

## Purgatory = Dry Bulk and Container Shipping



**February 2017**

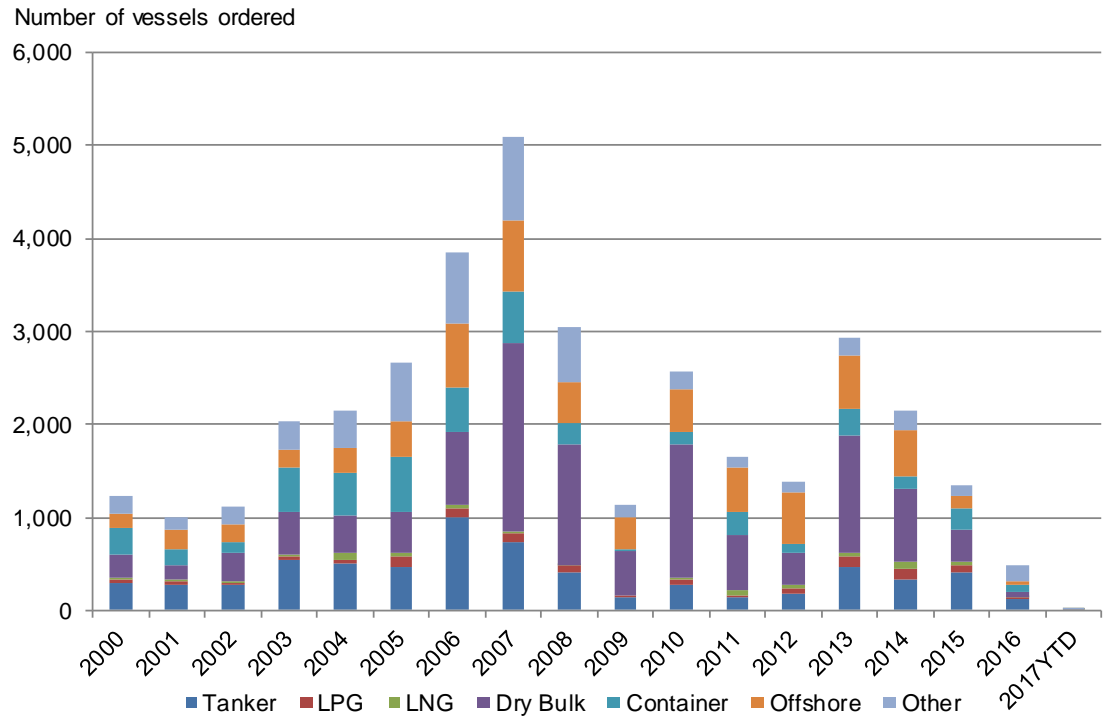
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## Signs of the Bottom

- DNB \$903 million loan losses in 2016
- Nordea €502 million loan losses in 2016
- New commercial vessel ordering near 50-year low
- Hanjin Bankruptcy
- STX Shipbuilding

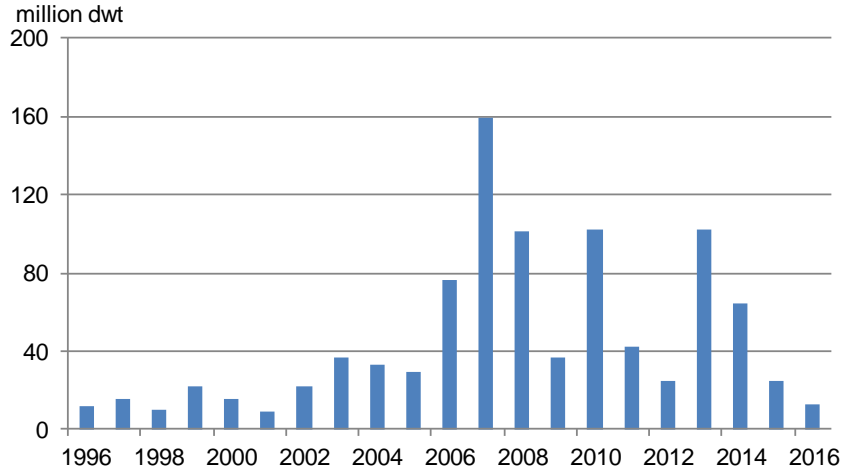
### Vessel Ordering History



Source: Clarkson Research Services

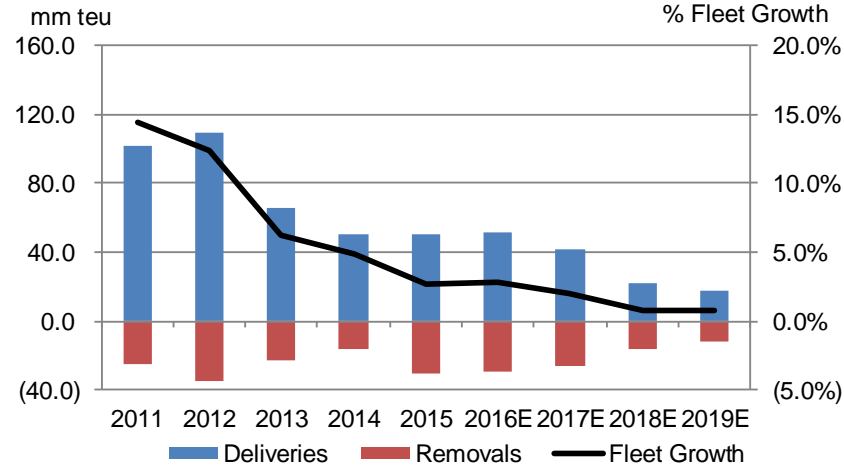
## Dry Bulk – Reasons for Hope

### Dry Bulk Ordering History



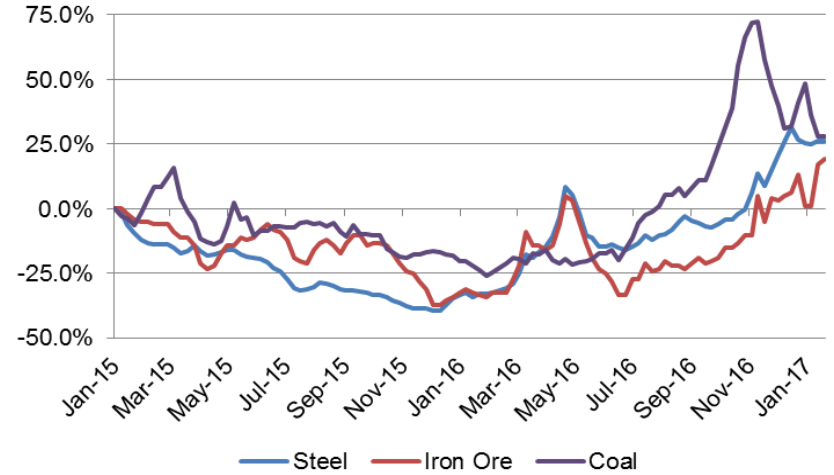
Source: Clarkson Research Services

### Dry Bulk Fleet Growth



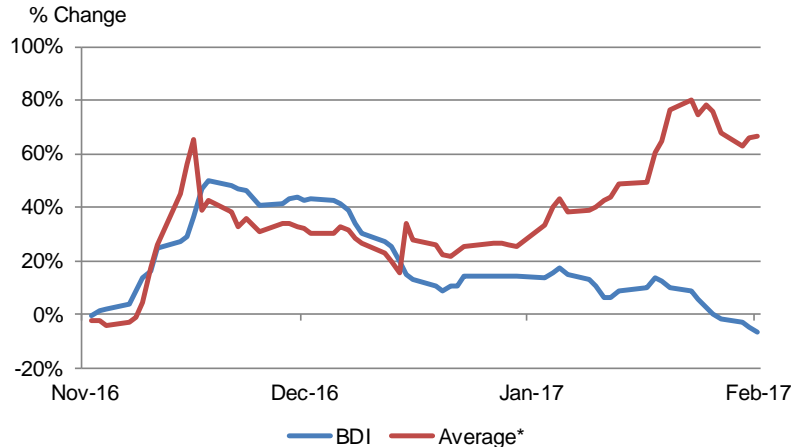
Source: Clarkson Research Services & Stifel estimate

### Commodity Prices



Source: Bloomberg

### Dry Bulk Equities

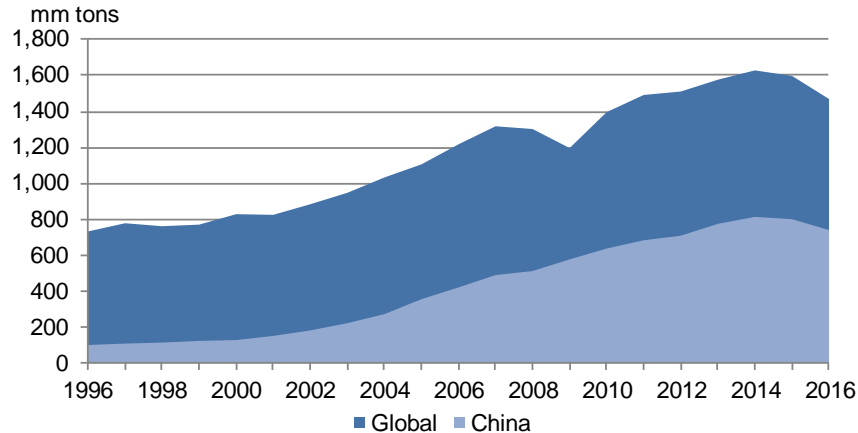


\*Includes DSX, EGLE, GNK, GOGL, SALT, SB, SBLK

Source: Bloomberg

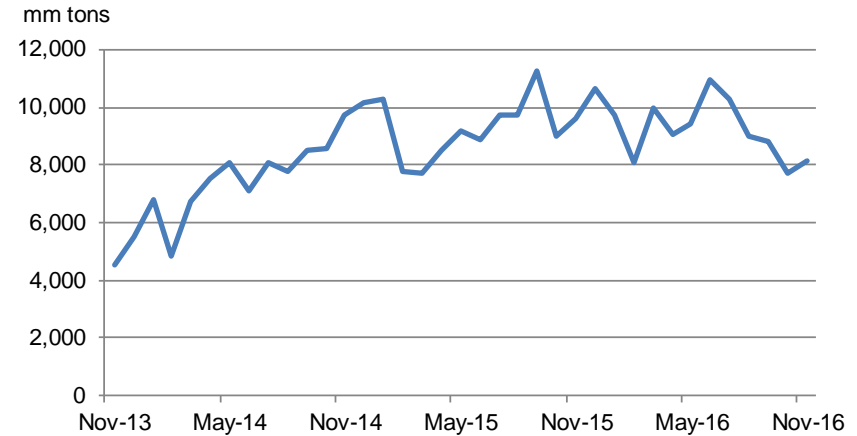
## Reasons for Doubt: China

### Chinese and Global Steel Production



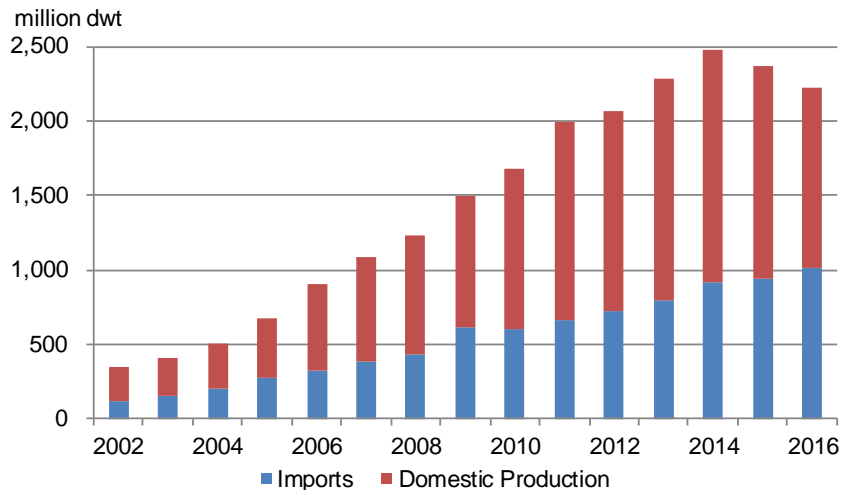
Source: World Steel Association

### Chinese Steel Exports



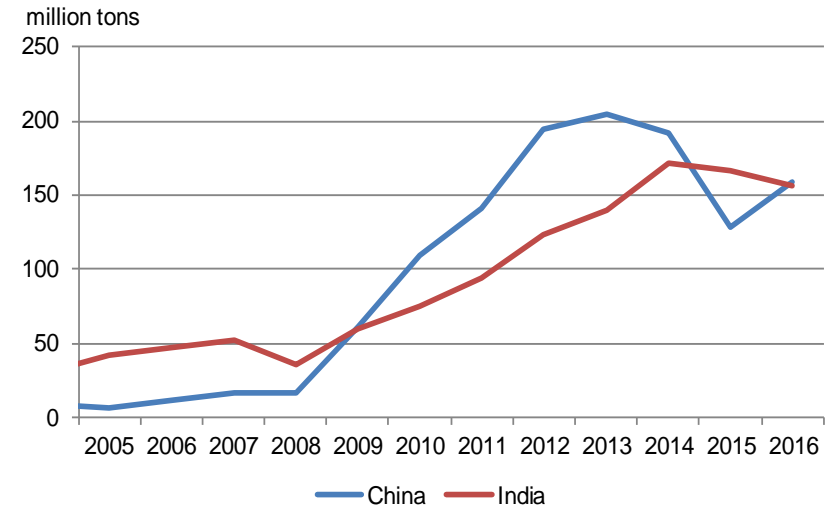
Source: Bloomberg

### China Iron Ore Imports vs. Production



Source: Bloomberg

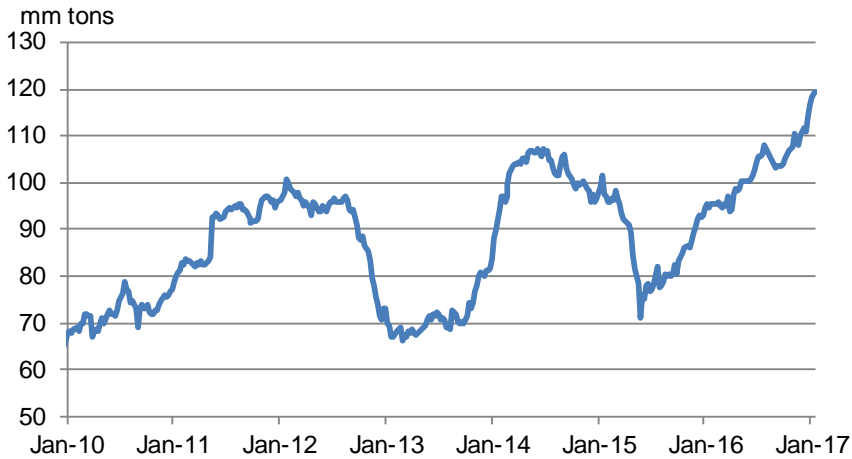
### Chinese & Indian Thermal Coal Imports



Source: Clarkson Research Services

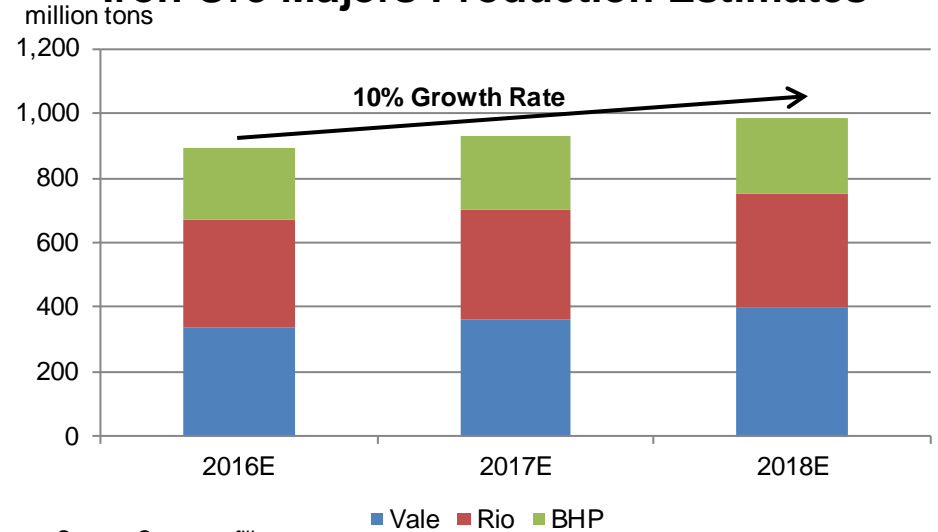
## Iron Ore: In the Balance

### China Iron Ore Inventory Levels



Source: Bloomberg

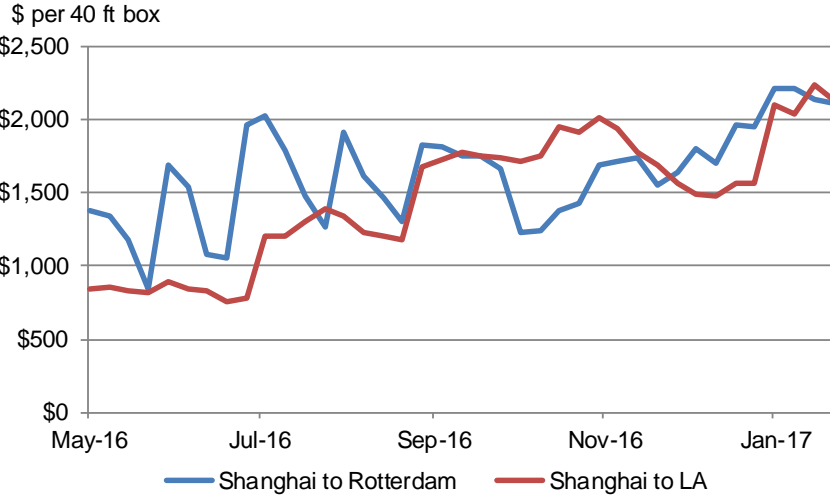
### Iron Ore Majors Production Estimates



Source: Company filings

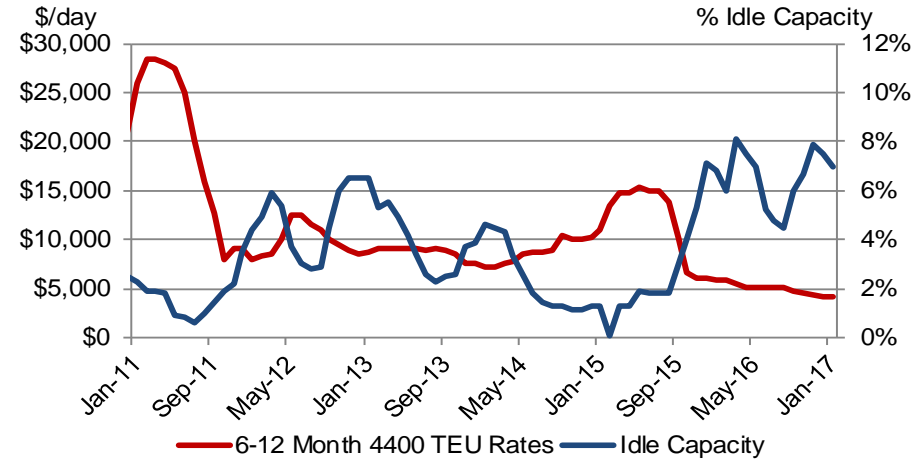
# Containers – Still In Purgatory

## Container Box Rates



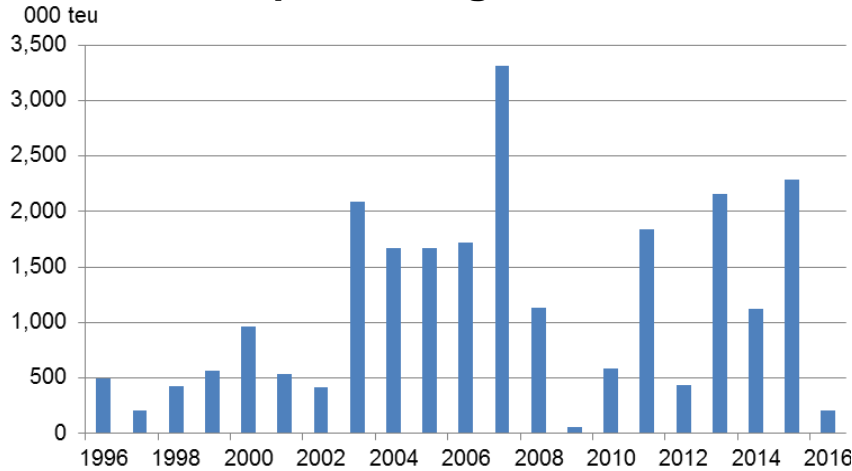
Source: Bloomberg

## Idle Capacity vs Panamax Charter Rates



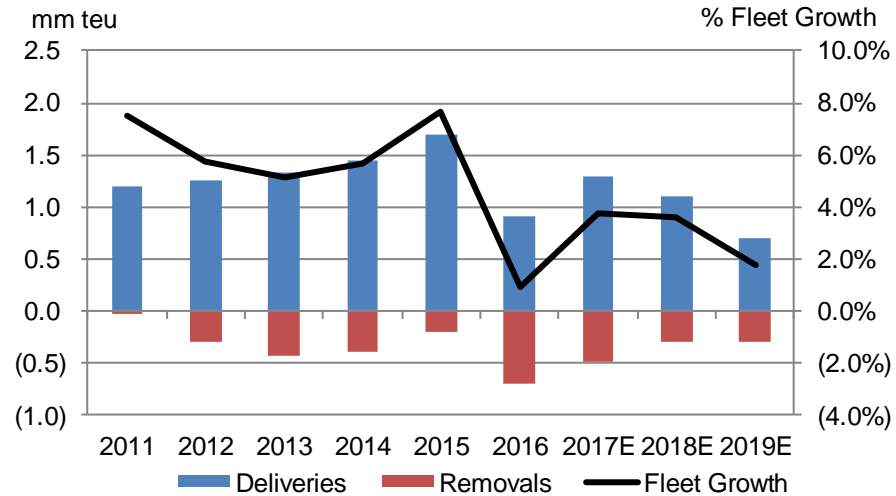
Source: Clarkson Research Services

## Containership Ordering



Source: Clarkson Research Services

## Containership Fleet Growth



Source: Clarkson Research Services and Stifel estimates

January-15

**Market Share Operator**

14.3%	APM-Maersk
12.5%	Mediterranean Shg Co
8.1%	CMA CGM Group
4.8%	Hapag-Lloyd
4.7%	Evergreen Line
4.1%	COSCO Container Lines
3.3%	China Shipping
3.0%	Hanjin Shipping
3.0%	MOL
2.8%	NOL/APL
2.6%	Hamburg Süd Group
2.6%	OOCL
2.5%	NYK Line
2.0%	Yang Ming
1.9%	PIL
1.9%	Hyundai M.M.
1.8%	K Line
1.8%	UASC
1.6%	Zim
1.0%	Wan Hai Lines

80.3%

2017 (assuming announced consolidations)

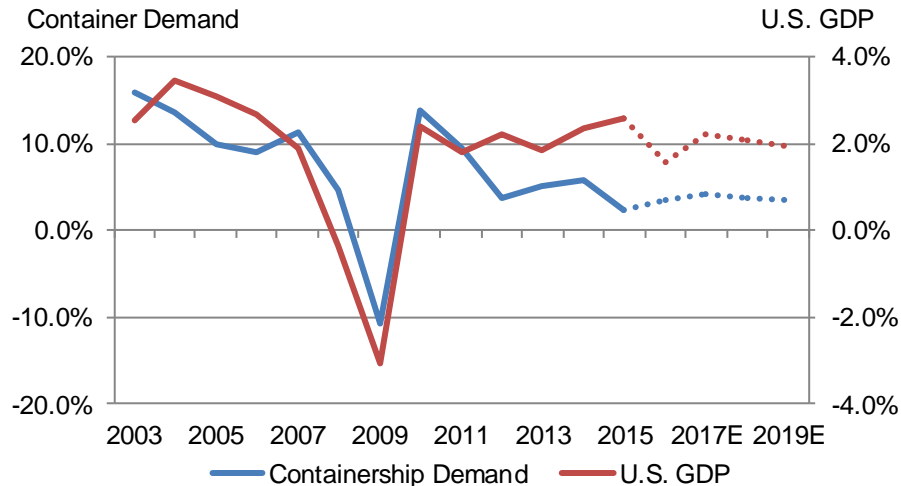
**Market Share Operator**

18.8%	APM-Maersk
13.8%	Mediterranean Shg Co
10.5%	CMA CGM Group
8.0%	COSCO Container Lines
7.3%	Hapag-Lloyd/UASC
6.9%	MOL/NYK/K Line
4.8%	Evergreen Line
2.8%	Yang Ming
2.7%	OOCL
2.2%	Hyundai M.M.
1.7%	PIL
1.4%	Zim
1.1%	Wan Hai Lines

82.0%

## And the Fleet...

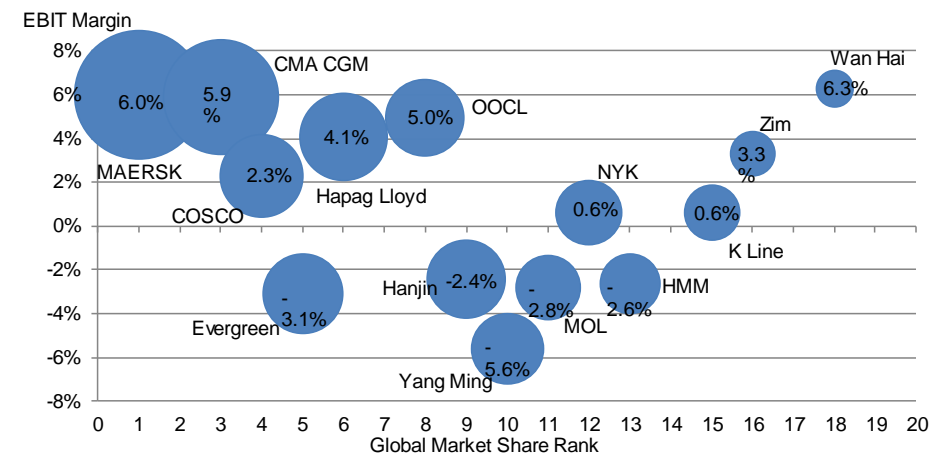
### Container Demand Correlated to U.S. GDP Growth



- Old multiple of 2x GDP growth is now more like 1x GDP growth
- Liner consolidation means more efficient companies which means fewer ships
- More rational liners also probably means more rational ordering and less structural oversupply, eventually

Source: Bloomberg & Stifel estimates

### Consolidation Makes Sense



Source: Bloomberg & Stifel estimates



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