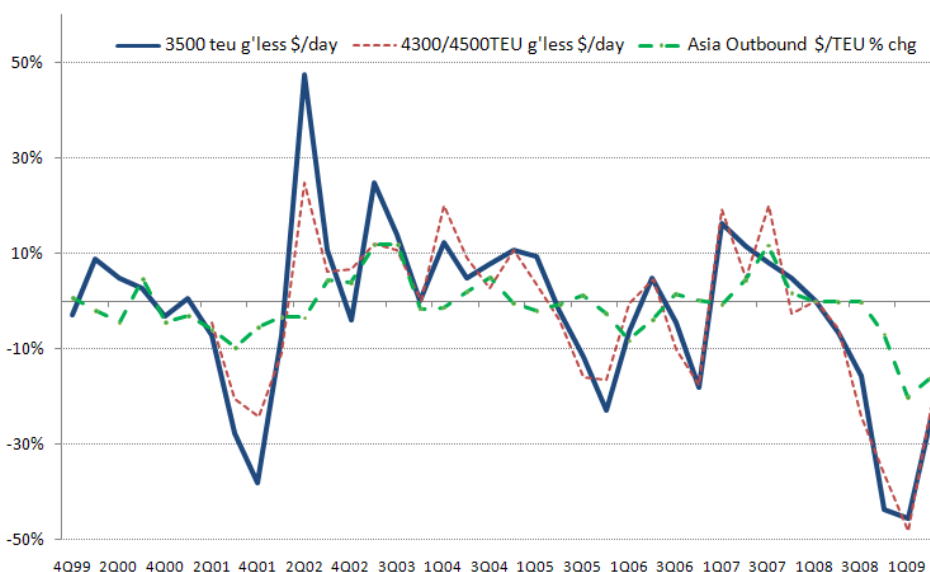


2H09 Update on Container Shipping Outlook

20 July 2009

- **Drewry's Shock and Awe:** Drewry, not always known for pessimistic forecasts, recently shocked the market with a -10% container growth forecast for 09E... More depressing perhaps is Drewry sides with long-term growth of 6-7% (we agree) and not 9-10% type growth long built in to owner-operator forecasts, based on historical experience. We can't get quite as low a 09E -10% global estimate yet but agree, of course, with a longer-term shift down for containerization, even while seeing some early-10E or mid-10E rebound post 09E deep bottom...
- **The silver lining:** Not for 09E and not too much for 10E, container shipping is the sector which is getting the greatest vessel delivery delays amongst sectors. Net capacity in 11E could grow as little as 4.6%, though about 9.8% in 09E and about 8.0% in 10E is still daunting. We agree with a Drewry-type decline for long-haul, as these are all facts now. Our Asia Outbound series is looking like a very weak -14.2% in 09E, though we have a mild rebound of about +6.7% out of Asia in 10E. Our current Transpacific Eastbound (Asia to US) demand outlook is for about -14% TEU volumes (this is well triangulated with other data series, but best with 6-mth visibility)
- **Dollar still needs to sell off*..:** Containership shares recently have not performed nearly as badly as the underlying macro data and their interpretation by data geeks, including ourselves. Shares have gotten ahead of "fundamentals"... Yet, we maintain the dollar needs to decline significantly for existing trade flow data to improve a lot more. Our data has always told us global growth rebounds best with weak dollar...What could be different this time?
- **Rev/TEU disasters:** Adding to recent weak OOCL data, NOL on 20 July 2009 reported its APL June (P6) \$Rev/FEU was -29% versus -20% YTD. Volumes improved to -14% in June from -24% YTD. The revenue performance likely reflected weak Asia-US before any rebound in Asia-Europe kicks in...But it merits watching P7 closely...

YOY Quarterly Container Charter 3500 TEU Vessel \$/Day vs Asia Outbound \$/TEU Percent Change, 4Q99 – 4Q09E



Sources: Clarksons; Carriers; Transport Trackers

* ie, if dollar does not get a sell-off this acts as a drag on container drivers (just one more thing to overcome)

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