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Global Shipping & Shipbuilding Markets Overview & Outlook

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Global Shipping & Shipbuilding Markets

ISSUES IN THIS PRESENTATION

ISSUE 1: MARKET OVERVIEW
ISSUE 2: MARKET CYCLE TODAY
ISSUE 3: THE DEMAND SIDE OF THE MARKET
ISSUE 4: THE SUPPLY SIDE OF THE MARKET
ISSUE 5: SUPPLY-DEMAND ANALYSIS

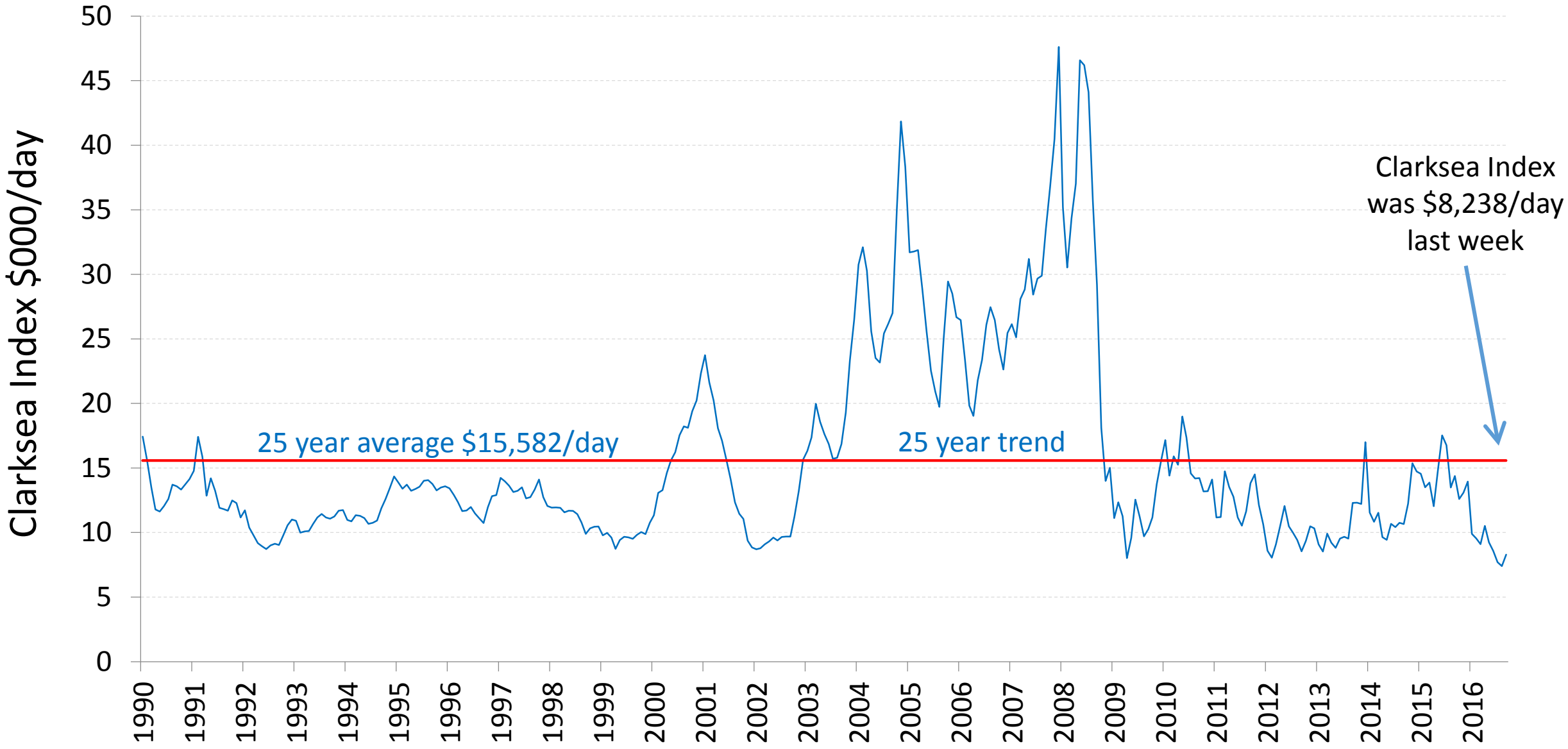
THE FIVE ISSUES

SUMMARY OF TOPICS TO COVER

1. Clarksea index $8,238/day, 46% below trend
2. World industry very sluggish – 1.4% growth, OECD -1%
3. China imports flat
4. Shipyard output up 5%,but contracting down 70%
5. All major shipping markets now below 7 year trend
6. Environment still on the agenda – ballast issues
7. Autonomous ship bandwagon gathering momentum

ISSUE 1: MARKET OVERVIEW

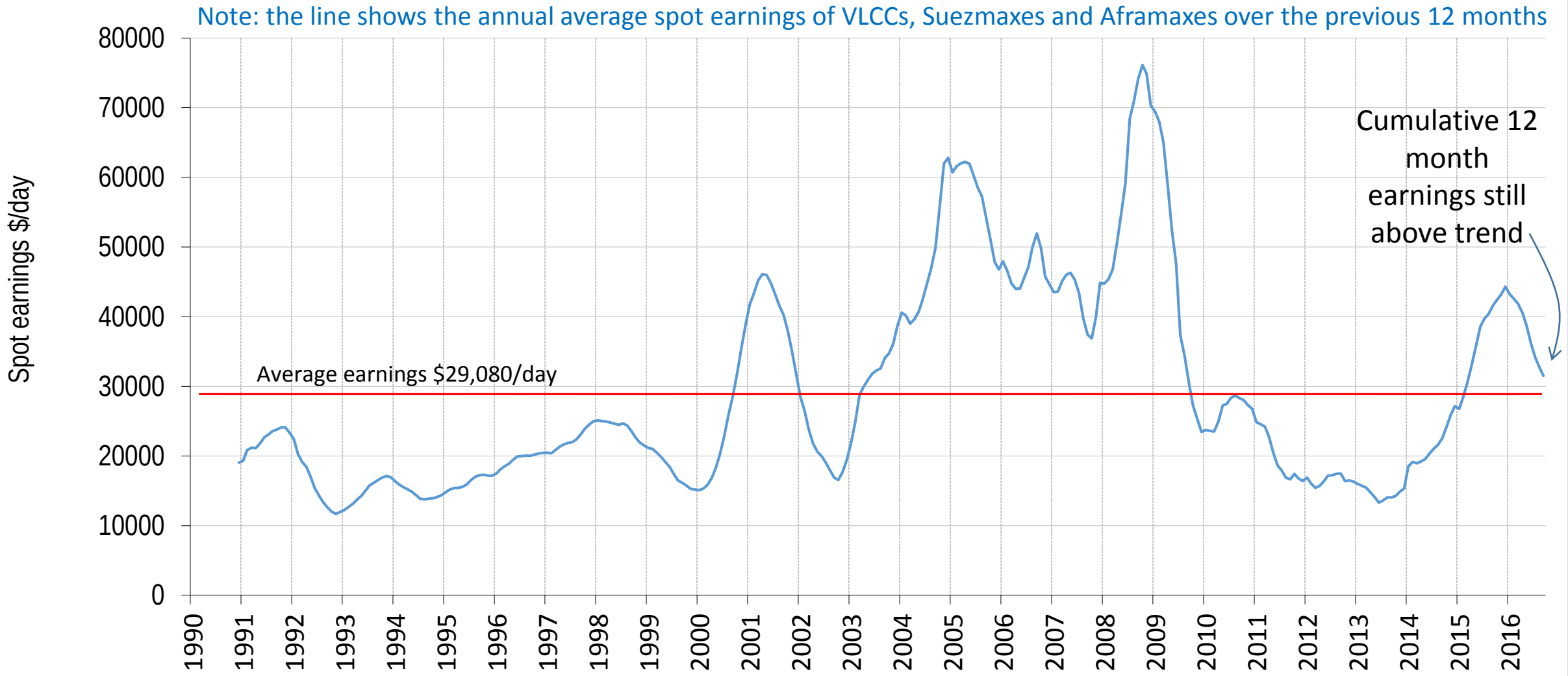
The Shipping Market Cycle Today - 48% below 25 year trend



The Clarksea index shows the average earnings of tankers, bulkers, containerships & gas

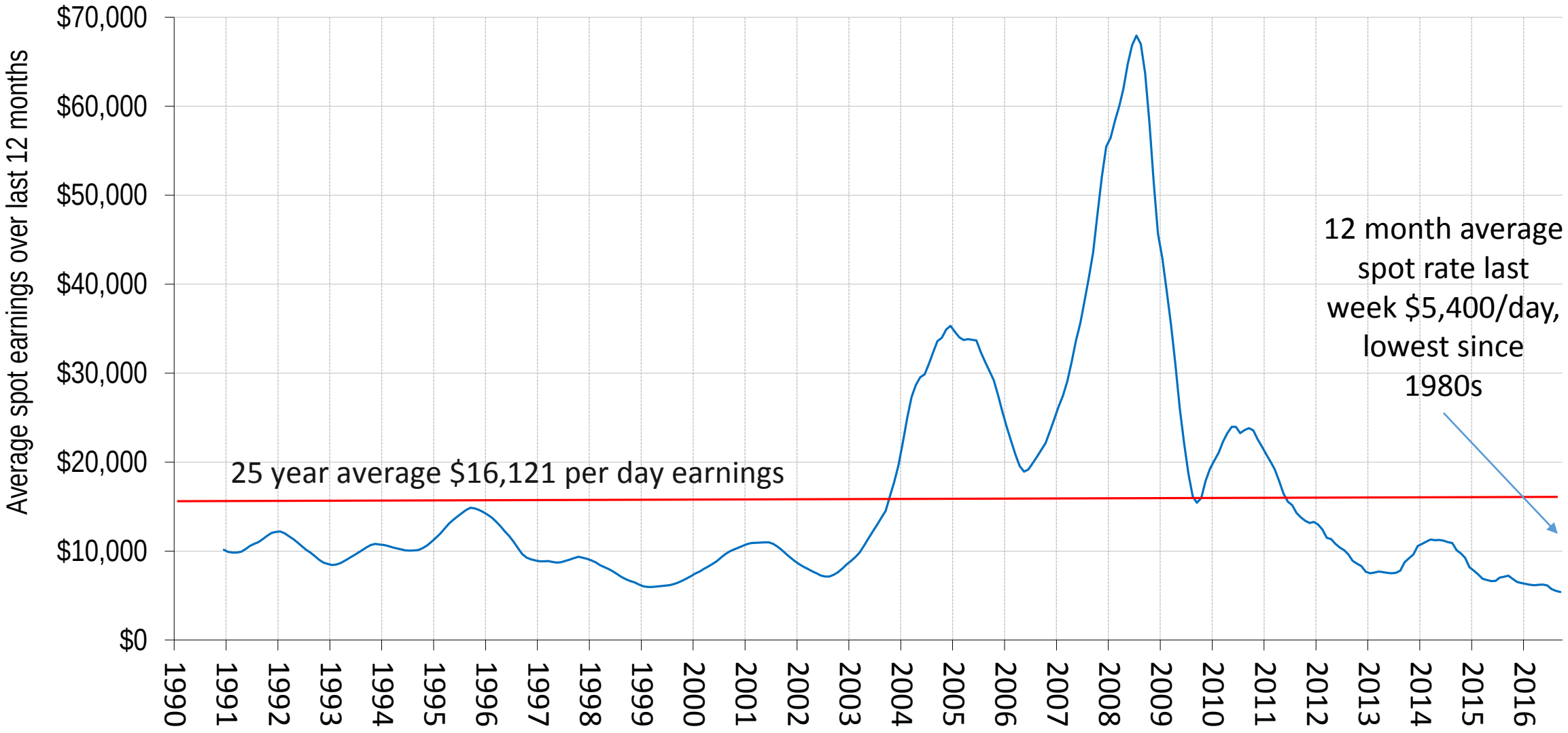
Where the crude tankers market is today….

The freight earnings for crude oil tankers 1990-2016



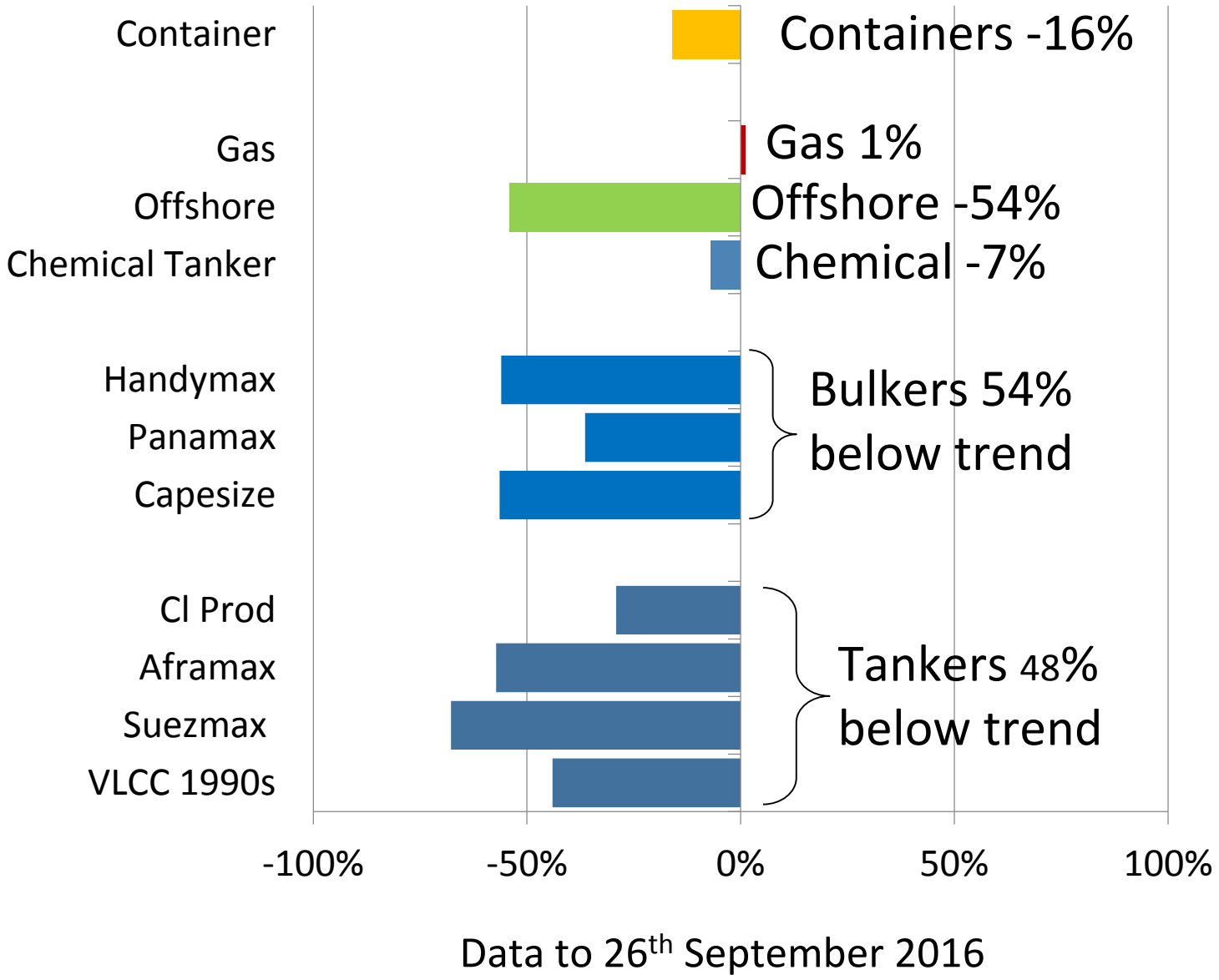
Where the Dry Bulk market is now –

The average earnings of average bulk carrier (Cape, Panamax and Handy)



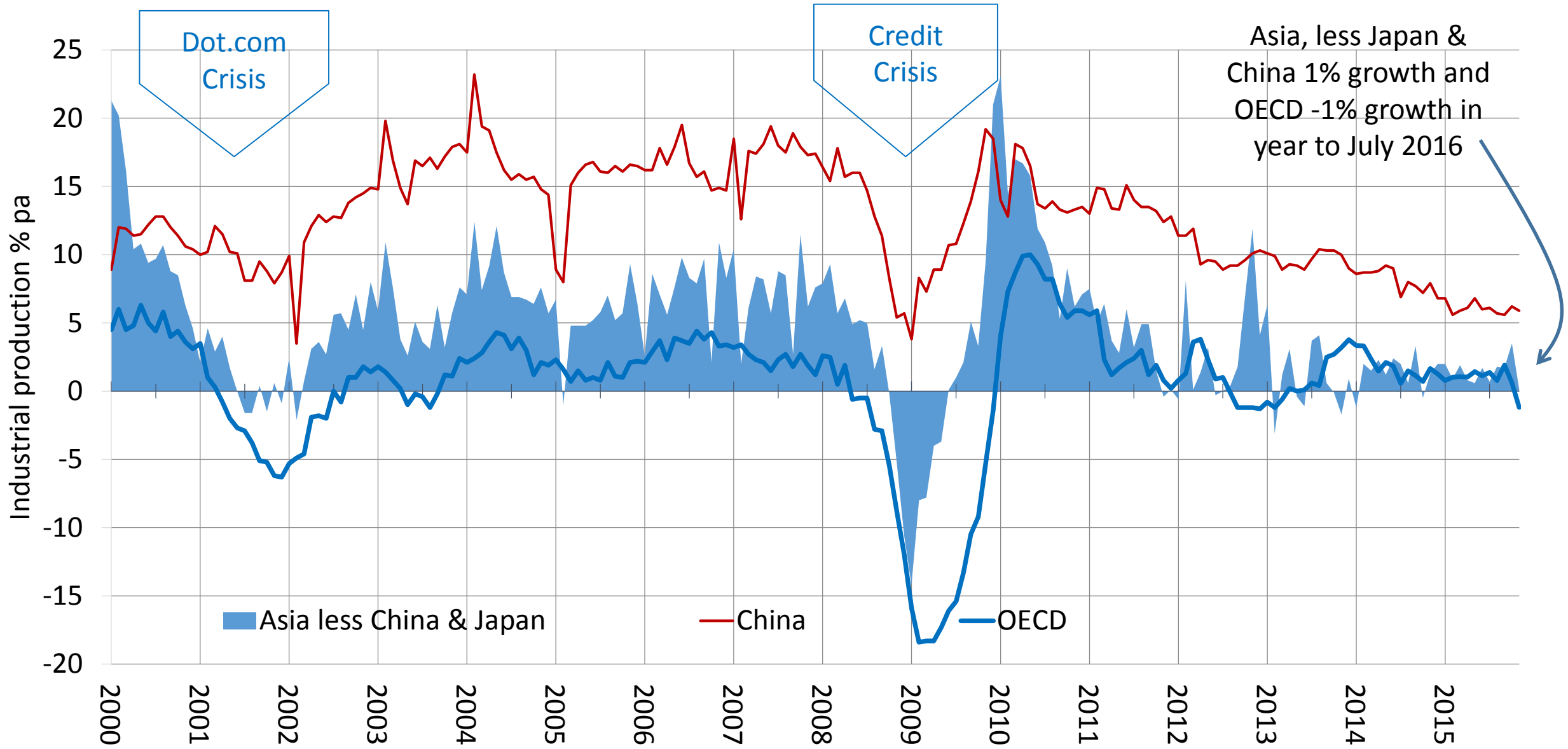
Cycle status across 11 markets: last 12 months as % seven year trend

- Chart shows average earnings in last 12 months as a % of average earnings in last 7 years Sept 2009 to September 2016)
- All but gas below trend.
- Bulk carriers, tankers offshore struggling with worst market since 1980s
- Gas market slowing fast, Chemicals edging down

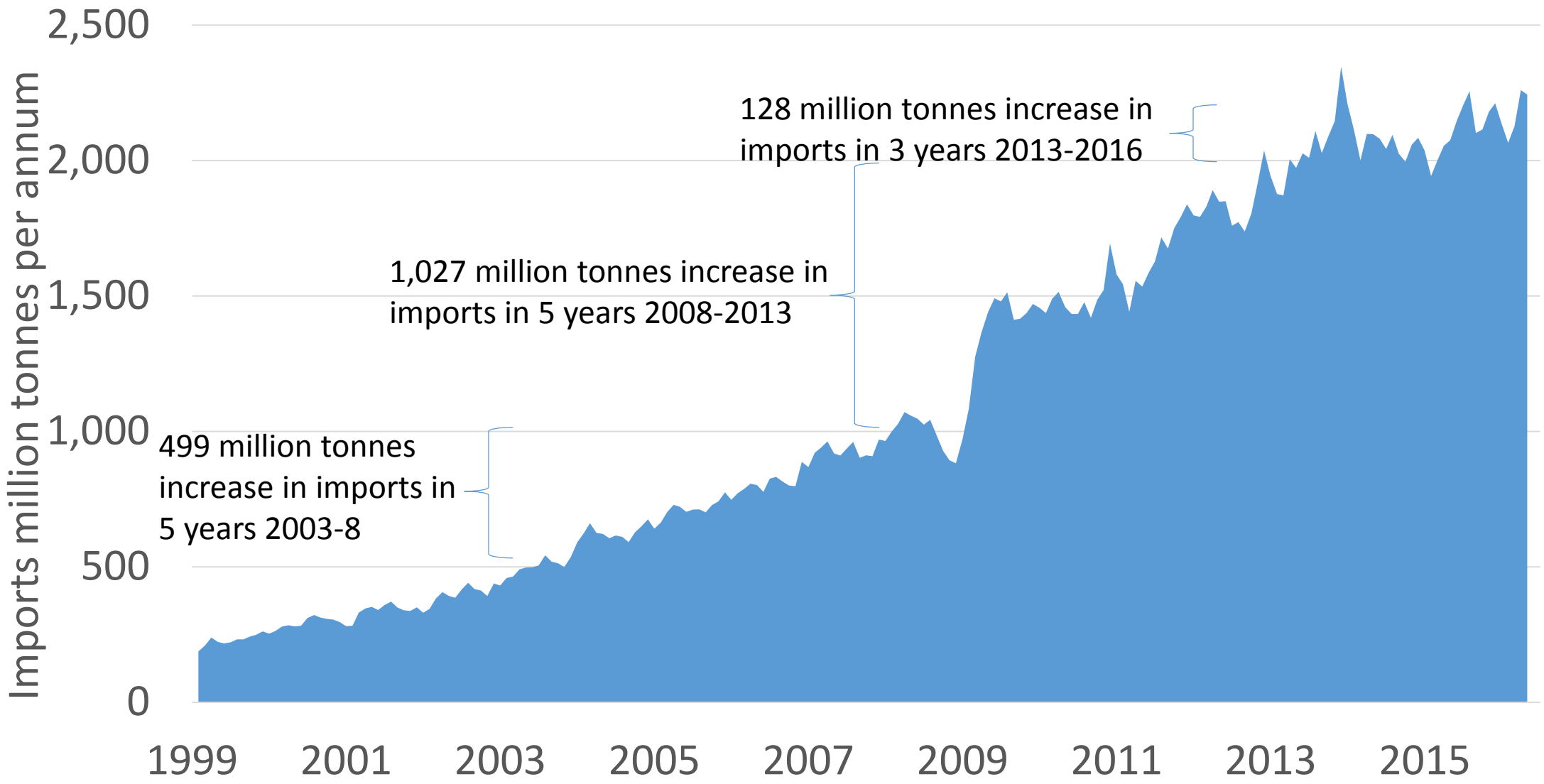


ISSUE 2: THE DEMAND SIDE OF THE MARKET

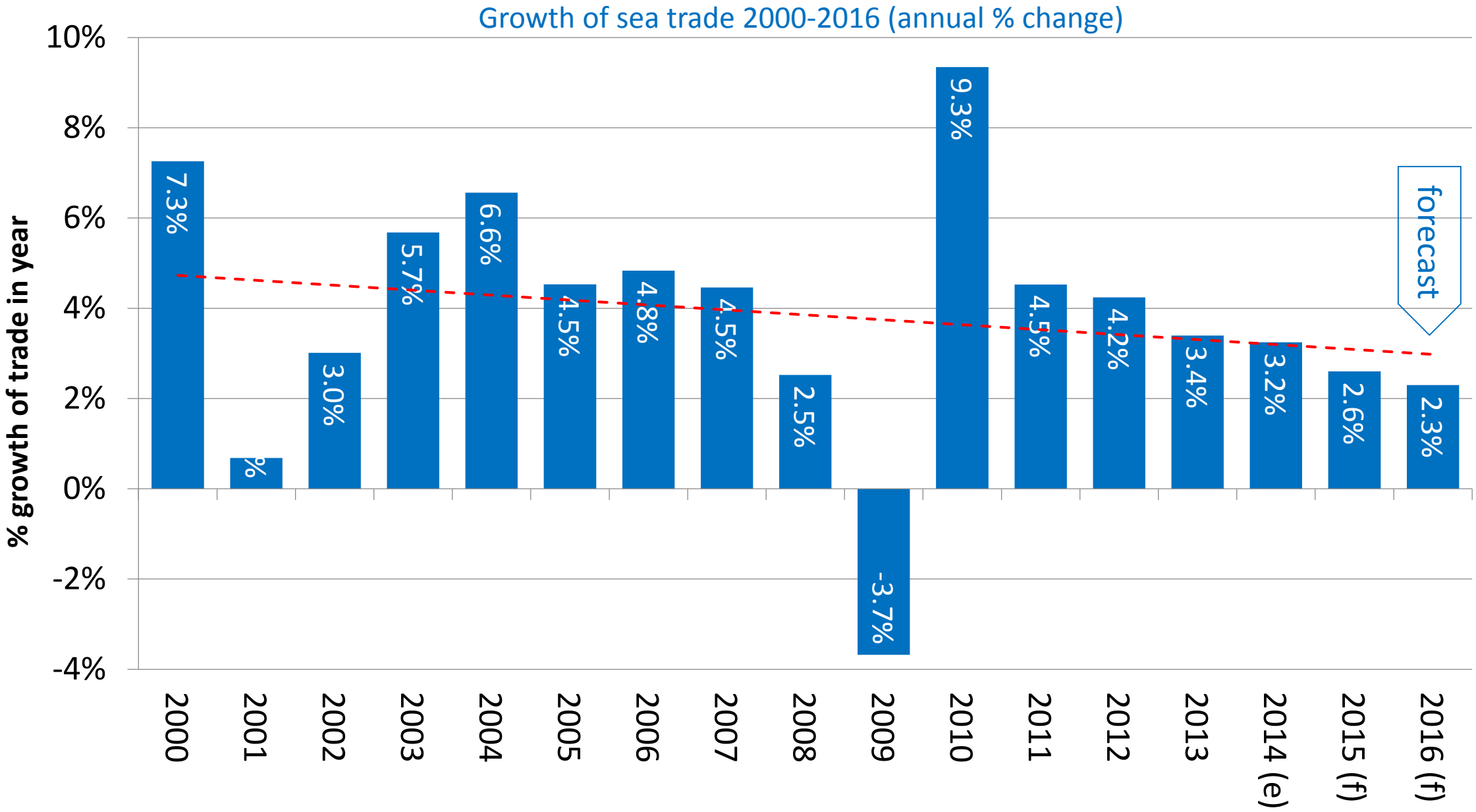
World Industry by region – China, Asia & OECD (to July 2016)



China Trade – imports running 80% below the previous trend



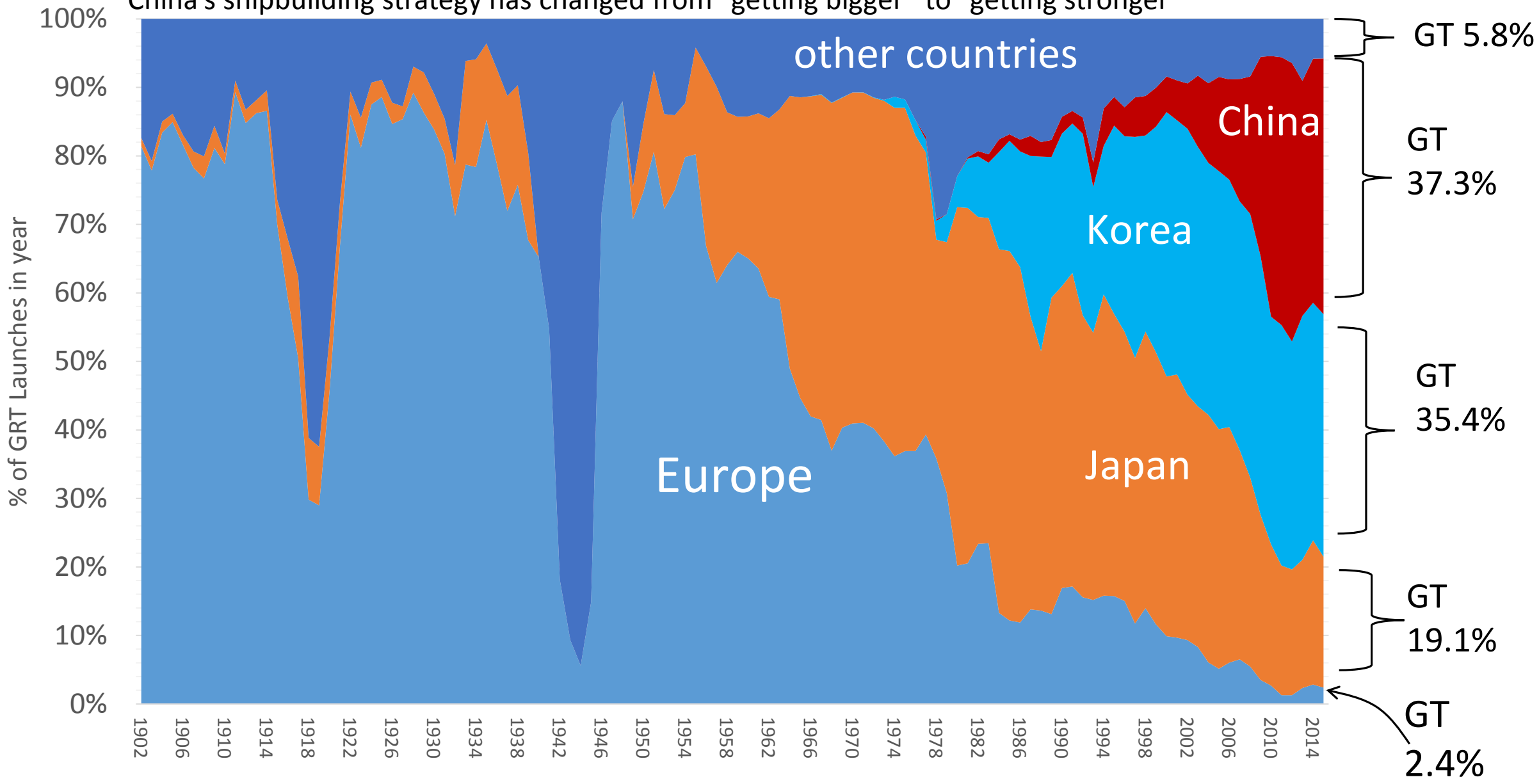
Sea trade growth edges down to 2.3% in 2016



ISSUE 3: THE SUPPLY SIDE OF THE MARKET

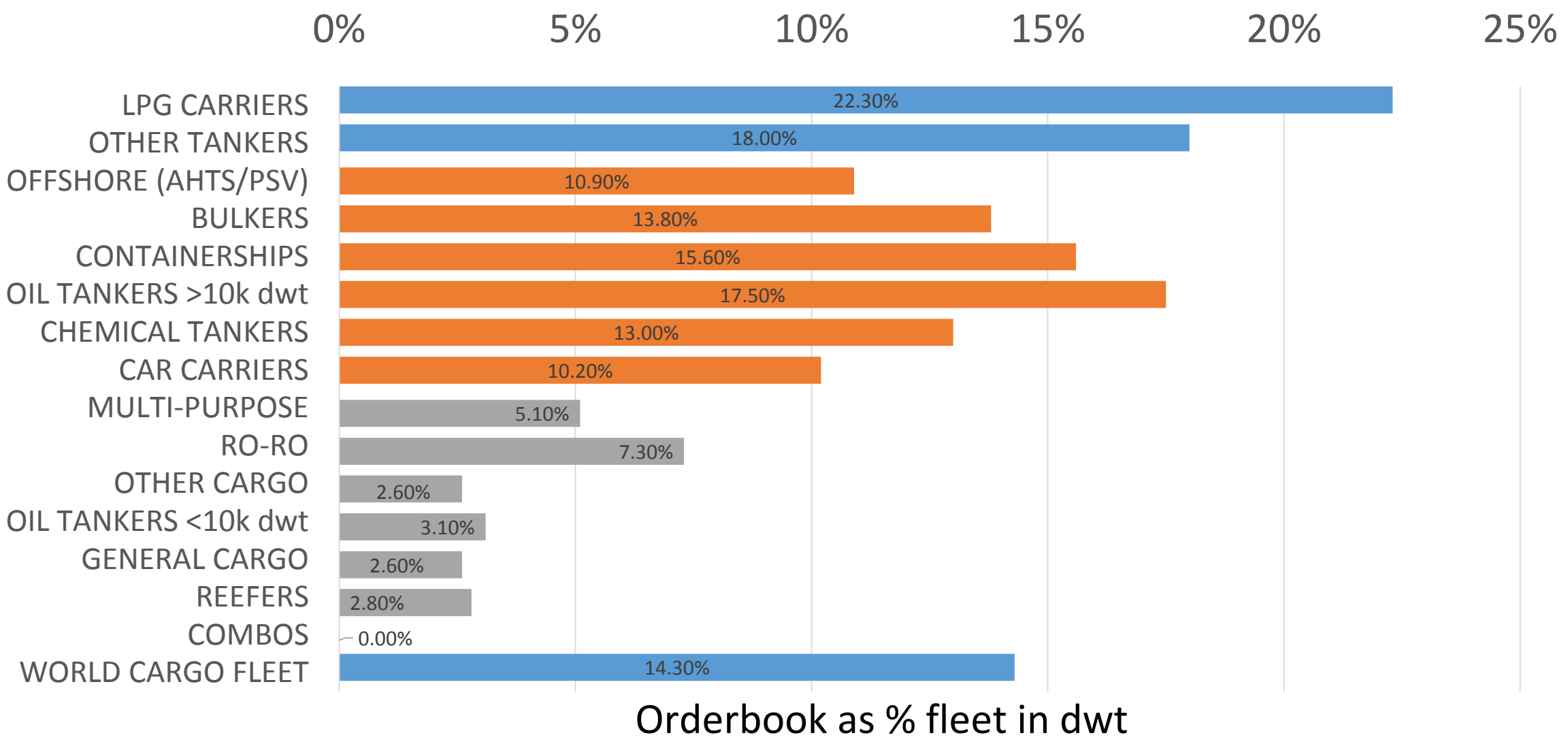
Regional Shipbuilding Trends 1902-2015

China's shipbuilding strategy has changed from "getting bigger" to "getting stronger"



Merchant Orderbook September 2016 by % Fleet

Total cargo orderbook 287 m dwt and average is 16.9% of fleet



World shipbuilding output & capacity 1994- 2017

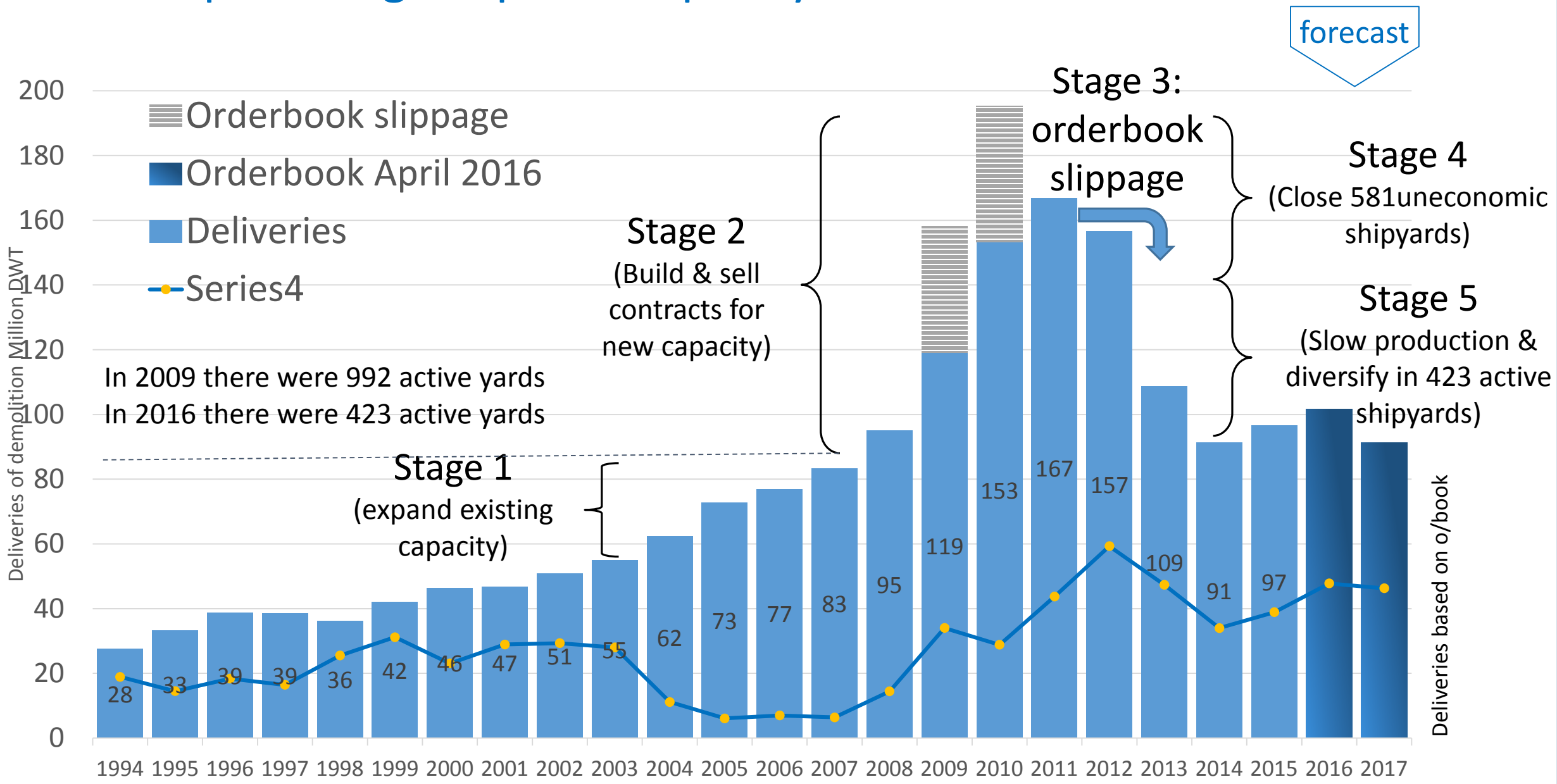
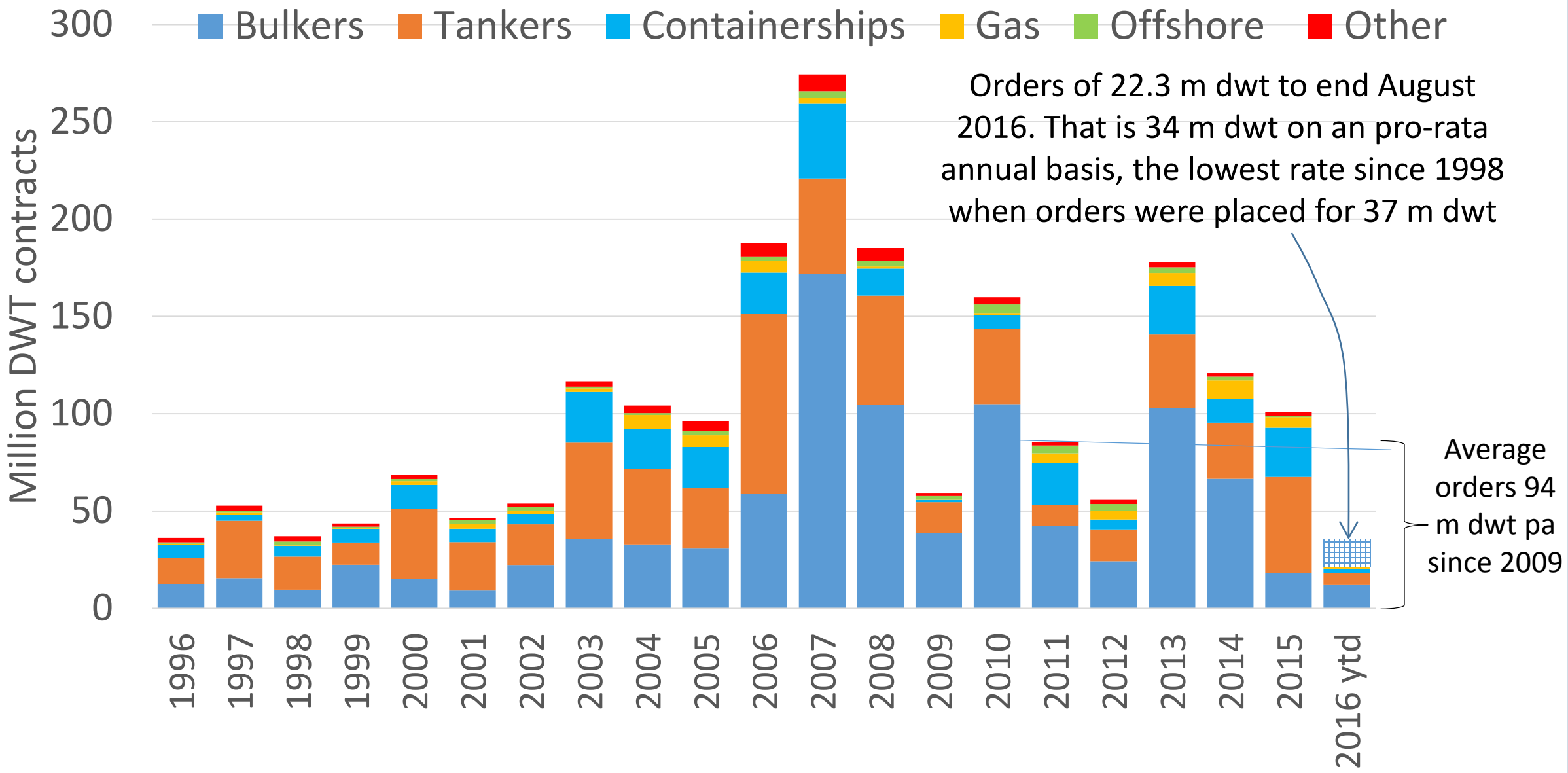


Chart 10: Shipbuilding contracts to August 2016

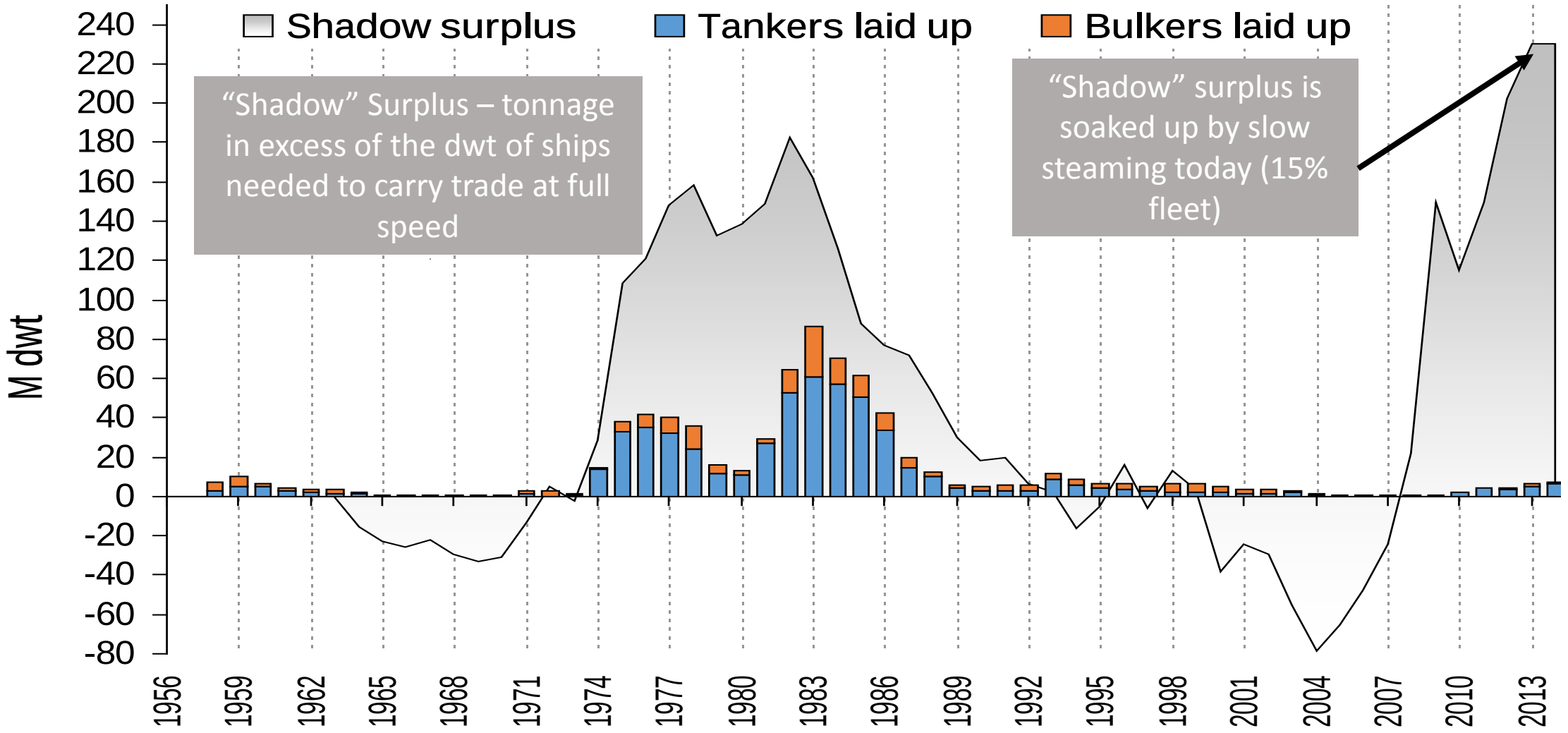
2016 a difficult year for shipbuilders



ISSUE 4: THE BALANCE OF SUPPLY & DEMAND

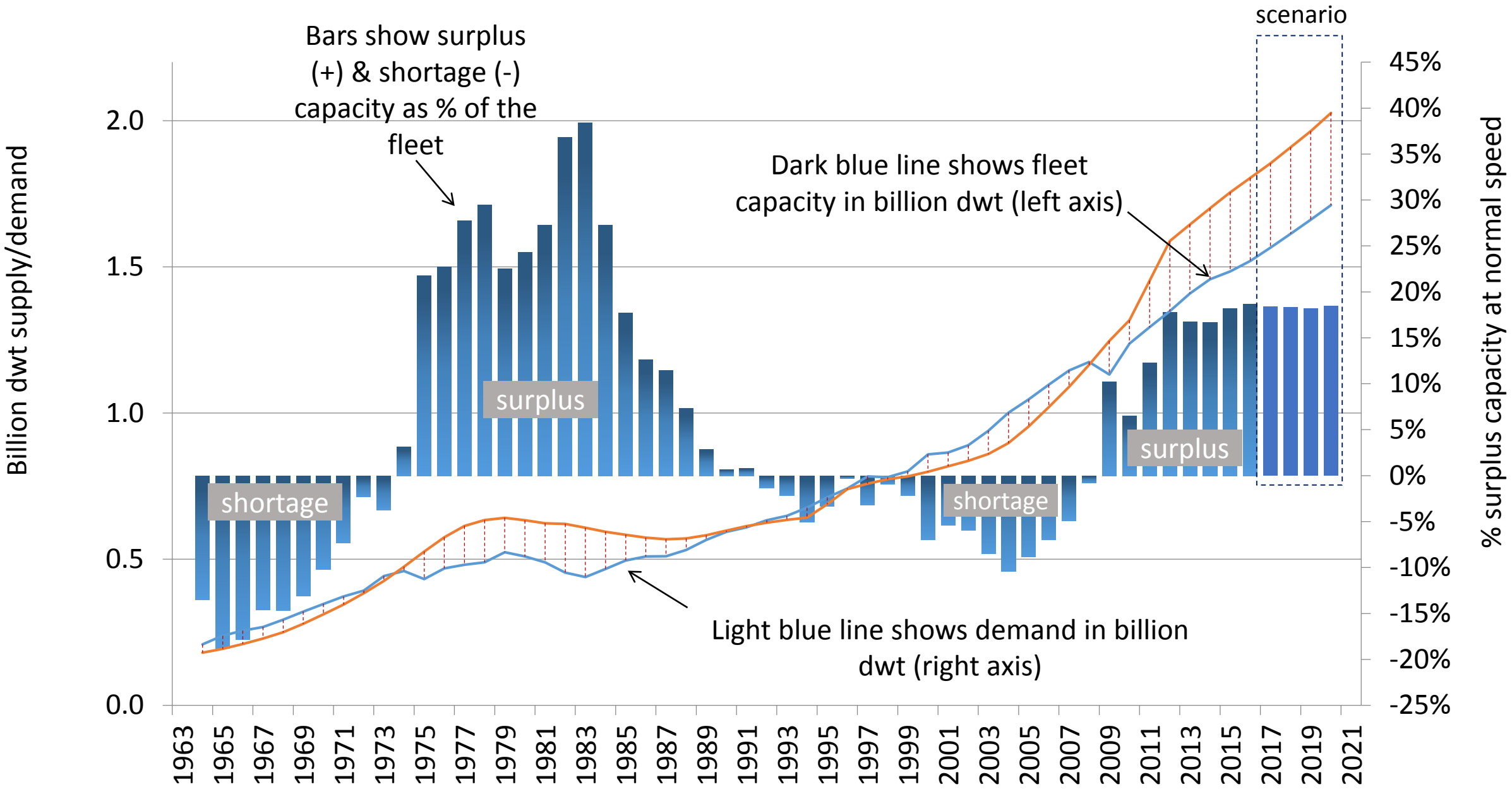
“Shadow” Surplus & Laid Up Tonnage

Shows “Shadow” surplus tonnage and the proportion laid up



Updated March 2015

World fleet supply demand balance – locked into surplus?



THE END

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