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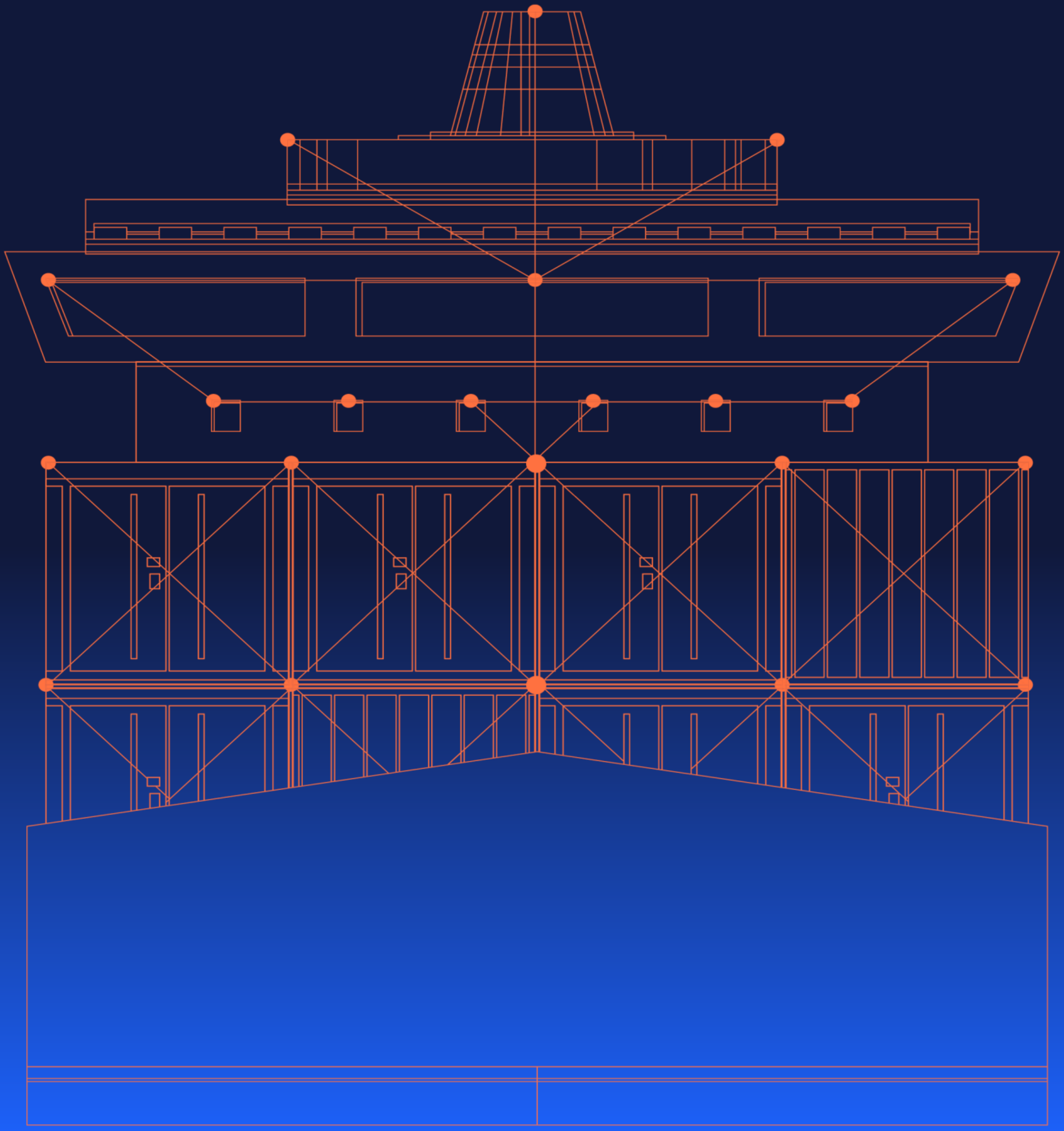
XSI® PUBLIC INDICES

OCEAN FREIGHT | April 2020

Long-Term Contracted Market



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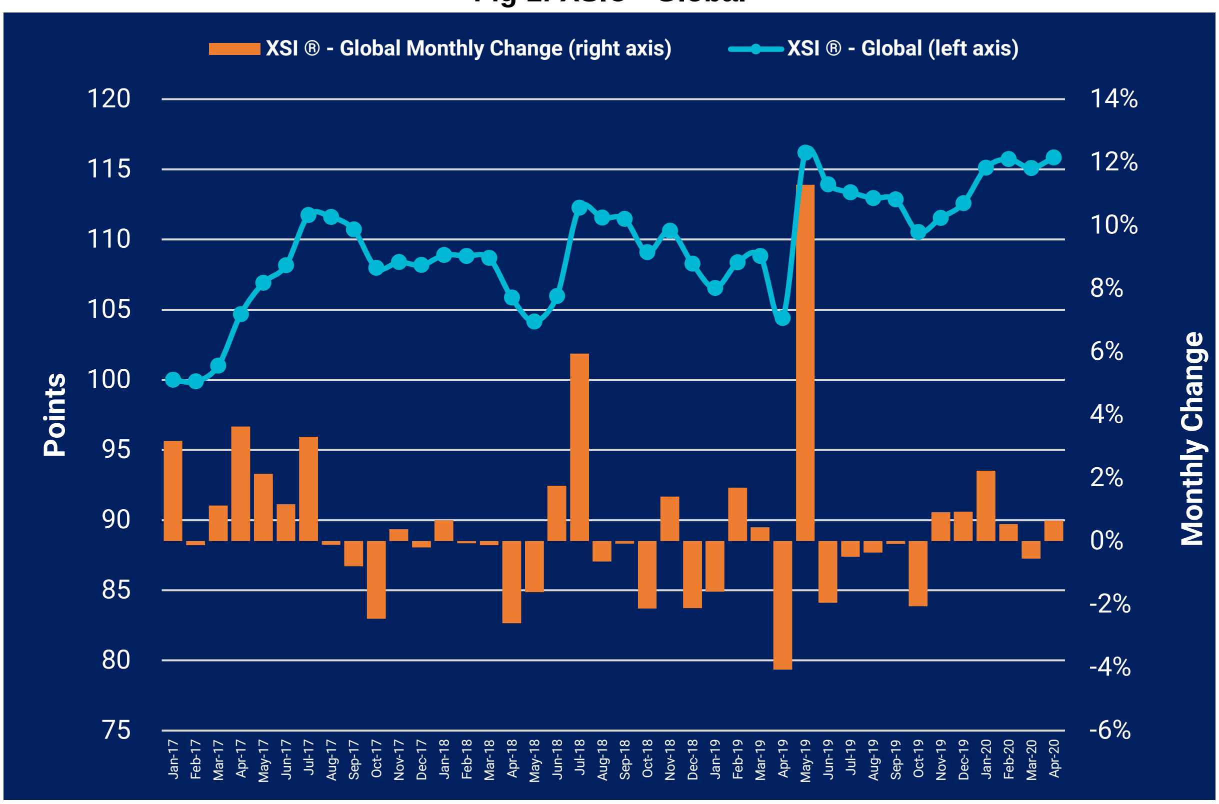
XSI® - Apr 2020

XSI® - Global

The global XSI® increased by 0.7% in Apr-20 to 115.84 points, thereby reversing the decline of 0.5% reported in the previous month. The benchmark has been successful in maintaining its upward trend, which started in the final quarter of 2019, with the index now 4.8% higher than in Oct-19. Since the end of 2019, it has increased by 2.9% and it is 11.0% higher than Apr-19.

With the global economy in turmoil and a glut of supply in the market, the price of a barrel of oil has sunk to historic lows, placing pressure on carriers to cancel or at least amend their bunker surcharges. Carriers implemented IMO 2020 surcharges at the end of 2019 to recover the costs associated with the higher-priced fuel. However, since these were introduced the cost of low-Sulphur fuel oil (LSFO) at Rotterdam has fallen by around a third. With these savings yet to be passed on, skeptical shippers may again question whether such surcharges are revenue generating, rather than a legitimate attempt to cover increased costs. In further signs we are in unprecedented times, carriers have been sending backhaul voyages on the Far East-Europe trade via the Cape of Good Hope, a tactic not used since 2016 when a combination of low rates and a collapse in oil pushed carriers to exhaust all available options. Not only will the tactic remove capacity due to longer transit times, but it will also enable carriers to avoid paying hefty Suez Canal tolls.

Fig 1: XSI® - Global



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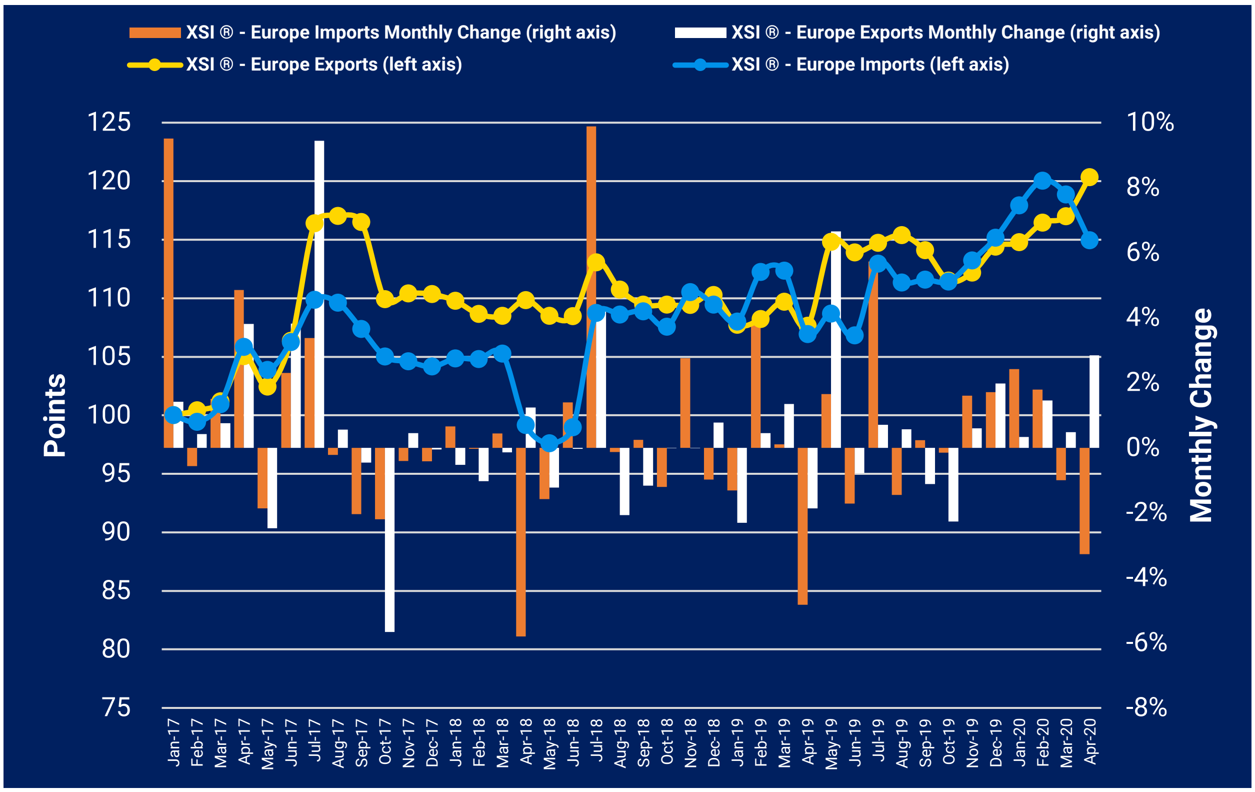
XSI® - Europe Imports / Exports

Imports on the European XSI® have continued to slide from the all-time high reported in Feb-20. In Apr-20 the index declined by 3.3% to 114.95, ensuring the benchmark is just 0.2% higher than at the end of 2019. Despite the month-on-month decline, it remains up 7.5% compared to the equivalent period of last year. Developments in European exports were more positive, with the index increasing by 2.8% in Apr-20 to 120.34 points. The benchmark has been steadily rising since Oct-19 and is up 5.2% compared to the end of 2019 and is 11.8% higher than Apr-19.

With demand in the doldrums and spot rates down substantially since the start of the year, carriers have been aggressively withdrawing capacity from the market, leaving shippers with the unenviable task of trying to keep up with announcements. Whilst the short-term outlook remains bleak, the measures taken by carriers have ensured there is still a long way to go before spot rates on the key Far-East-Europe trade reach the lows recorded back in 2016. However, with the price of fuel at record lows, going forward carriers may be more inclined to discount rates if this can help with vessel utilization.

Fig 2: XSI® - Europe Imports / Exports

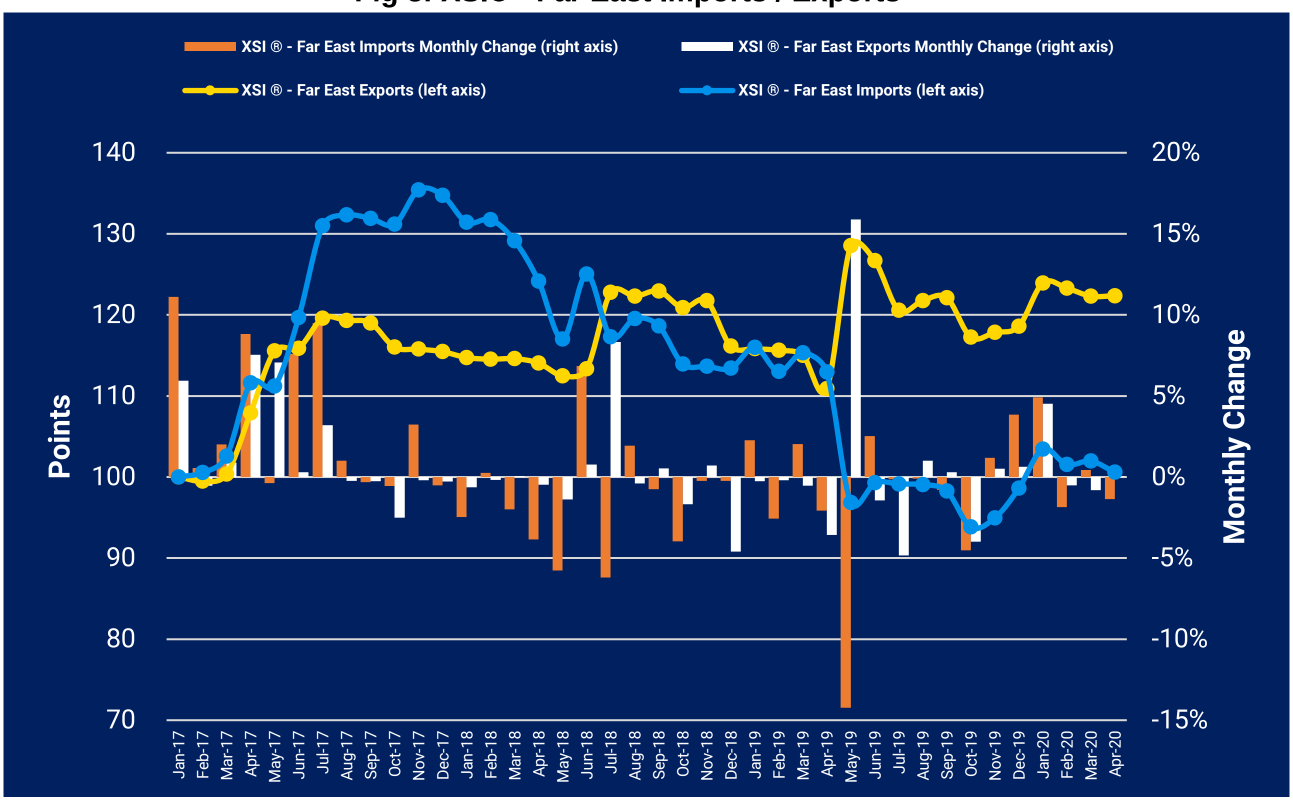


XSI® - Far East Imports / Exports

Far East imports on the XSI® fell by 1.4% in Apr-20 to 100.57 points, negating the small increase reported in the previous month. Compared to the same period of 2019 the benchmark is 10.9% lower but has increased by 2.0% since Dec-19. Meanwhile, exports remained virtually unchanged in April at 122.35. Unlike imports on the trade, the exports index is 10.3% higher than Apr-19 and has increased by 3.2% since the end of 2019.

In South Korea, the government has taken measures to shore up the country's key industries by announcing a huge USD 33bn relief package, with more than USD 1bn earmarked for the shipping sector. HMM is set to receive USD 376 million in state aid, with the Korea Development Bank and the Korea Ocean Business Corp repaying the carrier's maturing debts. Commenting on the move, oceans minister Moon Seong-hyeok said: "As it takes time for the global economic slowdown to affect the sales of shipping firms, the damage will get bigger from the second quarter," and therefore the ministry will provide preemptive support to help minimize the damage. The announcement almost immediately follows the unveiling of the 23,964 TEU HMM Algeciras that is just one of 12 huge, record-breaking boxships being delivered to HMM over the coming months. Whilst the short-term liquidity injection should provide some much needed reassurance, questions should be raised as to whether the market needs more ultra-large tonnage when in commoditized trades individual carriers have limited control of their revenue and are seemingly unsustainable without state intervention.

Fig 3: XSI® - Far East Imports / Exports

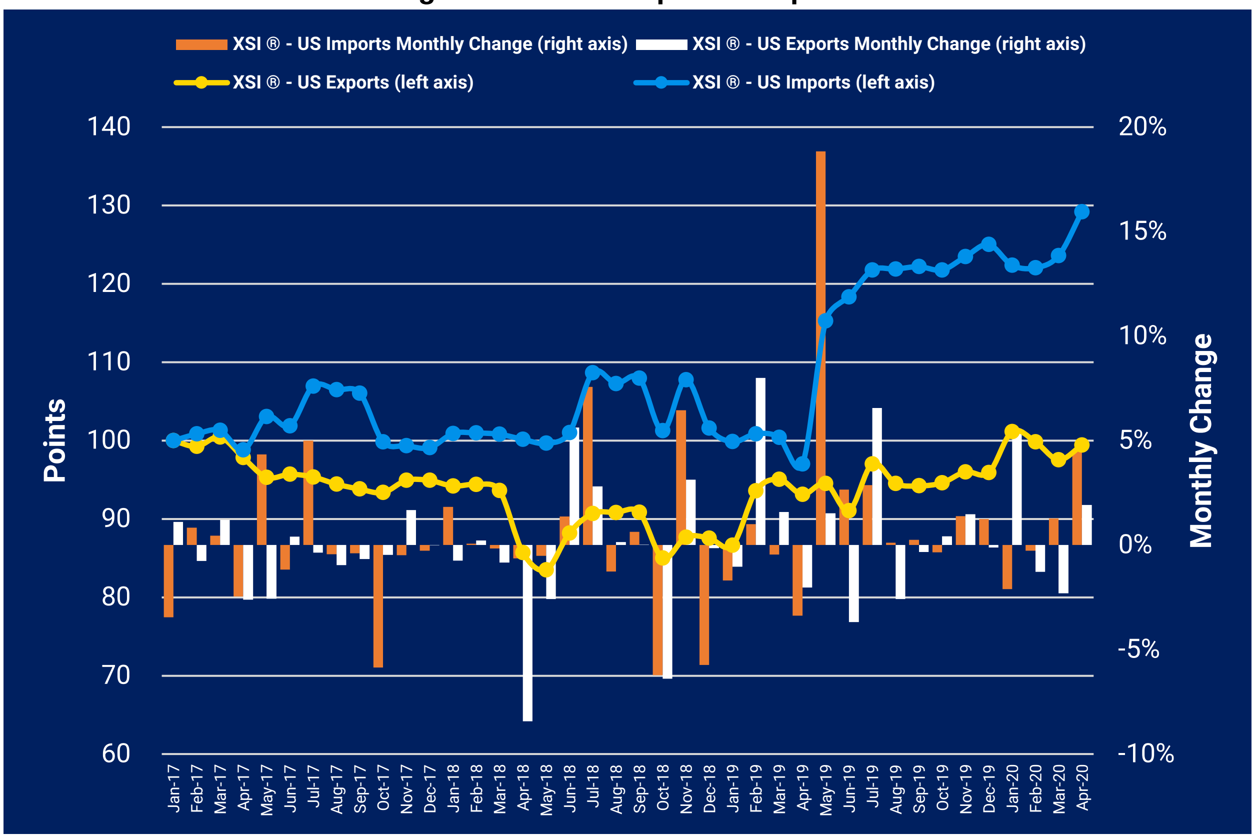


XSI® - US Imports / Exports

US imports on the XSI® have continued to climb, increasing by 4.5% in Apr-20 to 129.20 points. The index is now 33.2% higher than the same period of 2019 and has increased by 3.3% since Dec-19. US exports also rose in Apr-20, jumping by 1.9% month-on-month to 99.42. The exports benchmark is 6.8% higher than Apr-19 and has risen by 3.7% since the end of last year.

In signs that trade has been hit hard by the global pandemic, import volume at the largest US ports declined by more than 10% in March. However, spot rates on the Far East - USWC and the Far East - USEC trade have been surprisingly resilient. Whether this will continue will depend on how disciplined carriers will be or whether lines begin to break ranks and chase market share at the expense of rate erosion.

Fig 4: XSI® - US Imports / Exports



XSI® Public Indices Report METHODOLOGY

- Rates delivered from freight forwarders and shippers
- Based on long-term contracts only
- Rates pulled from Xeneta's ocean freight platform of +200MN contracted rates
- Indices based on an aggregation of trade-weighted corridors
- Indices rates surcharges are based on all-in CY/CY pricing methodology
- Global index is a combination of worldwide trade-weighted corridors not limited to US, Europe and Far East indices

DISCLAIMER

The monthly XSI® Public Indices report is meant to give an indication of the global market movements for the long-term contract market in the container shipping industry focusing on the biggest regions in the world.

Xeneta does not recommend price setting on this market report as it is based on an aggregation of trade-weighted uncorrelated corridors. If you are interested in index-based contracting, we recommend our XSI® index-linked contracting product. For more information, please contact us via www.xeneta.com.

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NOTE: The XSI® public indices reports are based on long-term contracts only.