



Container Trades Update (Core Forecast Revisions)

3 February 2009

Downward revisions: Based on ongoing discussions with ship operators and trade analysts, we are adjusting our 2009E trade volumes. The 'positive' angle at this point is we are not bringing down the forecasts that much more based on current intel. They are bad enough already. The main changes are the 4Q08 Asia to Europe volumes were weaker than weak, and in the US there are still 4Q08 negative implications of US inventory data

4Q08 Asia-Europe coming in at -15% (4Q07 +16%): 2008 coming in at -4%. We should be looking at -20% 1Q09 (1Q08: +12%) Asia to Europe including some added weakening from inventories, -11% 2Q09 (2Q08: +5%), -8% 3Q09 and -3% in 4Q09, which will give us as a starting point of about -11% for Asia-Europe container volumes as a 2009 run rate (previous 09 est similar at -9%). Asia-Europe visibility remains reduced

US Inventories overhang: Also, the lower 4Q08 US GDP and negative inventory overhang in US implies more downside to forecasts in Transpacific. Instead of -5% we are now looking for -9%. This leaves room for a little volume uptick in 4Q09 especially given that the US downturn began in advance of Europe, and retailers are likely to push prices down aggressively on China goods in 2009. Our 1Q09E Transpacific Eastbound at the moment is Jan -23%; Feb -18%; Mar -12%

Model updates: We end up with about -10% Asia outbound volumes, which will likely keep up the main downward bias to vessel charters and \$/TEU rates (see p. 3 last chart). If intra-Asia holds 2-3% growth (already poor) and some trades like US-Europe, and a few other trades, remain a little less exposed, we get about -1% global growth. The risk remains to downside, and visibility for 2H09 remains non-existent, but we explain below why this -1% growth is already very negative

Global TEU growth in long-term perspective: The 2008 performance for TEU growth is cut from +3.5% to +2.6% This is well below what many are still leaving in their models (ie, our '08 base is already a little lower). But our 2009E TEU growth is also cut from +0.3% to -0.8% (which makes a cumulative 2% from our recent '09 estimate). The growth estimate is already worse than 2001 downturn by far because 2001 -0.2% was flanked by 2000 +12.7% in 2000 and +11.2% in 2002 = +7.9% avg against 2008-10 avg est now +2.9%)

Cautious investments: As already mentioned, although we are looking for selective entry opportunities, we remain underweight the ships themselves until we can see panic run its full course through a sustained explosion of scrapping. A rapid correction scenario would be better for the long term. But we have to consider a slow drip scenario that requires another 2-3 years for the ship capacity mess to clear

—BDI trades are interesting for bulk but no longer the whole picture now that there is a large capacity overhang—