



George Moundreas & CO. SA

Dry Cargo Segment

It's the World Economy,... Stupid !!!

- 📊 Fragile World economic environment, characterized by an “underground” Currency War, Low inflation/disinflation, geopolitical risks, decreasing/volatile Commodity prices including oil, possible rise of protectionism etc.
- 📊 IMF revised downwards the World GDP Growth to 3.5% in 2015 (3.3% in 2014) and 3.7% in 2016. Similarly, the World Bank revised downwards to 3% (2.6% in 2014).
- 📊 WTO revised World Trade Growth for 2014 to 3.1% from 4.7% before and for 2015 down to 4% from 5.3% previously. The average of the last 20 years is 5.2%
- 📊 In 2014, the bulk carrier fleet expanded by 5,7% while Dry Bulk Trade grew by 4%. The gap between fleet growth and trade growth is set to continue throughout 2015, as fleet growth is projected to accelerate slightly to 4.8% and trade growth is expected to ease to 3.7%, thus putting pressure in the earnings and on the asset values.
- 📊 Demo to remain under pressure, with a total of app. 16 m. tn. DWT, the same as 2014. Reduction in the average age for demo from 31.5 yrs in 2009 to 27.3 in 2014.

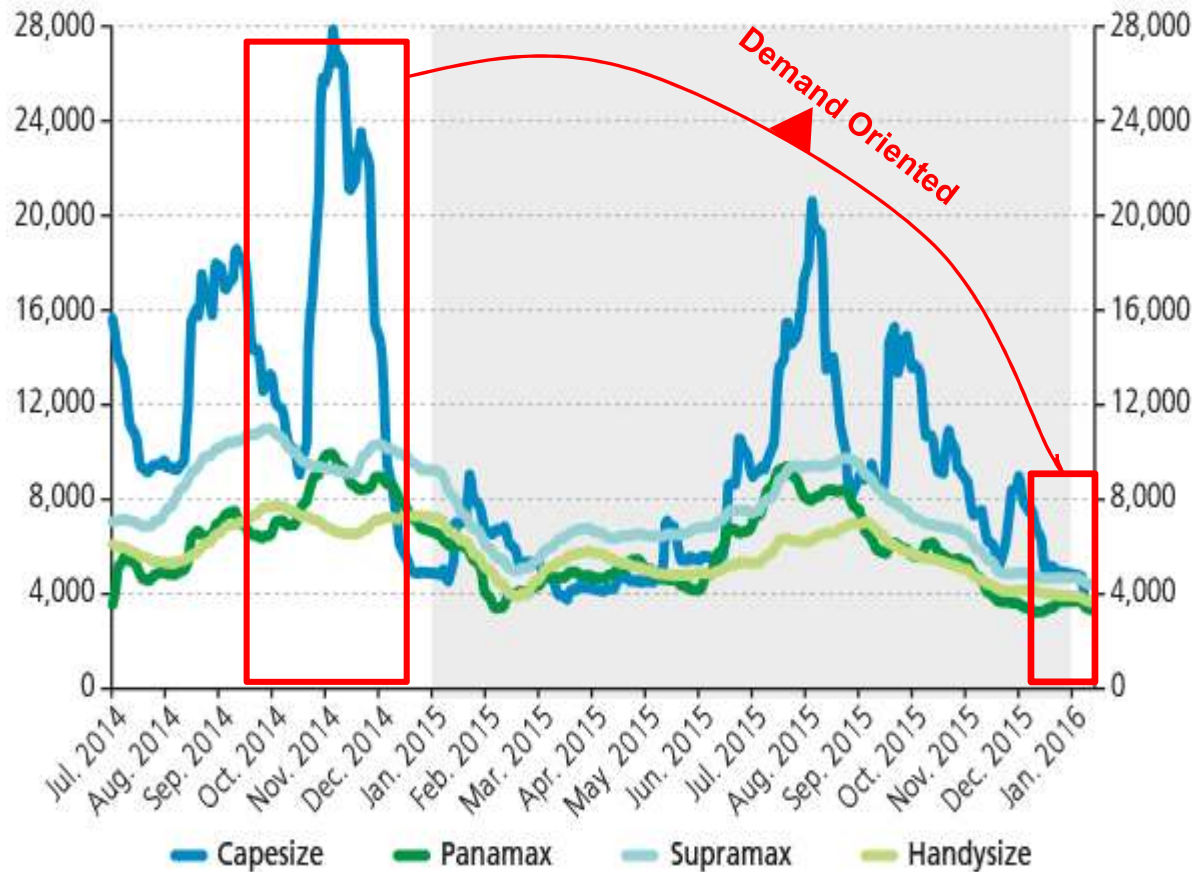


- ④ Certain sub sectors i.e. the Supramax/Ultramax, to face bigger obstacles than others due to heavy over supply issues. The order book for vessels between 40 – 65.000 DWT is about 700 of which 548 are Ultramaxes. From those Ultras, 270 are scheduled to be delivered this year, 191 in 2016, 44 in 2017 and 3 in 2018. ECO vessels and oil price ?
- ④ Drastic reduction in the average age of fleet around 9.1 years from 15.1 in 2009 .
- ④ Finance, to remain tight. Distressed sales to remain a mystery with Banks trying to sell over-evaluated vessels with “attractive” finance terms.
- ④ The historical 7 years shipping cycle may be under transition/prolongation mode.
- ④ Private Equity Funds to get their losses from previous positioning but repeat the same mistake as values decrease further.



Baltic Exchange time charter averages

USD per day, 2014-2016



Source: BIMCO, Baltic Exchange, Clarksons

Baltic Dry Index down to historical lows.

Avg. 718 points in 2015

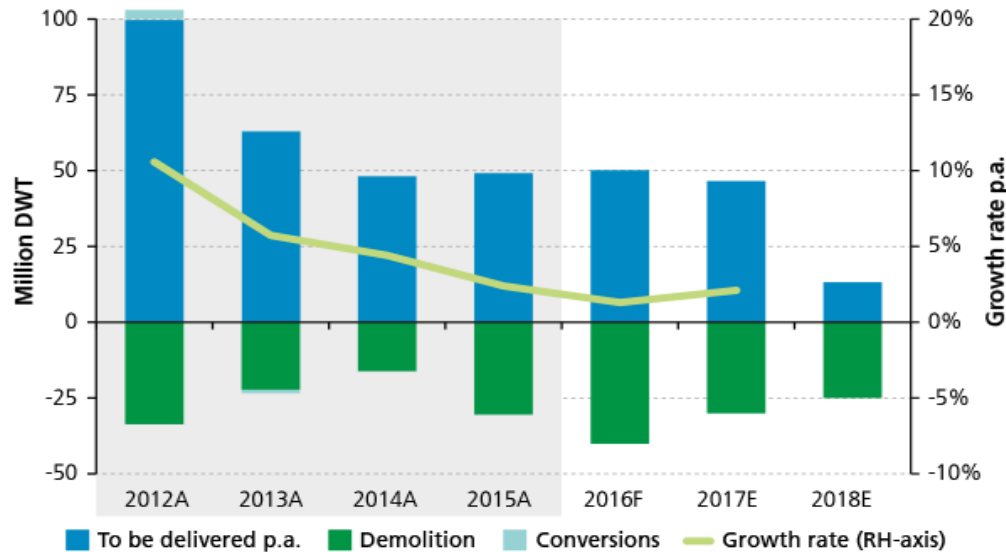
1,105 in 2014

1,205 in 2013

In January, the BDI reached new record lows, down to 310 points.



Dry bulk supply growth



Source: BIMCO estimates on Clarksons raw data

Vessel values on the end of each year

	Capesize		Panamax	
	5 year old	N/B	5 Year old	N/B
2008	\$ 45.0	\$ 88.0	\$ 26.0	\$ 46.5
2009	\$ 55.0	\$ 56.0	\$ 36.0	\$ 33.8
2010	\$ 50.0	\$ 57.0	\$ 36.0	\$ 34.5
2011	\$ 36.0	\$ 48.5	\$ 26.5	\$ 29.0
2012	\$ 32.5	\$ 46.0	\$ 18.0	\$ 25.8
2013	\$ 44.0	\$ 53.5	\$ 25.5	\$ 27.8
2014	\$ 39.0	\$ 54.0	\$ 20.0	\$ 29.0
2015	\$ 25.0	\$ 46.0	\$ 14.0	\$ 25.8

*Source Clarksons Research

In 2015, the total dry bulk fleet (> 10,000 dwt) grew by 2,4 % down from 5,7 % in 2014 and 4,4 % in 2013. There was a substantial amount of slippage considering that the orderbook for 2015 showed 1,104 vessels at the beginning of the year whilst only 655 vessels were finally delivered, resulting in a slippage of 40 % altogether.

185 Capesize and 244 Panamax are expected for delivery this year, adding up to an already oversupplied market. On top of this, the Panamax market is under threat from the next smaller Ultramax fleet expected to grow by 355 units in 2016.



Fleet growth in 2015 was kept in check by the second highest number of demolitions after 2012 and a high amount of slippage.



2015 emerged to be the year with the second highest demolition rate of dry bulk vessels on record behind 2012. 427 dry vessels (> 10,000 dwt) comprising 30.42 million dwt were scrapped.



G.M. & CO. SA 2016 - World Seaborne Trade

World Seaborne Trade...	million tonnes				% Chg
	2013	2014	2015	2016*	2016/15
Crude Oil	1,834	1,796	1,867	1,924	3%
Oil Products	989	996	1,059	1,100	4%
Dry Bulk	4,479	4,695	4,681	4,734	1%
Containers	1,543	1,639	1,691	1,766	4%
Other	1,367	1,410	1,447	1,494	3%
World Seaborne Trade	10,211	10,536	10,745	11,019	3%
<i>y-o-y growth</i>	3.4%	3.2%	2.0%	2.5%	



G.M. & CO. SA 2016 - World Growth - Trade

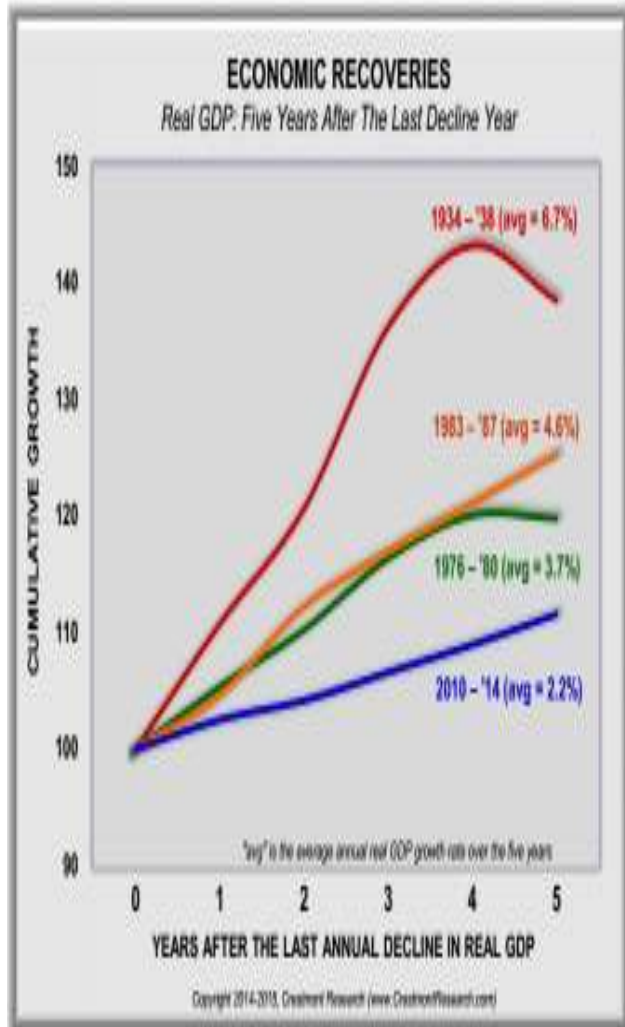


Table 1 Ratios of world trade growth to global GDP growth

Trade Multiplier

(quarterly data, GDP at market exchange rates)

	World trade	World excluding intra euro area trade	World excluding intra-EU trade
1995Q2-2007Q4	2.2	2.3	2.3
2011Q3-2014Q3	1.1	1.2	1.2

Sources: National data, Haver, Eurostat, IMF and ECB staff calculations.

WTO economists have lowered their forecast for world trade growth in 2015 to 2.8%, from the 3.3% forecast made in April, and reduced their estimate for 2016 to 3.9% from 4.0%, still below the average for the last 20 years (1995-2015) of 5.2%.

Risks to the forecast are firmly on the downside, the most prominent being a further slowing of economic activity in developing economies and financial instability stemming from eventual interest rate rises in the United States.

Growth averaged 2.4 percent over each of the last three years, compared with an annual average of 6.0 percent between 1990 and the global financial crisis that began in 2007-2008.

"There has only been one other period since the Second World War in which trade growth has been so weak, and that was from 1980 to 1984. However, that period included two outright contractions in trade due to the oil shock and the global recession of 1980-1981,



G.M. & CO. SA 2016 - World Growth - Trade

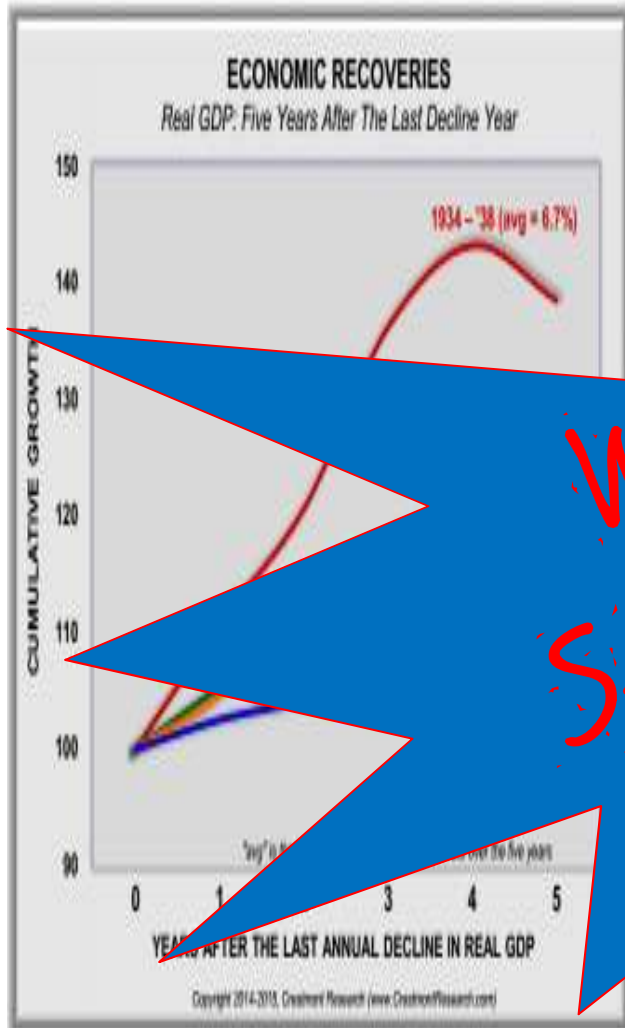


Table 2 Ratios of world trade growth to global GDP growth

Trade Multiplier

(quarterly data, GDP at market exchange rates)

**World Economy
Structural Changes**

...growth in 2015 to 2.8%,
...for 2016 to 3.9% from
...years (2015-2016) 2.9%.
...inside, the most significant being a further
...economies and financial instability stemming
...States.

...an average of 1.0 percent over each of the last three years, compared with
...an annual average of 1.0 percent between 1990 and the global financial crisis
...that began in 2008.

"There has only been one other period since the Second World War in which
trade growth has been so weak, and that was from 1980 to 1984. However, that
period included two outright contractions in trade due to the oil shock and the
global recession of 1980-1981,



Κλαυθμός

και

οδυρμός





George Moundreas & CO. SA

THANK YOY ALL!

George Logothetis

February 2016
