



**TELEPHONE:**  
201-585-9999

**ONE EXECUTIVE DRIVE**  
**FORT LEE, NEW JERSEY 07024**

**TELEFAX:**  
201-585-9998

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[ships@compassmar.com](mailto:ships@compassmar.com)

## **THE COMPASS WEEKLY MARKET REPORT**

**October 17th, 2008 / Week 42**

### **THE VIEW FROM THE BRIDGE ...**

The effects of the meltdown in the financial markets has now completely halted ship sales and the effects of the expanding credit crisis have resulted in A DRAMATIC SLOWDOWN IN MARITIME TRADE and this is having far reaching effects on ship prices/values. The dry cargo chartering market is in a downward freefall (with iron ore leading the way). In early June (yes, just 4 months ago) the BDI index was at 11,689 (compared with 1,438 this week, a drop of 87 percent) and the BCI was at 19,687 (compared with 1,776 this week, a drop of 91 percent)!!

The sale and purchase market is basically dead - there are "willing buyers" and "willing sellers" but so far there is no meeting of the minds between them! There are very few owners putting their vessels for sale officially and in fact the majority of sales candidates are SMALL vessels below 15,000 DWT (and many of these have previously been circulated). The few large ships that are actively for sale have sellers indicating they will sell well below last done and this provides "some" feel for us when we put our valuation tables together - but buyers are still waiting (as we previously reported, cash is king as FINANCE IS STILL NOT AVAILABLE). There are buyers out there but when brokers circulate fresh purchase enquiries they now specify "we have a serious CASH buyer" or "buyer with finance in place"...

Last week we said that CONSOLIDATION would be next - but we expect it will take some time and in the meantime we are seeing massive RESTRUCTURING (a more politically correct word than "Renegotiation"...) which is the natural result of DE-LEVERAGING. Shippers are restructuring their contracts with Charterers, Charterers are restructuring their contracts with Ship owners, and Banks are restructuring their loan agreements with Ship owners. Ship valuations will soon be required by the financial institutions as Value Maintenance Clauses and Loan To Value provisions come into play. Compass will continue to provide evaluations but we repeat our comment on our October 3rd report that these are estimates (one broker report says "dry cargo values are almost indefinable due to current market conditions but these values are what we perceive as today's theoretical levels").

THE ONE POSITIVE HIGHLIGHT OF THE WEEK was that OSG/Euronav obtained a secured term loan of \$500 mill. from a group of banks to acquire and convert two VLCC's (mt "TI ASIA" / "TI AFRICA" 442,000 DWT/Built 2002) into floating storage and offloading units (FSOs) to be used by Maersk Oil Qatar in the Al Shaheen field in the AG. Ship finance is alive after-all!

The newbuilding market is also in the process of melting down. Buyers are on the sidelines, estimates are that as much as \$450-600 BILLION of financing will be needed over the next 4 years to fund the order book and there are expectations that some owners will cancel their orders and forfeit their payments that have been made so far if they don't have solid charters lined up to defray the high prices that they paid. Currency movements will affect future orders as for example the Korean Won has depreciated as much as 50% against the dollar which gives them a huge competitive advantage over the Chinese yards. However it may be a while before owners place new orders and most of the recent reported orders were booked some time ago. Resales are expected to dominate future transactions.

## SALE & PURCHASE ACTIVITY REPORTED THIS WEEK

### TANKERS

#### “BRO JUPITER”

14,369/99 - QIUXIN - MAN/B&W 8,361 - EPOXY COATED - COILED - IMO 2/3 - ICE 1A - DH  
Sold for \$21.5 mill. to Chilean buyer. Vessel was committed a few months ago subject to buyers winning a local tender.

#### “BALTIC CLAIRE”

8,952/91 - SEMBAWANG - NORMO 4,949 - EPOXY COATED - COILED - IMO 3 - ICE 1A - DH  
Sold for \$10.5 mill. to undisclosed buyer.

### BULK CARRIERS

NONE

### CONTAINERSHIPS

NONE

### TWEENDECKERS / MPC / Ro-Ro / MISCELLANEOUS VESSELS

NONE

## NEW VESSELS FOR SALE

### TANKERS

NONE

### BULK CARRIERS

“GOYA” 75,825/08 - NANTONG RONGSHENG - MAN/B&W 13,815 - 7HH - 225.00M LOA  
Presently discharging Sri Lanka.

“OGNA” 75,000/09 - NANTONG RONGSHENG - MAN/B&W 13,815 - 7HH - 225.00M LOA  
Deliver ex yard.

## NEWBUILDINGS

### NEWBUILDING STATISTICS

<i>ASSET CLASS</i>	2008	2009	2010	2011	2012	2013	2014	* TOTAL ORDERBOOK
ULCC/VLCC	13	66	67	98	16			260
SUEZMAX	12	61	46	60	9			188 (+3)
AFRAMAX	31	100	86	46	1			264 (-2)
PANAMAX	20	50	26	35				131 (-1)
MR TANKER	66	226	191	92	13			588
0-35K DWT	127	224	162	53	9			575 (-1)
CAPE SIZE	15	165	345	216	77	16	4	838
80-100K WT	16	90	191	155	37	11	1	501 (-2)
PANAMAX	16	54	80	55	30	5		240 (-2)
SUPRAMAX	72	310	315	217	53	7		974 (-3)
HANDYSIZE	47	277	275	197	76	8		880 (-7)

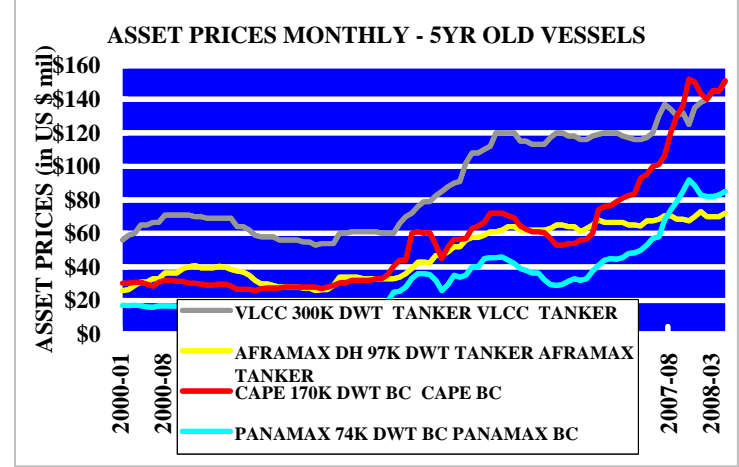
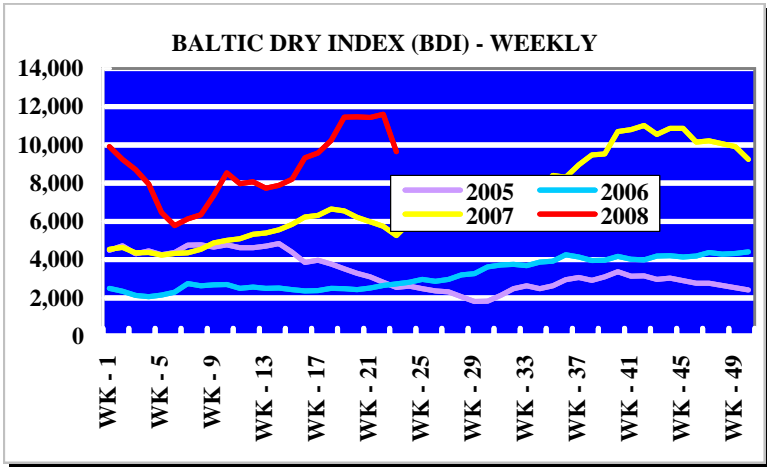
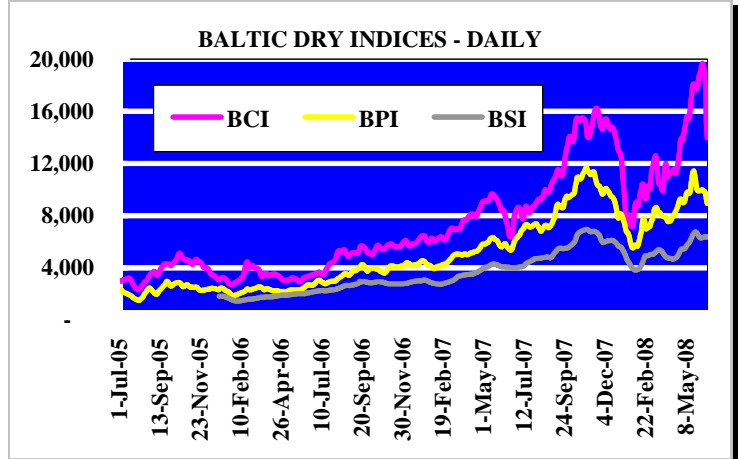
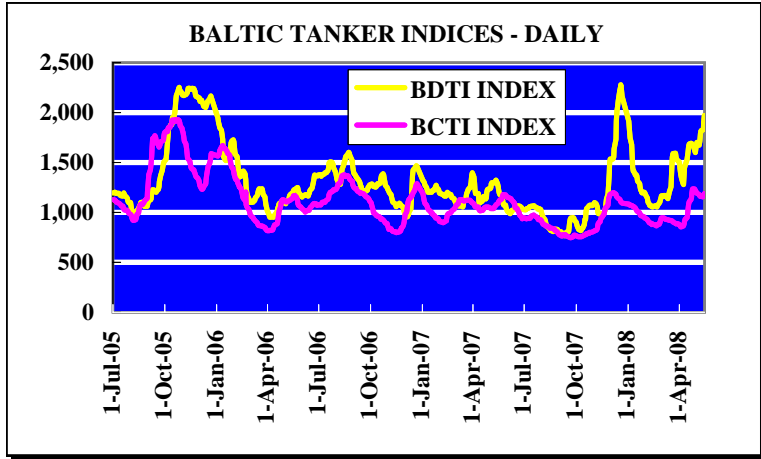
- *Includes ALL vessels on order.*
- Please note that not all data are current as of the end of this week.

### NEWBUILDING ACTIVITY REPORTED THIS WEEK

<u>No.</u>	<u>Size</u>	<u>Type</u>	<u>Yard</u>	<u>Delivery</u>	<u>Price (mill)</u>	<u>Owners</u>	<u>Comm.</u>
5x	315,000 dwt	Vlcc	Daewoo	2011		Nat. Iranian Tanker	
5x	158,000 dwt	Tank	undisc.	2011/12		Sanko Steamship	
1x	156,000 dwt	Tank	Rongsheng	2011		IMC	
2x	50,000 dwt	Prod	Onomichi	2012	\$50	Socomar	
4x	180,000 dwt	Bulk	Tsuneishi	2011/13		Nissen Kaiun	
2x	33,400 dwt	Bulk	Kanasachi	2011		ID Shipping	
5x	28,200 dwt	Bulk	Imabari	2010/12		ID Shipping	
4x	20,00 dwt	Mpp	Hudong	2011/12		Beluga	

# KEY INDICATORS

MARKET SNAPSHOT								
FINANCIAL SUMMARY		FREIGHT INDICES - BALTIC EXCHANGE INDICES						
			THIS WEEK	LAST WK	LAST YR	CHANGE w-o-w	y-o-y	y-o-y (%)
WON / US \$	1,372.12							
NOK / US \$	6.519	<b>BDI - DRY</b>	1,438	2,221	10,798	(783)	(8,577)	-79.43%
US \$ / €	1.3469	<b>BCI - CAPES</b>	1,776	3,087	15,412	(1,311)	(12,325)	-79.97%
US \$ / £	1.7348	<b>BPI - PANAMAX</b>	1,110	1,805	10,854	(695)	(9,049)	-83.37%
¥ / US \$	101.41	<b>BSI - SUPRAMAX</b>	1,206	1,641	6,790	(435)	(5,584)	-82.24%
OIL (WTI) / bbl	\$ 69.85	<b>BHSI - HANDYSIZE</b>	732	914	3,161	(182)	(2,429)	-76.84%
10-YR TREAS	3.940%	<b>BDTI - DIRTY TANKERS</b>	1,342	1,359	1,040	(17)	319	30.67%
LIBOR (3-mos)	4.50%	<b>BCTI - CLEAN TANKERS</b>	1,191	1,247	787	(56)	460	58.45%



VESSEL VALUES									FREIGHT
ASSET CLASS		NB CONTRACT	PROMPT	5 YR	10 YR	20 YR (HULL)		ONE-YR TC	
TANKERS	SIZE (DWT)	(All Numbers in US \$ Millions)							US \$ ( /pd)
VLCC	300,000	\$156.0	\$175.0	\$145.0	\$120.0	\$35.0	SH	\$75,000	
SUEZMAX	150,000	\$98.0	\$117.0	\$98.0	\$78.0	\$28.0	DH	\$50,000	
AFRAMAX	105,000	\$78.0	\$83.0	\$72.0	\$55.0	\$18.0	SH	\$39,000	
PANAMAX	70,000	\$65.0	\$65.0	\$56.0	\$46.0	\$12.0	SH	\$31,000	
MR TANKER	47,000	\$52.0	\$53.0	\$50.0	\$40.0	\$10.0	SH	\$24,500	
DRY BULK	SIZE (DWT)	NB CONTRACT	PROMPT	5 YR	10 YR	20 YR			
CAPE	170,000	\$96.0	\$100.0	\$88.0	\$63.0	\$32.0	SH	\$30,000	
PANAMAX	74,000	\$54.0	\$60.0	\$51.0	\$39.0	\$20.0	SH	\$21,000	
SUPRAMAX	52,000	\$48.0	\$50.0	\$42.5	\$30.0	\$16.0	SH	\$15,000	

BUNKER PRICES (US\$/ton)	ROTTERDAM	FUJAIRAH	SINGAPORE	PIRAEUS
380 CST	\$346.00	\$356.00	\$361.00	\$356.00
180CST	\$376.00	\$396.00	\$371.00	\$384.00
MGO	\$672.50	\$882.50	\$597.50	\$682.50

## DEMOLITION

### DEMOLITION STATISTICS

<i>ASSET CLASS</i>	<i>THIS DATE 2008</i>	<i>THIS DATE 2007</i>	<i>2007 TOTAL</i>	<i>2006 TOTAL</i>
ULCC/VLCC	5	1	1	0
SUEZMAX	4	1	1	0
AFRAMAX	7	8	8	14
PANAMAX TANKER	8	3	4	7
CAPE/COMBO (100K DWT +)	1	0	0	3
PANAMAX BULKER	0	*2 (*1 pmax+1 post pmax)	2	13

### ESTIMATED DEMOLITION PRICES (US \$ per lt)

<i>LOCATION</i>	<i>TANKERS 6-10,000 LT</i>	<i>TANKERS 15-20,000 LT</i>	<i>BULK CARRIERS</i>
CHINA	300	300	240
SUB-CONTINENT	400	410	340

### RECYCLING ACTIVITY REPORTED THIS WEEK

#### COMMENTARY:

The downward trend continued this week in the recycling market. Several sales which have been previously concluded have now failed; one example being the MT "Baltic Ace" which was reported last week at a very firm \$500/ldt has failed and has now been resold at considerably lower levels with delivery as is China. Prices for tanker tonnage has now slipped to low \$400 levels with dry cargo units now fetching in the low-mid \$300 range.

#### **BANGLADESH – CHITTAGONG**

NONE

#### **CHINA**

NONE

#### **INDIA – ALANG**

M/V “MSC FRIBOURG” (cont) 45,569/80 - 14,526 LDT - USD 360.00/LDT

#### **PAKISTAN – KARACHI**

NONE

**COMPASS CONTACTS**

<b>SALE &amp; PURCHASE</b>	<b>MOBILE PHONE NUMBER</b>	<b>AOH</b>
Terry Chance	201 - 463-3834	908 - 232-5574
Bart Lawrence	201 - 463-3835	914 - 997-7599
Tom Linter	201 - 463-3826	973 - 949-4218
Tom Roberts	201 - 463-3832	914 - 242-5436
Sophus Schanche	201 - 463-3831	973 - 283-2848

<b>OFFSHORE</b>	<b>MOBILE PHONE NUMBER</b>	<b>AOH</b>
Tommy O'Toole	845 - 597-4150	845 - 783-9092

<b>PROJECTS &amp; FINANCE</b>	<b>MOBILE PHONE NUMBER</b>	<b>AOH</b>
Basil Karatzas	201 - 463-3828	713 - 545-5990

<b>IT &amp; MANAGEMENT RESOURCES</b>	<b>MOBILE PHONE NUMBER</b>	<b>AOH</b>
Joseph Kaufmann	201 - 463-3833	845 - 628-0469

Very Truly Yours,

*COMPASS MARITIME SERVICES, LLC*

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- ✓ The Baltic Exchange,



**and Panel Member of**

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- ✓ The Baltic Exchange Demolition Assessment (BDA Index)

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