TOEPFER TRANSPORT

MONTHLY CONTAINER REPORT

September 2018 | Week 35 - 39

While the Chinese are currently taking their Golden Week holiday, many owners are wondering if their ships are also taking a longer holiday as lay-up numbers continue to increase. Not to dramatically high levels, but at least the highest lay-up figures for 2018 till now. It has been a disappointing year for liner companies, the majority of whom started 2018 with optimism. The services were started and ships were chartered for some only to find out during the 2nd quarter that the profit margins had not developed as expected. So in preparation for the quieter winter season, lines are withdrawing from unprofitable trades. There is currently no indication that we shall not move into a quieter winter season, leading to some ships having an employment holiday.

Having said that, charter rates remain at decent levels above OpEx and it is possibly only those ships which were bought in high times or are unemployed and not in any pool that are the ones really suffering right now.

If we stay within the traditional market cycle, the market should recover in early 2019. Rates may not be as strong as in 2018, as liner companies will most likely play it a little more careful next year due to the missed expectations of this year.

The easiest thing now would be to point to IMO 2020 and, with this, give a positive market outlook for the latter half of 2019…but that is too easy. We have so many people now using IMO 2020 as the rescuer of several markets that we wonder if this is hope or strategy. We consider it dangerous for regulations to become a strategy for a market. On the one hand, you have owners criticising IMO 2020 while, at the same time, an increasing number of market participants use it to indicate a better market for the future. What a contradiction. Yes, we agree, there will be inefficiencies in the fleet employment during the changeover and there might be some new trades, but it could easily also end up being a Y2K scenario. The general situation in most markets is that we have excess capacity, and fleet utilisation could easily be slightly higher without significantly changing the overall excess supply situation in most ship types. Any positive impact might also be short-lived. We would suggest not counting on 2020 to rescue poor charter markets or initiate the next supercycle. It might be a Y2K trap, i.e. so far all speculation.

Otherwise, we see newbuilding prices continue to rise and wonder how long that trend might continue. In general, we see no great reason for prices continuing to rise for newbuildings. Again, as mentioned many times before, we will soon be coming to the end of the last Tier II order rush which will reduce demand when it is finally over. In addition, a weak Chinese Yuan will enable yards to lower prices. Of course, there are the steel prices and equipment prices too, but at least from the demand and currency angle, we expect there to be less reasons for newbuilding prices to continue rising for now.

At the same time, we see an increasing struggle by Chinese buyers to secure Tier II ships in the second-hand market, particularity bulkers or container ships. Hence, those Chinese buyers with decent funds in their pockets might still go to local yards to order instead. We do expect the Tier II import requirement to initiate the odd newbuilding order by Chinese owners. And herein also lies the risk for all those who are still ordering Tier II ships today. If, in a few years' time, the markets are weak, the Chinese authorities could easily increase import requirements for ships to Tier III in order to support their shipbuilding industries. While it is not so difficult and expensive to increase Tier I to Tier II, it would mean a major investment to take your existing ship from Tier II to Tier III. Do not underestimate the Chinese government's ability to support their shipbuilding industry. For China overall it remains beneficial to have busy shipyards and low freight rates.

To finish on a positive note, it is good to see that the US has come to new trade agreements with Mexico and Canada. It adds to the positive agreements the US has also reached with Europe in order not to get into a trade war. Mr. Trump is still surrounded by free trade people. It gives hope that there is also a chance that, after tough negotiations, the US will also find a way to make new tariff agreements with China. We are positive about this and continue not to expect a dramatic fall in the market anytime soon.

Kind regards,

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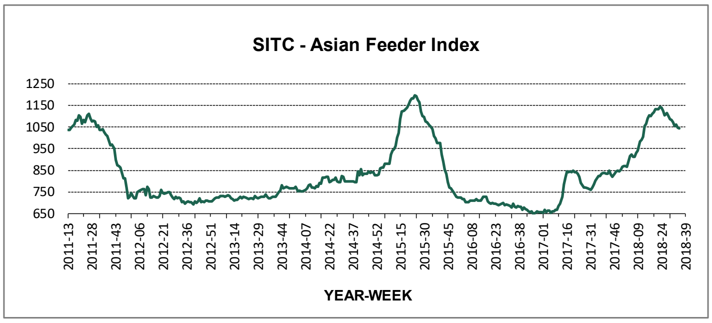
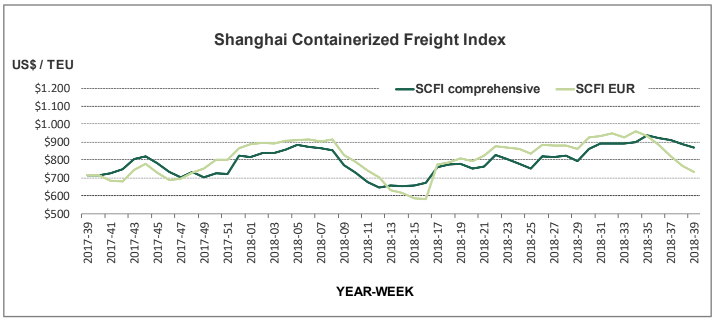
New Contex	Aug-18	Sep-18	+/-	Sep-17
comprehensive	492	484	-1,63%	400
1100 TEU GRD - 12 MOS TC	$7.425	$7.137	-3,88%	$6.626
1700 TEU GRD - 12 MOS TC	$10.227	$9.930	-2,90%	$7.981
3500 TEU GL - 12 MOS TC	$11.670	$11.702	0,27%	$8.378

Charter rate index



Container Freight Index



Selected Sales						
2nd-hand vsl	TEU	DWT	built	price (in mill US$)	buyer	comment
Conmar Delta	735	7.922	06/2002	$3,0	Harbour-Link Group	
Sinar Brani	1.060	15.204	06/2010	$9,5	Asian interest	
Norfolk Trader	2.496	35.414	10/2002	$7,8	MPC via Norwegian KS	
Bahia	4.330	52.316	11/2009		MPC with US partners	
Benito	4.330	52.315	10/2009		MPC with US partners	

Newbuildings						
buyer	TEU	GRD/GL	delivery	price (in mill US$)	yard	comment
HMM	7 x 23.000		2020		DSME	
HMM	5 x 23.000		2020		Samsung	
HMM	8 x 15.300		2021		Hyundai Heavy	

Container Vessel's Value

5 year old vessel in mill US$	Aug-18	Sep-18	+/-	Sep-17
1000 TEU GRD	$11,0	$11,0	0%	$10,0
1700 TEU GRD Eco	$17,4	$17,4	0%	$12,0
2500 TEU GRD ME*	$17,8	$17,7	-1%	$13,4
2750 TEU GL (old type)	$16,5	$16,4	-1%	$13,4
3500 TEU GRD (old type)	$14,3	$14,0	-2%	$12,5
4700 TEU WB	$26,3	$26,1	-1%	$27,0

15 year old vessel in mill US$	Aug-18	Sep-18	+/-	Sep-17
1000 TEU GRD	$4,3	$4,2	-2%	$2,8
1700 TEU GRD	$7,2	$7,0	-3%	$4,1
2500 TEU GRD	$8,2	$8,0	-2%	$5,2
2750 TEU GL	$7,8	$7,8	0%	$5,3
3500 TEU GL	$6,9	$6,9	0%	$5,5
4250 TEU PMX	$7,9	$8,0	1%	$6,8

*Old design, but electronic main engine

Fleet Development - Deliveries and Demolitions	fleet size			orderbook		scrapped	
(in no. vessel)	Aug-18	Sep-18	+/-	% of fleet	Sep-18	ytd	Sep-18
total fleet	**5.278**	**5.285**	**0,1%**	**7,6%**	**402**	**14**	**0**
- 999 TEU	980	979	-0,1%	2,6%	25	7	0
1000 - 1999 TEU	1.315	1.316	0,1%	8,4%	111	2	0
2000 - 2999 TEU	654	655	0,2%	16,3%	107	0	0
3000 - 5099 TEU	887	887	0,0%	1,7%	15	5	0
5100 - 7499 TEU	458	458	0,0%	0,2%	1	0	0
7500 - 14999 TEU	867	872	0,6%	10,3%	90	0	0
15000+ TEU	117	118	0,9%	44,9%	53	0	0

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