



Newbuilding

Sunny spells after rainy days..

Although the yards are certainly still not enjoying the current market climate, the general newbuilding feel for 2017 so far certainly shows a considerable improvement on what most of 2016 delivered. The potential for the yards to conclude business seems far higher than for most of last year with a number of buyers now coming to the conclusion that any downside in pricing going forward looks limited. Following a flurry of activity in the VLCC sector, we are now seeing some signs of buyers looking to consider dry cargo. Several orders are being reported at what, on the face of it, look like price levels which have adjusted further downward from previous yard target levels. Although some would have hoped we would not have seen further fleet growth in dry so soon, with very few signs of any market recovery it is hard to argue with the buyers rationale in orders which will historically look remarkably low..

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ALSO THIS WEEK

Secondhand

Gener8 commit modern VLCC to Hong Kong buyers against long term charter.

Tanker segment quieter as bid/offer spread attrition continues.

Fewer reportable sales in dry despite healthy numbers of ongoing inspections/ negotiations, although dry values show resiliency across sizes.

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Container

안녕하세요 (Annyeonghaseyo): South Korean liner shipping having to be reintroduced to survive

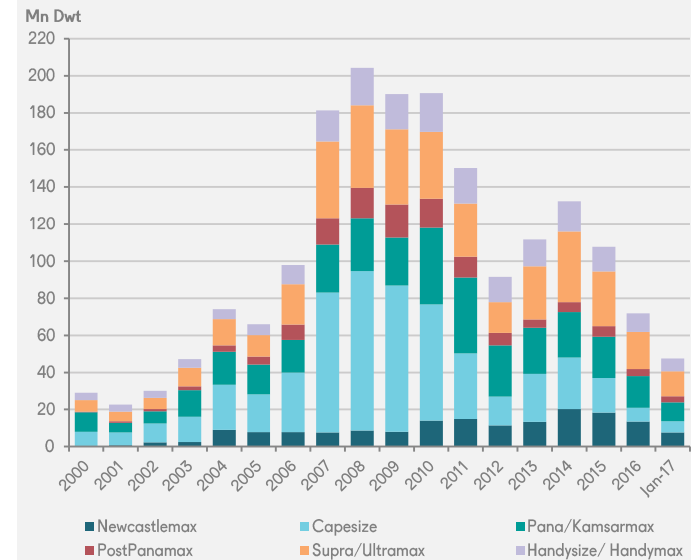
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Macroeconomics

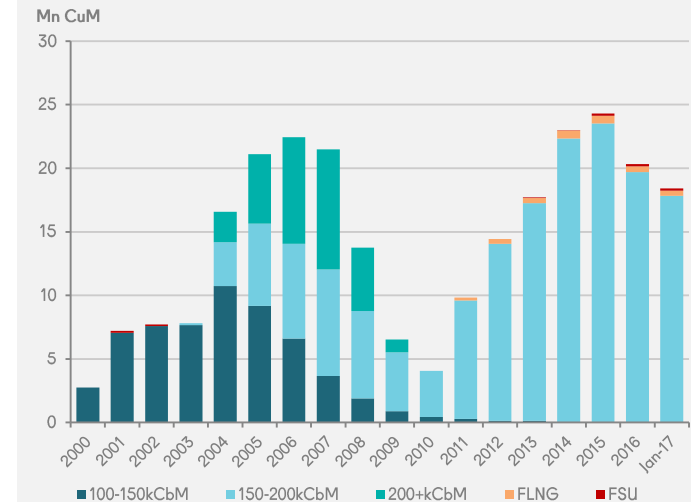
What do European politicians fear more: Trump or their own voters?

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DRY BULK OB



LNG OB



Source: Affinity (Shipping) LLP

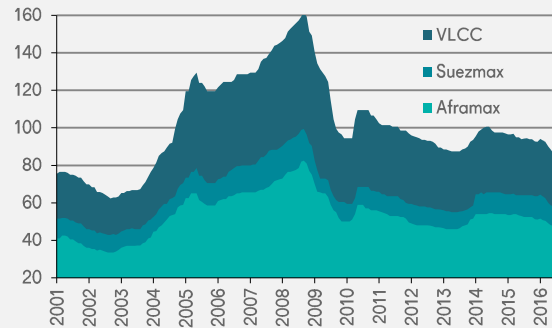


Newbuilding

Things looking up... but let's not jump the gun

The outlook for the LNG newbuilding sector continues to be (in theory!) positive which has been the theme for sometime now although somewhat frustrating for the yards with actual tangible activity limited. With the physical infrastructure now being put in place and gas due to come on stream in the next 2-3 years, additional ships are expected to be ordered. With the lead time for newbuilding LNG ships in the range of 30 +/- months orders placed now should be delivered in what is hoped will be a strong market for the owners who have been waiting for a reward for sometime now. With this in mind, rumours are now circulating that Flex (Fredriksen) have placed an order at DSME for 2 option 2 X 174k LNGCs and with Fredriksen's track record for good timing this has obviously raised a few eyebrows. Having said that, LNG has not traditionally been his core business, but the yards will hope that this move might encourage others to move speculatively which, in reality, seems unlikely and any further ordering will continue to only be against the various tender requirements. But never say never!

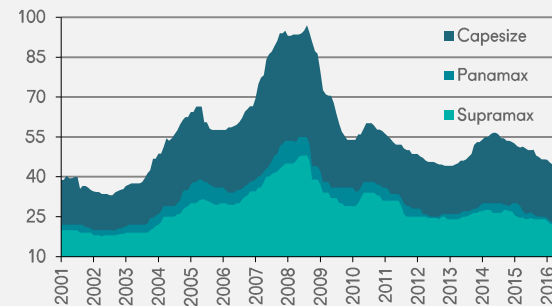
TANKER NEWBUILDING PRICES (\$M)



Most Recent Values

VLCC	\$81.0m
Suezmax	\$53.5m
Aframax	\$44.0m
MR	\$34.0m

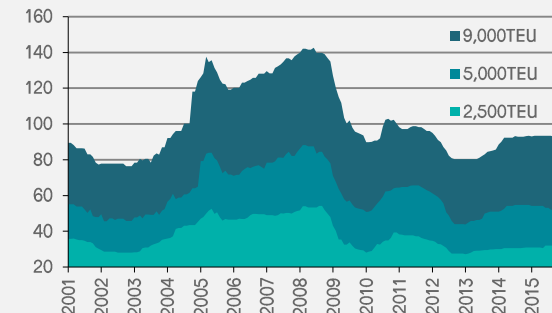
BULK CARRIER NEWBUILDING PRICES (\$M)



Most Recent Values

Capesize	\$38.0m
Kamsarmax	\$23.5m
Ultramax	\$22.0m
Handysize	\$17.5m

CONTAINER NEWBUILDING PRICES (\$M)



Most Recent Values

20,000 TEU	\$140.0m
14,000 TEU	\$110.0m
11,000 TEU	\$90.0m
9,000 TEU	\$81.0m
5,000TEU	\$42.5m
3,800 TEU	\$32.0m
2,500 TEU	\$26.5m
1,700 TEU	\$20.0m



Secondhand

Tankers

Gener8 commit modern VLCC to Hong Kong buyers against long term charter.

Tanker segment quieter as bid/offer spread attrition continues.

In a similar vein to last week, reported tanker transactions have not been plentiful. Across most sectors we see a tightening supply of real sales candidates and a bid/offer spread that remains for most negotiations. The question is whether we will see a continuation of the relatively poor trading market persuading owners to come down or the spot market improving to support higher values?

The above having been said, VLCC sales continue to dominate headlines. Gener8 are understood to have committed their MT "GENER8 NESTOR" (320,000 dwt, dely June 2017 Hanjin Subic) at region \$80.5m to Hong Kong based buyers – rumoured to Brightoil – however we believe that this sale is subject to agreement of a TC to Chinese charterers, and further details are not known at this stage. This price is broadly in line with recent reported sales, although a little firmer than we would have expected on the basis of the Hanjin Subic build.

DHT were also rumoured to have sold their MT "DHT PHOENIX" (307,151 dwt, built 1999 DSME) at \$19m, possibly to Mercuria, though this has not been confirmed at the time of writing, and it is likely that the vessel will be used in a storage program. The last comparable sale was the MT "UNIVERSAL BRAVE" (301,2442 dwt, built 1997 HHI) which was sold in December at \$20m showing a clear softening of pricing for this vintage of vessel.

Dry

Fewer reportable sales in dry despite healthy numbers of ongoing inspections/ negotiations, although dry values show resiliency across sizes

Despite a recent rally of the BDI (+121 pts WoW), sale and purchase activity seems to have slowed somewhat this week with fewer concluded transactions to report. That being said, there are a number of vessels rumoured to be under negotiation and reportedly being inspected so watch this space....

Japanese Owners invited offers this week on the MV "RED GARDENIA" (76,294 dwt, built 2005 Tsuneishi) and we now understand the vessel to have been committed to Greek buyers at rgn US\$ 7.5 million. This appears a little weaker when compared with the last done MV "MEDI VENEZIA" (76,602 dwt, built 2005 Imabari) which was sold to Greek Buyers at US\$ 8 million at the end of January, however the softer pricing may be attributed to the sellers inviting offers on a purely waiving inspection basis. Elsewhere, Chinese Owners are believed to have disposed of their MV "LIAN HUA FENG" (73,901 dwt, built 2002 Jiangnan) at US\$ 4.6 million. Pricing here seems surprisingly firm when ones draws comparison with the US\$ 4.75 million recently achieved on the Japanese built MV "JUN JIE" (74,005 dwt, built 2000 Imabari) even when differences in age are accounted for.

In the Ultramax/Supramax space, Greek Buyers are rumoured to have snapped up the Korean controlled MV "ULTRA OMEGA" (63,118 dwt, built 2015 New Times) at US\$ 19 million on a Bareboat hire purchase basis, whilst Chinese Buyers have been linked to the acquisition of the MV "SUPRAMAX VIVI" (53,451 dwt, built 2008 Chengxi) at US\$ 7 million. Pricing on the Supramax appears in line, if not slightly weak when compared with the US\$ 6.5 million paid for the year older sister vessel MV "REDWING" back in January.

Finally, clients of Tan Binh are reported to have purchased the 'Daiichi' controlled MV "MARDI GRAS" (28,399 dwt, built 2006 Shimanami) at rgn/xs US\$ 6 million. When one factors in differences in age, pricing falls in line with the MV "OCEAN BELLE" (28,418 dwt, built 2009 imabari) which reported sold at the end of January for US\$ 7.2 million.

Key facts

TANKERS

Tanker sales remain sparse – with VLCC sector seeing majority of activity

Vintage VLCC pricing softens further

BULKERS

Twelve year old Japanese Panamax sold at US\$ 7.5 million, slightly weaker than last done.

Eleven year old 28k sold at rgn/xs US\$ 6 million, showing resiliency in pricing.



Containers

안녕하세요 (Annyeonghaseyo): South Korean liner shipping having to be reintroduced to survive

Hanjin Shipping, after four decades in the shipping industry, was officially declared bankrupt by the Seoul Central District Court on 17th February 2017. With the bankruptcy trustee already appointed, the sale of the company's remaining assets will be liquefied to cover as much of its debts as possible, with creditors required to file their claims by 1st May. There is not a lot to expect in terms of recovery for unsecured creditors, as almost all of Hanjin's unencumbered assets have been sold the one after the other at rather low prices.

As mentioned in the ocean carrier's last published financial report (from 30th September 2016), total liabilities stood close to KRW 6.7 Tn (USD 6.1 Bn). The total value of the company's assets was estimated close to KRW 4.34 Tn (USD 3.93 Bn), with a deficit of around - KRW 2.35 Tn (USD 2.13) to report for the shareholder's equity. Despite the estimated liquidation value for Hanjin Shipping of about KRW 1.79 Tn (USD 1.53 Bn) at the end of last year, the reported asset sales so far have only gathered USD 157 Mn, excluding all vessels sold but seized by creditors.

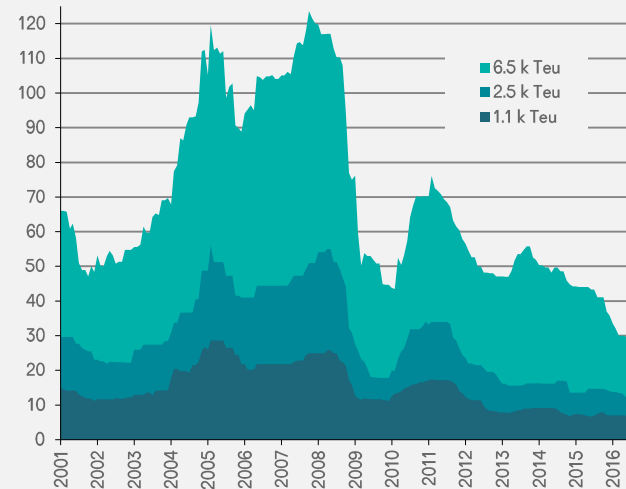
Focusing on the other major South Korean ocean carrier, Hyundai Merchant Marine (HMM), with one of the weakest balance sheets across Asian carriers, the company will receive new cash injections from a government-backed scheme, in an effort to avoid another immediate failure of another major local carrier.

The South Korean government established Korea Shipping Co. (KSC), with an initial capital of KRW 1 Tn (USD 872 Mn), to support South Korean shipping firms and shipbuilders. Korea Development Bank and the Export-Import Bank of Korea, the remainder from Korea Asset Management Corp., will be the main sources for most of the capital provided.

KSC is expected to provide KRW 720 Bn (USD 628 Mn) to HMM by next month to strengthen its capital base. KRW 150 Bn (USD 131 Mn) of this capital will be used for the acquisition of HMM shares, while KSC will buy debts convertible into HMM shares using the remaining amount. Moreover, KSC will also purchase around ten container ships, currently operated by HMM, leasing them back to the ocean carrier. Additionally, HMM is expected to place orders for five newbuilding container vessels based on sources from the state-backed financing program.

Focusing on recent SnP transactions, five Hanjin sisterships, the 6.7 k Teu "HANJIN PORT KELANG", "HANJIN XIAMEN", "HANJIN TIANJIN", "HANJIN BUDAPEST" and "HANJIN BREMERHAVEN" were sold at a price of USD 12 Mn each to Indian interests (SM Line). All vessels were delivered in 2006/7 by South Korean Hyundai Samho.

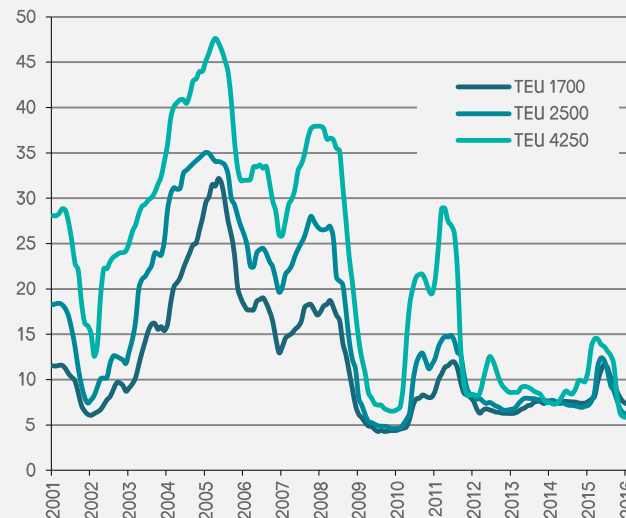
CONTAINER S/H VALUES – 5 YEAR OLDS (\$M)



Most Recent Values

8,000 TEU	\$27.0m
6,500 TEU	\$14.0m
4,700 TEU	\$7.5m
3,800 TEU	\$7.5m
2,500 TEU	\$10.0m
1,700 TEU	\$8.5m
1,100 TEU	\$7.0m

CONTAINER CHARTER RATES/DAY (\$'000)



Most Recent Values

6,800 TEU	\$6,650
4,400 TEU	\$4,300
2,500 TEU	\$6,050
1,700 TEU	\$6,350

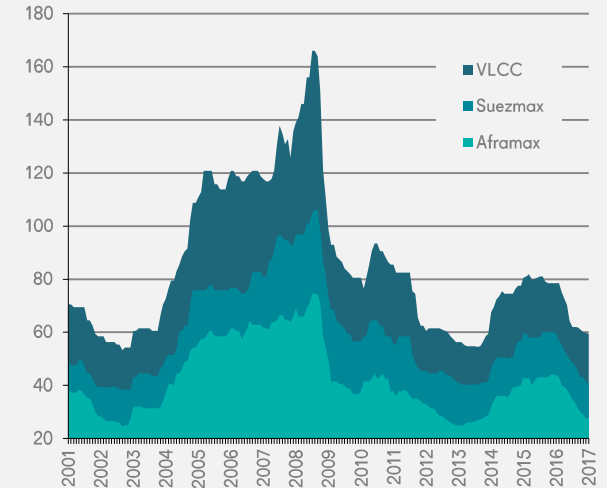


RECENT SECONDHAND SHIP SALES

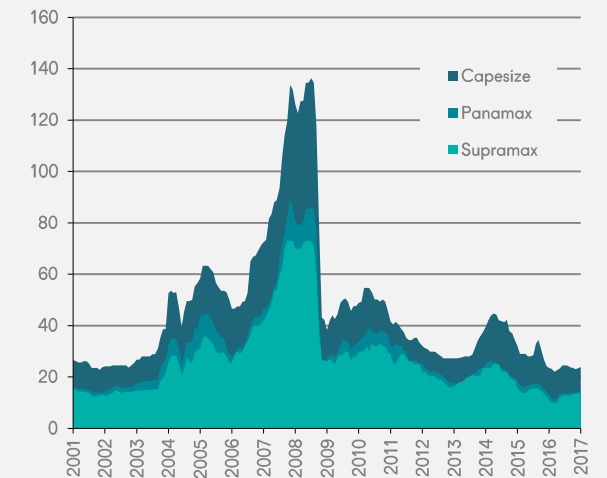
Below are the most recent sales in the Sale and Purchase Market.

TANKERS							
Name	Type	DWT	Built	Yard	US\$/m	Comments	Buyers
GENER8 NESTOR	CRUDE	320,000	Jun-17	Hanjin Subic	80-80.5	Subject TC to Unipec	Clients of Brightoil
DHT PHOENIX	CRUDE	307,151	1999	Daewoo Heavy	18.5-19		Clients of Mercuria
BOW ARATU	CHEM	13,843	1997	Esercizio - Viareggio	4.6	IMO I / STST	Chinese Buyers
BULK CARRIERS							
Name	Type	DWT	Built	Yard	US\$/m	Comments	Buyers
CHUBU MARU	PPMAX	91,384	1997	Koyo Dockyard	5.5		Clients of Aswan Trading
RED GARDENIA	PMAX	76,294	2005	Tsuneishi	7.5		Greek Buyers
LIAN HUA FENG	PMAX	73,901	2002	Jiangnan	4.6		Undisclosed buyers
ULTRA OMEGA	UMAX	63,118	2015	New Times	19	BBHP basis	Greek Buyers
SUPRAMAX VIVI	SMAX	53,451	2008	Chengxi	7		Chinese Buyers
MARDI GRAS	HANDY	28,399	2006	Shimanami	xs 6		Clients of Tan Binh
OCEAN TRADER I	HANDY	24,112	1999	Saiki	2.5		Chinese Buyers

TANKER S/H VALUES – 5 YEAR OLDS (\$M)



BULK CARRIER S/H VALUES – 5 YEAR OLDS (\$M)





Macroeconomics

What do European politicians fear more: Trump or their own voters?

Are European governments and central banks preparing for increased volatility?

More positive news from the Eurozone as inflation data was released showing that none of the eurozone's nineteen member countries reported deflation in January. Consumer price inflation was reported at 1.8 per cent year on year, up from 1.1 per cent in December last year. The ECB now has room to manoeuvre in its interest rate discussions and might be able to start to envisage the end of quantitative easing and the end of austere fiscal policies. It may not take the opportunity to do so basis its most recent public comments dated 19th January that saw "no room for complacency" in supporting the economy with renewed stimulus until the end of the year.

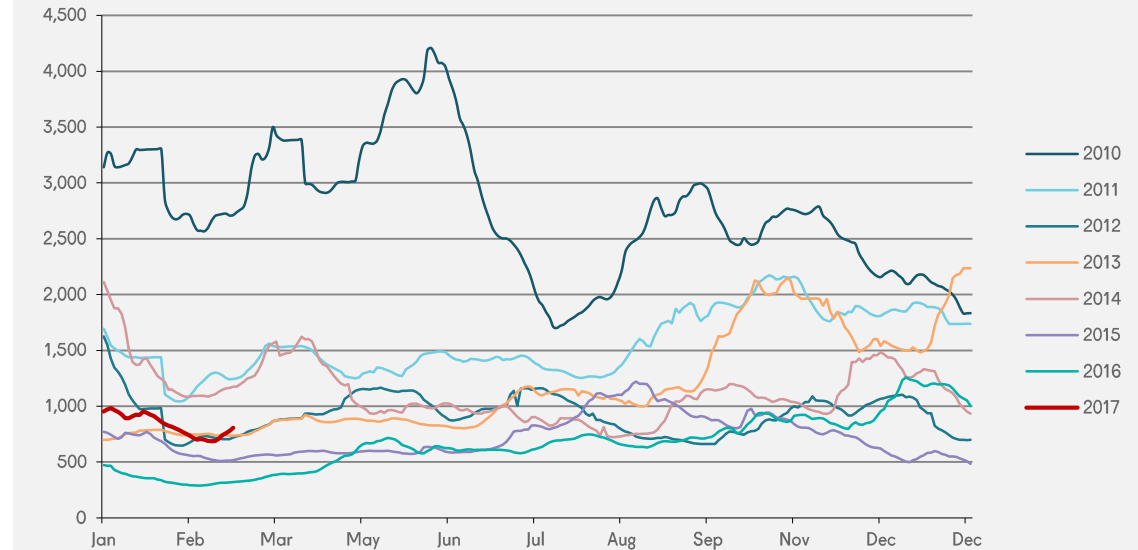
A tax giveaway for the masses would have ideal political timing with elections coming up this year in which the established political parties are expecting a good kicking from the disaffected plebs. With French bond yields rising at a multiple of Marine Le Pen's opinion poll standings, the eurozone needs a populist shot in the arm of its own. Instead of telling expats in London that he will make life good for them back in France, perhaps M. Macron would be better advised to come up with fiscal policies to support the majority of the French who don't live in Paris or on the Cote d'Azur, if he wants their votes.

Fear of uncertainty stalks the halls of power around Europe. In a surprising move, Germany's central bank is reported by Reuters to be bringing home its gold reserves from overseas vaults such as in New York and Paris. Once the relocation is completed, the Bundesbank will keep 1,236 tonnes in New York, 432 tonnes in London and the rest in Frankfurt. The current move involves 300 tonnes from New York and 374 tonnes from Paris. A spokesman for the Bundesbank said that Germany is happy to keep half of its gold at home and has no plans relocate other reserves.

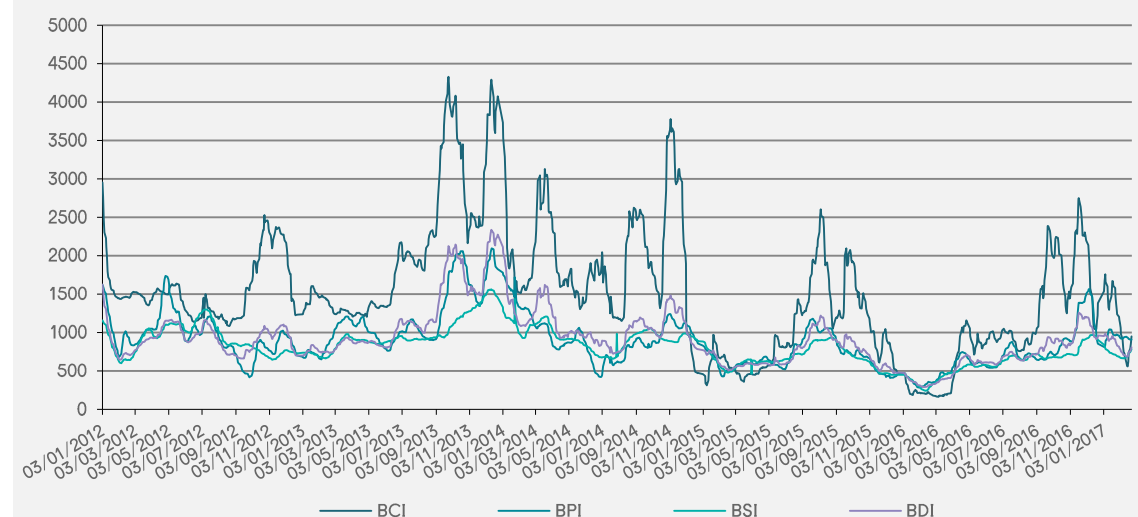
Governments who want to know that their gold is safe are usually governments who are expecting a run on a currency, such as the US government of FDR did in 1934 when private citizens were barred from holding gold just before the US devalued the dollar, or when President Nixon took the dollar off the revised gold standard in 1971. Having expressed confidence in the US, perhaps the implication is that Germany fears events in the US and France more than it does at home. This of course is speculation, before anyone accuses us of fake news reporting.

Nonetheless, the German move comes on top of the news that China has been reducing its holdings of US treasury bills to their lowest level since 2010. Japan has re-taken first place in overseas US creditors, but has also been selling down its position. Dollar bulls have been betting for a long time on the Federal Reserve's clearly flagged 2017 interest rate increases. Perhaps governments overseas fear increased inflation will devalue their US debt holdings. The Trump administration has released few details of economic or fiscal policy yet. We might expect currency market volatility to increase as announcements become imminent.

BDI HISTORICAL



BALTIC DRY INDICES



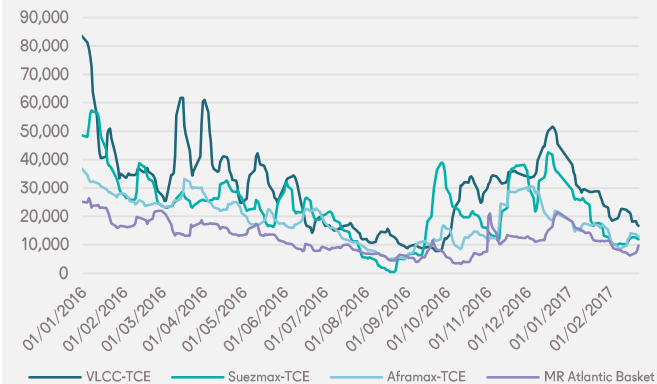


BTI Dirty	852	-5
BTI Clean	614	+2
BDI	688	+3
VLCC AG-West	WS 33.23	-0.32
VLCC AG-East	WS 72.08	-0.50
MR	TCE(\$/day) 9,782	+1711
Crude Oil (WTI)	USD 54.06	+0.66
Crude Oil (Brent)	USD 55.80	-0.86
Natural Gas (HH)	USD 2.62	+0.06
FTSE 100	7,302.25	+27.42
DJIA	20,763.30	+20.30
Nikkei 225	19,379.87	-1.57

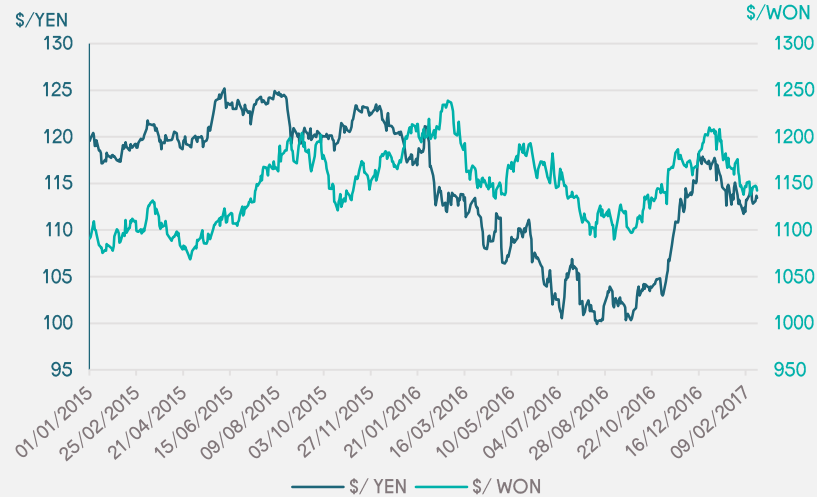
USD - JPY	113.45
USD - KRW	1,142.39

-Updated at 16:02-15/02/2017

Tanker Spot Rates



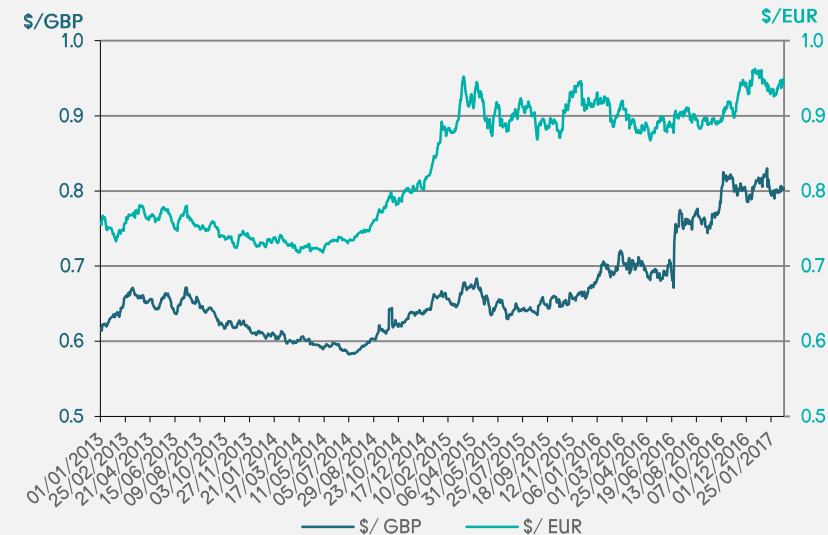
USD/YEN, WON



Most Recent Rates

\$/YEN	113.45
S/WON	1,142.39

USD/GBP, EUR



Most Recent Rates

\$/GBP	0.8037
\$/EURO	0.9469



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