



MONTHLY CONTAINER REPORT

October 2018 | Week 40 - 44

Market consensus

October saw a sustained fall in charter rates across the board. While chartering activity has increased recently in the larger segments for vessels over 5500 TEU, charter rates remain under pressure. Vessels in the 5500-8500 TEU category were hardest hit during recent weeks with rates falling in excess of 40% in a few months. Additionally, we are seeing periods getting shorter or spreads between min/max periods getting longer. Ships which fixed for over 6 months in early 2018 and hence missed the top rates this year are now sometimes faced with wide min/max spreads demanded by charterers, which may have absorbed all the upside for 2019 already.

We expect charter rates to continue to slide and if a regular pattern is followed, which we expect, rates will hit rock bottom in about 4-8 weeks.

Ultimately, the key aspect in the container market continues to be the fact that the market remains fairly small with few charterers and fewer owners compared to Bulk or Tank. It is very easy for the market to have a clear consensus among market players on the potential direction of charter rates and ship's values. As in the container market a ship has a high risk of sitting idle in low markets, similarly a seller can easily find himself without a buyer in sight. In our August 2011 market report we described this scenario and referred to it as **“Elevator! Please stop!”**.

Quote - August 2011

Elevator! Please stop!

Sometime during July someone pushed the “down” button of the price elevator and prices started falling. In the container market it is very difficult in those circumstances to sell any type of container ship at short notice. In this market, the sales & purchase activity is significantly less liquid and you cannot sell easily; once prices start dropping it is difficult to press the “stop” button on the way down and exit the market.

Most potential sellers speculated on a relatively strong and decent market throughout the year. Furthermore, banks gave owners time to sort out problems. So most felt that there was no need to rush and in many cases it seemed more comfortable to keep the vessel running and not lock in losses (and face the music with shareholders). The ones who did indeed start to look for buyers in late spring then discovered that there were not many around. In our April report we warned of a possibly significant reduction in secondhand prices. “As the buying activity at current secondhand prices is very small, we would warn of a significant drop in secondhand prices....So prices will perhaps be on thin ice in the summer...”. Well, what a miserable summer it was in Northern Europe. Ultimately, when things heated up too much in the US between the Democrats and Republicans later on, affecting the global financial markets, the ice did not hold anymore.

Container ship sales volumes are so meagre these days that it becomes difficult to judge actual market values.

Unquote

Déjà vu many will think. In 2011 the market changed early in April, this time more traditional in July/August. The rest sounds familiar...

However, in the end we are not worried that the market will not recover. It will eventually recover and buyers will return. We still see a good appetite for container investments among owners and investors. We expect that once the market has bottomed-out, a number of buyers will come back and as the numbers of modern high specification sales candidates are rare, prices might quickly jump as there will be a bottle neck of buyers chasing good ships.



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Our general opinion now is that 2019 might start slower than 2018. Liners were not expecting negative margins when going into 2018 and hence started offering many new services. Once they noted that expectations were not met and one loss making quarter followed another, lines withdrew from many services. Hence, we expect many lines will be more cautious as they move into 2019. In addition, the IMO 2020 regulation, along with all its implications, looms over the market. There are huge risks of losses for many players in the market, particularly for lines faced with having to pass on higher bunker costs to the shippers without getting caught with a heavy fuel bill during the changeover. However, IMO 2020, which will start to have an impact starting from Q3 in 2019, also creates huge opportunities, in many markets, for those who get it right.

While we expect positive momentum for charter rates due to IMO 2020, we repeat our warning that the upturn might be short-lived and may not last more than 12 months. At the same time, we fear that many market players are losing their focus on macro-economic developments for 2019 and are somewhat blinded by the IMO 2020 scenario. Worldwide GDP growth expectations are being lowered on a regular basis. 2019 and 2020 might be a bumpy ride in many shipping markets. It might be fun for some but hell for others. Let's see.

In view of the above, it might be good to move early with a planned acquisition, particularly in the container market. For those who plan to wait until after the Chinese New Year to enter the market again, for the best deals you might meet more competition.

On another positive note we can report that HSH Nordbank managed to get approval to join the the Association of German Banks' (BdB – Bundesverband deutscher Banken) Deposit Protection Fund for private banks, as from January 2022. This is the first privatisation of a state-owned bank and hence the first time it has been necessary to switch from the statutory deposit protection scheme that covers public banks to the scheme covering private banks. This will now clear the path for completion of the sale of HSH Nordbank to its new owners under the leadership of Cerberus. The only small print we noted in the acceptance of HSH into the deposit protection scheme for private banks is the inclusion of certain demands as to the shape of HSH Nordbank. The bank would not qualify in its current shape. So the new owners have plenty of things to do in the next two years to make this happen. We wish them luck as it will be important for Hamburg to keep this bank active for a long time, having spent so much taxpayer money rescuing it.

Kind regards,

TOEPFER TRANSPORT

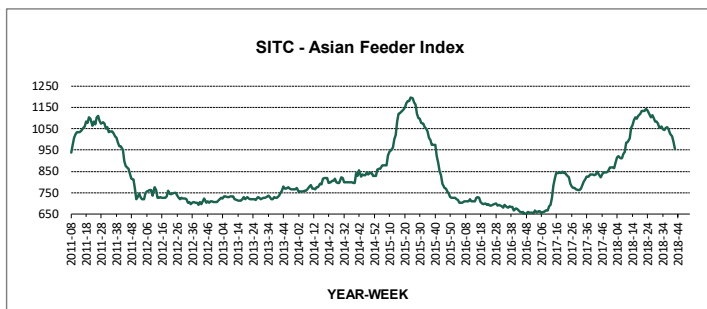


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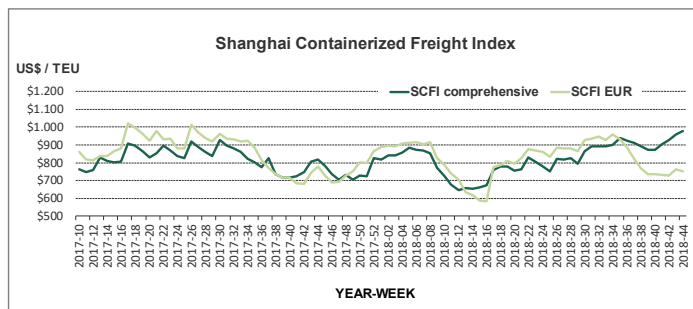
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New Context				
	Sep-18	Oct-18	+/-	Oct-17
comprehensive	484	450	-7,02%	401
1100 TEU GRD - 12 MOS TC	\$7.137	\$6.665	-6,61%	\$6.778
1700 TEU GRD - 12 MOS TC	\$9.930	\$9.035	-9,01%	\$8.358
3500 TEU GL - 12 MOS TC	\$11.702	\$11.064	-5,45%	\$8.300

Charter rate index



Container Freight Index



Selected Sales						
2nd-hand vsl	TEU	DWT	built	price (in mill US\$)	buyer	comment
Eemsdijk	869	12.193	09/2007		undisclosed	
FPMC Container 10 + 9	2x 1.118	13.750	2009	6.5 mio each	undisclosed	
Frisia Nuernberg + Frisia Bonn	2x 1.970	28.627	03/2010		Songa Mipo AS	old sale
Argos	4.249	49.842	02/2012	14.7 mio	Borealis Maritime Limited	electronic ME
Bermuda + Bahamas	2x 4.330	52.382	2010	abt. 11.5 mio each	Navios	on subs
NYK Aphrodite + NYK Artemis	2x 6.492	81.171	2003		Cyprus Sea Line	5 yrs TC to MSC
Maersk Eureka + Maersk Edirne	2x 13.092	140.973	2012	92.0 mio each	Nissen Kaiun Co Ltd	sale/leaseback

Newbuildings						
buyer	TEU	GRD/GL	delivery	price (in mill US\$)	yard	comment
Del Monte	2 x 634 FEU			high \$29.0 mio	Wenchong	options declared
Panamanian Flagged Owners	2 x 1.096		2020		Kyokuyo	
Nissen Kaiun	4 x 1.900		2020	excess \$25.0 mio each	Tsuneishi Zhoushan	Tier II, long term t/c to Evergreen
SITC	3 x 2.700		2020/2021	\$29.3 mio	Jiangsu Yangzijiang/ Jiangsu New Yangzi	options declared
Evergreen Marine	4 + 4 x 2.500		2020	\$28.0 mio each	Jiangnan	Tier II
Eastern Pacific Shipping	7 x 15.000		2019-2022	\$130.0 mio	Hyundai Sambo	speculative order

Container Vessel's Value									
5 year old vessel in mill US\$					15 year old vessel in mill US\$				
	Sep-18	Oct-18	+/-	Oct-17		Sep-18	Oct-18	+/-	Oct-17
1000 TEU GRD	\$11,0	\$10,8	-2%	\$10,0	1000 TEU GRD	\$4,2	\$4,0	-5%	\$2,9
1700 TEU GRD Eco	\$17,4	\$17,2	-1%	\$12,2	1700 TEU GRD	\$7,0	\$6,8	-3%	\$4,3
2500 TEU GRD ME*	\$17,7	\$17,6	-1%	\$13,5	2500 TEU GRD	\$8,0	\$7,8	-3%	\$5,4
2750 TEU GL (old type)	\$16,4	\$16,0	-2%	\$13,6	2750 TEU GL	\$7,8	\$7,6	-3%	\$5,4
3500 TEU GRD (old type)	\$14,0	\$14,0	0%	\$12,8	3500 TEU GL	\$6,9	\$6,8	-1%	\$5,5
4700 TEU WB	\$26,1	\$26,0	0%	\$27,0	4250 TEU PMX	\$8,0	\$7,9	-1%	\$7,0

*Old design, but electronic main engine

Fleet Development - Deliveries and Demolitions							
(in no. vessel)	fleet size			orderbook		scrapped	
	Sep-18	Oct-18	+/-	% of fleet	Oct-18	ytd	Sep-18
total fleet	5.285	5.293	0,2%	7,8%	412	33	19
- 999 TEU	979	979	0,0%	2,5%	24	11	4
1000 - 1999 TEU	1.316	1.317	0,1%	9,6%	126	14	12
2000 - 2999 TEU	655	657	0,3%	16,0%	105	0	0
3000 - 5099 TEU	887	888	0,1%	1,6%	14	7	2
5100 - 7499 TEU	458	458	0,0%	0,2%	1	1	1
7500 - 14999 TEU	872	874	0,2%	10,3%	90	0	0
15000+ TEU	118	120	1,7%	43,3%	52	0	0

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