



MONTHLY CONTAINER REPORT

August 2018 | Week 31 - 35

A very quiet August has come to an end, and many in the container segment are looking for directions in the S&P market. The charter markets have corrected themselves down between -7.7% (1,100 TEU) and -2.9% (4,250 TEU), with an average of -4.1% as per the Contex or 3,3% as per the Asian Feeder Index, however we are still 30% above last year's level.

Container box volumes are generally good, with some extra loaders being booked in specific trades. At the same time, idle tonnage is increasing, predominantly in the smaller feeder segment (1,000-2,000 TEU). Lines have stopped some unprofitable trades and some of the extra tonnage is no longer required. So far, it is difficult to predict whether or not September will bring an increase in charter rates, but a normal small increase could be expected.

As mentioned, S&P activity was low during July and August. So far, one can only see a widening spread between buyers' and sellers' ideas, which has resulted in very few sales to date. Considering the good cash flow still achievable on older tonnage, there is often no need for owners to sell these older vessels. The approaching 2020 deadline, with all its confusing signals on fuels and scrubbers etc., makes things very difficult for buyers, creating uncertainty about what to buy and what upgrade costs to calculate during the next few years. Lastly, once prices start to correct, there is little motivation to move early, and buyers could easily wait until the last quarter, when the market is traditionally weaker.

With the return of some sales candidates that need to be sold and will accept best offers, we will see where prices are after the relatively strong 2nd quarter. Currently, we see a fine balance between buyers and sellers, i.e. few ships and few buyers. Let's see how the market will move in September. We at least do not foresee any major correction in the market, only some seasonal weakness.

The tanker market is currently very different, as the market is extremely weak. Calls by prominent brokers as early as Q3 2017 that the market was at or near the bottom were premature. Of course, sooner or later these calls will be right. One Norwegian broker even went so far as to predict that a new super cycle for eco VLCCs would come in about two years. It is no wonder that tanker prices never really fell very much, even though the freight markets are low. When the bulk and the container markets were low in 2016, asset prices were also low. So far, this is not the case for tankers. At least for modern tonnage, one of the reasons is the increasing cost of newbuildings over the last two years, which supports the valuation of tankers on a replacement cost basis. For instance, VLCC newbuild prices went from USD 80 million to USD 90 million.

Obviously, we have seen a large number of feeder ship newbuildings being placed recently, predominantly by Taiwanese container lines. Operational and economic improvements make these ships viable for liner companies, and approx. USD 36-37 million for good spec 2,700 TEUs makes sense for them, whereas we doubt that this is the case for many tramp owners. In addition, long-term charter rates of USD 11,000 pd for 1,800 TEU newbuilds worth USD 26-28 million make sense for liner companies, considering that these ships cost USD 12-13,000 pd in the current spot charter market. How these charter rates make sense for the owners who order these ships against such charters is a different matter. It is interesting to note that Tier 2 ordering is still ongoing. Keel laying certificates need to be from before 1st January 2016. How do some of these yards explain a 4-5-year building time, with deliveries running into 2021 for these feeder ships? With the IMO not being especially strict and checking the same, for a buyer it obviously makes little sense to build Tier 3. We expected that 2018 would be the year where Tier 2 ordering would stop, but it seems that we were one year too early in terms of our expectations. Nevertheless, sooner or later Tier 2 will run out, and since Tier 3 merely increases building costs without improving income, we expect a slowdown in ordering sooner or later when the Tier 2 rush runs out. Generally speaking, we are not too worried about the current ordering of liner companies. These ships are for specific trades. On the other hand, scrapping has decreased considerably this year and needs to resume, in order to avoid making the charter market too weak during off-peak times.

Kind regards,

TOEPFER TRANSPORT

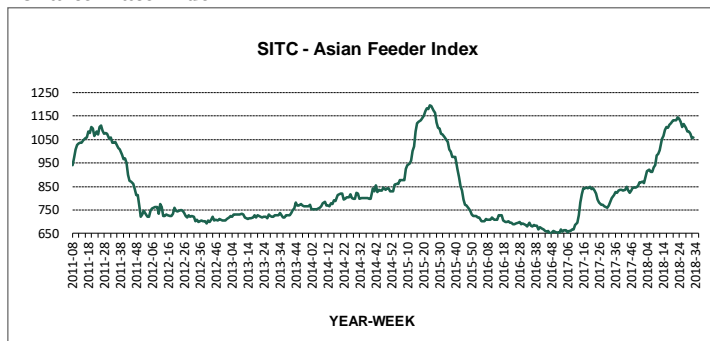


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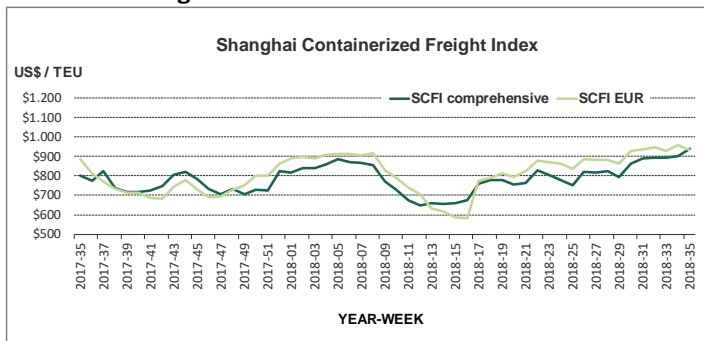
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New Contex				
	Jul-18	Aug-18	+/-	Aug-17
comprehensive	513	492	-4,09%	394
1100 TEU GRD - 12 MOS TC	\$8.045	\$7.425	-7,71%	\$6.569
1700 TEU GRD - 12 MOS TC	\$10.575	\$10.227	-3,29%	\$7.756
3500 TEU GL - 12 MOS TC	\$12.139	\$11.670	-3,86%	\$8.178

Charter rate index



Container Freight Index



Selected Sales						
2nd-hand vsl	TEU	DWT	built	price (in mill US\$)	buyer	comment
Ice Runner	698	8.137	10/2008	\$3,0		
Reecon Emre/Whale	1.022	12.099	2011	\$6,75 each	Arkas, Turkey	
Galicia D	4.178	52.788	04/2010	\$15,0	Clients Of Delphis	
Cap San Juan	10.600	123.101	06/2015		Ship Finance Management As	
Cap San Lazaro	10.600	123.205	08/2015		Ship Finance Management As	
Cap San Vincent	10.600	123.383	09/2015		Ship Finance Management As	

Newbuildings						
buyer	TEU	GRD/GL	delivery	price (in mill US\$)	yard	comment
Marlink	2 x 1.162	GL	2020		Fujian Mawei	option declared
XT Shipping	2 x 1.800	GL	2020	\$28	Hyundai Mipo	options declared
Wan Hai Lines	4 + 2 x 1.900	GL	2020	\$26	Huangpu Wenchong	
Wan Hai Lines	6 + 2 x 1.900	GL	2020	undisclosed	Japan Marine United	
Shoei Kisen	16 x 1.800	GL	2020		Imabari, Japan	T/C at \$11,000 to Evergreen
Mitsui & Co	6x 1.800	GL	2020		Hyundai Mipo	T/C at \$11,000 to Evergreen
Pacific Ship Management	2x 1.800	GL	2020		Yangzijiang	T/C at \$11,000 to Evergreen
TBN	7+7 x 2.700	GL	2020			For Evergreen Charter

Container Vessel's Value									
5 year old vessel in mill US\$				15 year old vessel in mill US\$					
	Jul-18	Aug-18	+/-	Aug-17		Jul-18	Aug-18	+/-	Aug-17
1000 TEU GRD	\$11,0	\$11,0	0%	\$10,0	1000 TEU GRD	\$4,4	\$4,3	-2%	\$2,9
1700 TEU GRD Eco	\$17,5	\$17,4	-1%	\$12,0	1700 TEU GRD	\$7,5	\$7,2	-4%	\$4,3
2500 TEU GRD ME*	\$18,0	\$17,8	-1%	\$13,2	2500 TEU GRD	\$8,5	\$8,2	-4%	\$5,2
2750 TEU GL (old type)	\$16,5	\$16,5	0%	\$13,2	2750 TEU GL	\$8,0	\$7,8	-3%	\$5,3
3500 TEU GRD (old type)	\$14,4	\$14,3	-1%	\$12,3	3500 TEU GL	\$7,0	\$6,9	-1%	\$5,4
4700 TEU WB	\$26,4	\$26,3	0%	\$26,0	4250 TEU PMX	\$8,1	\$7,9	-2%	\$6,7

*Old design, but electronic main engine

Fleet Development - Deliveries and Demolitions								
(in no. vessel)	fleet size			% of fleet	orderbook		scrapped	
	Jul-18	Aug-18	+/-		Aug-18	ytd	Aug-18	
total fleet	5.261	5.278	0,3%	6,6%	350	14	1	
- 999 TEU	979	980	0,1%	2,3%	23	7	0	
1000 - 1999 TEU	1.312	1.315	0,2%	6,7%	88	2	1	
2000 - 2999 TEU	646	654	1,2%	12,8%	84	0	0	
3000 - 5099 TEU	886	887	0,1%	1,2%	11	5	0	
5100 - 7499 TEU	458	458	0,0%	0,2%	1	0	0	
7500 - 14999 TEU	866	867	0,1%	10,3%	89	0	0	
15000+ TEU	114	117	2,6%	46,2%	54	0	0	

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