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## Capital Link – Hong Kong

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# Where we are in the shipping cycle today?

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# “Where are we in the shipping cycle?”



## COVERED IN THIS PRESENTATION

PART 1: MARKET CYCLE TODAY

PART 2: SHIP DEMAND, & WORLD ECONOMY

PART 3: SHIPBUILDING DYNAMICS

PART 4: FLEET BALANCE & UTILIZATION

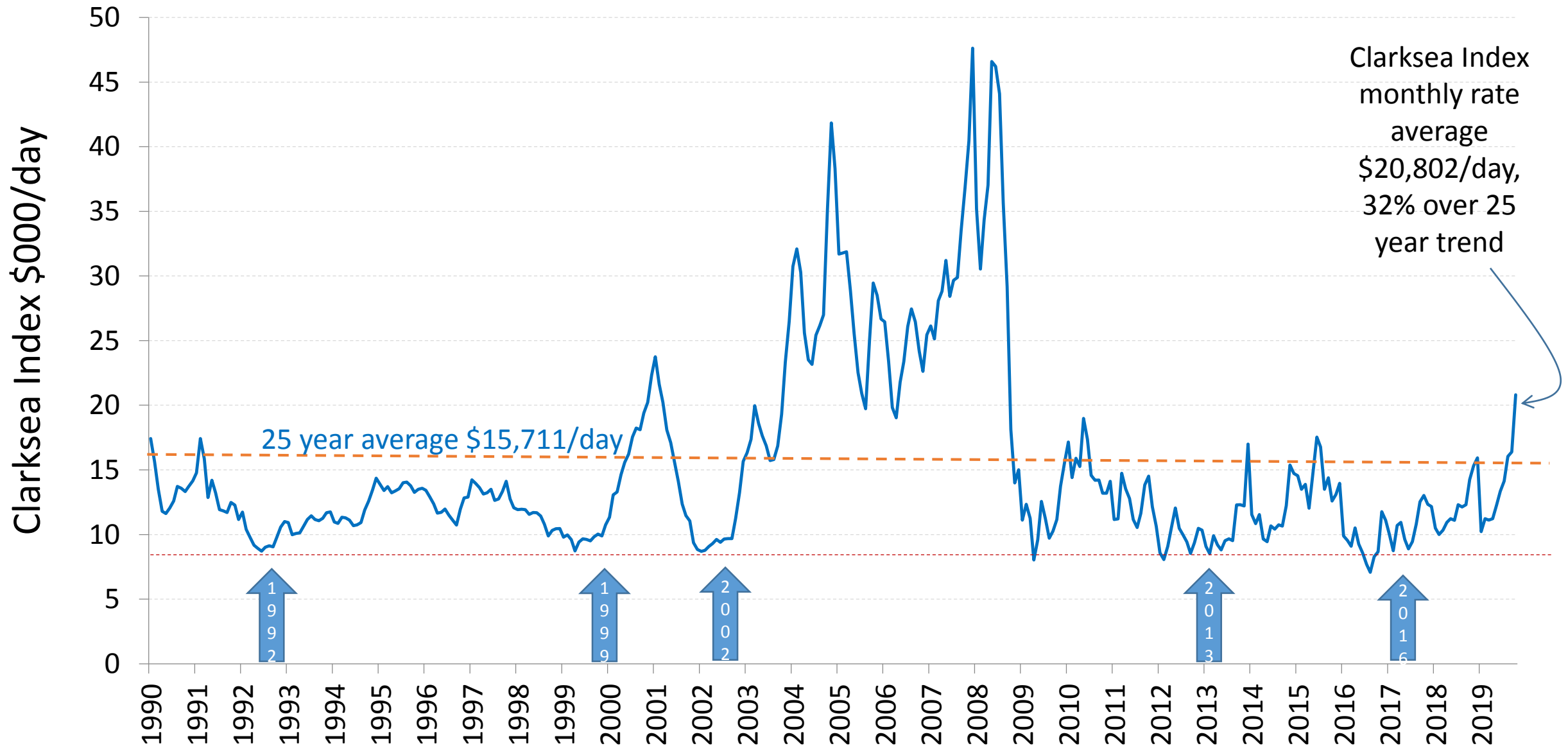
PART 5: CONCLUSIONS

THE ISSUES

# PART 1: THE SHIPPING MARKET CYCLE



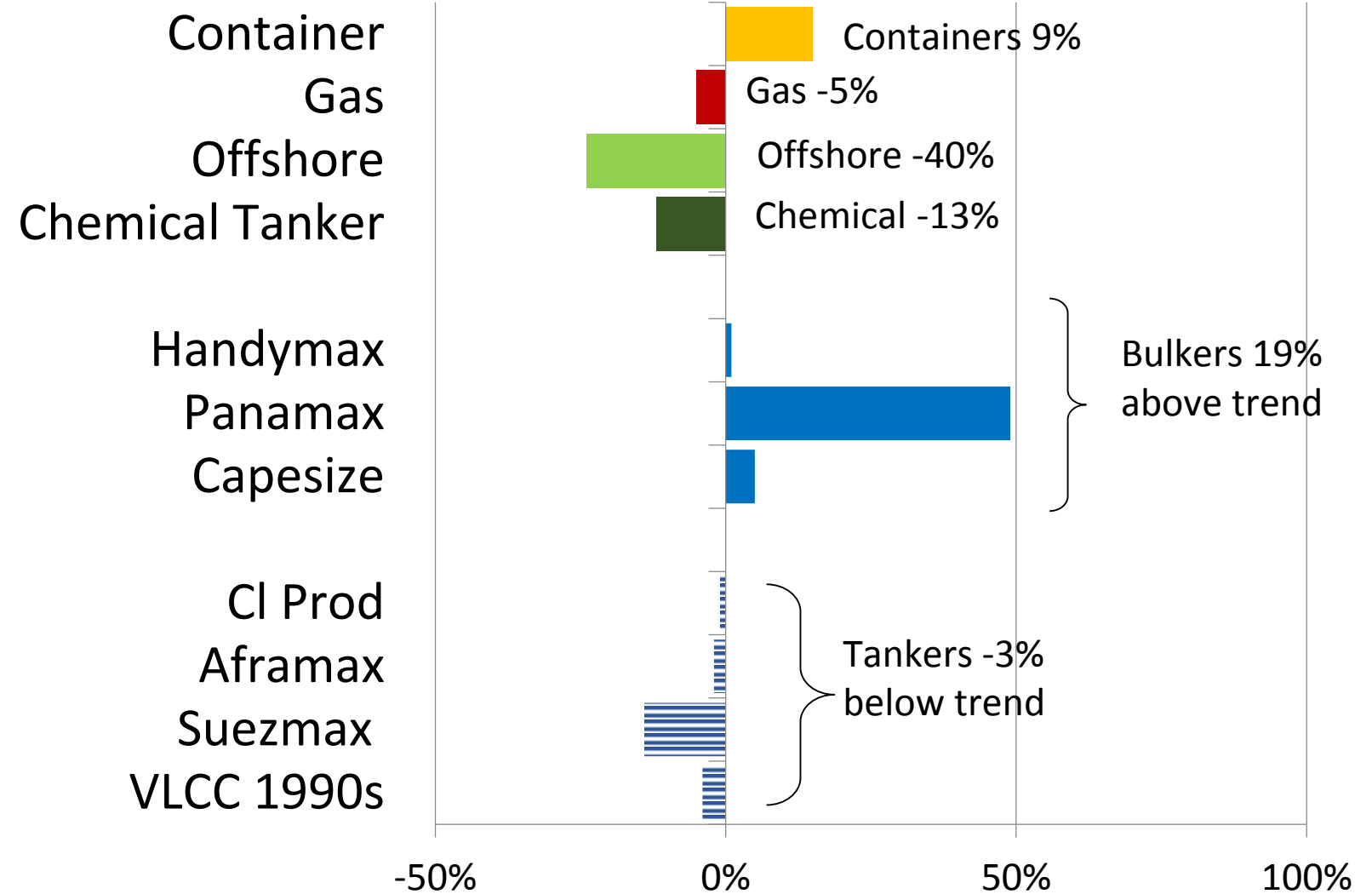
# The Shipping Cycle – Clarksea index passed \$20,000/day in October



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

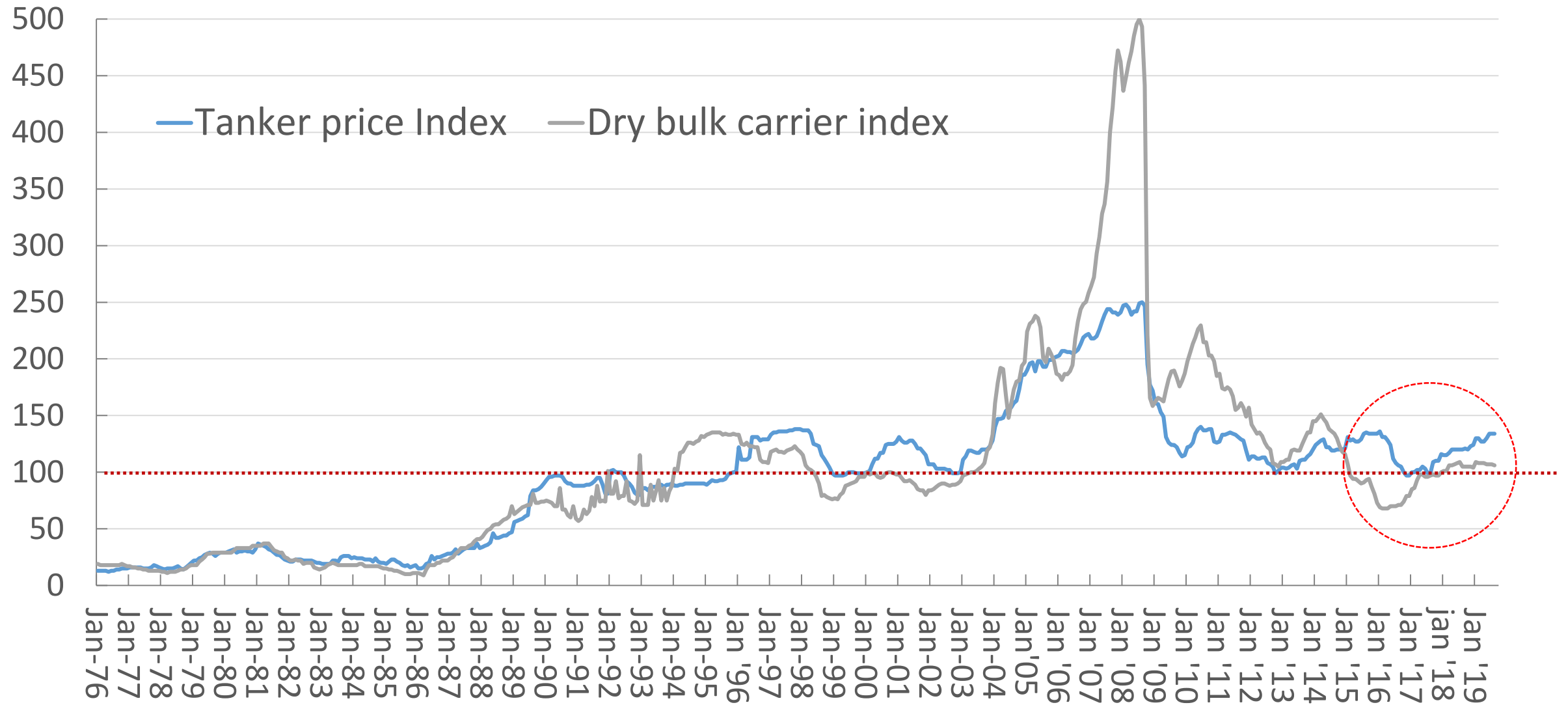
# Cycle status in 12 markets: last 12 months as % seven year trend

- Chart shows average earnings in last 12 months as a % of average earnings in last 7 years (Sept 2012 to Oct 2019)
- Bulk carriers are above the 7 year trend (but it was an easy target to beat)
- Tankers below trend
- Gas market now well below trend



Data to 17 Nov 2019

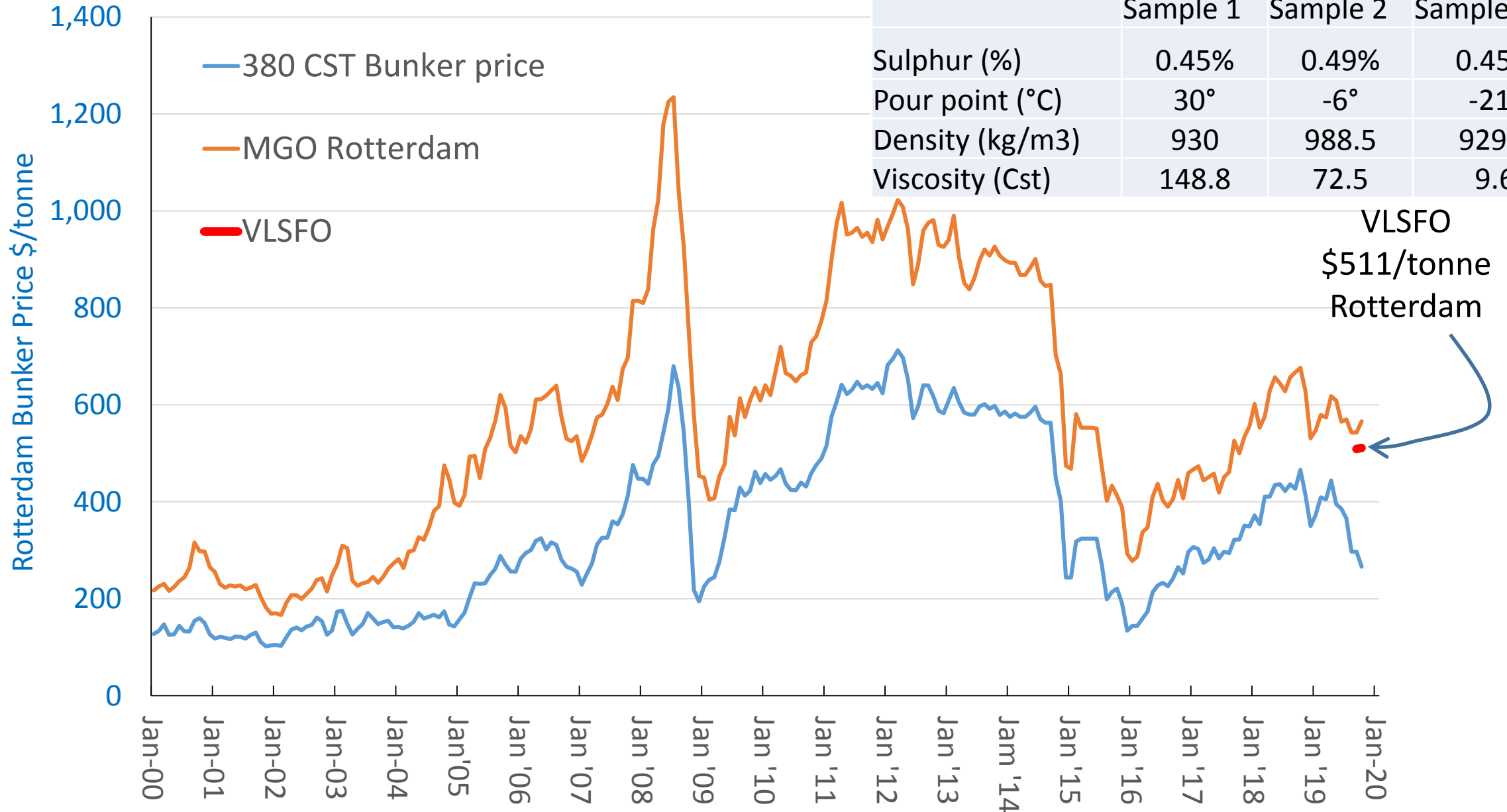
# S8 Tanker & Bulker second hand price index – not much action





# S10 Bunker price Rotterdam \$/tonne- very volatile

Supplier Sample - three parcels of LSFO Fuel Oil			
	Sample 1	Sample 2	Sample 3
Sulphur (%)	0.45%	0.49%	0.45%
Pour point (°C)	30°	-6°	-21°
Density (kg/m3)	930	988.5	929.7
Viscosity (Cst)	148.8	72.5	9.6





# PART 2: THE DEMAND SIDE OF THE MARKET



# World Industrial Production 1993-2019 (to Sept 2019) slipping fast

1. US Financial Crisis

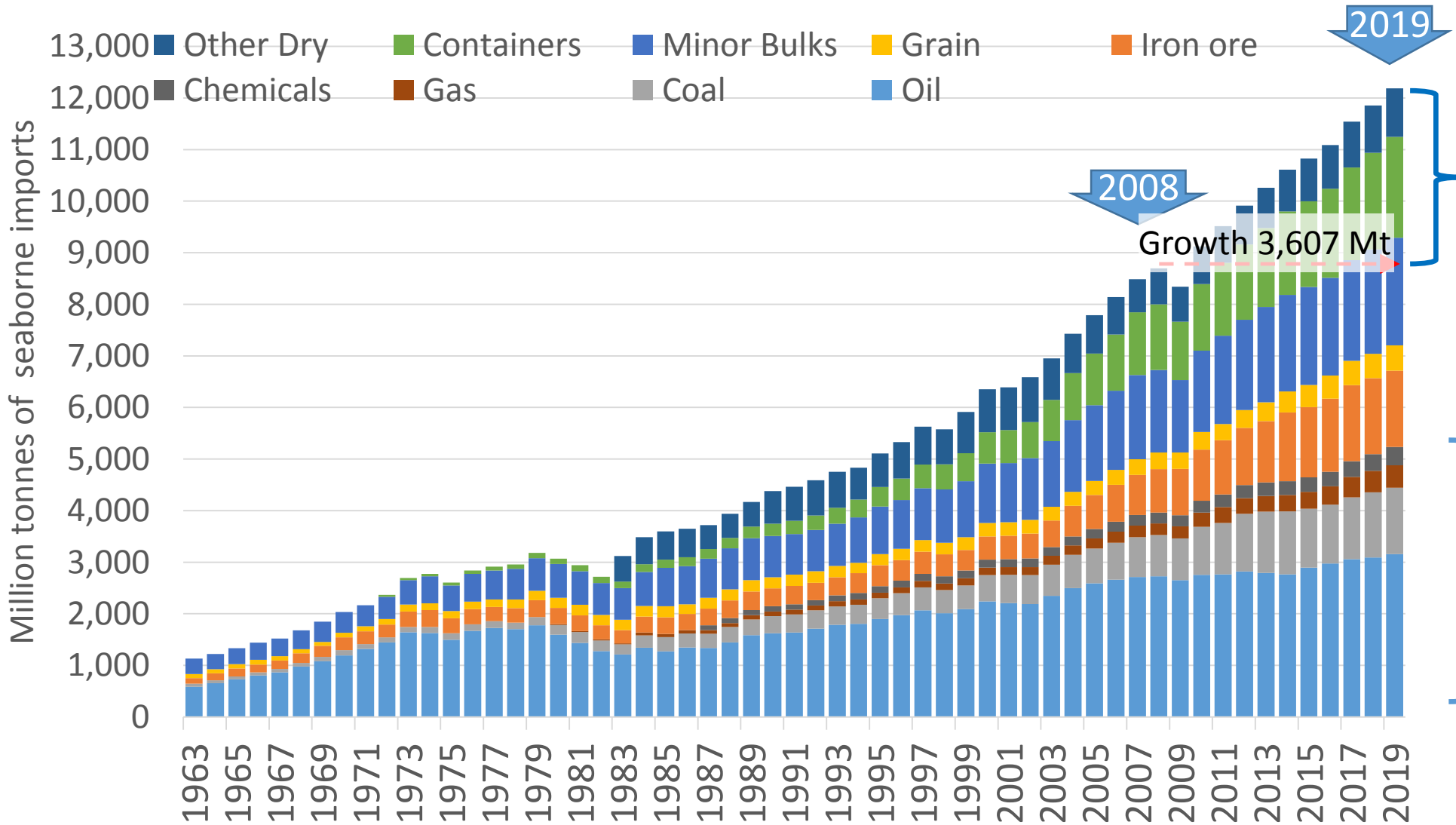
2. Asia Crisis

3. Dot.com Crisis

4. Credit Crisis



# 2 questions on sea trade (for anyone planning to invest in new ships):-

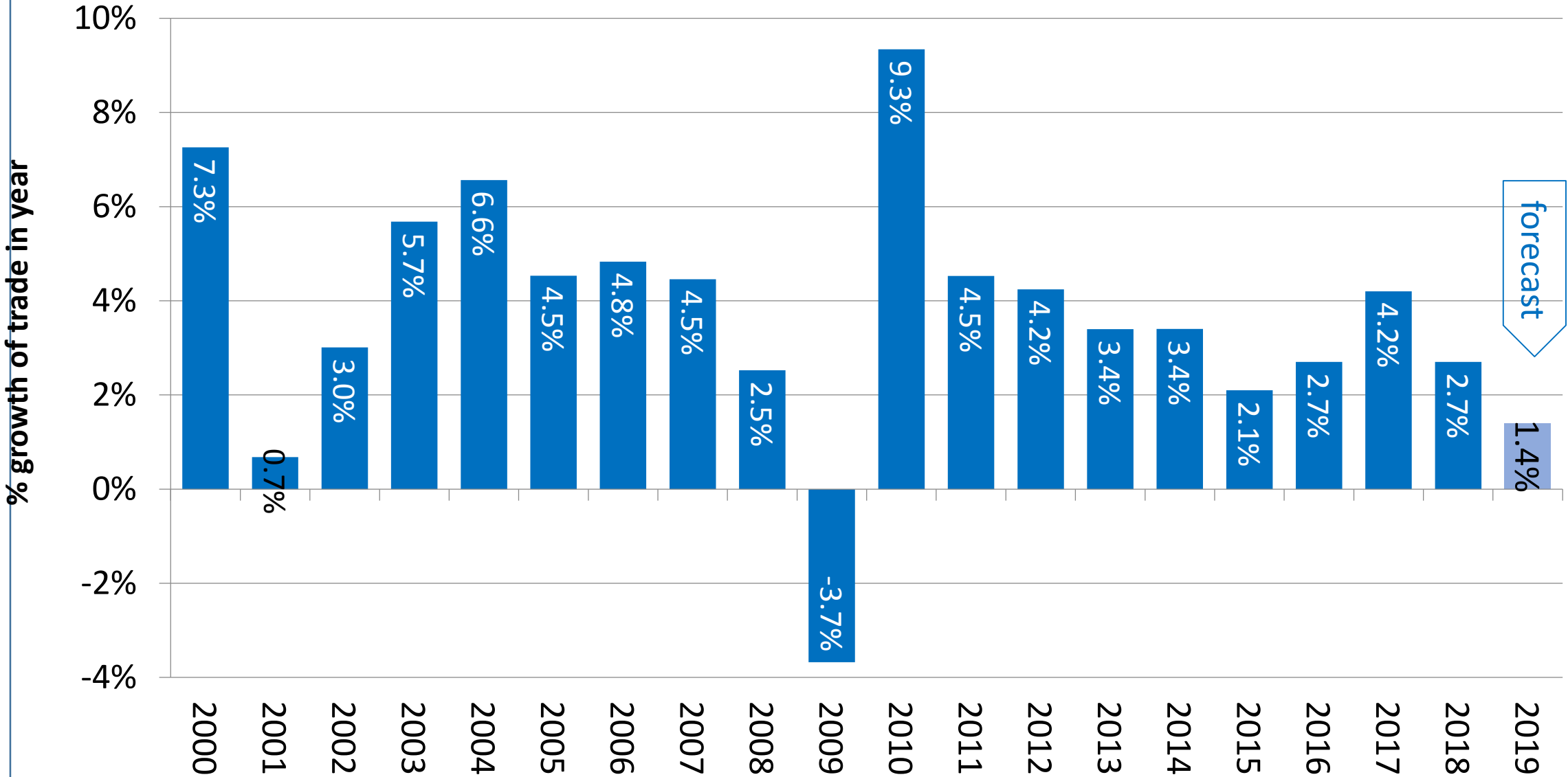


Question 1:  
27% Growth since 2008.  
Can we sustain this growth rate?

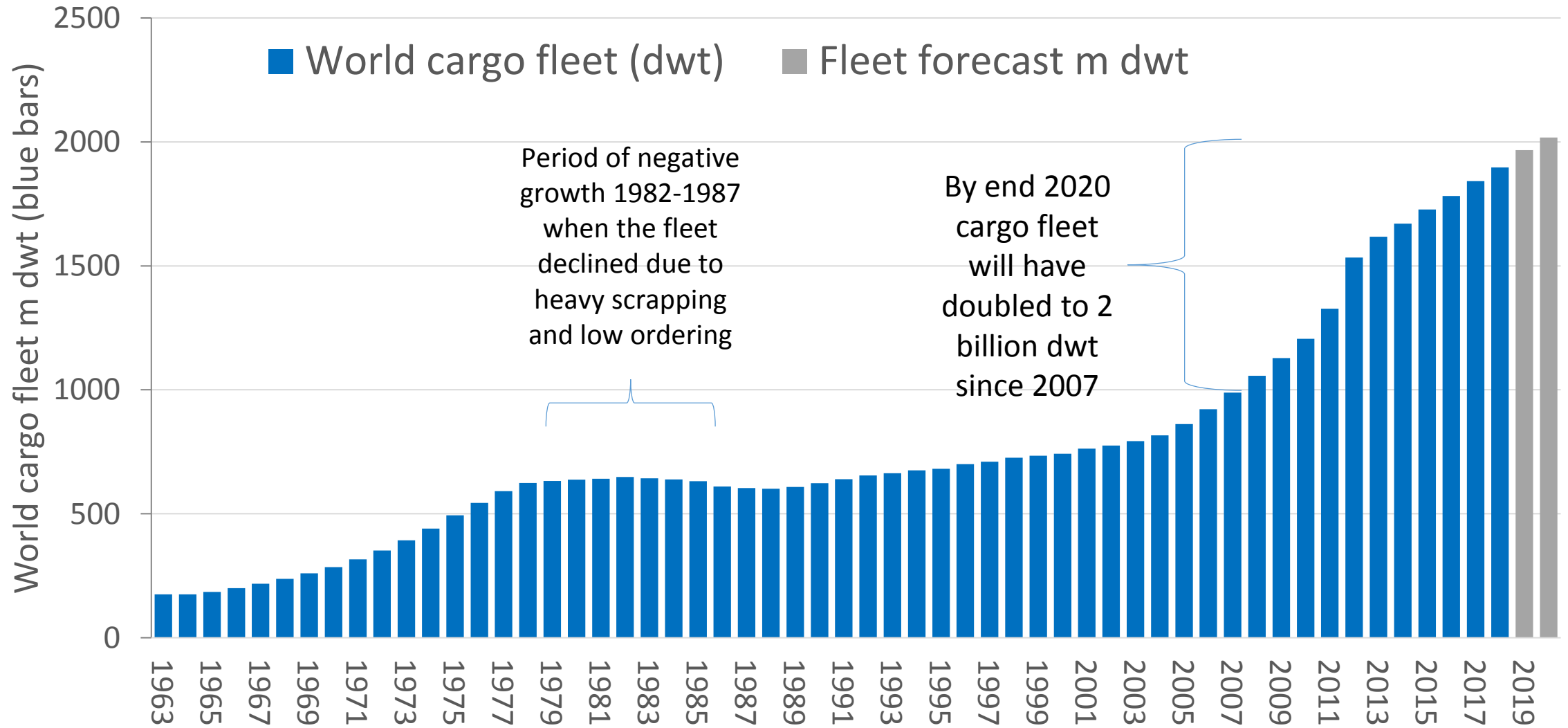
Question 2:  
37% of sea trade is fossil fuel –  
What will it be in 2050?

# S12: Sea trade growth slowing to 2.7% in 2018, and about 1.4% in 2019

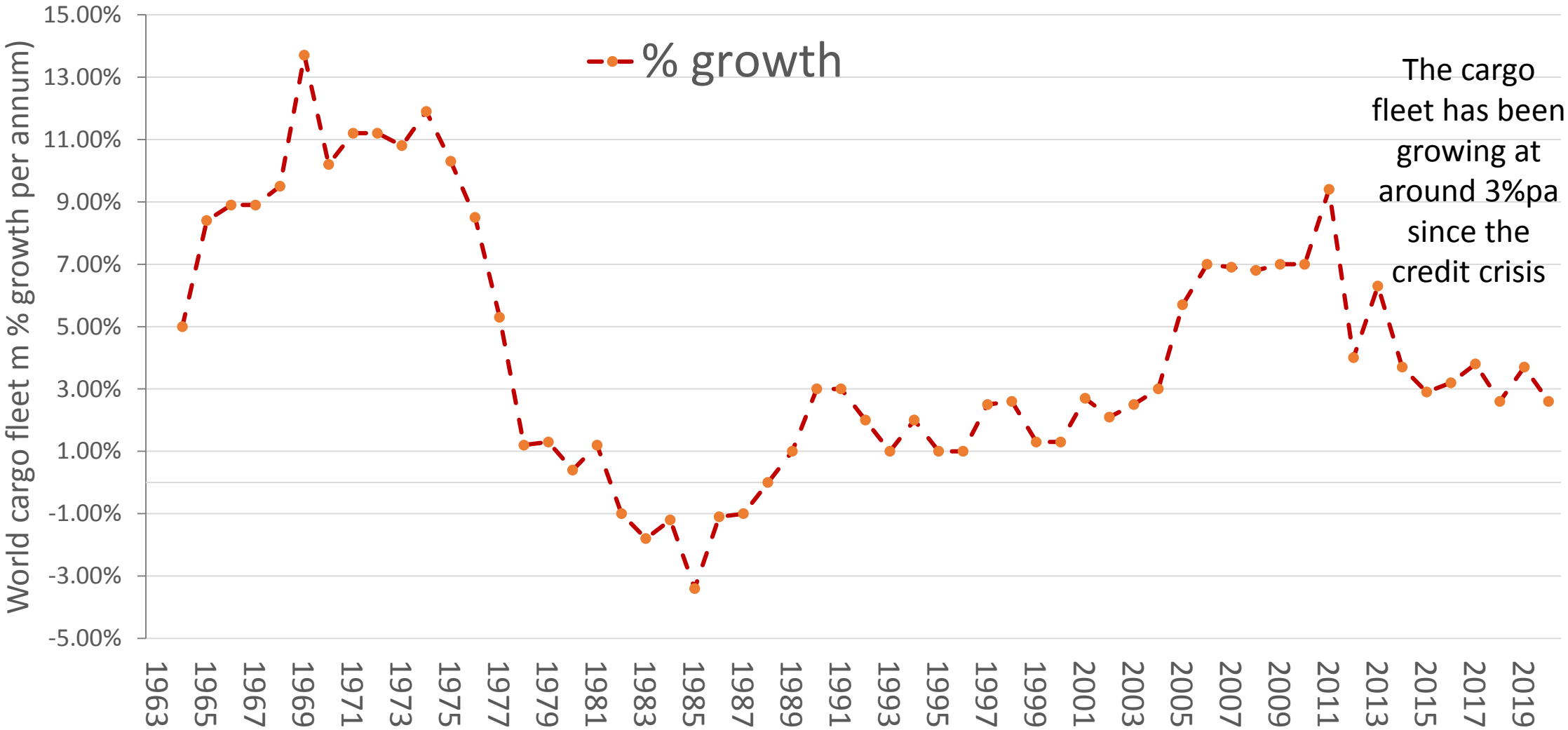
Growth of sea trade 2000-2019 (annual % change)



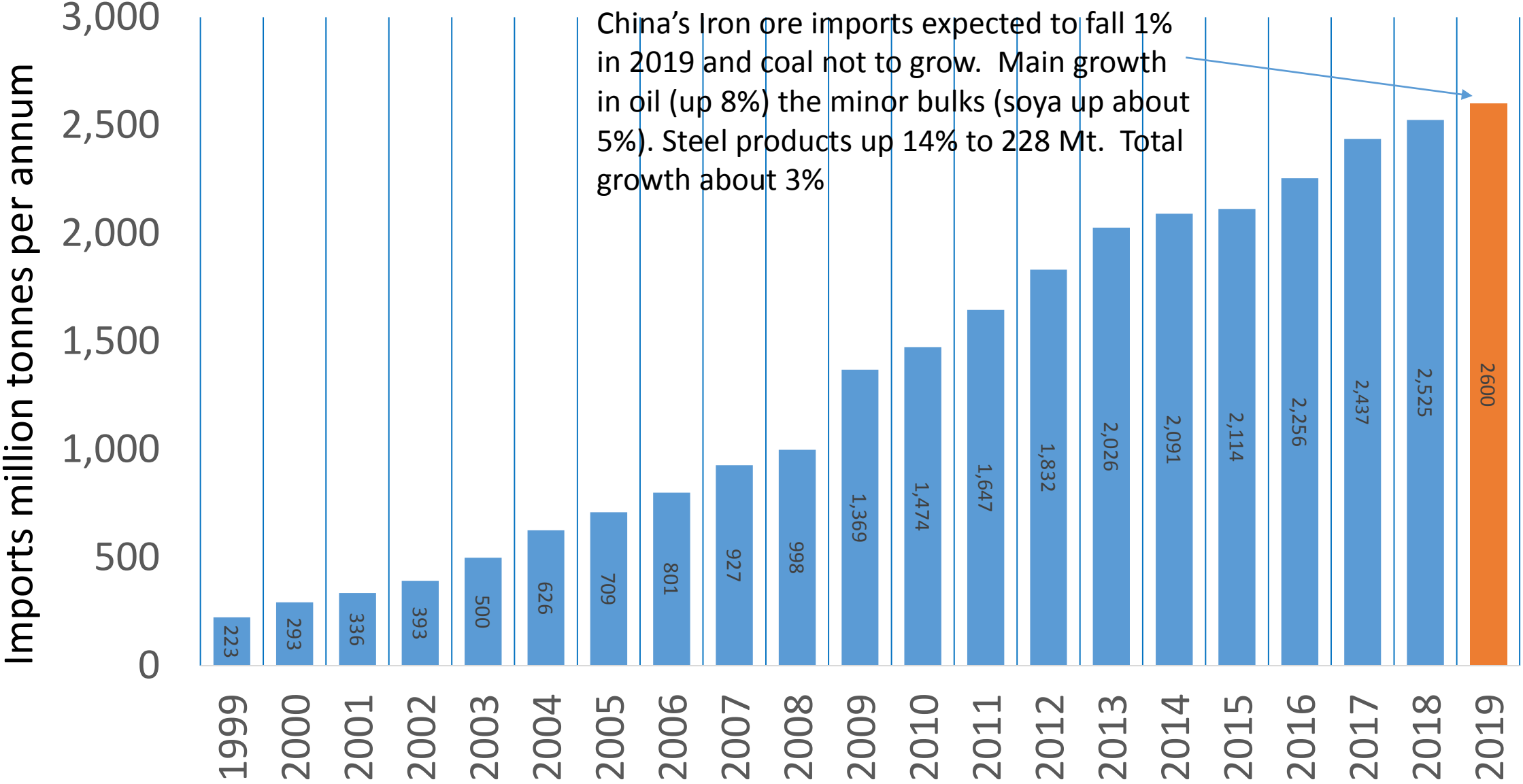
# The world fleet, which was 988m dwt in 2007, will double to 2,000m dwt in 2020



# World fleet grew 3% in 2018, forecast 3.7% in 2019 & 2.6% in 2020



# S14: China Trade – imports on more gentle growth trend

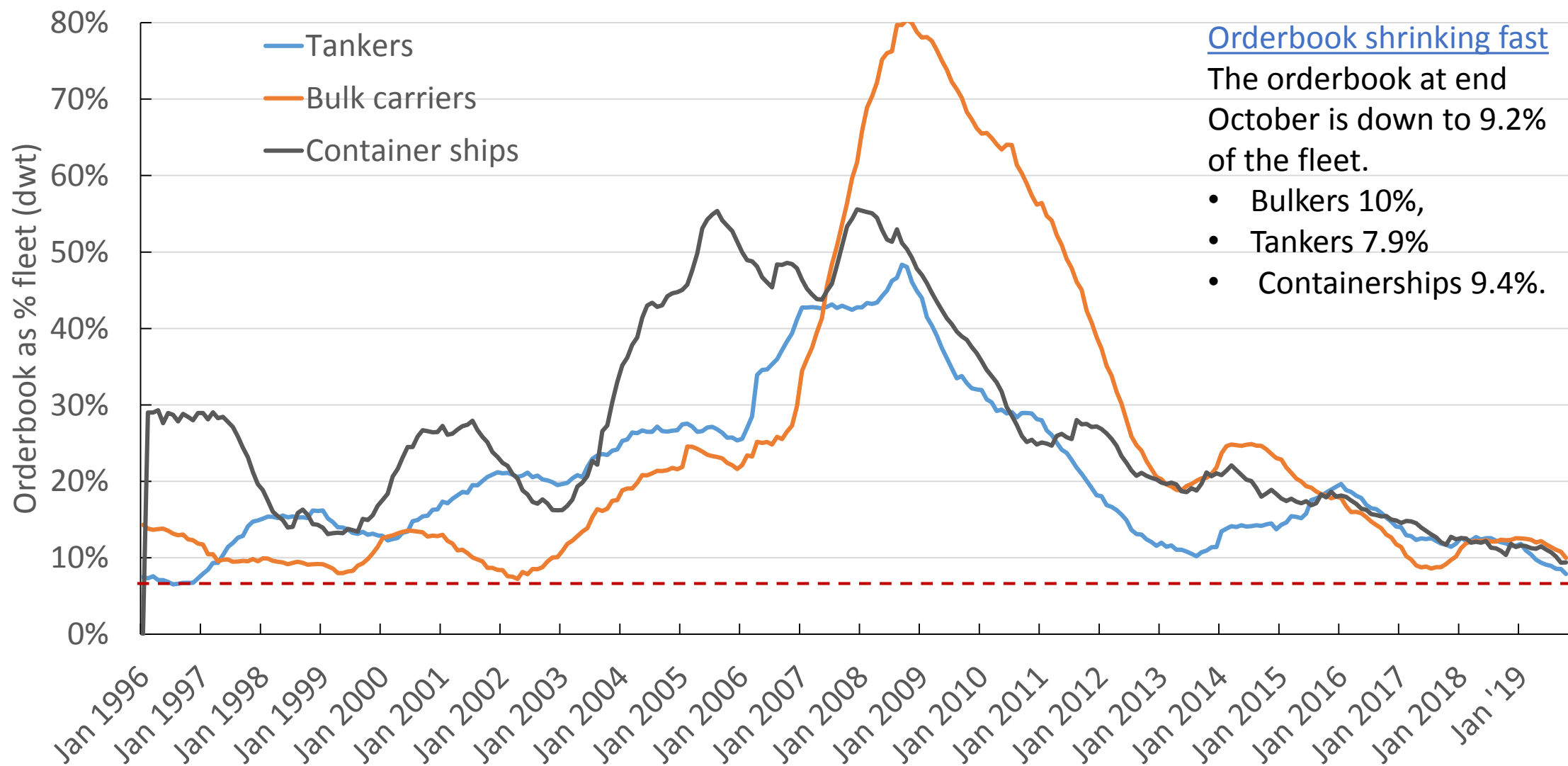






## PART 3: SHIPBUILDING DYNAMICS

# Merchant Orderbook November 2019 as % Fleet – near historic low

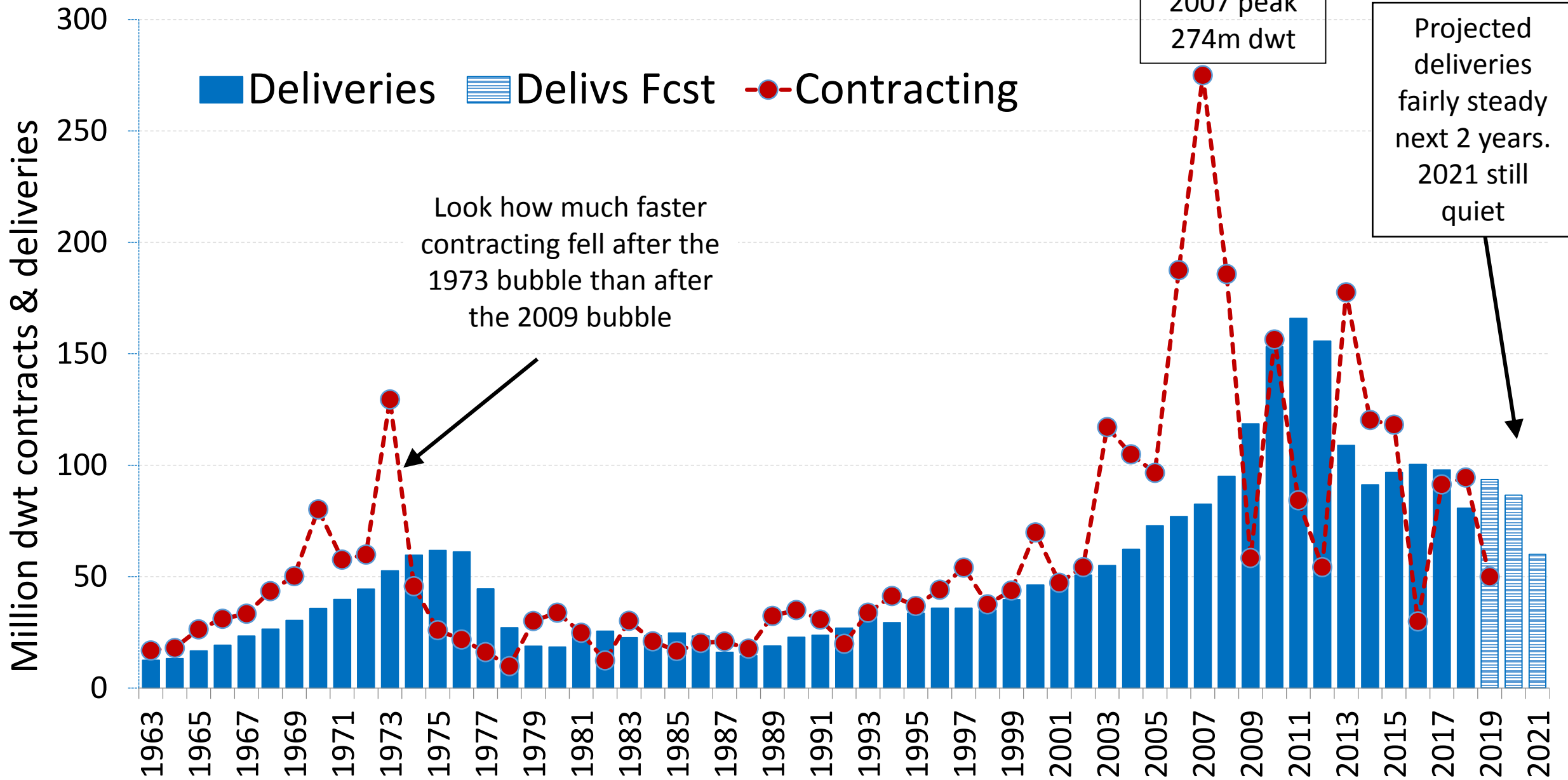


## Orderbook shrinking fast

The orderbook at end October is down to 9.2% of the fleet.

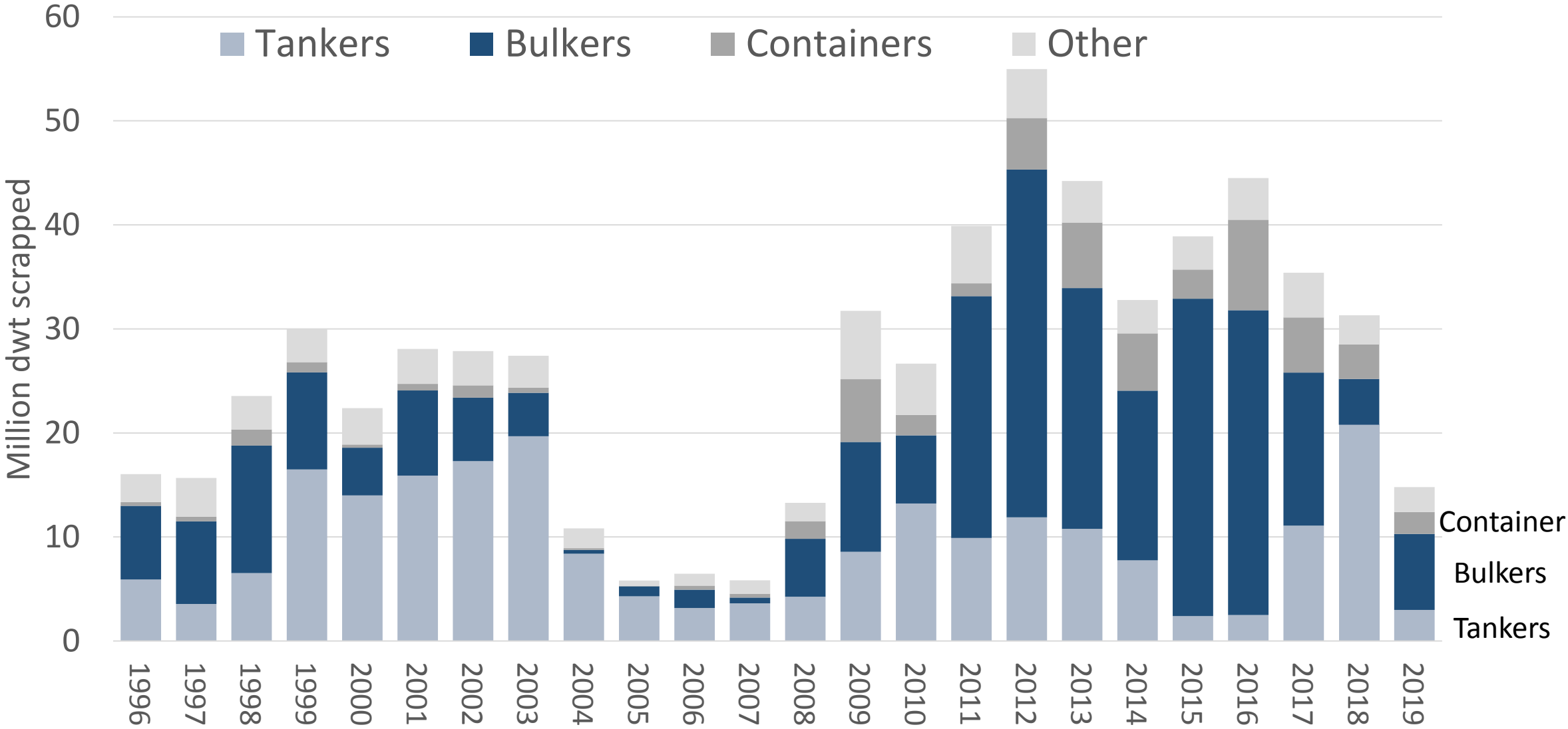
- Bulkers 10%,
- Tankers 7.9%
- Containerships 9.4%.

# Shipbuilding contracts & deliveries 1963-2020 – surprisingly steady



# S16: Demolition 31m dwt in 2018, about down to c.17 m Dwt in 2019,

This level of demolition leaves the cargo fleet growing at about 2.5% pa

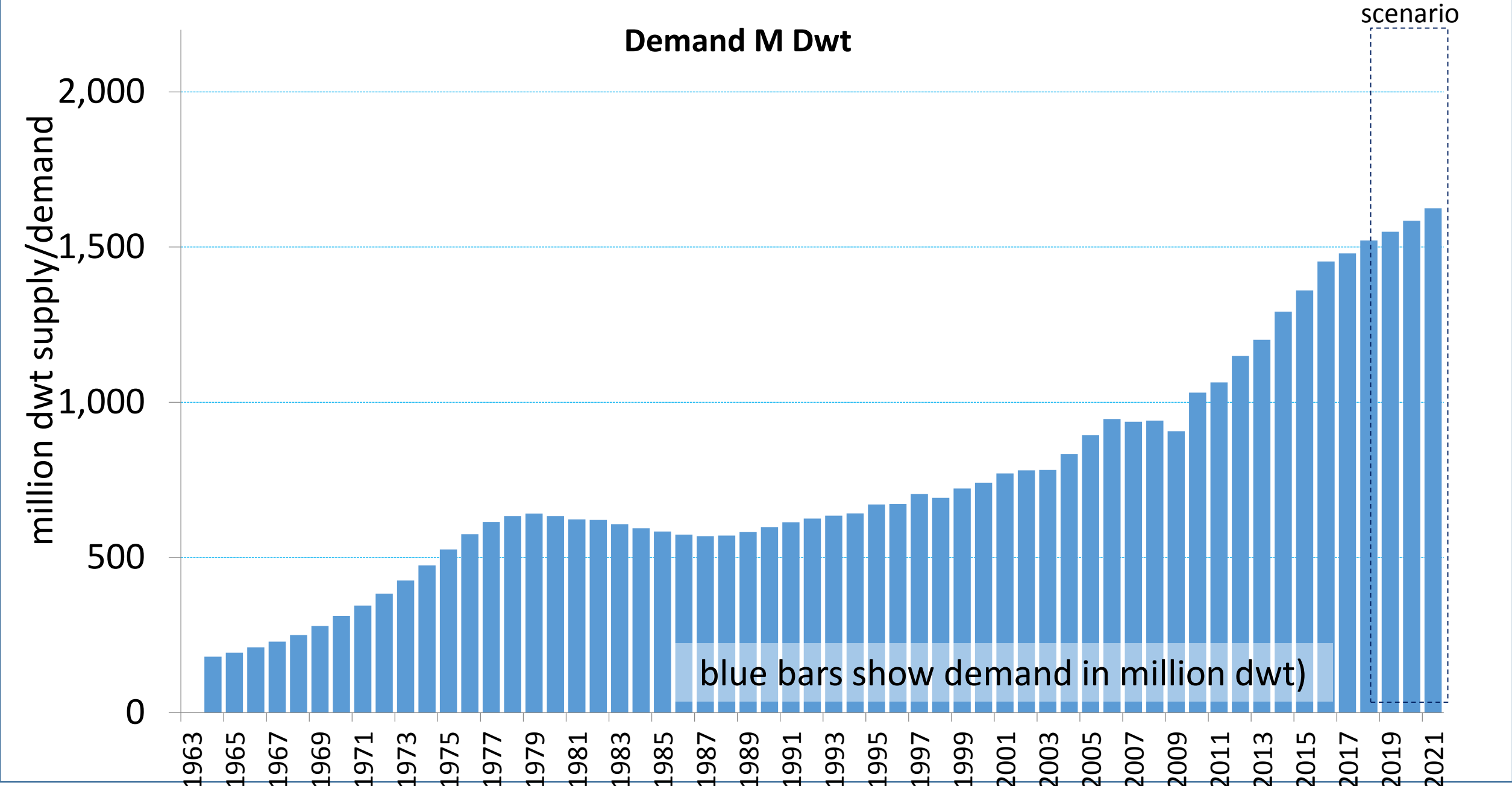




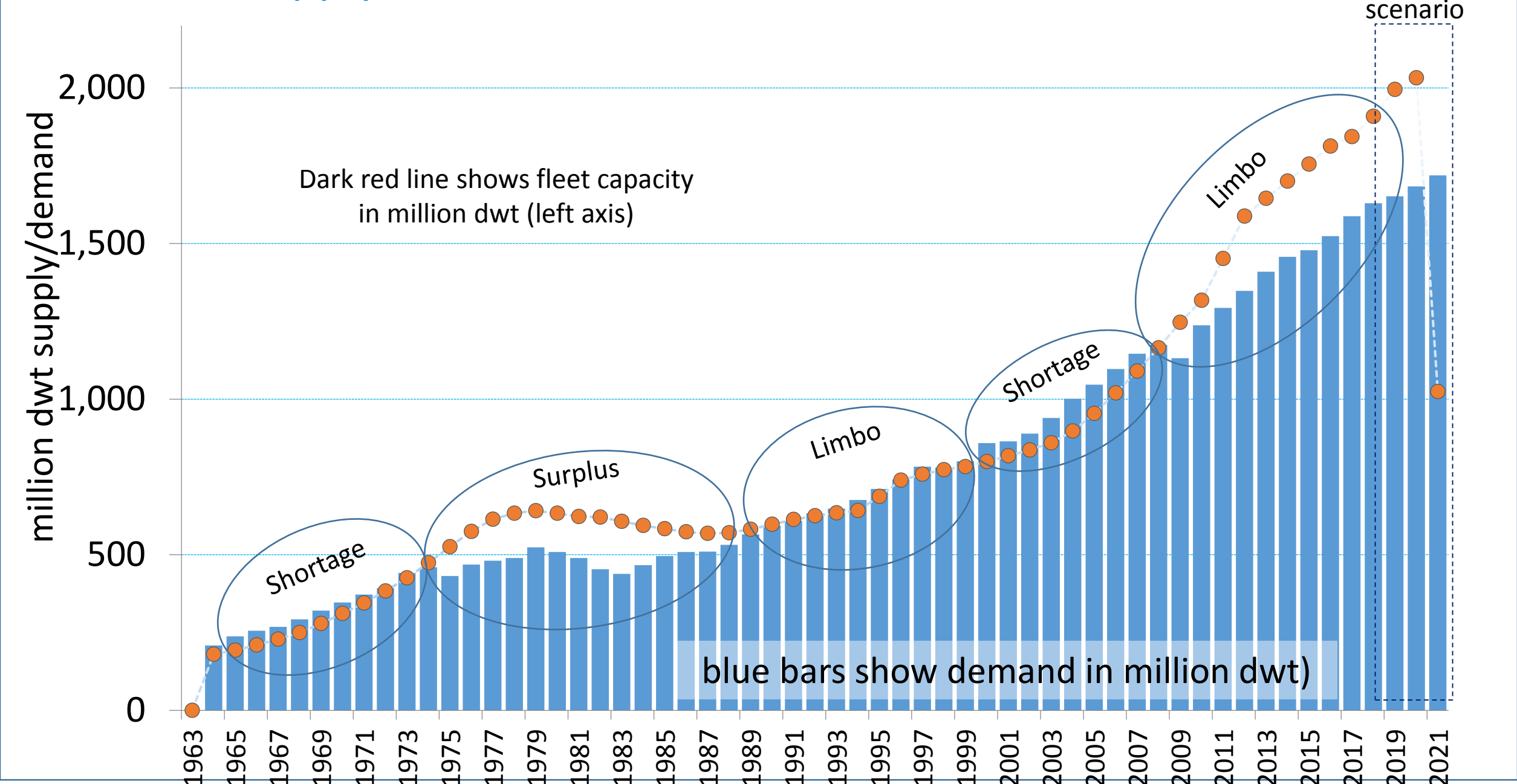


## PART 4: FLEET BALANCE & UTILIZATION

# World ship demand sluggish – adding 30-40 million dwt demand pa growth pa



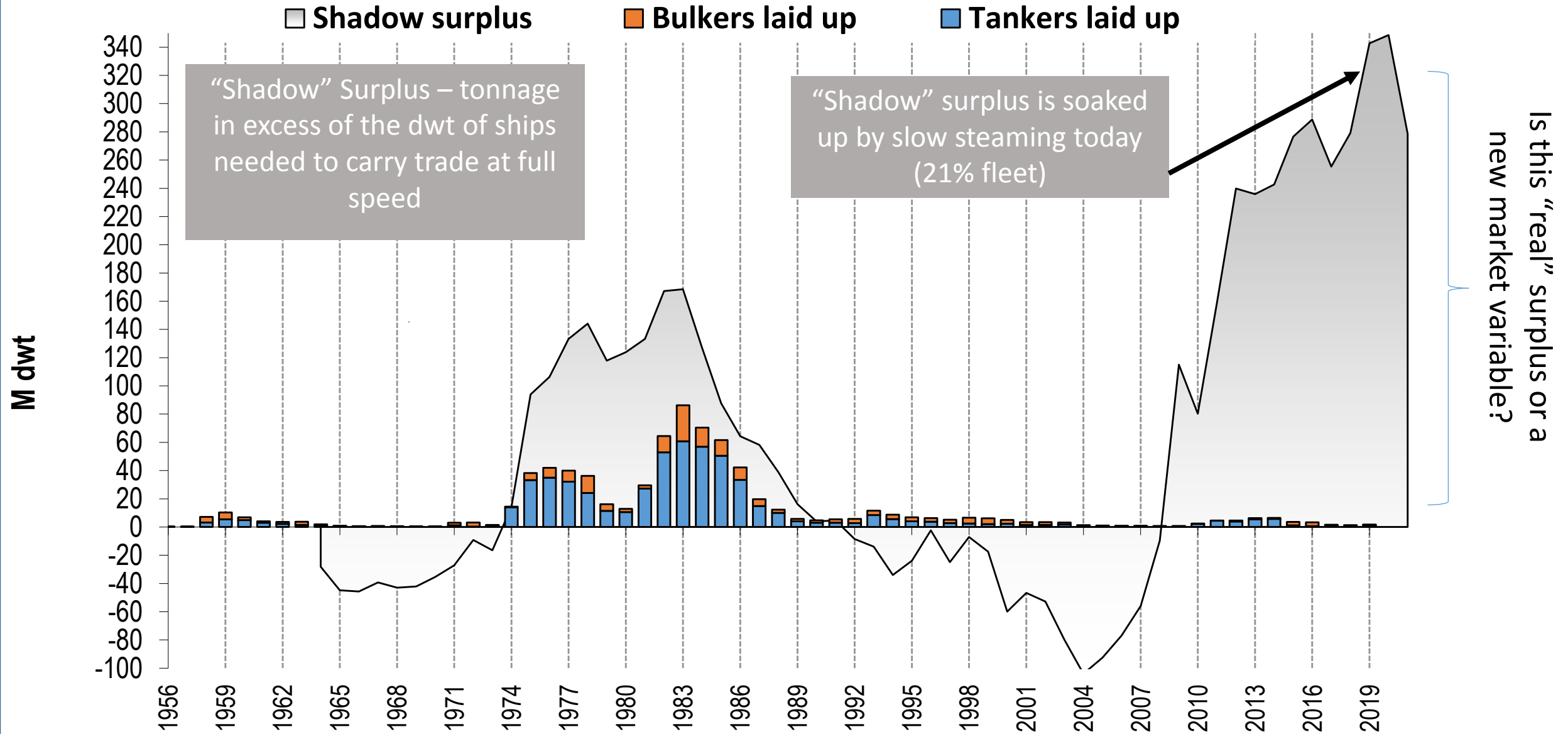
# World fleet supply demand balance – stuck with





# S20: "Shadow" Surplus & Laid Up Tonnage

Shows "Shadow" surplus tonnage and the proportion laid up





# PART 5: CONCLUSION

# QUICK OVERVIEW OF MAIN CONCLUSIONS

- Clarksea index \$16,712/day, just above 25 year trend
- World industry cycle heading down – dangerous territory
- Sea Trade slowing too 2.7% in 2018, maybe 1.4% in 2019
- Shipyard orderbook slipped to 9.2% fleet, long term low
- Shipyards getting very hungry for 2021 workload.
- Investor sentiment uncomfortable with new technology
- However deliveries up 16% to 93 m dwt in 2019.
- Cargo fleet still growing faster than trade
- Bottom line: The supply side of the market is improving but demand is too weak for a sustained turnaround
- – so it's “steady as she goes”.



THE END

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# S21: World fleet supply demand balance – surplus not reducing much

