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## **THE COMPASS WEEKLY MARKET REPORT**

**October 24th, 2008 / Week 43**

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

Situation unchanged, still no ships sold but OPPORTUNITIES ABOUND! But WHEN AND WHERE will the markets settle? We are still waiting to see the first representative ship sales of the "new era" (the POST DE-LEVERAGING era)! It is hard to set realistic benchmarks until we have some sales! The crash of dry cargo freight rates and no finance for buyers will have a negative effect on values/prices when the first transactions for bulk carriers take place. The older bulkers will be the first to go and the percentage price drops will be more severe than for modern tonnage. Some twenty five year old bulkers that went for \$25-30 mill. a month or so ago are being offered at well below \$10 mill. depending on their special survey dates, speed/consumption, and technical spec - and the buyers are not YET stepping up!

Dry cargo rates fell again this week with the BDI down another 24% and the BCI lost over 15% as the world trade slowdown continues. The shortage of cargoes (prices of commodities are still dropping so buyers are holding back) and Letter of Credit problems remain key factors behind the crash. All eyes are on the tanker chartering market to see how rates move after the OPEC production announcement.

Developments are happening at lightening speed around the world and it is hard to keep track of the latest - renegotiations are taking place at all levels - CASH IS KING (what else is new!)... LAST DONE is the watchword for not only the stock market but for shipping rates, ship prices, commodity prices, and basically every asset that is traded. Its a new world but unfortunately any person or company with sizable debt is now feeling major pain. We expect it will be a while before the banks get the Letter of Credit problem under control let alone find money to lend.

The RECYCLING/DEMOLITION market is once again in the spotlight as ever increasing numbers of ships are privately being offered for sale to the scrapyards. Prices are plummeting and we can guide our clients as demo prices fall below \$300/LDT and move toward \$200. The only positive news in this sector is that the Chinese breakers have again appeared as buyers. A more detailed analysis can be found on page 5 in the Recycling/Demolition commentary of this report.

ON THE POSITIVE SIDE: Lower shipping rates will have a huge positive effect on the pricing of most commodities. At some point commodity prices will fall low enough for the major buyers (like China) to storm back in. The Chinese stockpiles are getting smaller so hopefully in the not too distant future we will see long term contracts for oil, grain, coal, and iron ore at the new price levels.

Hold on to your hats after these deals get announced and the rest of the world starts buying again (assuming they can get the credit). When the buyers return...HOW FAST AND HOW BIG OF A BOUNCE WILL FREIGHT RATES HAVE is the question that will be looking for a TRILLION dollar answer! Will the recovery be a U shape (immediate recovery) or L shape (prolonged recovery)?

### SALE & PURCHASE ACTIVITY REPORTED THIS WEEK

#### TANKERS

**“RIGEL”** 3,243/90 - FUKUOKA - B&W 1,985 - SBT - DB

Sold as is for \$3 mill. to Bulgarian buyer.

#### BULK CARRIERS

NONE

#### CONTAINERSHIPS

NONE

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

**“WILSON GDYNIA / WILSON GIJON”**

3,560/94/93 - SLOVAKIA - ALPHA 1,998 - 1HH - 168 TEU - C 2X12.5T

Sold for \$6.1 mill. each to Norwegian buyer (Wilson). Buyers declared purchase option.

### NEW VESSELS FOR SALE

#### TANKERS

NONE

#### BULK CARRIERS

**“YANGFAN 2089”** 92,300/09 - CHINA - MAN/B&W 16,641 - 7HH

Offers based on 20/80% NSF 93 terms.

## NEWBUILDINGS

NEWBUILDING STATISTICS								
ASSET CLASS	2008	2009	2010	2011	2012	2013	2014	* TOTAL ORDERBOOK
ULCC/VLCC	8	66	67	98	16			255 (-5)
SUEZMAX	9	64	46	60	9			188
AFRAMAX	27	98	87	48	1			261 (-3)
PANAMAX	14	51	26	35				126 (-5)
MR TANKER	61	216	176	82	13			548 (-40)
0-35K DWT	126	224	162	53	9			574 (-1)
CAPE SIZE	12	165	345	216	77	16	4	835 (-3)
80-100K WT	12	90	191	157	37	11	1	499 (-2)
PANAMAX	12	54	80	55	30	5		236 (-4)
SUPRAMAX	67	311	318	217	54	7		974
HANDYSIZE	47	277	278	197	77	8		884 (+4)

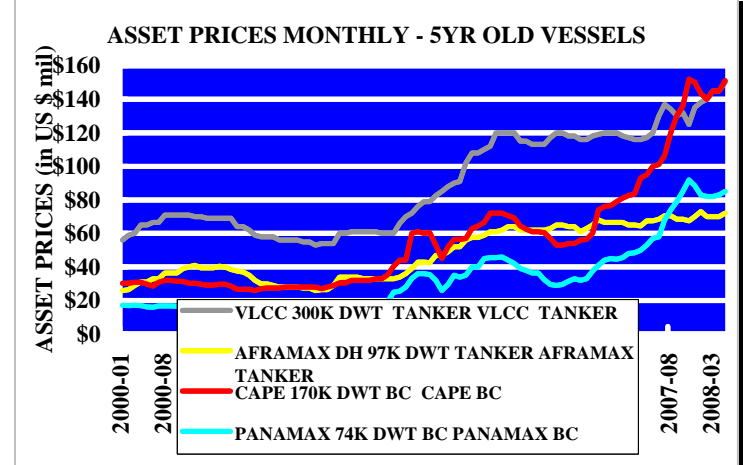
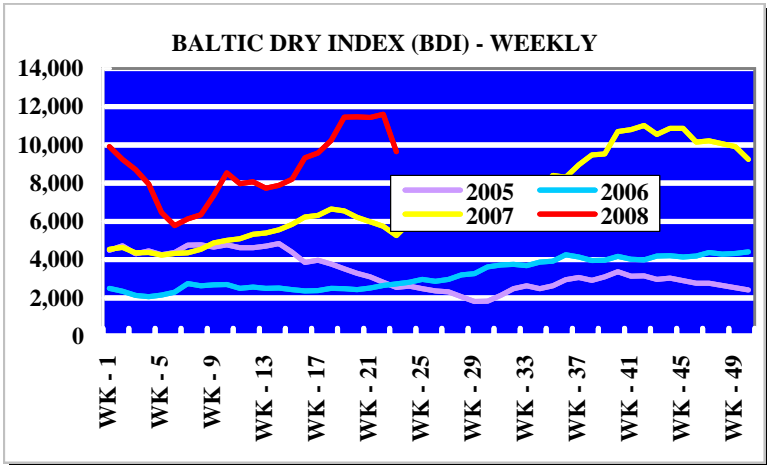
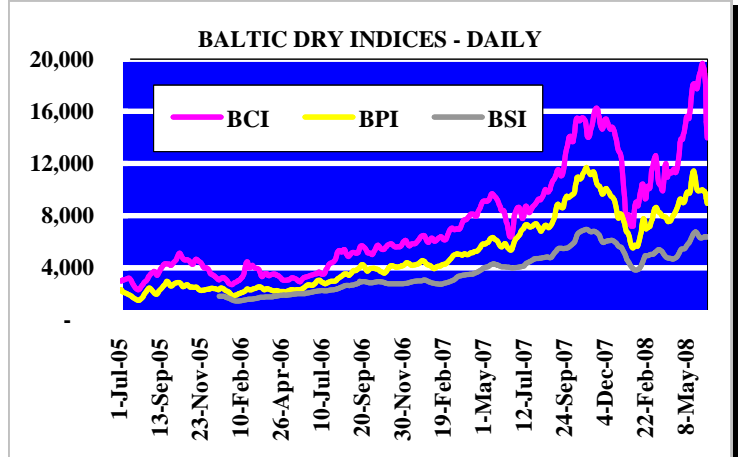
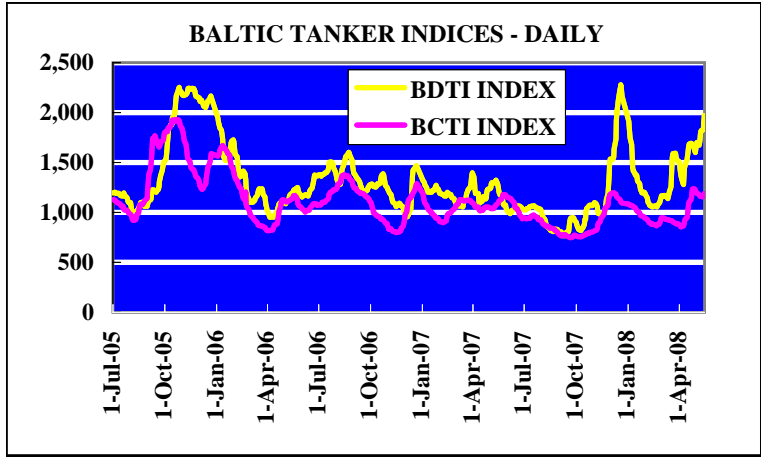
- *Includes ALL vessels on order.*
- Please note that not all data are current as of the end of this week.

### 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>
1x	115,000 dwt	Tank	Korea	2011	\$83	Premuda	
4x	5,500 dwt	Chem	Chuangdong	2009/10	\$17.5	IMC	
2x	81,000 dwt	Bulk	Korea	2011		Siba Ships	
1x	58,500 dwt	Bulk	Tsuneishi	2010		Orion Bulkers	
1x	1,740 teu	Cont	Guangzhou	2010	\$35	Norse Management	

# 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 \$	1,409.05							
NOK / US \$	6.887	<b>BDI - DRY</b>	1,102	1,438	11,025	(336)	(9,587)	-86.96%
US \$ / €	1.2901	<b>BCI - CAPES</b>	1,504	1,776	15,323	(272)	(13,547)	-88.41%
US \$ / £	1.6170	<b>BPI - PANAMAX</b>	921	1,110	10,508	(189)	(9,398)	-89.44%
¥ / US \$	96.98	<b>BSI - SUPRAMAX</b>	817	1,206	6,915	(389)	(6,098)	-88.19%
OIL (WTI) / bbl	\$ 67.84	<b>BHSI - HANDYSIZE</b>	455	732	3,232	(277)	(2,777)	-85.92%
10-YR TREAS	3.536%	<b>BDTI - DIRTY TANKERS</b>	1,390	1,342	1,071	48	271	25.30%
LIBOR (3-mos)	3.54%	<b>BCTI - CLEAN TANKERS</b>	1,121	1,191	799	(70)	392	49.06%



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	\$72,500	
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	\$37,000	
PANAMAX	70,000	\$65.0	\$65.0	\$56.0	\$46.0	\$12.0	SH	\$30,000	
MR TANKER	47,000	\$52.0	\$53.0	\$50.0	\$40.0	\$10.0	SH	\$24,000	
DRY BULK	SIZE (DWT)	NB CONTRACT	PROMPT	5 YR	10 YR	20 YR			
CAPE	170,000	\$96.0	\$92.0	\$85.0	\$55.0	\$26.0	SH	\$26,000	
PANAMAX	74,000	\$54.0	\$58.0	\$50.0	\$36.0	\$18.0	SH	\$18,000	
SUPRAMAX	52,000	\$48.0	\$48.0	\$42.0	\$27.0	\$15.0	SH	\$15,000	

BUNKER PRICES (US\$/ton)	ROTTERDAM	FUJAIRAH	SINGAPORE	PIRAEUS
380 CST	\$304.50	\$322.50	\$312.50	\$341.00
180CST	\$347.50	\$352.50	\$337.50	\$371.00
MGO	\$652.50	\$822.50	\$577.50	\$673.50

## 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	9	8	8	14
PANAMAX TANKER	8	3	4	7
CAPE/COMBO (100K DWT +)	3	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	240	250	220
SUB-CONTINENT	290	310	250

### RECYCLING ACTIVITY REPORTED THIS WEEK

#### COMMENTARY:

Scrap prices continued to accelerate downward this week. It is hard to believe that just 3 months ago, scrap prices in Bangladesh for the most desirable tanker tonnage reached an all time high of usd 800/ldt. Since that time, the market has dropped off steadily and thus far there is no sign that we are near the bottom. Prices are dropping daily and currently range from the low usd 200 levels up to usd 300 levels depending on vsl description, dates etc.

A number of factors have contributed to this market crash, in summary:

\* The impact of the worldwide financial and credit crunch has affected this industry. End users are seeing their lines of credit with their bankers being decreased or eliminated. Banks are asking end users for more cash upfront. In some cases banks will only now lend to their best A1 customers. The cash buyers/traders are also negatively impacted as they are finding it more and more difficult for their bankers to accept and negotiate Indian and Bangladesh L/Cs.

\* Local market conditions also have negatively impacted prices, in India the USDollar has strengthened significantly against the Rupee. In both India and Bangladesh the demand for steel scrap has significantly decreased.

\* It seems however that the biggest factor affecting prices this week is the total lack of market confidence. There are a large number of re-negotiations currently ongoing and more and more tonnage is appearing on the beaches of Alang and Chittagong. With this background in mind, the end users feel that each new sale will be done at a lower level than the last, thereby creating the loss of market confidence.

\* The final straw is greatly increased supply. With the dry cargo markets collapsing, a large number of older units are now appearing in the demo market. Many of these units are off-market, making a true count difficult, but just since this week, we have seen over a dozen new candidates being openly marketed for scrap, amounting to over 150,000 lightweight tons.

In the near term, we expect the scrap market to continue downward. We cannot predict when/where it will bottom out but there are currently few positive signs in this market sector. As mentioned in our opening comments, the one bright spot in this sector is that China have this week reportedly purchase a cape bulker. With the adjusted lower prices, it can be expected that China will become more active thereby absorbing some of the excess tonnage which in turn may take some of the pressure off the Indian and Chittagong markets.

**BANGLADESH – CHITTAGONG**

M/V “**HEBEI PIONEER**” 137,074/82 - 18,279 LDT - USD 250.00/LDT  
M/V “**FELIZ I**” 38,000/80 - 9,937 LDT - USD 275.00/LDT  
M/V “**UNI-ORDER**” (cont) 26,674/82 - 7,852 LDT - USD 243.00/LDT - as is Taiwan

**CHINA**

M/V “**NEW EASTERN STAR**” 138,166/81 - 20,826 LDT - USD 220.00/LDT

**INDIA – ALANG**

NONE

**PAKISTAN – KARACHI**

NONE

**COMPASS CONTACTS**

<b>SALE &amp; PURCHASE</b>	<b>MOBILE PHONE NUMBER</b>	<b>AOH</b>
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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

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<b>IT &amp; MANAGEMENT RESOURCES</b>	<b>MOBILE PHONE NUMBER</b>	<b>AOH</b>
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Very Truly Yours,

*COMPASS MARITIME SERVICES, LLC*

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