



MONTHLY CONTAINER REPORT

August 2020 | Week 32 - 35

Since the end of June, container chartering rates have only known one direction, and that is up! This is particularly the case for 2500 TEU ships and larger. After the record handling of 3.9 million TEU in the Port of Shanghai in July, the port handled 3.84 million TEUs in August, the 2nd highest monthly volume ever. Many countries are still in a state of semi-lockdown because of Corona and all of our daily lives are still affected (for example in terms of wearing masks or working from home), car sales in Germany are down 30% YTD, big parties and nightlife for young people in particular are not allowed, and there are numerous travel restrictions etc. in place, but despite all this the container volumes ex China have actually hit record highs. However, we are still convinced that these volumes must include a good portion of catch-up volumes to fill warehouses to pre-crisis levels. And worldwide economic activity trends do not indicate sustainable record TEU volumes for Shanghai. Nevertheless, in addition to these volumes there are also equipment shortages in terms of container boxes in certain locations, which is pushing box rates up as well.

In some western countries there are anti-Corona demonstrations being held by people who have had enough of this Corona crisis and the ongoing restrictions. Governments are spending billions of dollars to overcome the economic crisis and to keep people in jobs via government supported job schemes. At the same time, stock markets (and container volumes in those same areas, as discussed) are hitting new record highs. To a certain extent, one can understand the frustration of many people about their own situation while looking at those people “at the top” who continue to gain in the financial markets or for instance in real estate markets. Somehow, there seem to be two different worlds on this planet at the moment. As an owner of 1100 TEU container ships you must feel exactly the same way when looking at your neighbour who has bought old Panamax container ships. How unfair the world can be... but at least the container ship owner knows he had a choice in terms of his destiny once upon a time.

Despite all this good news now appearing in the market, we continue to expect a market correction or at least a cooling down sometime in October. There is currently no reason not to expect the traditional winter softness. We also read news articles in which owners of publicly listed container companies are already forecasting the next container boom, as they point to a record low orderbook, but we will only sign up to this view if we continue to go through the winter strongly. Otherwise, the orderbook for 1700 TEUs and 2800 TEUs and of course the 20k plus ship is still sizeable. If you oversupply the industry for a decade or more, an orderbook of 9% is still very high. And the containerisation growth figures from the early 2000s are long gone. Most ships ordered during the last 10-12 years by independent tramp owners with a size of less than 6000 TEU have hardly ever had one full year during their lifetime in which they have made a decent annual return for their owners. From that perspective, we have a lot of catching up to do regarding the ships that are being traded. Of course new investors do not care about the previous investors, but existing investors have so far not been able to make enough money to generate the required cash from their investment to fund any replacement tonnage. Last but not least, the regulations and technical insecurity relating to newbuilding should not be underestimated. We believe that anybody who orders a new ship today should reckon with a life span of perhaps only 15 years when calculating the potential return (at least as one scenario). The lifespan of a container ship remains most likely around 20 years, although straight-line depreciation would leave the owner highly exposed to market values from year 10 onwards. This means that any newbuilding should consider accelerated depreciation, not in terms of achieving tax savings but rather as a prudent investment decision. But a newbuilding investment made today, even at these good charter rates, still doesn't look attractive. We know that liner companies use a different calculation when ordering ships, but we think that in many liner company balance sheets the book value of ships carries considerable valuation risk.

Let's enjoy the market while it lasts and let us not kill the golden goose before it has even learned how to fly. The container market is having a fantastic run during these difficult times at the moment, but stay on your toes and do not expect a straight line up from where we are now. We are, after all, in the shipping business rather than the real estate market!

Kind regards,
TOEPFER TRANSPORT



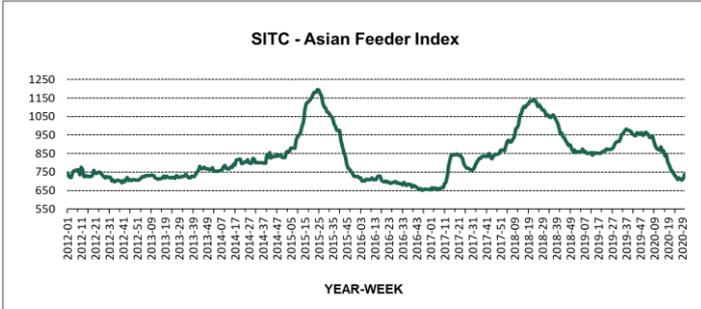
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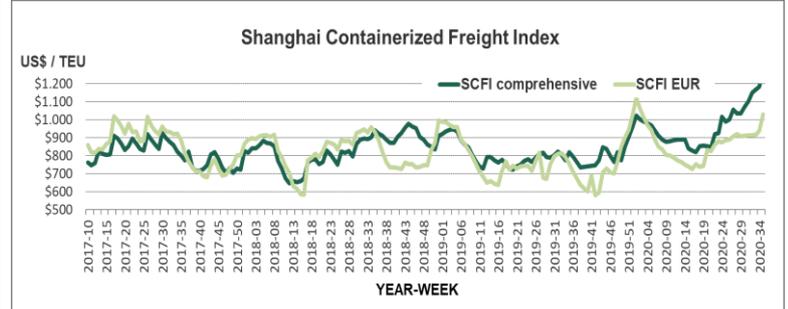
New Context

	Jul-20	Aug-20	+/-	Aug-19
comprehensive	335	411	22,69%	432
1100 TEU GRD - 6 MOS TC	\$5.485	\$5.717	4,23%	\$6.473
1700 TEU GRD - 6 MOS TC	\$6.273	\$7.146	13,92%	\$8.705
3500 TEU GL - 12 MOS TC	\$8.404	\$11.072	31,75%	\$10.423

Charterrate index



Container Freight Index



Selected Sales

2nd-hand vsl	TEU	DWT	built	price (in mill US\$)	buyer	comment
Priamos	1.025	14.800	01/2011	\$5,625 mio	Elbdeich Reederei	
Isobel	1.740	23.232	10/2010	\$5,75 mio	Simatech	
Zhejiang Ouhua 713 & Zhejiang Ouhua 712	2 x 1756	2 x 23.800	2020	\$17,8 mio each	Wanhai	
Gisele A	2.824	39.446	10/2008	\$9,1 mio	Simatech Shipping	
MS Hawk	2.824	39.418	03/2007	\$7,5 mio	Simatech Shipping	
Nordic Macau	3.421	45.651	01/2014	\$10,4 mio	Borealis Maritime	
JPO Taurus	4.178	52.788	01/2010	\$9,0 mio	Celsius	
YM Elixir & YM Enhancer, FSL Eminence	3 x 4.252	1 x 51.870 & 2 x 52.773	2008	\$8,2 mio each	Salam Pacific	
Ital Melodia & Ital Massima	2 x 4.363	53.697 & 53.728	2007	\$8,6 mio each	Asiatic Lloyd	
Miami	5.085	68.463	2007	\$8,5	Middle Eastern Buyers	incl BWTS

Newbuildings

Buyer	TEU	GRD/GL	delivery	price (in mill US\$)	yard	comment
Hunan Huahang	668		2021	RMB 37,0 mio	Yiyang Zhonghai	
	8 x 1.091		2021/2022		Tsuneishi Zhousan	For Evergreen charter
SITC	12 x 1.800		2022	USD 21,0 mio each	Yangzijiang	6 firm + 6 option

Fleet Development - Deliveries and Demolitions

(in no. vessel)	fleet size			orderbook		scrapped	
	Jul-20	Aug-20	+/-	% of fleet	Aug-20	ytd	Aug-20
total fleet	5.333	5.336	0,1%	5,8%	311	77	11
- 999 TEU	954	953	-0,1%	0,7%	7	9	4
1000 - 1999 TEU	1.311	1.312	0,1%	7,3%	96	39	2
2000 - 2999 TEU	685	687	0,3%	12,8%	88	7	0
3000 - 5099 TEU	880	879	-0,1%	1,5%	13	4	5
5100 - 7499 TEU	438	436	-0,5%	0,5%	2	16	0
7500 - 14999 TEU	901	903	0,2%	8,0%	72	2	0
15000+ TEU	164	166	1,2%	19,9%	33	0	0

Container Vessel's Value

5 year old vessel in mill US\$	Jul-20	Aug-20	+/-	Aug-19	15 year old vessel in mill US\$ (SS/DD due)	Jul-20	Aug-20	+/-	Aug-19
	1000 TEU GRD Eco	\$10,5	\$10,5	0%		\$12,4	1000 TEU GRD	\$2,5	\$2,6
1700 TEU GRD Eco	\$15,0	\$15,0	0%	\$16,4	1700 TEU GRD	\$4,0	\$4,1	2%	\$5,5
2200 TEU GRD Eco	\$17,5	\$18,0	3%		2500 TEU GRD	\$6,1	\$6,1	0%	\$7,4
2500 TEU GRD Eco	\$21,0	\$22,0	5%	\$18,0	2800 TEU GL	\$6,1	\$6,3	3%	\$7,1
3500 TEU GRD (old type)			-	\$12,0	3500 TEU GL	\$4,9	\$5,3	8%	\$6,2
4700 TEU WB	\$25,5	\$28,0	10%	\$29,0	4250 TEU PMX	\$6,1	\$6,6	8%	\$7,7

TOEPFER TRANSPORT GMBH HAMBURG | SINGAPORE | SHANGHAI

Sale & Purchase + Newbuildings + Chartering + Valuations

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

Clemens Toepfer
Carlo Brandt
Jennifer Shrestha

Hannes Hollaender
Cornelius Schröder
Yuan Xiaofei

Richard Wetzki
Magnus Andersen
Yorck Niclas Prehm