



MONTHLY CONTAINER REPORT

December 2019 | Week 49 - 52

The New Year has started, and IMO 2020 has been implemented. So far, the transition has been smooth and calm. It would not be fair to say that it has gone as smoothly as solving the Y2K problem in 2000 (which was a non-event) as obviously a lot of operational work was involved beforehand. We haven't heard of any major issues and, so far, we have not had any engine stoppers due to new fuel types. Time has been lost, however, during some aspects of the operations, predominantly while waiting for bunkering in some of the major bunker ports if bunker had not been pre-ordered.

While IMO 2020 reduces Sulphur Oxides (SOx) emissions, it does nothing about CO2. If one explains this whole IMO 2020 hype to a shipping outsider by saying that CO2 is not the issue here and that, on the contrary, the whole scrubber hype is increasing CO2 emissions, not least due to the increased power requirements on board, an outsider might wonder in what age shipping is living. If we then say "well, but some ships are starting to use LNG", and it will soon also become clear that LNG might reduce SOx and particulate matter, but ultimately it is still a fossil fuel and can only be an intermediate step. So, the idea for charging an USD 2 per tonne levy on bunker fuel to create a large green energy fund for shipping in order to finance research into alternative fuels makes a lot of sense in terms of moving the whole shipping industry forwards.

The key element of the fuel switch at the moment is the difference between low sulphur and high sulphur fuel. The new fuel currently costs almost twice as much, as supply is still limited. This is good news for those who have scrubbers running and it will generate further interest to install more scrubbers. In addition, the high fuel costs will reduce vessel speeds and reduce capacity even more. This bodes well for shipping developments. Of course, the fuel difference will reduce over time and also the scrubber installations will peak sometime in 2020 but, for now, in the first half of 2020 at least, things look quite promising.

Nevertheless, the general overcapacity in the container market is quickly apparent when looking at smaller feeders, as particularly those below 2000 TEU are not enjoying anywhere as close to as good a time as is the case for ships larger than 5500 TEU. Overall, the newbuild activity was vastly reduced in 2019, but 2020 will still be the third year in a row (and in container shipping usually the norm) in which supply exceeds demand. We will have to wait and see whether things change in 2021, as for now there is still a lot of yard capacity free for 2021 and yards are eager to fill it. We can only hope that our view about the risks of ordering newbuilds is shared by many others too, as we believe that the life-cycle of container ships in particular continues to decrease. While most operators assume a life span of 20-25 years and many listed companies even assume 30 years in order to improve profits, it has become increasingly dangerous to assume a 50% residual value after 10 years, as was previously the case in many calculations. For the last 10 years, container ships have traded below their perceived newbuild parity, as all newbuilds have been quickly superior to their older sister types and it has thus been like comparing apples and pears. Ship valuations have shown more of an accelerated depreciation curve than a linear approach during the last 10 years. The newbuilds that many companies, in particular liner operators, have ordered over the last few years carry considerable residual value risk, for the liner companies or their financial backers. Simply ask the German banks about it....

Hence, the whole insecurity about how ship propulsion will be designed in the future will hopefully keep people away from the yards. A similar thing is happening in the automobile industry right now, where the average age of cars is increasing as people are not sure what to buy next. Right now, if you do not drive too much, a new diesel car is most likely actually the cleanest and best thing you can buy. Public opinion might hold a different view, but an electric car has a considerably worse CO2 production balance and it is impossible to charge all the car batteries using wind and solar energy. As sailors, we also know that winds usually die down at night, when the sun is also not shining. At least a diesel car will not be purchased on the basis of an assumed 20-25 year life span, so it is much easier to make the decision to buy a diesel car than a ship running on a certain fuel.

So, once the last ship has come out of the yard with a scrubber installed and hence the full fleet is available for trading again, maybe a further reduced newbuild supply will start to kick in. Not only the container markets will need some years to come with demand exceeding supply.

Looking back, 2019 might have been a strange year for an owner of, for instance, a 2500 TEU ship. While the charter rates improved over the year, the values dropped. It was a similar story for bulkers as well with lack of confidence and buying interest all around. Hence, if you have money to spend, things improved for buyers in these segments. Larger container ships definitely offer higher earnings at the moment but they carry a much larger residual risk and are much more dependent on the short term scrubber situation. The problem with larger ships is actually getting your hands on a good ship at a decent price. Good luck and may the next 10 years be better than the previous decade.

Kind regards,
TOEPFER TRANSPORT

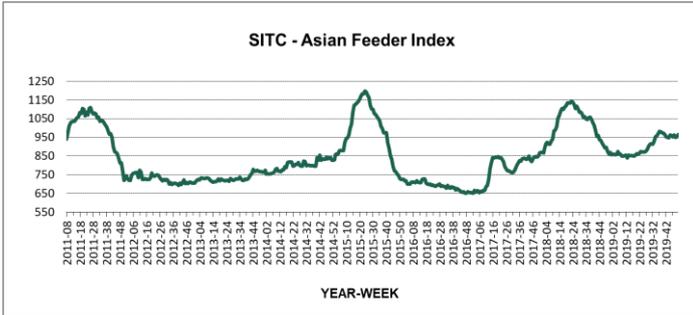


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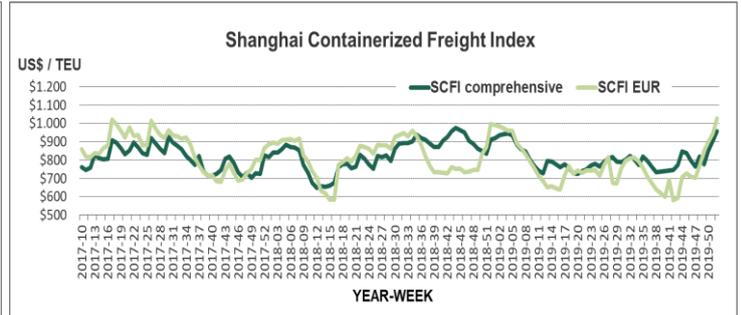
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New Context				
	Nov-19	Dec-19	+/-	Dez-18
comprehensive	440	436	-0,91%	408
1100 TEU GRD - 12 MOS TC	\$6.257	\$6.192	-1,04%	\$6.410
1700 TEU GRD - 12 MOS TC	\$8.676	\$8.547	-1,49%	\$7.640
3500 TEU GL - 12 MOS TC	\$11.781	\$11.195	-4,97%	\$9.871

Charterrate index



Container Freight Index



Selected Sales							
	TEU	DWT	built	price (in mill US\$)	buyer	comment	
BC Singapore	1.080	13.798	01/2007	\$3,70	Pacific & Atlantic		
CFS Pacatu	1.118	13.872	12/2004	\$2,00	Pacific & Atlantic		
Mercks Jaffna	1.368	16.908	11/2009	\$4,80	Germans		
Asterix	1.849	26.811	11/2008	\$9,70	Admiral Container Line, Turkey	Deal from Oct 2019	
Johannes-S.	2.546	34.330	02/2008	\$7,45	Foroohari		
Robin Hunter	4.380	54.278	03/2010	\$12,20	TS Lines		
Irenes Warwick	6.039	67.680	07/2007	\$16,00	Atlantic Lloyd	fixed TC at abt. 13,5k for 5 yrs to Maersk Line	
MSC Romane & MSC Elma	2 x 9.408	109.802 & 110.103	2017 & 2016	\$86,40	China Development Bank	Incl. BBC till 2031 at USD 25.700 pd	
Athenian & Aristomenis & Athos	3 x 9.954	118.835 & 118.712 & 118.888	3 x 2011	\$54,20	Capital Product Partners LP	Internal deal. incl Charter.	

Newbuildings							
buyer	TEU	GRD/GL	delivery	price (in mill US\$)	yard	comment	
Evergreen	4 x 1.800		2021	\$25-28 mio each	Hyundai Mipo		
Eastern Pacific	6 x 12.000	GL	2022	\$128,5 mio each	Daewoo	Dual Fuel	

Fleet Development - Deliveries and Demolitions								
(in no. vessel)	fleet size			% of fleet	orderbook		scrapped	
	Nov-19	Dec-19	+/-		Dec-19	ytd	Dec-19	
total fleet	5.327	5.338	0,2%	6,4%	341	127	6	
- 999 TEU	967	969	0,2%	1,1%	11	30	2	
1000 - 1999 TEU	1.307	1.312	0,4%	7,3%	96	60	3	
2000 - 2999 TEU	674	675	0,1%	15,9%	107	8	1	
3000 - 5099 TEU	883	883	0,0%	1,6%	14	19	0	
5100 - 7499 TEU	448	448	0,0%	0,4%	2	10	0	
7500 - 14999 TEU	894	895	0,1%	8,2%	73	0	0	
15000+ TEU	154	156	1,3%	24,4%	38	0	0	

Container Vessel's Value					5 year old vessel in mill US\$					15 year old vessel in mill US\$				
	Nov-19	Dec-19	+/-	Dez-18		Nov-19	Dec-19	+/-	Dez-18		Nov-19	Dec-19	+/-	Dez-18
1000 TEU GRD Eco	\$11,8	\$11,7	-1%	\$10,3	1000 TEU GRD	\$3,0	\$3,0	0%	\$3,5	1700 TEU GRD	\$5,0	\$4,8	-4%	\$6,0
1700 TEU GRD Eco	\$16,2	\$16,0	-1%	\$16,5	2500 TEU GRD ME*	\$16,0	\$16,4	2%	\$17,0	2750 TEU GL	\$6,7	\$6,7	0%	\$7,0
2500 TEU GRD ME*	\$16,0	\$16,4	2%	\$17,0	3500 TEU GRD (old type)	\$11,5	\$12,0	4%	\$13,0	4250 TEU PMX	\$7,4	\$7,4	0%	\$7,9
2750 TEU GL (old type)			-	\$15,0	4700 TEU WB	\$29,0	\$30,0	3%	\$25,0					

*Old design, but electronic main engine

TOEPFER TRANSPORT GMBH HAMBURG | SINGAPORE | SHANGHAI

Sale & Purchase + Newbuildings + Chartering + Valuations

Email: snp@toepfer-transport.com
 Phone: +49 (0)40 32 58 21 - 0
 Fax: +49 (0)40 33 93 10
 Web: www.toepfer-transport.com

Clemens Toepfer
 Carlo Brandt
 Johannes Just
 Jennifer Shrestha

Hannes Hollaender
 Cornelius Schröder
 Yuan Xiaofei
 Yorck Niclas Prehm

Richard Wetzki
 Magnus Andersen