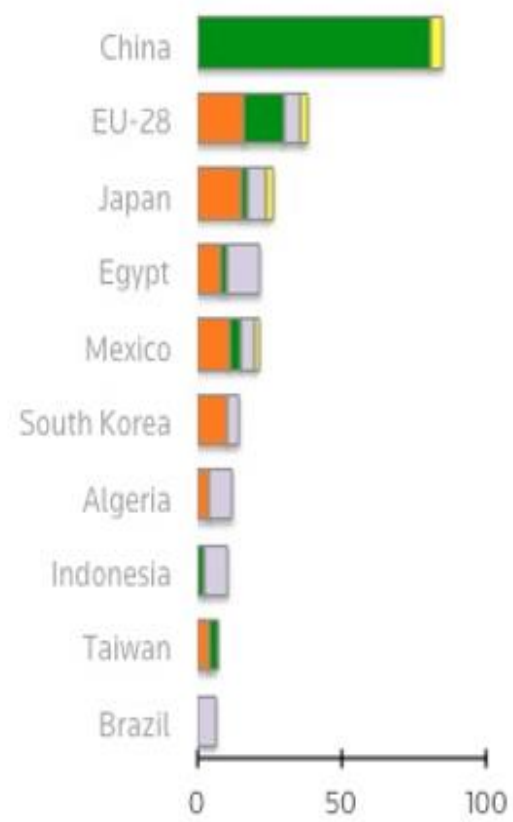
China's agriculture commodity imports



Global Agriculture Trade 2015/16

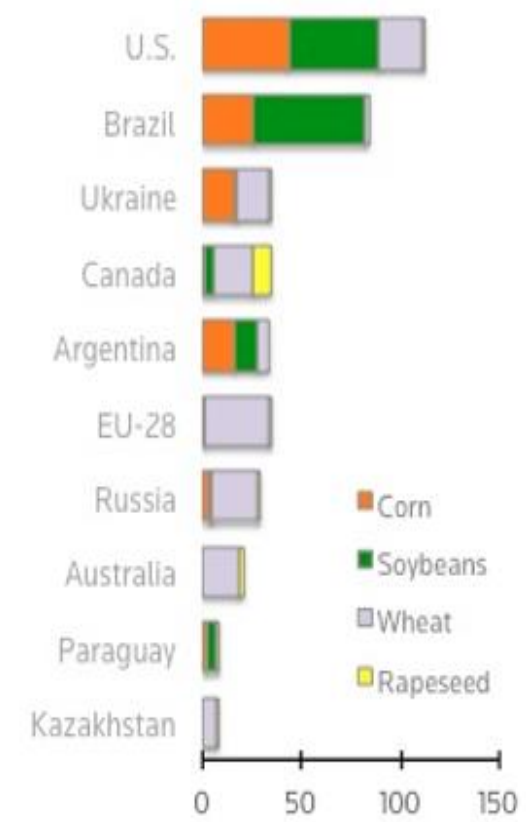
TOP IMPORTERS

Million tonnes, 2015/16

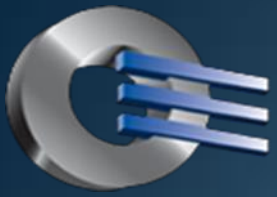


TOP EXPORTERS

Million tonnes, 2015/16



- ✓ Concerns about China's growing dependence on food imports may be causing policymakers to rethink. This year's Document Number One, an annual statement on agriculture that is released by the leadership in January, said for the first time that China would "carefully promote" GM food crops. On April an official at the agriculture ministry, said China planned to "push forward" commercial cultivation of GM maize over the next five years.
- ✓ China scrapped grain self-sufficiency policy due to surging meat consumption along with urbanization – while eyes in food safety and modernization of farms in 2015 rural policy
- ✓ COFCO bought Dutch grain trader Nidera & Noble's agriculture business arm
- ✓ USDA: China will overtake Japan as the largest corn importers in 2020: 5 mtpa in 2013 to 16 mtpa in 2020; and 22 mtpa in 2023.



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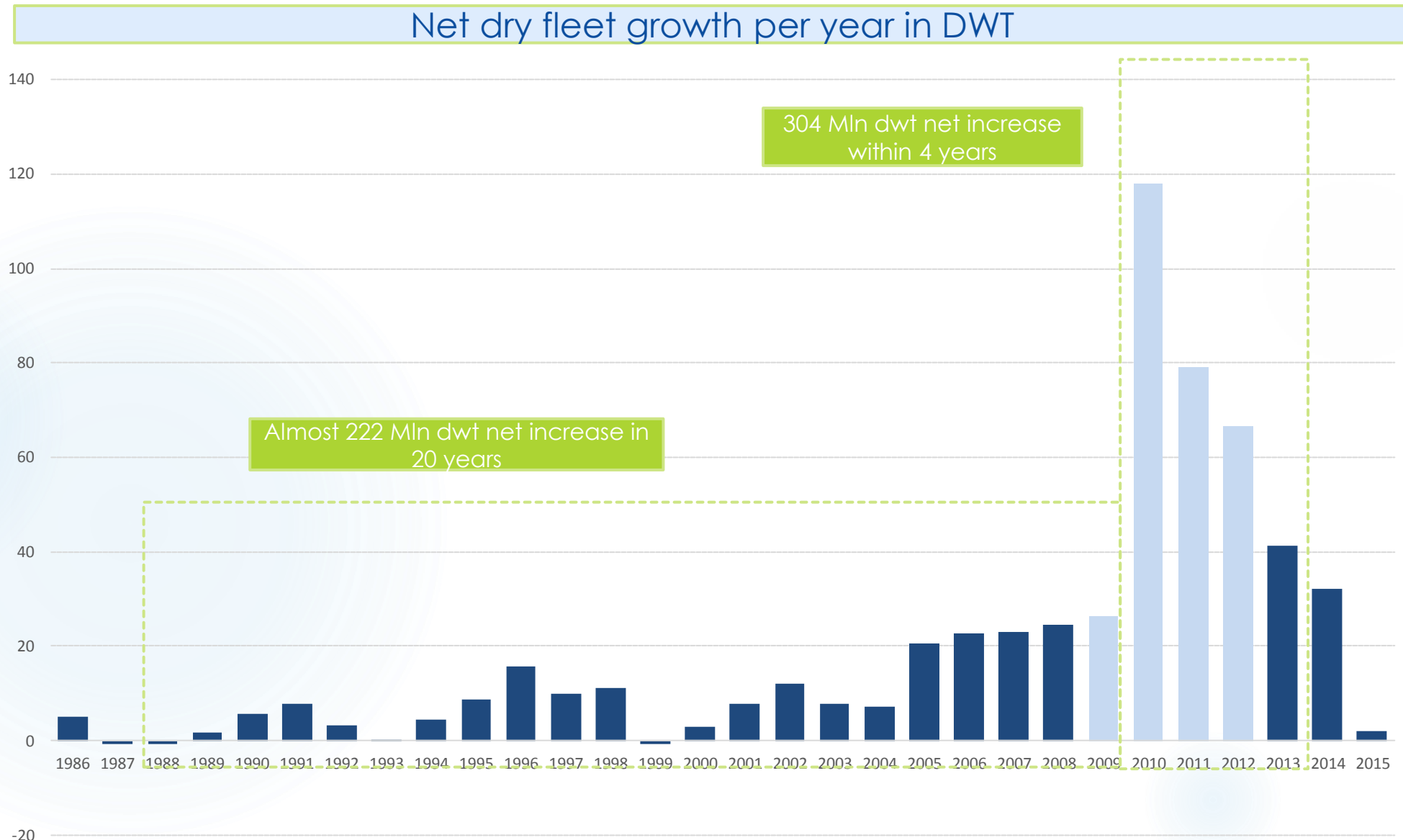
Dry Bulk Fleet Outlook

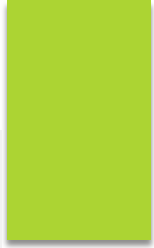
Supply





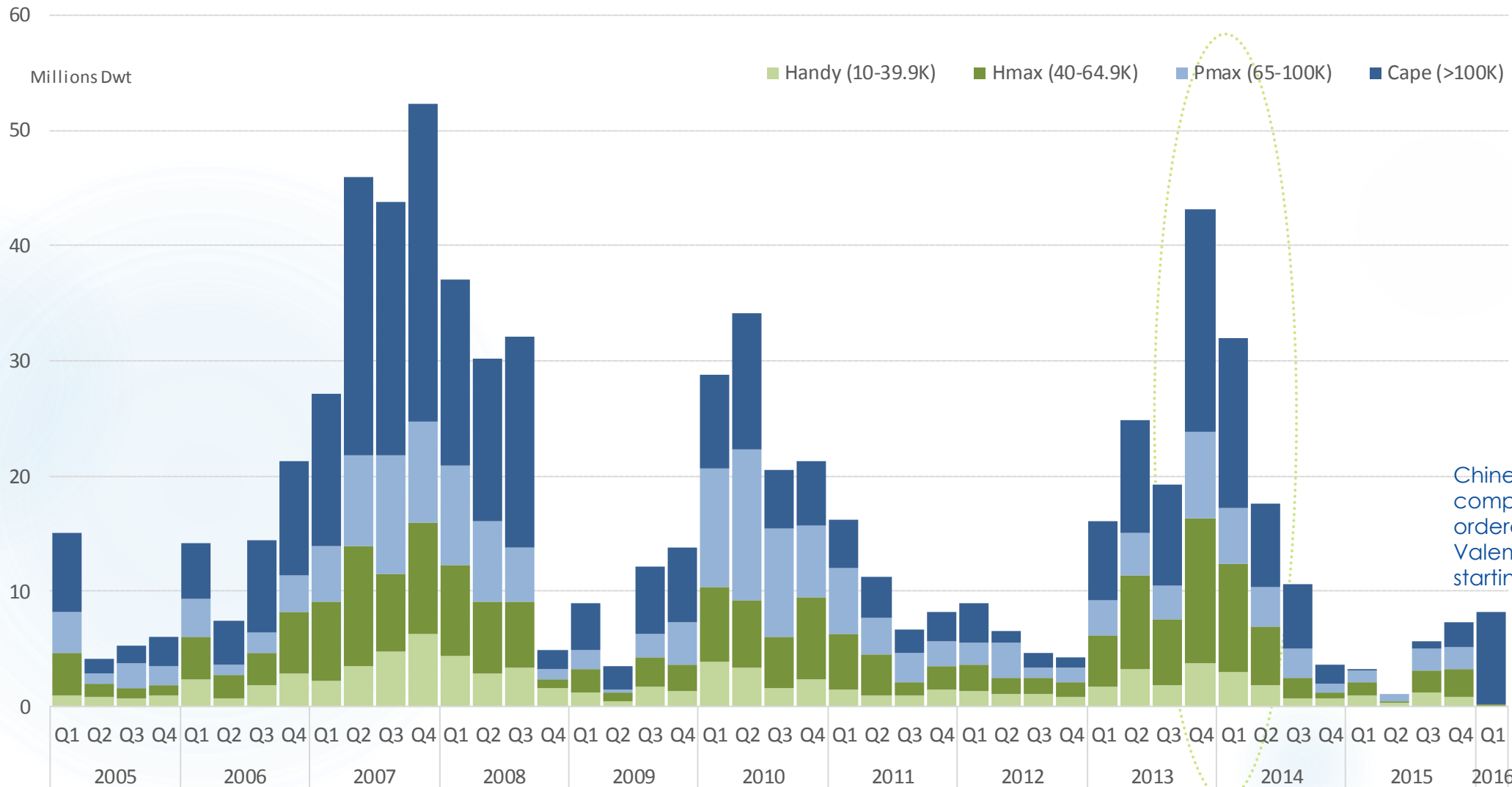
Historical Fleet Growth





Quarterly contracting

New Building contract activity by quarter for the dry bulk carriers

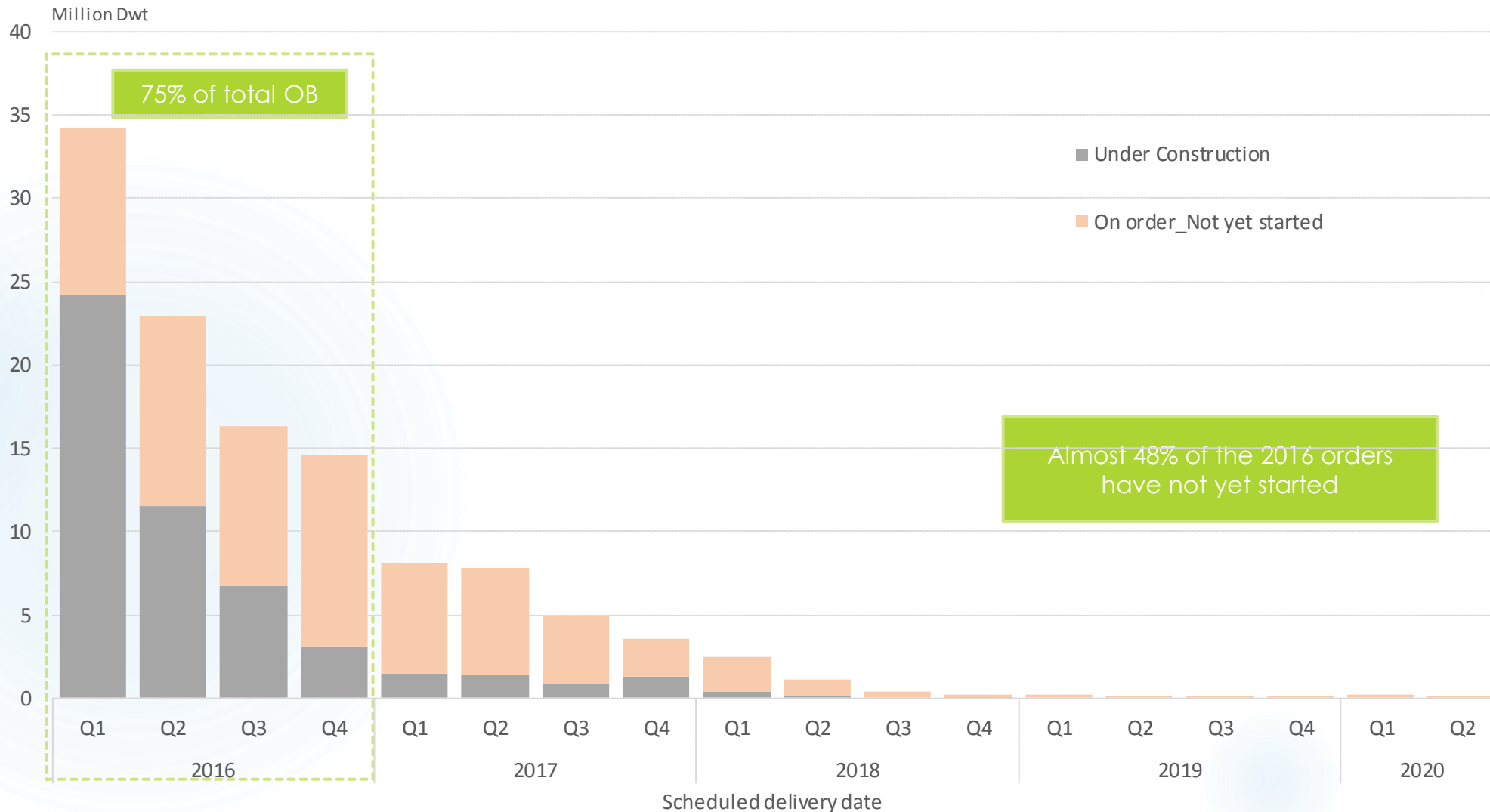


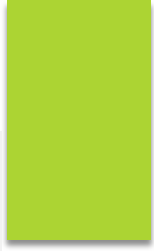
Chinese shipping companies have ordered 20-30 Valemaxes for delivery starting from 2018.



Scheduled delivery dates and potential slippage

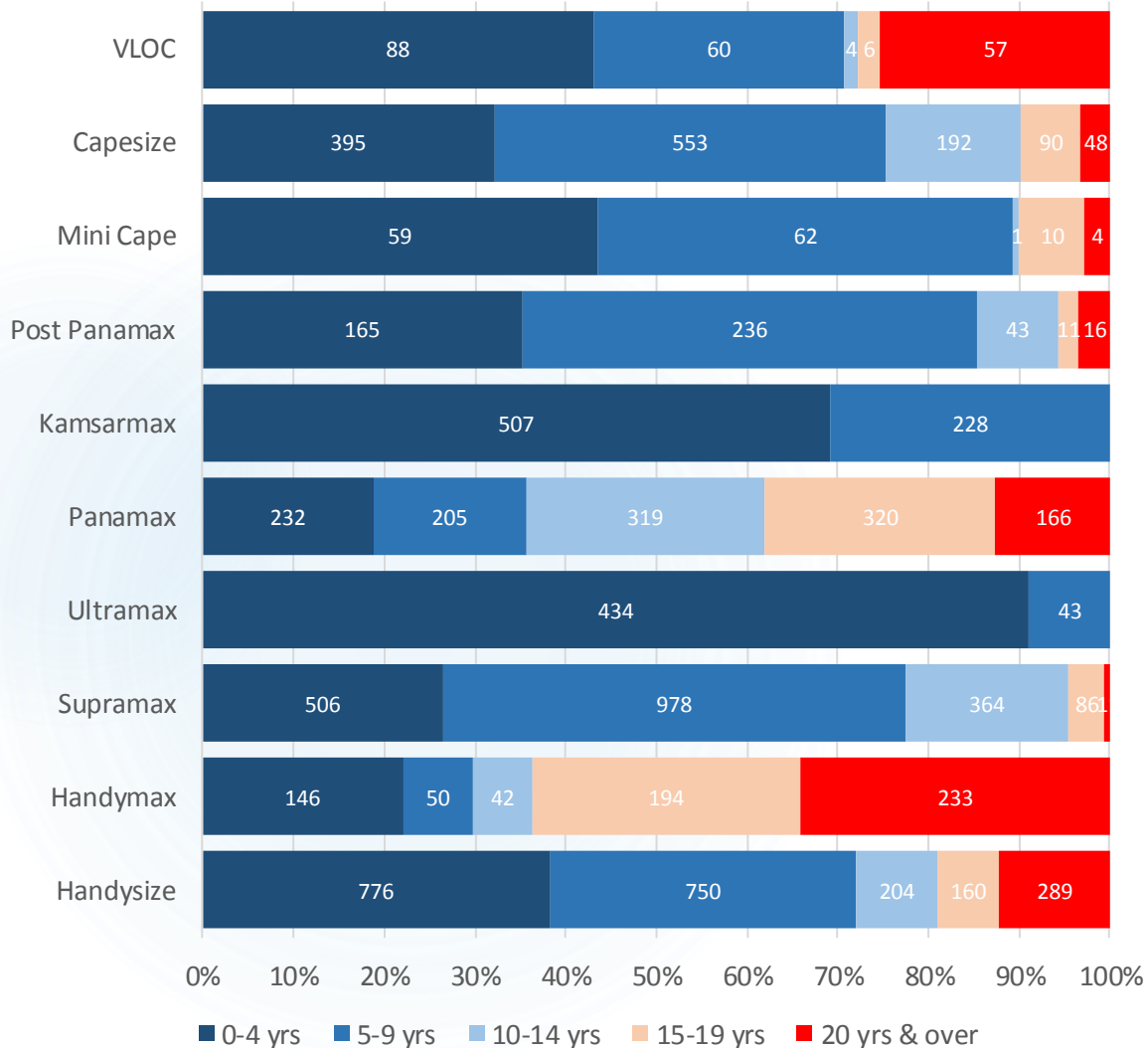
New Building orders under construction vs orders that have not yet started



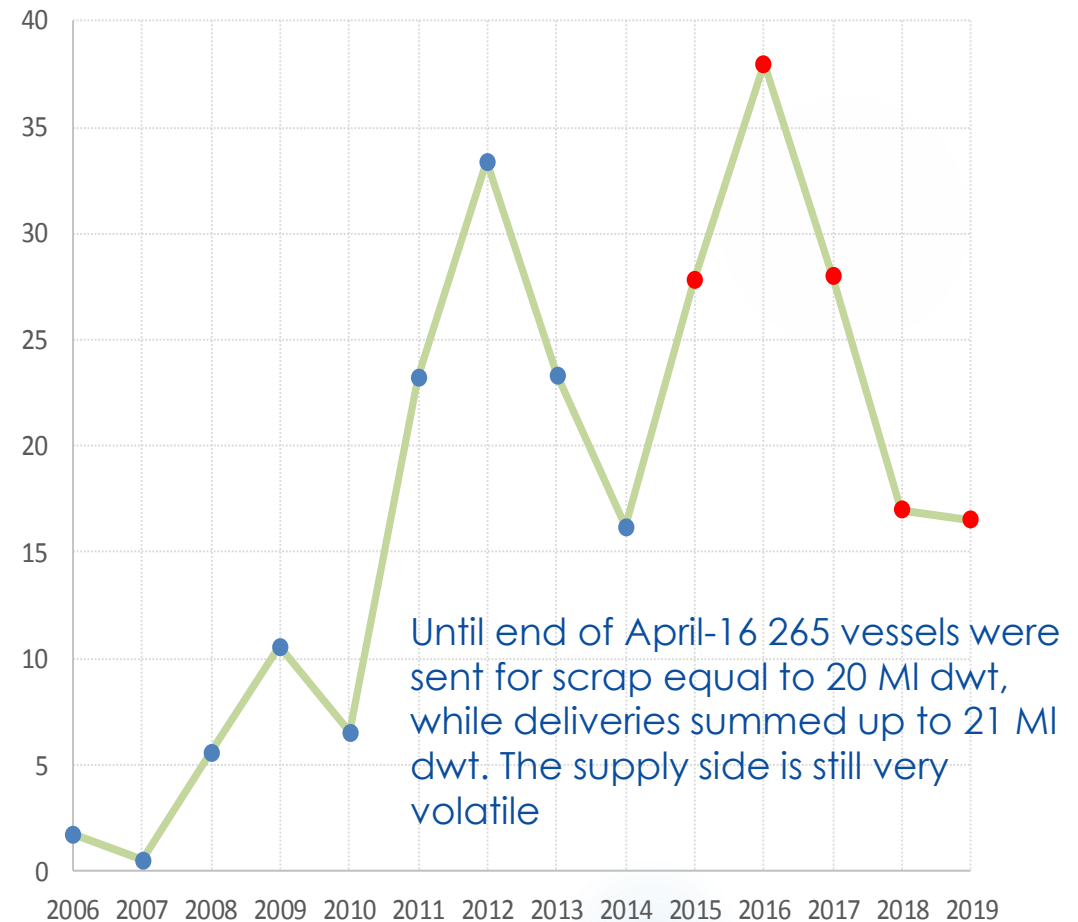


Fleet age profile & demolition

Age profile (mln dwt) as per end Q1 16

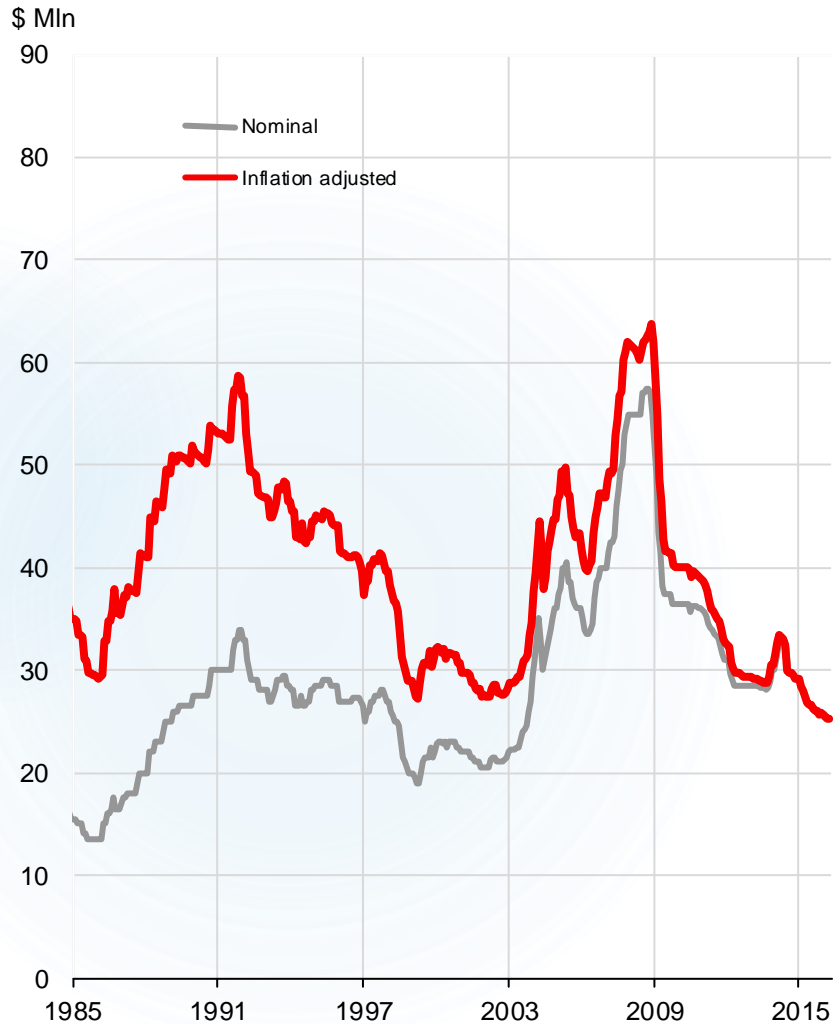


Annual realized demolition volume and projection (mln dwt)

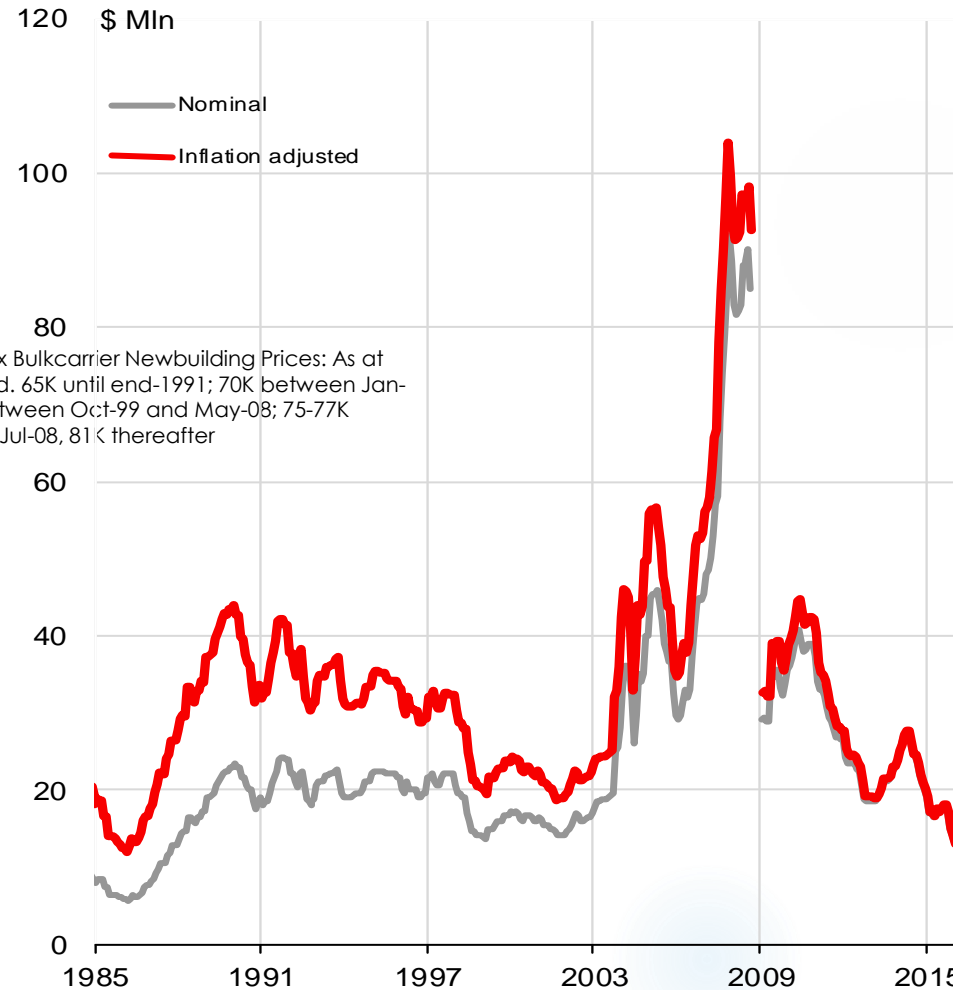


NB vs 5 years old secondhand ship values

75-77K DWT Panamax Bulkcarrier Newbuilding Prices



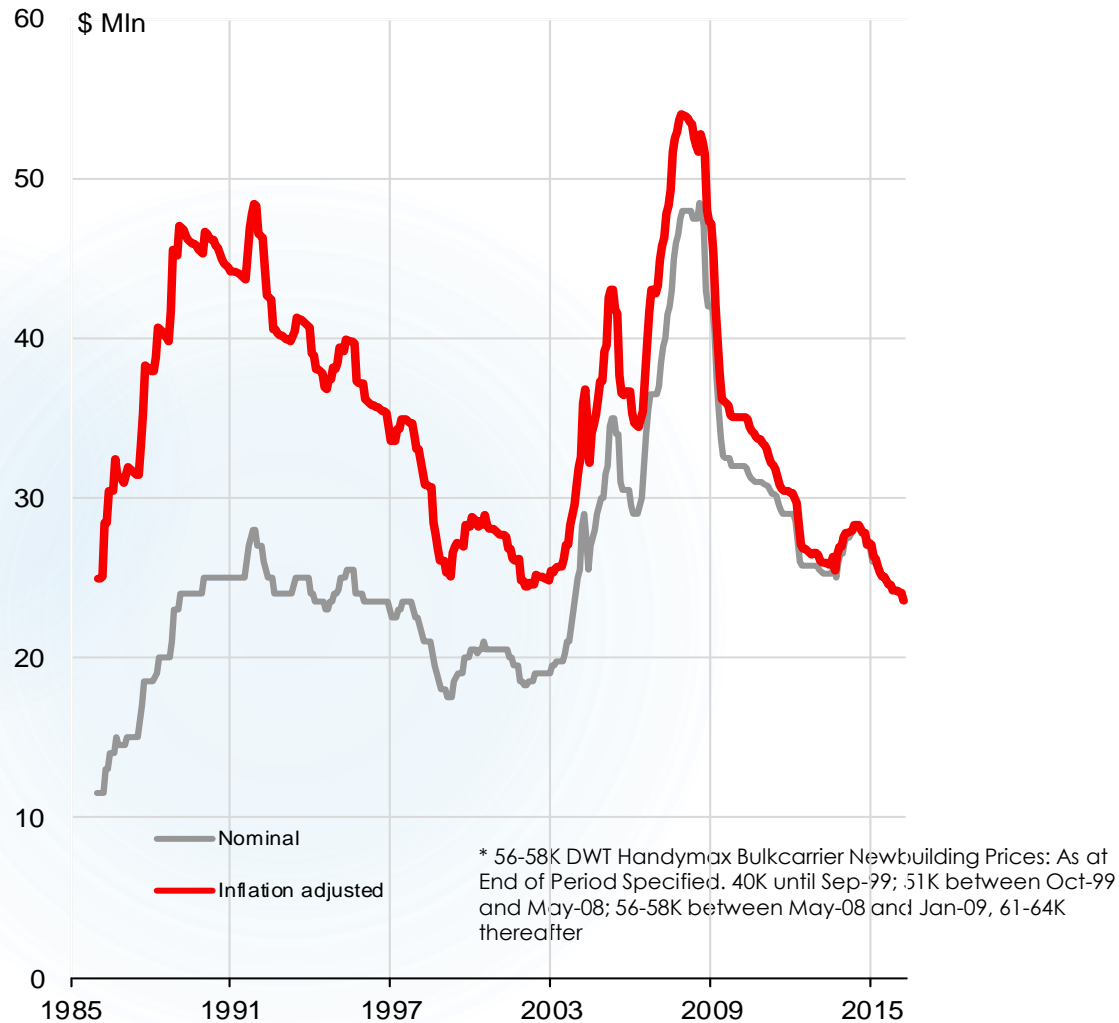
Panamax 73K Bulkcarrier 5 Year Old Secondhand Prices



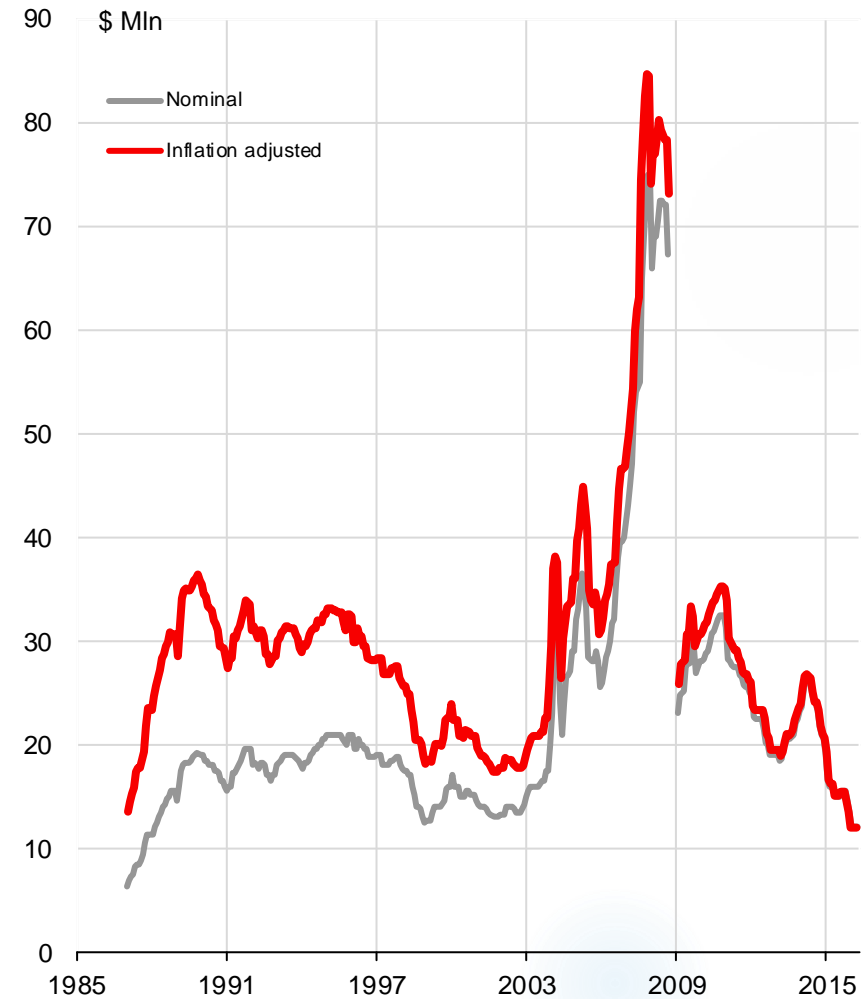
* 75-77K DWT Panamax Bulkcarrier Newbuilding Prices: As at End of Period Specified. 65K until end-1991; 70K between Jan-92 and Sep-99; 75K between Oct-99 and May-08; 75-77K between May-08 and Jul-08, 81K thereafter

NB vs 5 years old secondhand ship values

61-64K DWT Supramax Bulkcarrier Newbuilding Prices

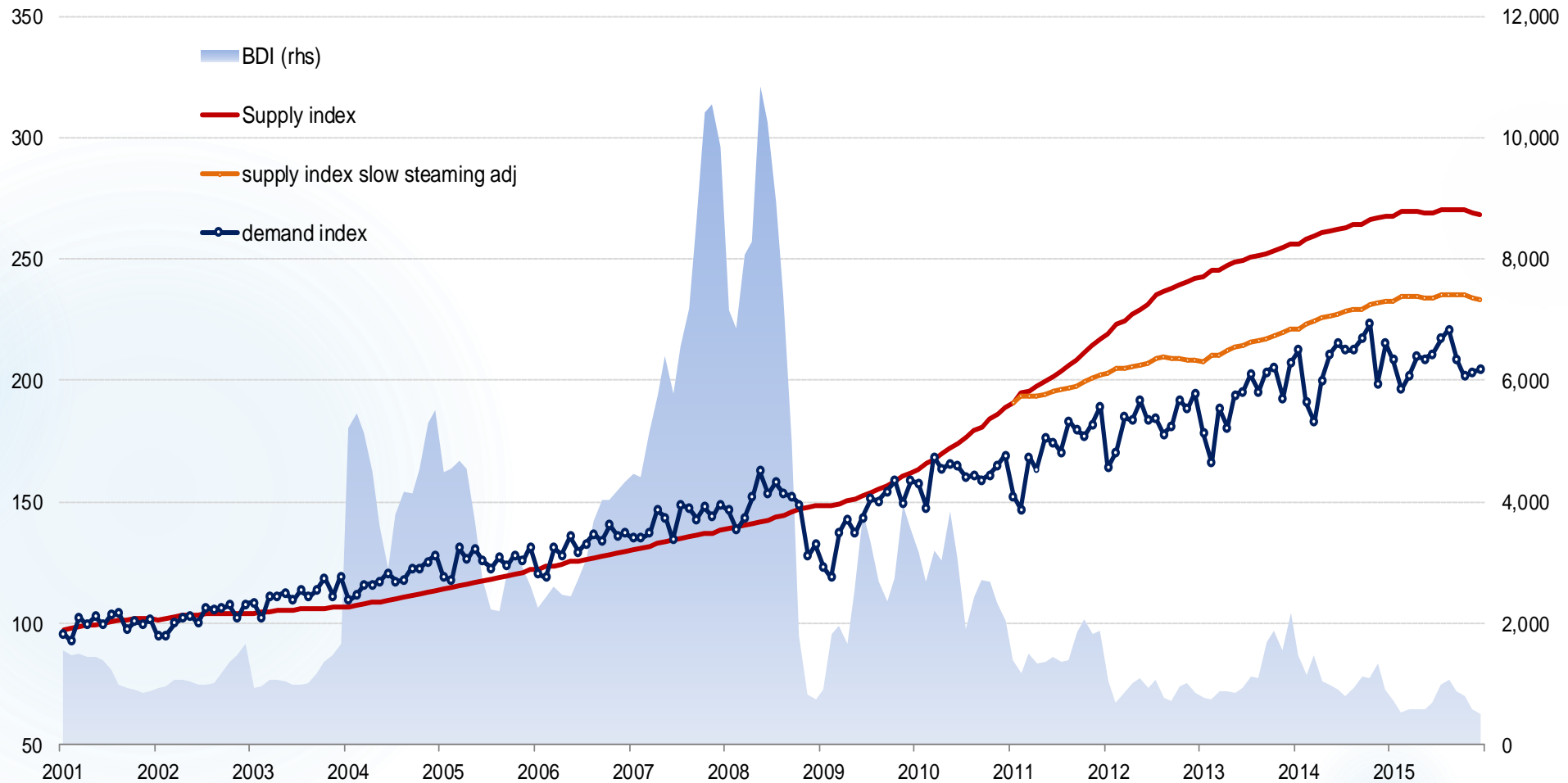


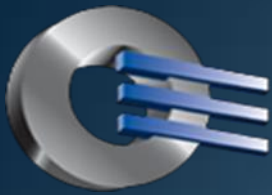
Handymax 52K 5 Year Old Secondhand Prices



Supply & Demand Balance

Dry Bulk S&D Balance





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THANK YOU !

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