

Managing Financial Risks – Threats and Challenges

by Michael Parker

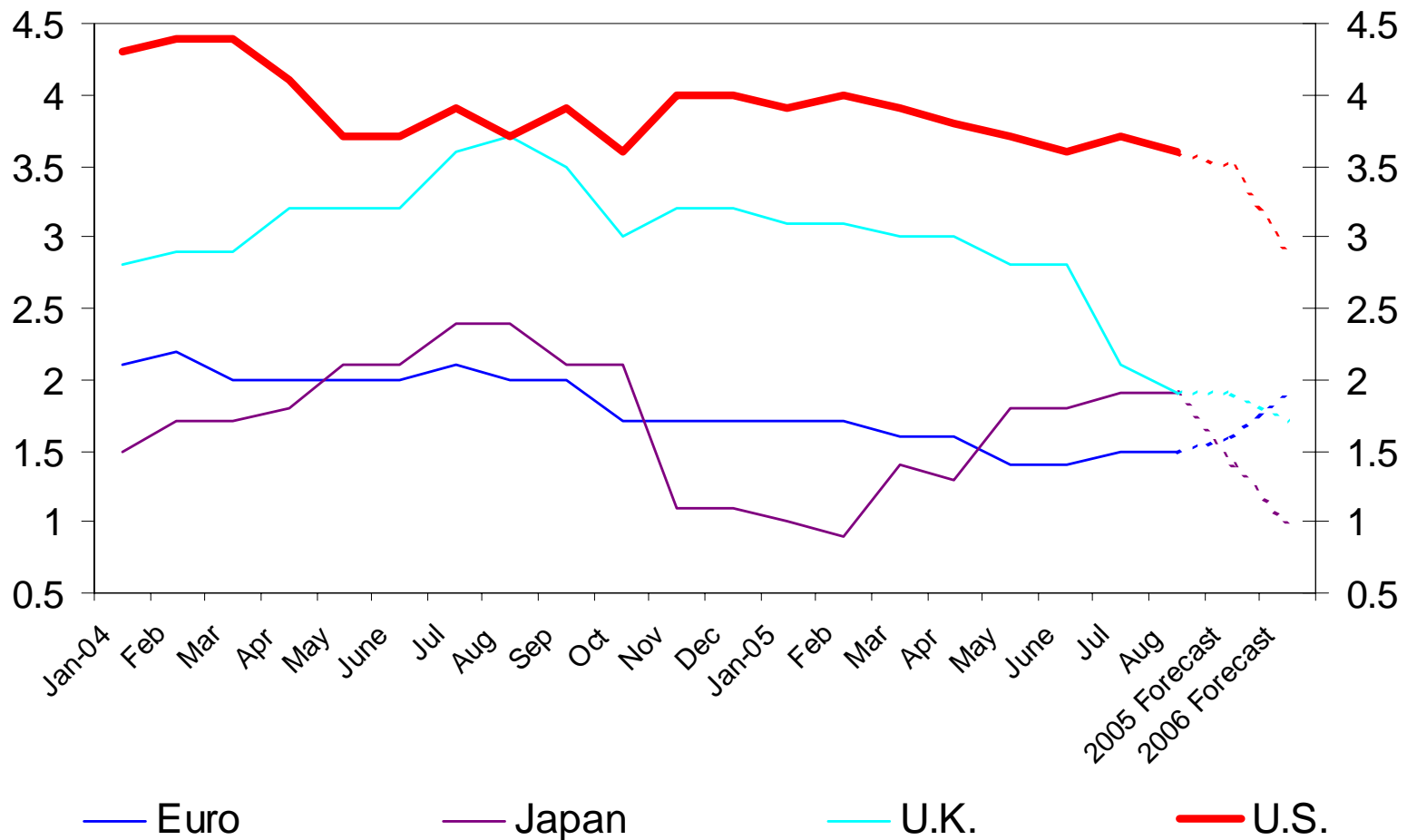
Monday 19th September 2005

Threats and Challenges

(SLEEPLESS NIGHTS FOR SHIPPING BANKERS)

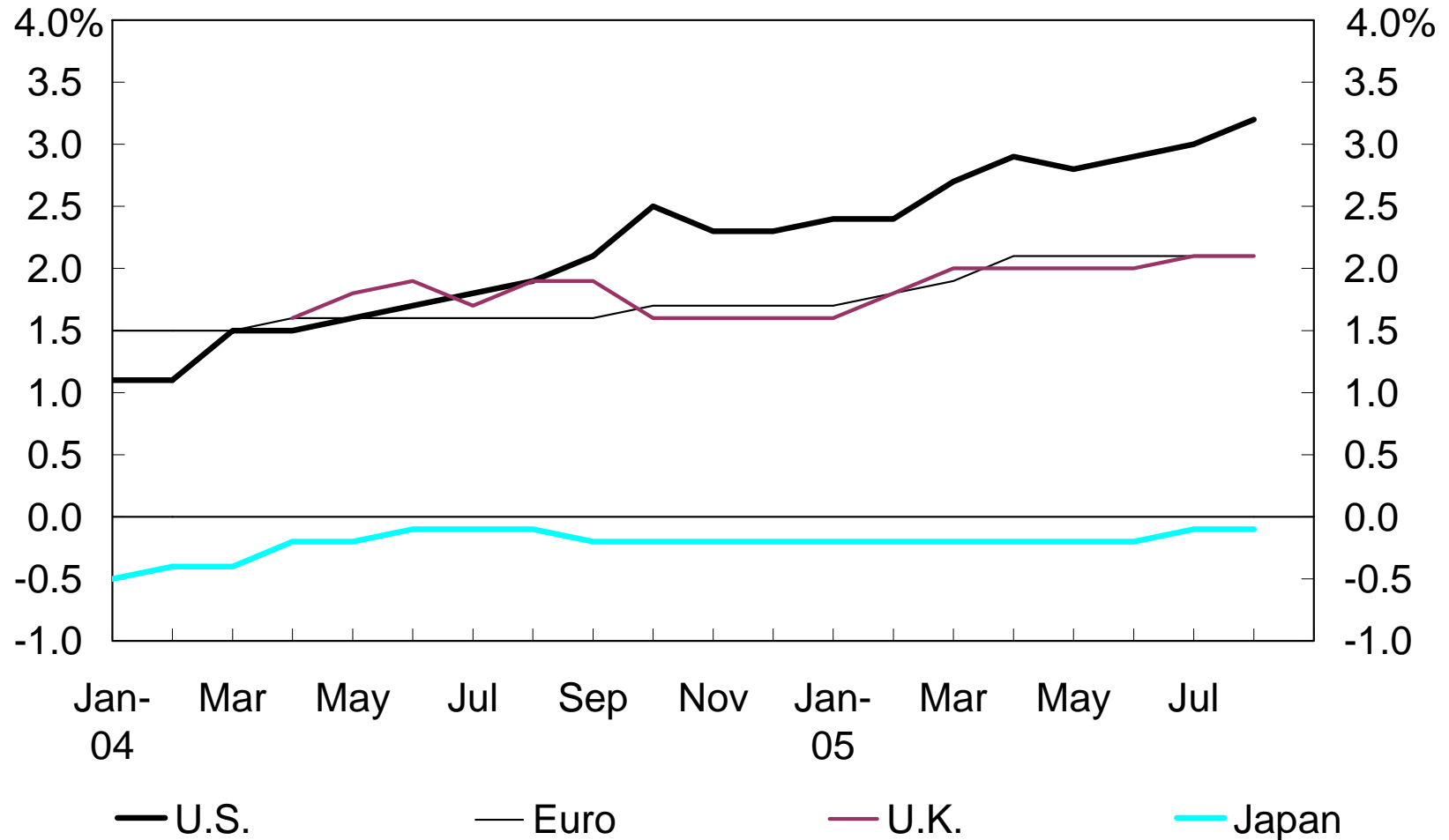
- **Political Events**
 - War
 - Trade War
- **Global Economic Situation**
 - Threat of Inflation
 - Risk of Recession
- **Financial Crisis**
 - Loss of Confidence
 - Economic Impact
- **Excess Supply of Ships**
 - Orderbook
 - New Shipyard Capacity
- **Excess Supply of Credit**
 - Sources of Finance
 - Cheap Money

GDP Growth %: US, Europe, Japan



Source: Citigroup, Smith Barney

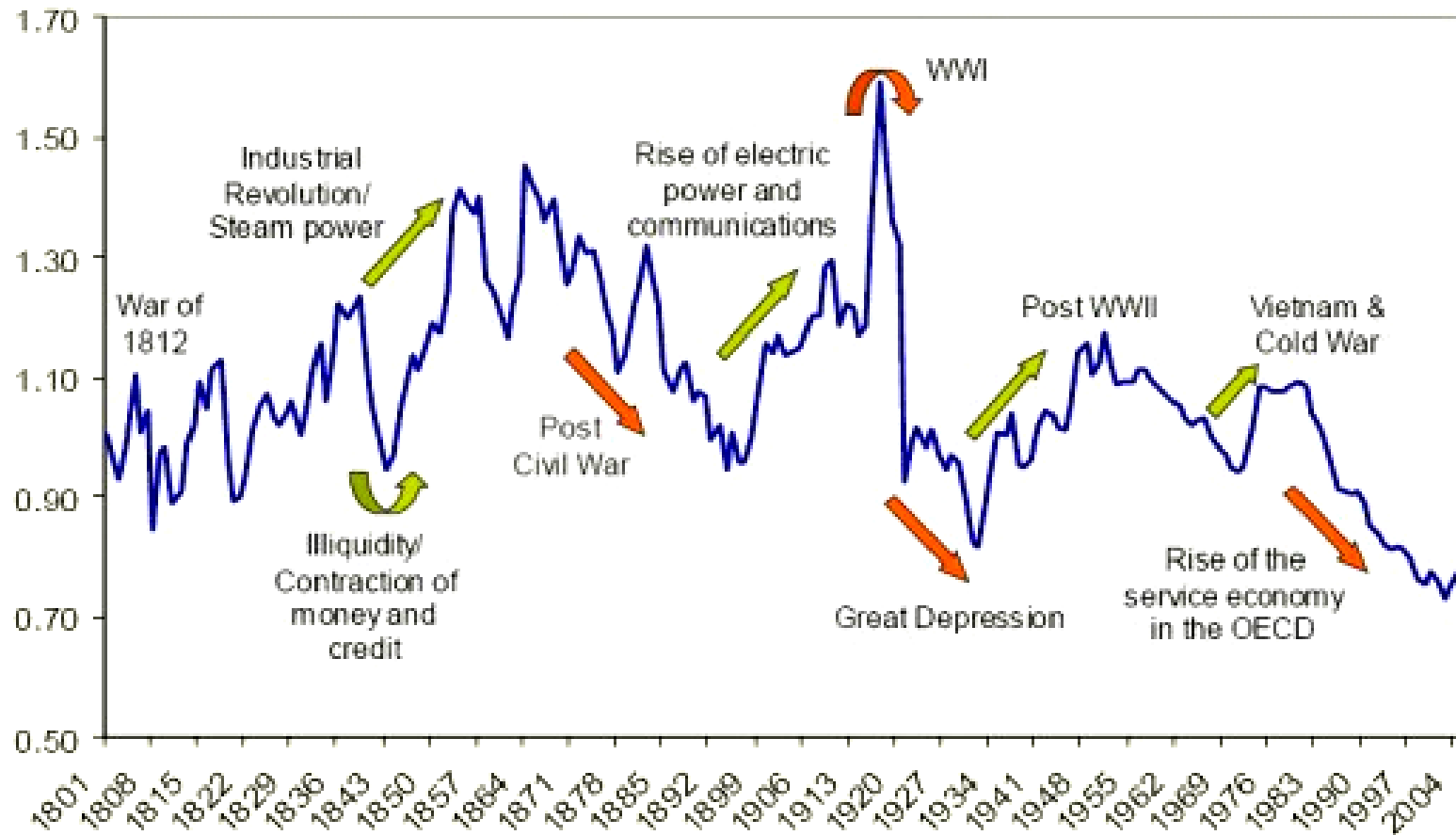
Inflation: US, Europe, Japan



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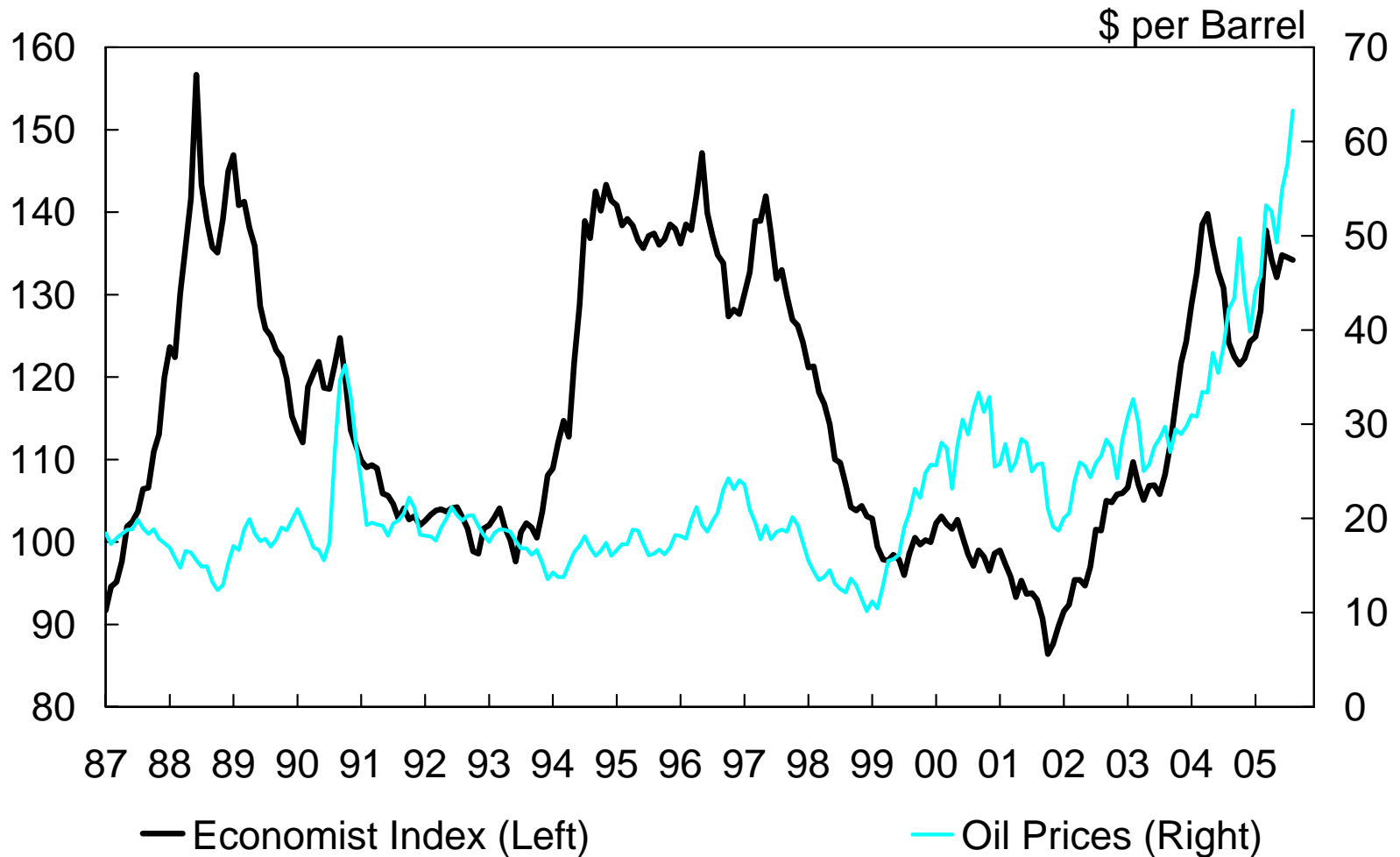
Have US Commodity Prices Reached Multi-century Lows?

US Commodity Price Index adjusted for CPI



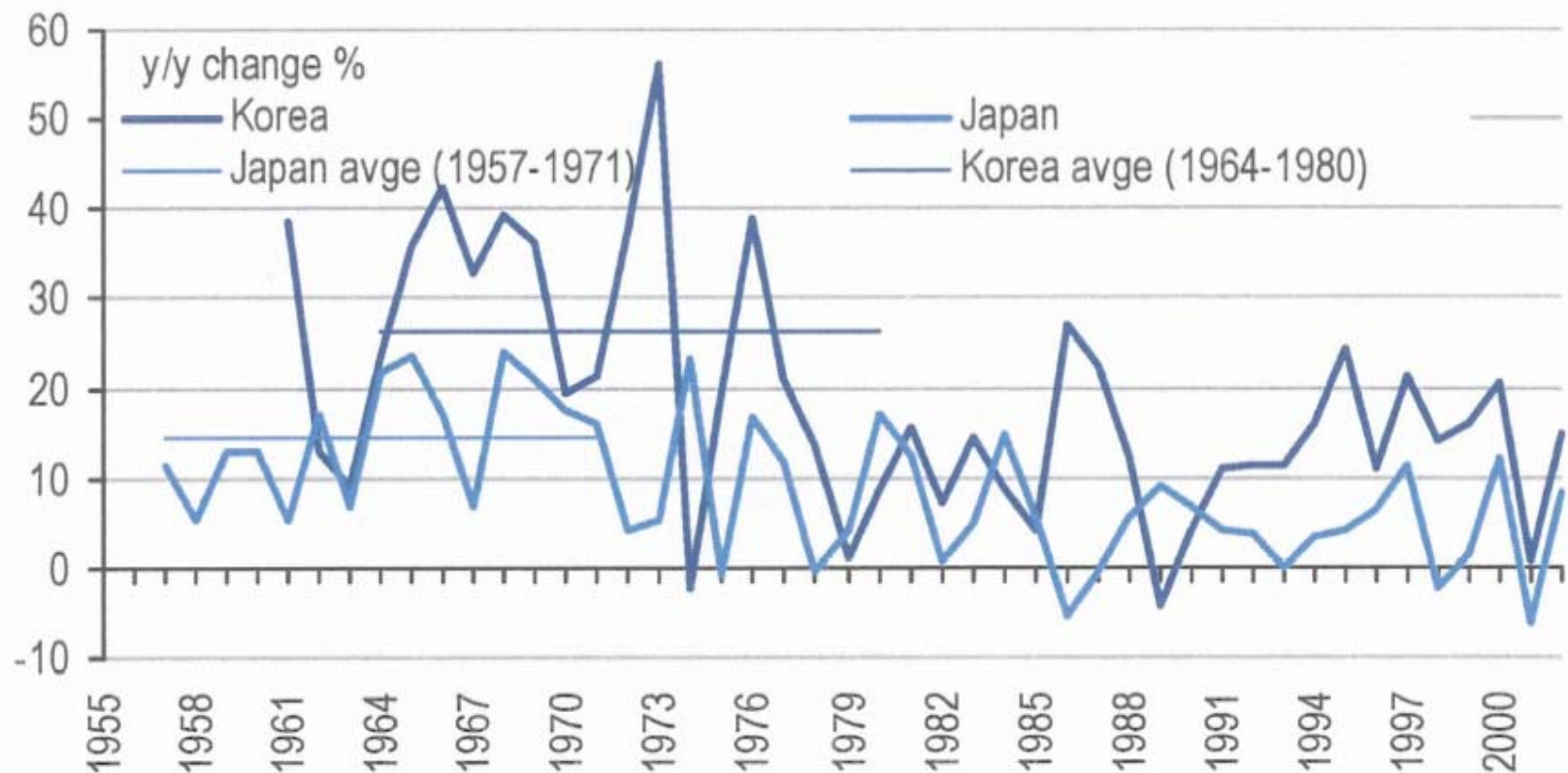
Source: BHP Billiton

Commodity Prices, 1987- 1Q05



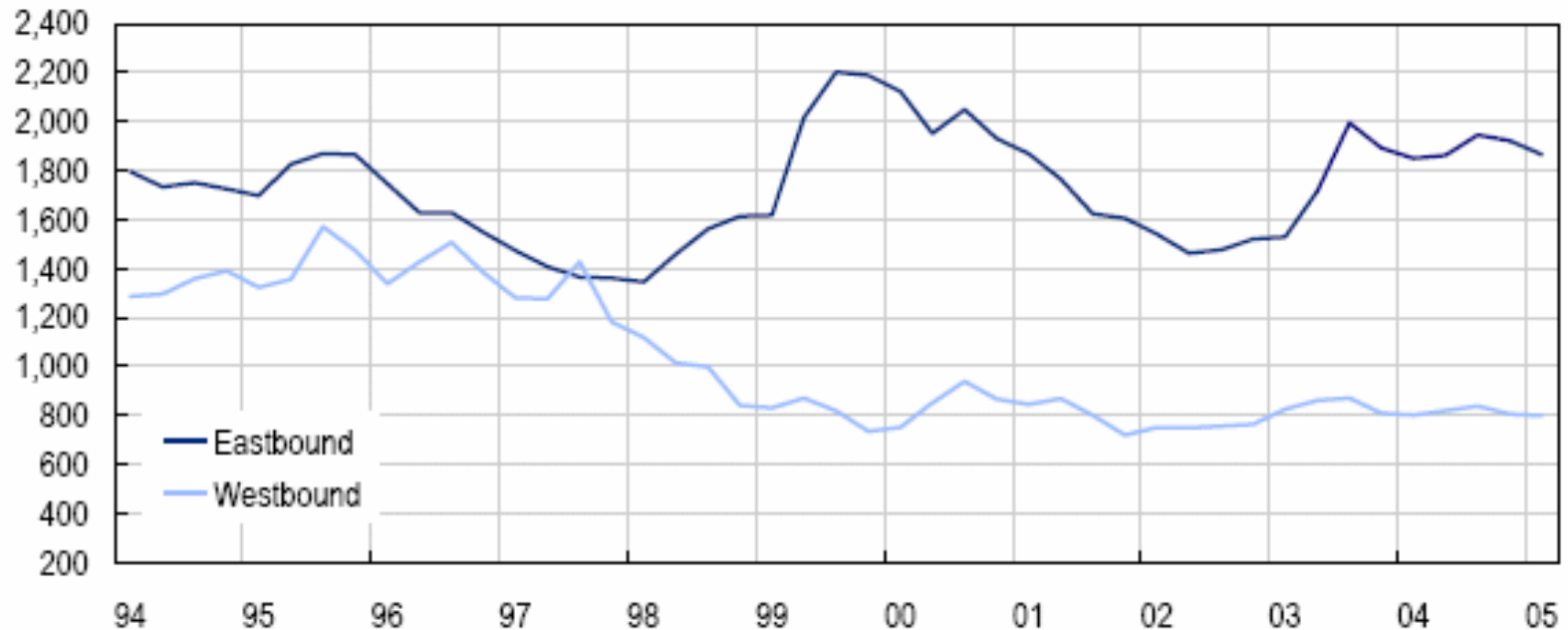
Source: Citigroup, Smith Barney

China's export growth rates are not new: Japan and Korea, 1957-1980



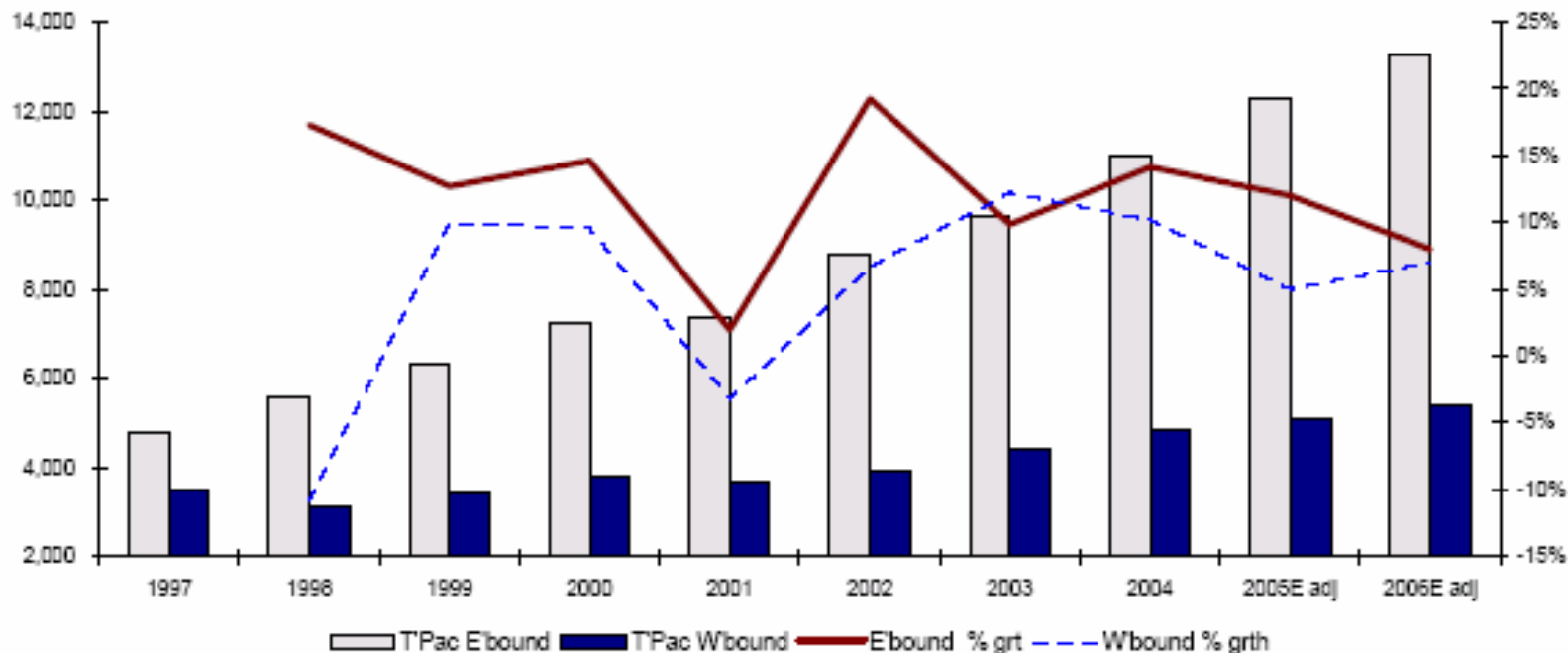
Source: Citigroup, Smith Barney

Asia- North American Routes: Rates and Supply/Demand Balance Index (\$/TEU)



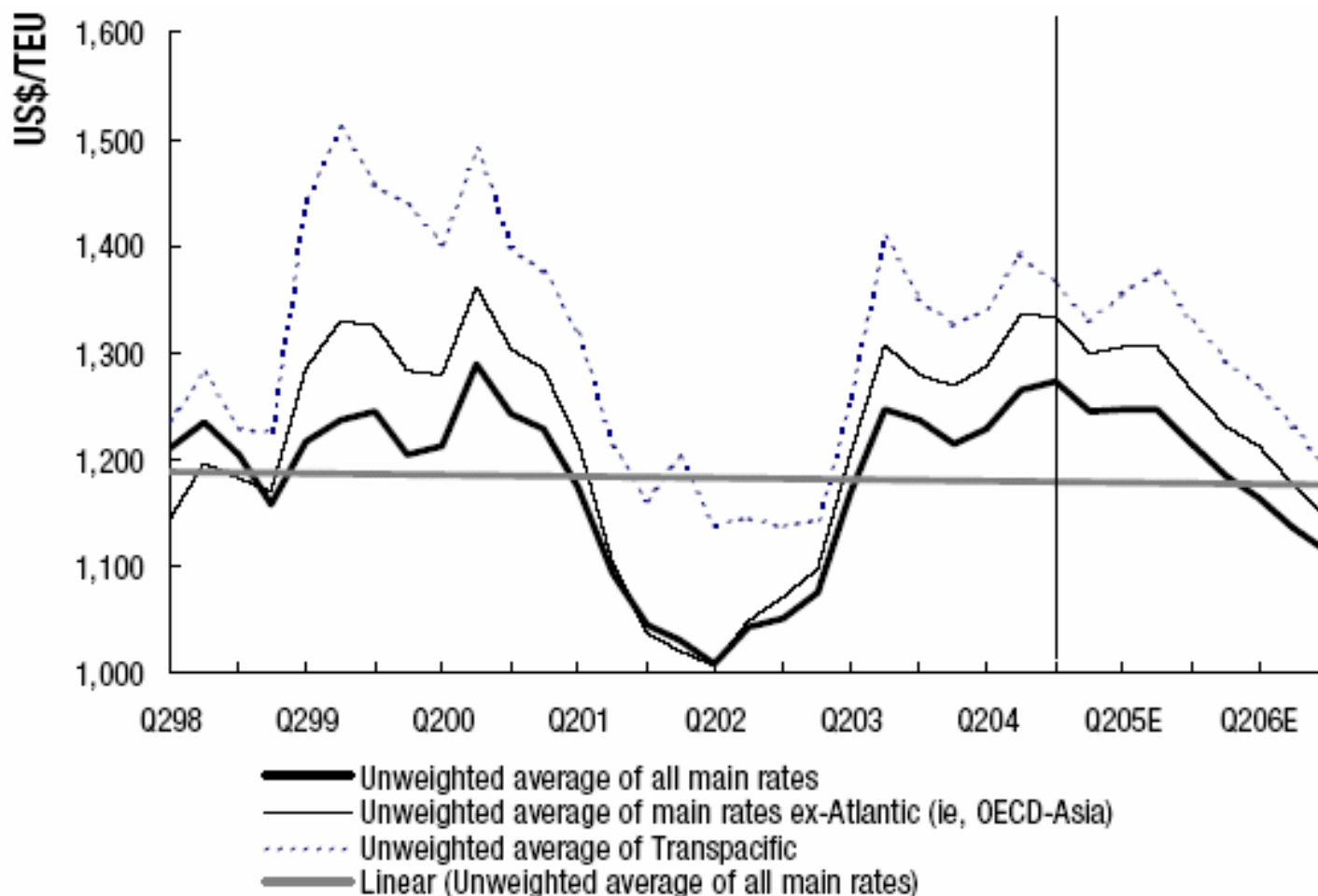
Source: Containerisation International

Transpacific Volumes in Perspective in '000 TEU, 1997-2006E



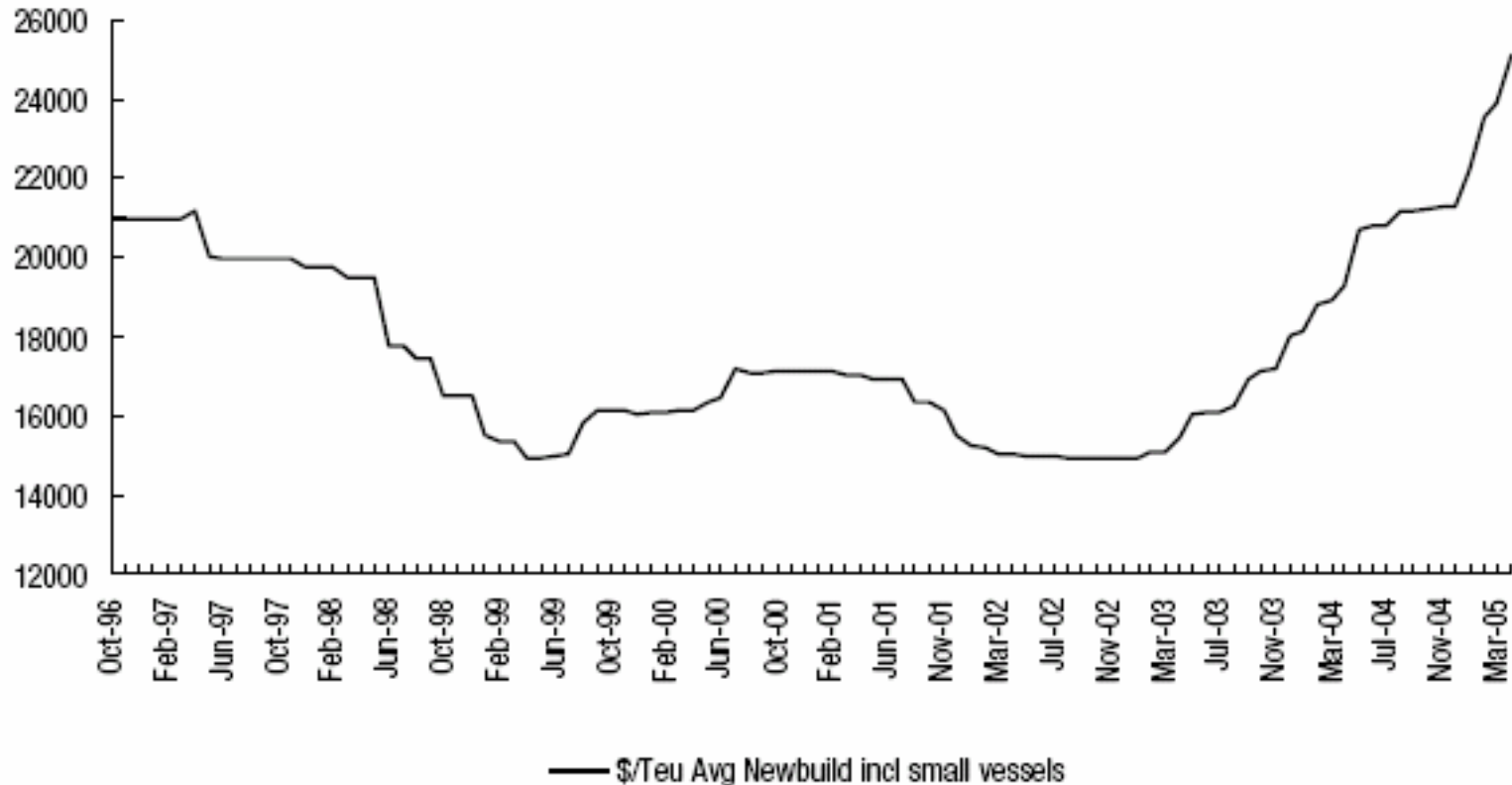
Source: Clarksons, Smith Barney.

Average Container Rates, 1994-2006E (US\$/TEU)



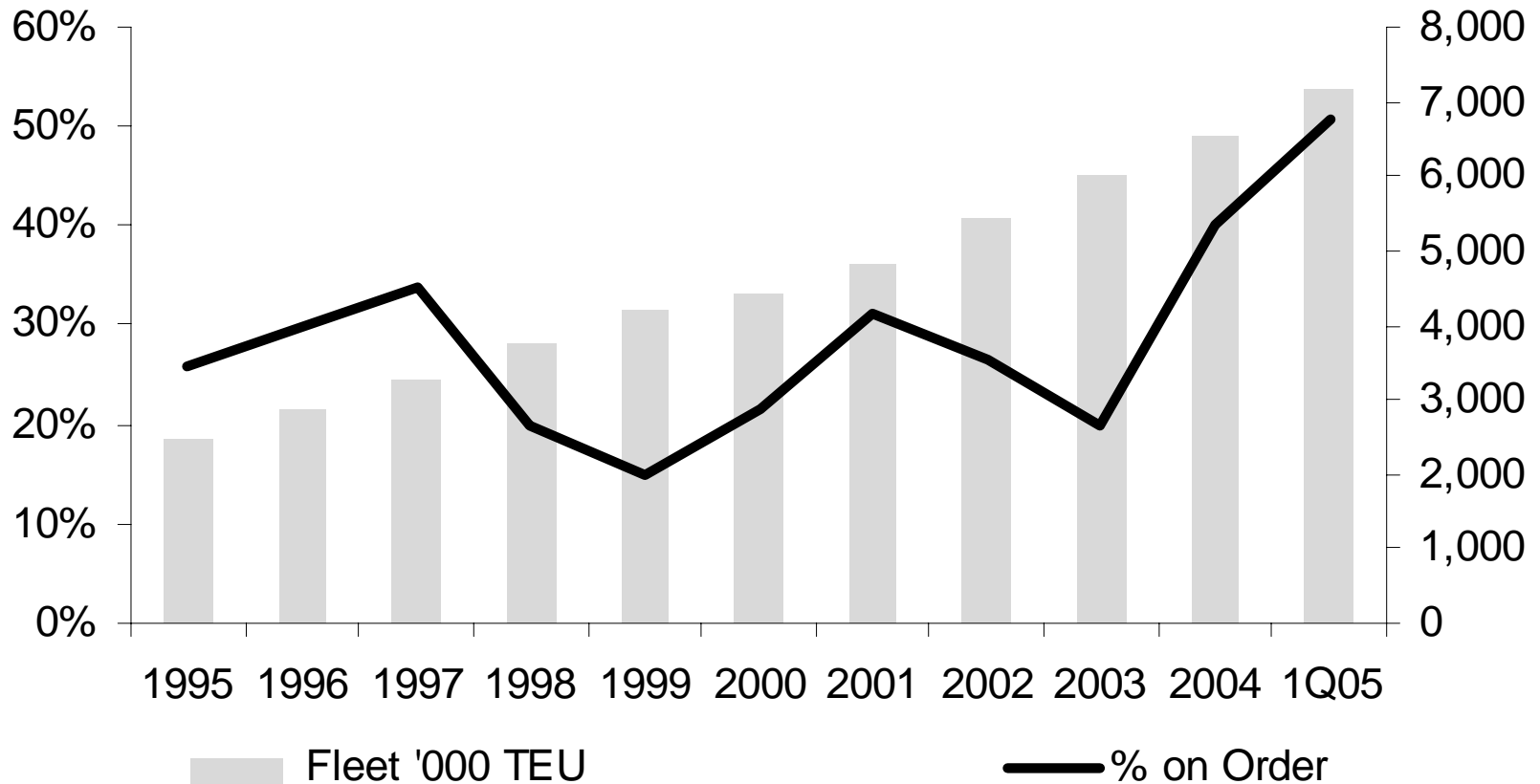
Source: Containerisation International, Smith Barney estimates.

Container Vessel Average Newbuild Prices US\$/TEU 1996-2005



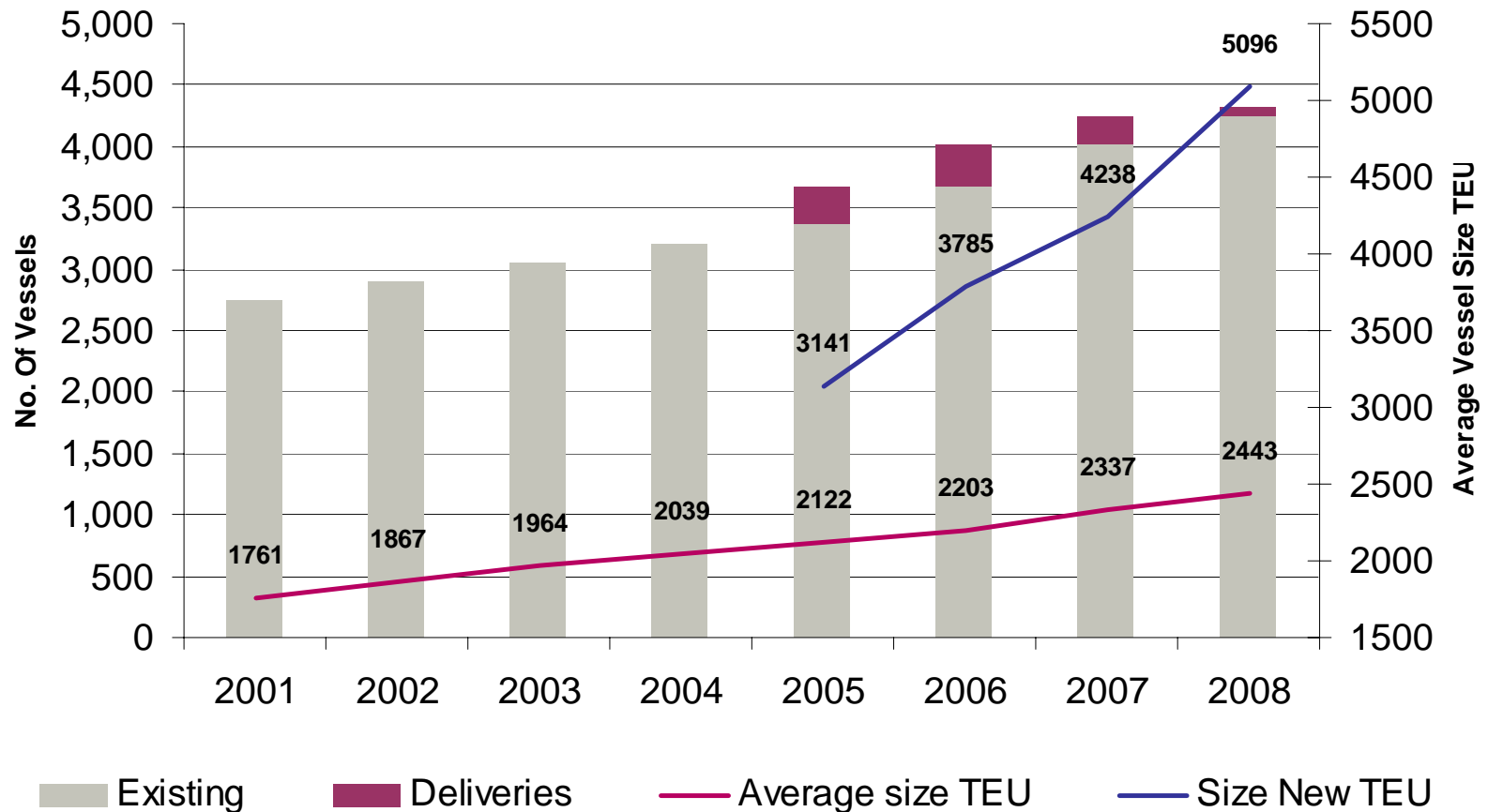
Source: Clarksons.

Container Vessels Orderbook vs. Fleet Size Evolution, 1995-1Q05



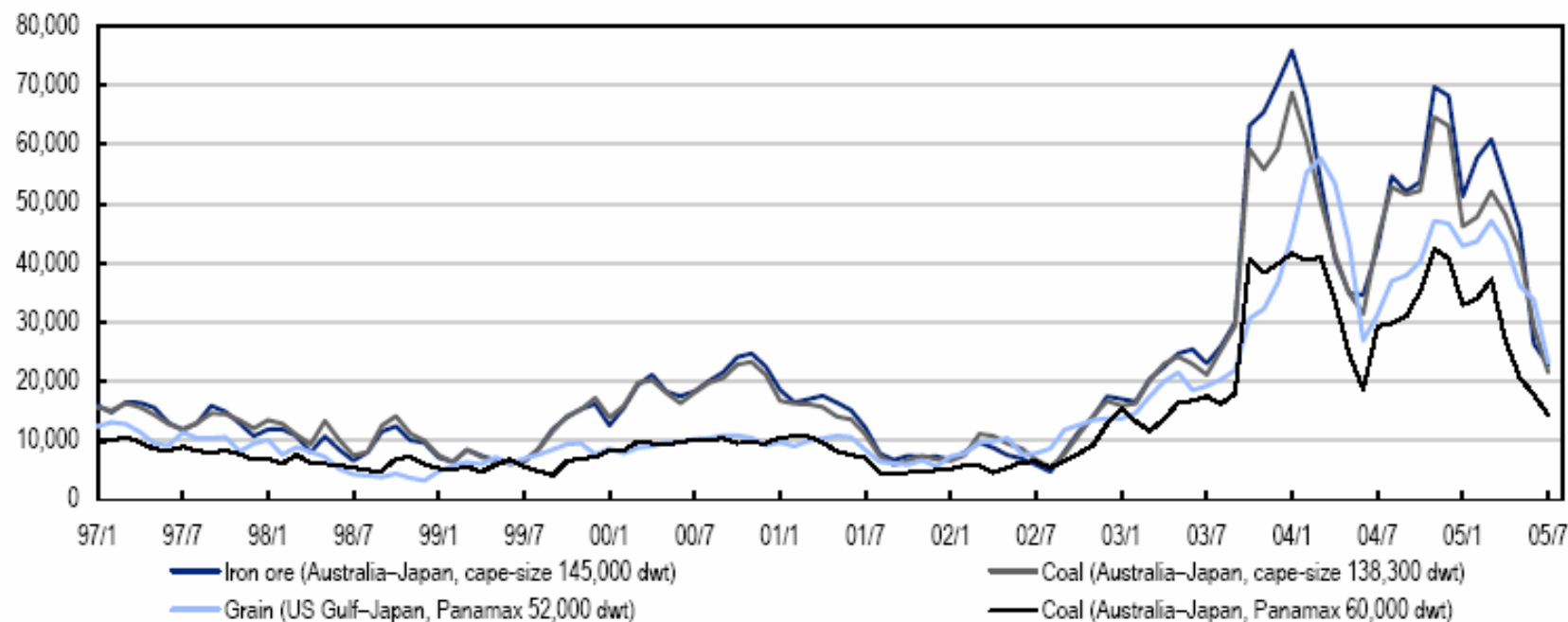
Source: Clarksons

Container vessels by Number, and Average TEU per vessel



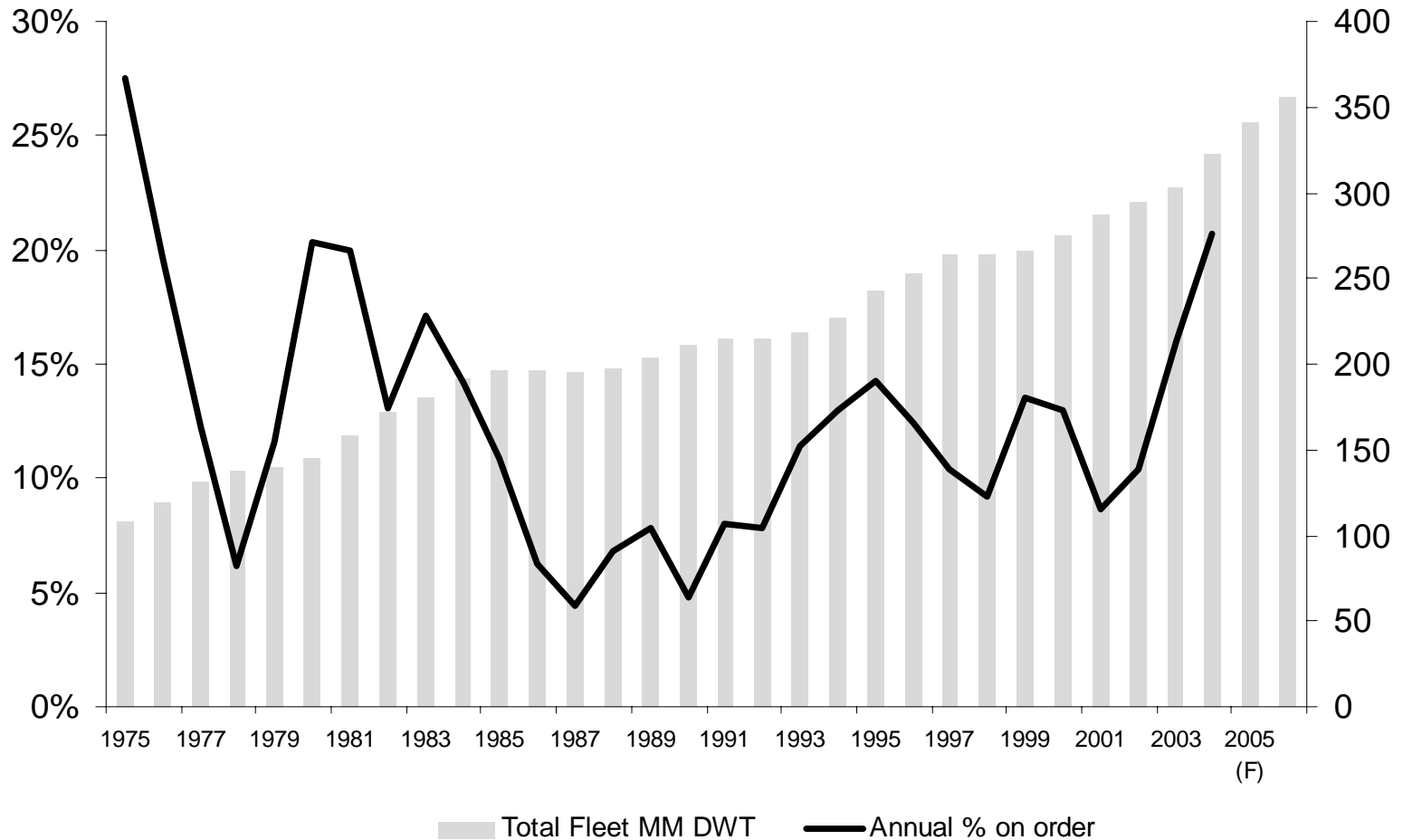
Source: Clarksons

Tramp Ship Spot Rates (\$/Day)



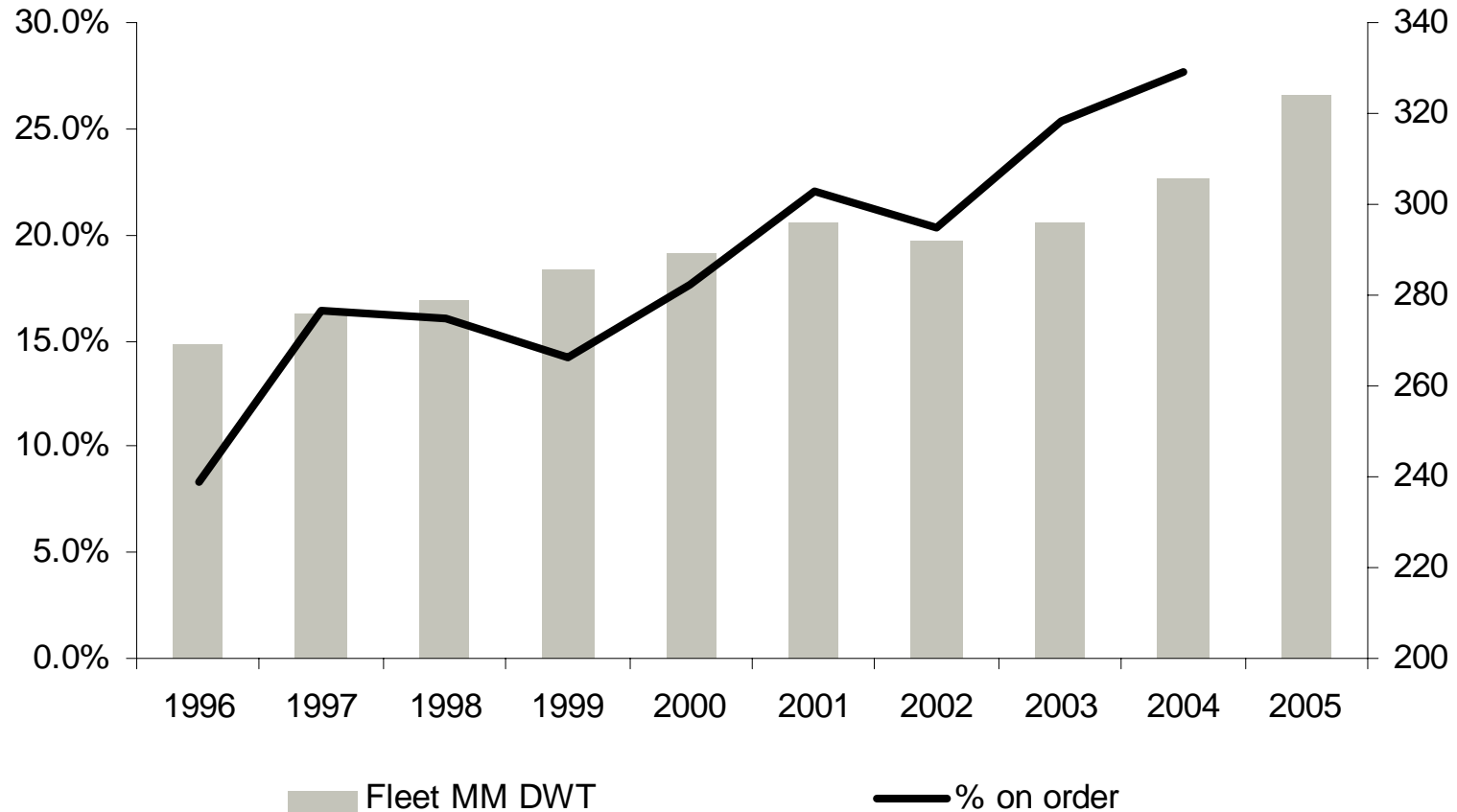
Source: Nikko Citigroup Limited.

Dry Bulk Orderbook vs. Fleet Size Evolution, 1975-2006(F)



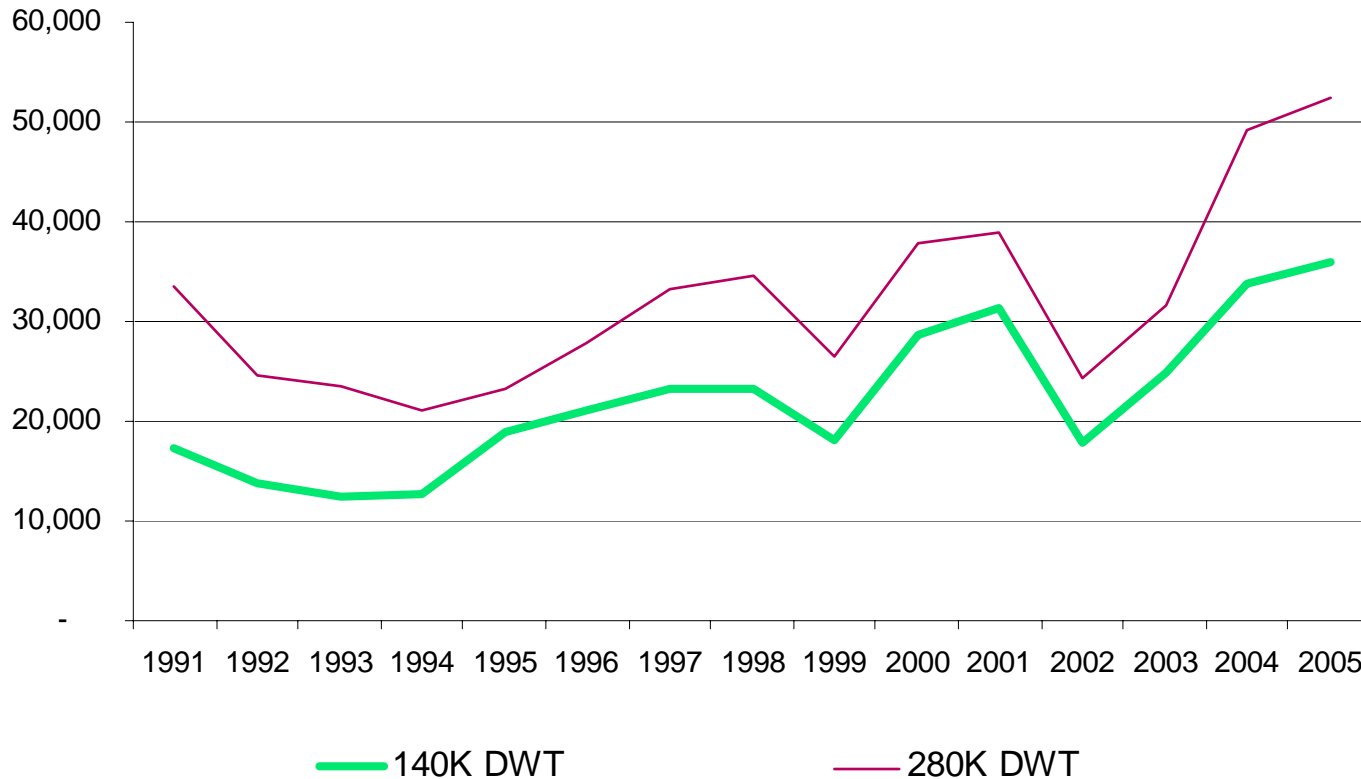
Source: Clarksons

Tankers Orderbook vs. Fleet Size Evolution, 1996-2005

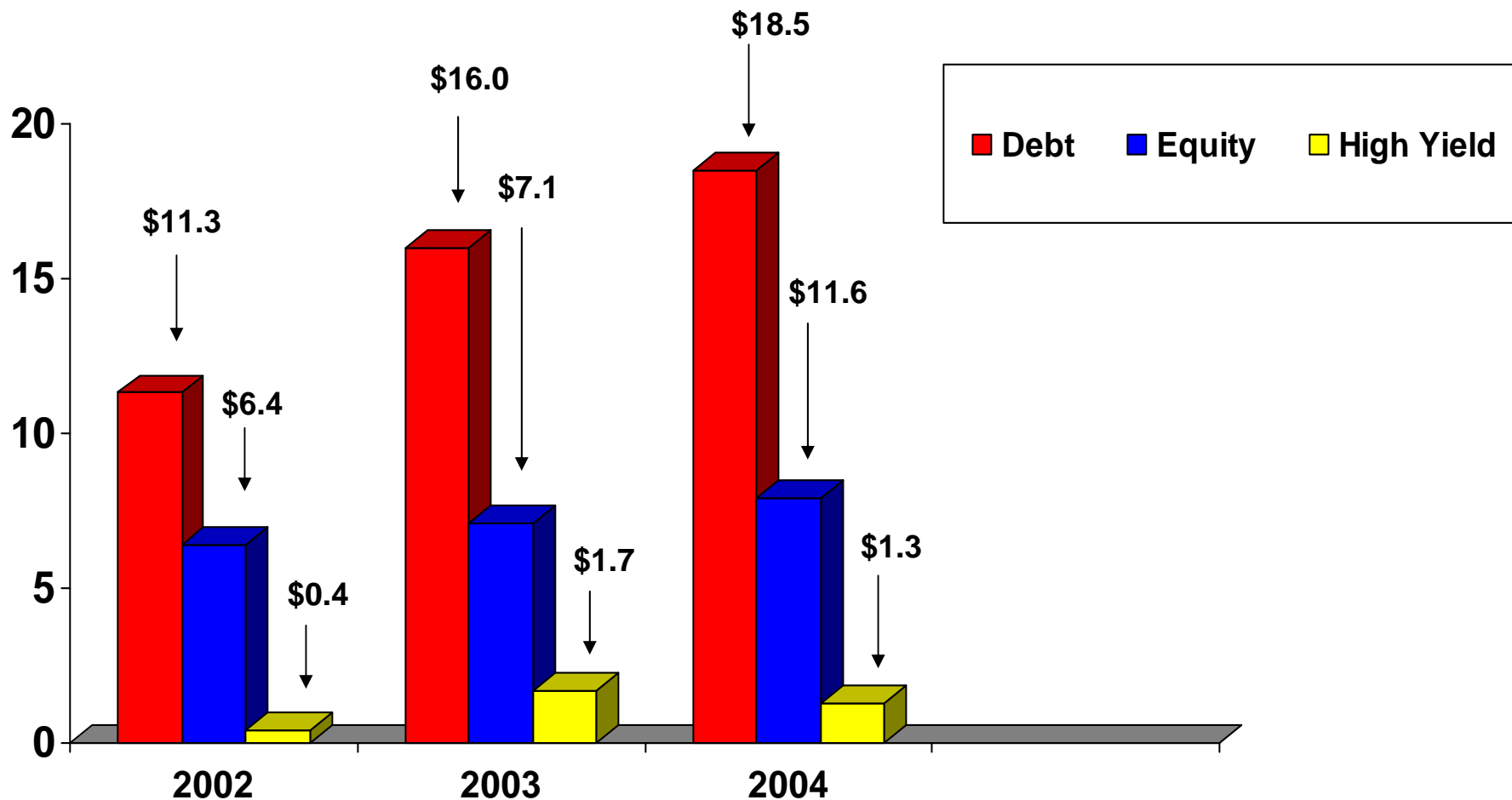


Source: Clarksons

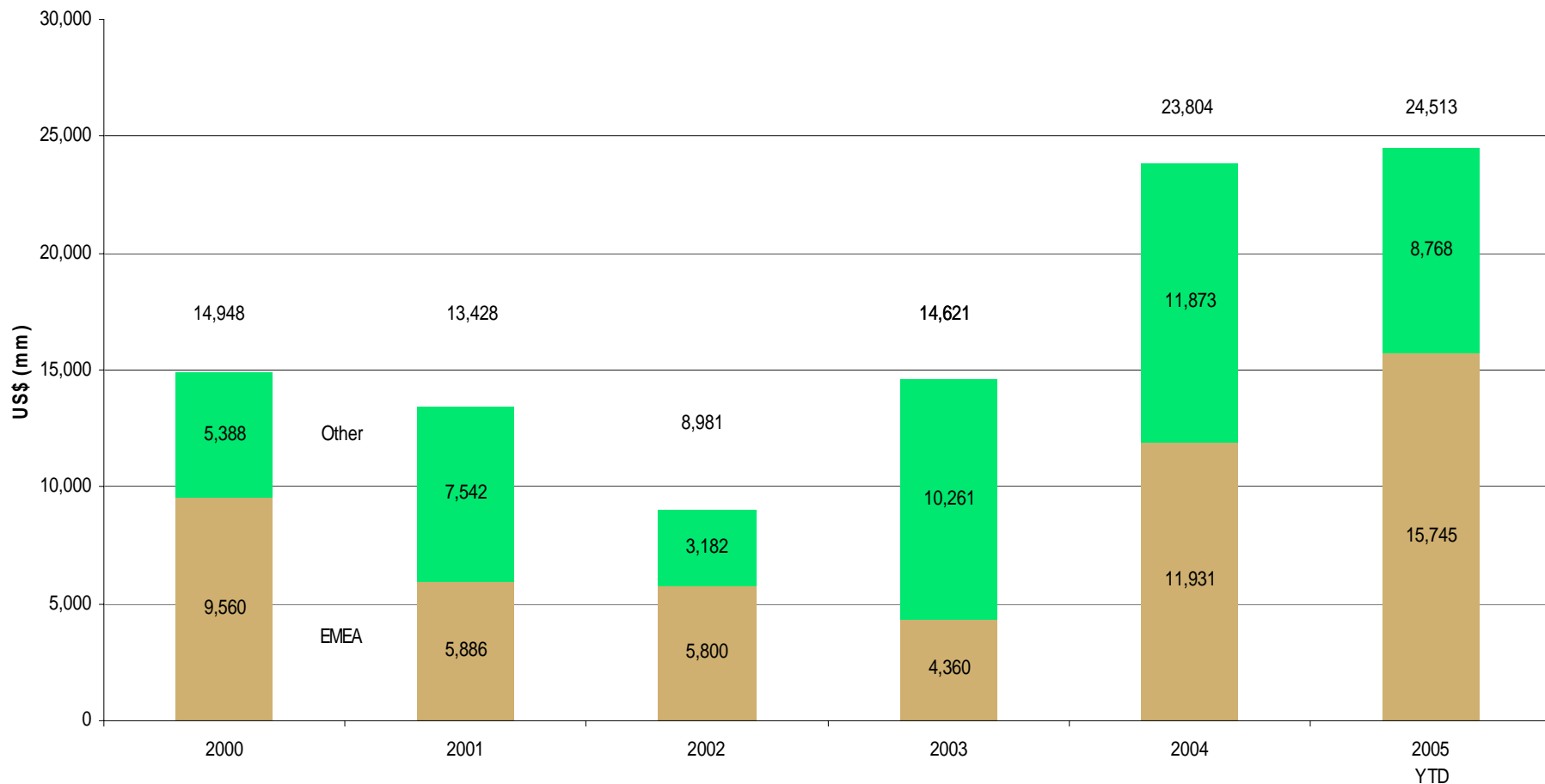
Average Annual Tanker Freight Rates: US\$ per day



Global Syndicated Shipping Loans, High Yield and Public Equity



Global Shipping Syndicated Loans



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(A BETTER NIGHT'S SLEEP)

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Threats and Challenges

(A BETTER NIGHT'S SLEEP)

- **Regulation**
 - Better but not perfect
 - Will increase
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(A BETTER NIGHT'S SLEEP)

- **Regulation**
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- **Transparency**
 - Physical
 - Financial
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Threats and Challenges

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 - Financial
- **Transparency**
 - Physical
 - Financial
- **Congestion**
 - Physical Barriers
 - Self-Control
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- **Transparency**
 - Physical
 - Financial
- **Congestion**
 - Physical Barriers
 - Self-Control
- **Globalisation**
 - A different World
 - A different Industry